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### Audit and Procurement Committee

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**Time and Date**

2.30 pm on Monday, 25th November 2024

**Place**

Diamond Rooms 1 and 2 - Council House, Coventry

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**Public Business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)  
To agree the minutes of the meeting held on 30<sup>th</sup> September 2024
4. **2023/24 External Audit Plan and Related Audit Reports** (Pages 11 - 118)  
Report of the Director of Finance and Resources
5. **External Audit Documentation Relating to the Council's 2020/21, 2021/22 and 2022/23 Statutory Accounts** (Pages 119 - 182)  
Report of the Director of Finance and Resources
6. **Annual Compliance Report 2023 - Regulatory & Investigatory Powers Act (RIPA) 2000** (Pages 183 - 190)  
Report of the Director of Law and Governance
7. **Internal Audit Plan 2024-25 - Half Year Progress Report** (Pages 191 - 204)  
Report of the Director of Finance and Resources
8. **Treasury Management Update 2024-25 - Half Year Progress Report** (Pages 205 - 216)  
Report of the Director of Finance and Resources
9. **Outstanding Issues** (Pages 217 - 222)  
Report of the Director of Law and Governance

10. **Work Programme 2024/2025** (Pages 223 - 224)  
Report of the Director of Law and Governance
11. **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, 15 November 2024

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

**Membership:**

Councillors M Ali, J Blundell, A Hopkins, A Jobbar, R Lakha (Chair), P Male and B Singh (Deputy Chair)

By invitation: Councillor R Brown – Cabinet Member for Finance and Resources

**Public Access**

Any member of the public who would like to attend the meeting in person is encouraged to contact the officer below in advance of the meeting regarding arrangements for public attendance. A guide to attending public meeting can be found here: <https://www.coventry.gov.uk/publicAttendanceMeetings>

**Michelle Salmon, Governance Services**

**E-mail: [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)**

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at**  
**2.30 pm on Monday, 30 September 2024**

Present:

Members:                   Councillor R Lakha (Chair)  
                                  Councillor M Ali  
                                  Councillor J Blundell  
                                  Councillor R Brown  
                                  Councillor A Hopkins  
                                  Councillor A Jobbar

Employees (by Service area):

Finance and Resources    B Hastie (Director of Finance and Resources), P Helm,  
                                  R Martin, T Pinks, K Tyler

Law and Governance      R Amor, R Aremu, L Knight

Apologies:                Councillors P Male and B Singh

## **Public Business**

### **21.     Declarations of Interest**

There were no disclosable pecuniary interests.

### **22.     Minutes of Previous Meeting**

The minutes of the meeting held on 22<sup>nd</sup> July 2024 were agreed and signed as a true record.

Further to Minute 14/24, the Chair advised the Panel that, following the request for the names of the two major planning sites referred to during consideration of the Revenue and Capital Outturn 2023/24 report, an email had been circulated to all members setting out this information.

Additionally, although not linked to the minutes of the previous meeting, the Chair also took the opportunity to highlight a number of further issues, as detailed below:

- The construction company ISG had gone into administration. If this was likely to impact upon the Council, a report would be submitted to the appropriate body in due course.
- A link to the published Statement of Accounts that had been outstanding had been circulated to Committee Members.
- An email had been received from the External Auditors, Grant Thornton, indicating that the current accounts had not yet been finalised and that investigations were being made in respect of some best value matters.

23. **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 31 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.

24. **2024-25 First Quarter Financial Monitoring Report (to June 2024)**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources (Section 151 Officer), which set out the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2024.

The report had previously been considered by the Cabinet at its meeting on 27<sup>th</sup> August 2024 (their minute 18/24 referred).

The net revenue forecast position after management action was for spend in 2024/25 of £7.1m over budget. Whilst not a wholly comparable position, at the same point in 2023/24, there was also a projected overspend of £12.1m.

The report indicated that the Council continues to face budget pressures within both Adults and Children's social care, Housing, and City Services. Other overspends are also being reported in Property Services and Business Investment and Culture. These financial pressures are being caused by a combination of legacy inflation impacts, continued service demand, complexity, market conditions, and income shortfalls due to the economic climate.

The Council's position above includes a significant number of one-off actions that have been applied to reduce the overspend. Recognising that the underlying position is significantly higher, further urgent action is being assessed to address the pressure to prevent the 2025/26 position increasing to unmanageable levels.

The Council's capital spending is projected to be £193.3m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city. Although prevailing inflation rates look to be stabilizing, legacy inflationary pressures continue to affect capital projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started will 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, has renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This will be a priority across all services as the Council develops its future budget plans in the coming months.

The revenue budgets and forecast positions analysed by service area were detailed in the report, together with details of movement in the capital budget. The report also outlined the Treasury Management position and the Commercial Investment Strategy.

With regard to the implementation of the charges for garden waste, the Committee sought clarification on what market research had been done to establish the income figure set out in the budget. It was indicated that the figure had been based upon what other local authorities had experienced when implementing charging. The report identified that the take up for garden waste collection had gone well and predictions were looking positive.

In respect of the Cultural Gateway, clarification was sought as to whether Coventry's financial commitment was a part of the overall costs as this was a partnership. It was confirmed that, including Coventry, there are 5 partners. However, Coventry is the owner of the building, which was one of the risks identified at the outset. It was further confirmed that the occupiers will be paying rent to the Council.

It was noted that there were a number of marked variances to the set budget and the Committee highlighted that there was now showing a deficit of £100k against St Mary's Guildhall, and sought to establish whether this related to the capital works that have taken place or ongoing costs. The Committee were advised that the deficit related to the running costs.

Additionally, the Committee requested details of how the Godiva Festival is funded and were advised that in terms of the Council's budgets, a sum of money was set aside to subsidise the Festival, but that the income for the event would also contribute to the funding.

**RESOLVED that the Audit and Procurement Committee notes the content of the report and confirms that it has no recommendations for the Cabinet.**

## 25. **Whistleblowing Annual Report 2023-2024**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources which provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2023-24 along with the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

The report indicated that Whistleblowing is the making of a protected disclosure as found in Part IVA of the Employment Rights Act 1996 (and as amended by the Public Interest Disclosure Act 1998) and is reflected in the Council's Whistleblowing Policy 2017. This qualifies employees (including agency workers) for legal protection against detriment or unfair dismissal if they make a disclosure in the public interest. To qualify, the disclosure must also fall within one of the following grounds:

- A criminal offence
- Breach of any legal obligation

- Miscarriages of justice
- Danger to health and safety
- Damage to the environment
- The deliberate concealing of information about any of the above

The Council's Whistleblowing Policy makes it clear that all concerns raised about actual or potential misconduct or wrongdoing in the Council are taken seriously. For matters relating to fraud and corruption, these are considered by the Chief Internal Auditor. All other concerns which fall under one of the grounds listed above are considered by the Council's Monitoring Officer.

The report provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2023-24 and the Council's response to the issues 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 whistleblowing and the fraud and corruption strategy".

In order to protect the confidentiality of whistleblowers and other parties involved, no information is included in this report that could lead to the identification of a whistleblower or the subject of the whistleblowing or compromise the confidentiality of an on-going investigation.

During 2023-24, the Council received eleven whistleblowing disclosures. Of these, three were made by a third party and as such, the legal protection afforded to employees who raise concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and consequently have made every reasonable effort to protect all individuals under the whistleblowing process.

Action had also been taken during the year to review the Council's "I have a concern" intranet page and promote it across the Council.

A summary of the disclosures made by type and service area was provided in a Table in the report. Whilst all concerns are taken seriously, the responses will differ on a case-by-case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2023-24 were provided in a further table.

**RESOLVED that, the Audit and Procurement Committee notes the summary of whistleblowing concerns raised during 2023-24 and confirms its satisfaction with the actions taken to respond to the issues raised.**

## 26. **Annual Governance Statement 2023-2024**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that provided details of the results of the annual review of effectiveness of the Council's governance arrangements and sought approval for

the Annual Governance Statement, which formed part of the Statement of Accounts for 2023-24.

Coventry City Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the City Council was responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. To demonstrate such arrangements, the City Council had adopted a Local Code of Corporate Governance, which was consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government' (2016).

The Annual Governance Statement ('AGS') explained how Coventry City Council had complied with the Code and in doing so, reflected the requirements of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, which required all relevant bodies to conduct a review of the effectiveness of its system of governance and prepare an Annual Governance Statement. The AGS also detailed key governance / control issues that the Council faced in the coming year.

The AGS was normally presented to Audit Committee in June / July each year to meet the deadline for publication specified in the Accounts and Audit Regulations. Whilst the accounts for 2023-24 had not yet been finalised, the draft statement of accounts for 2020-21, 2021-22 and 2022-23 have been published. As such it was felt appropriate to present the AGS for 2022-23 at this time.

Whilst processes were in place to monitor key elements of the governance framework through-out the year, for example through the work of Internal Audit, the Corporate Governance Steering Board and the Council's Audit and Procurement Committee, an annual review was also undertaken as part of the production of the AGS for the year. The purpose of the review was to provide assurance that the arrangements set out in the Local Code of Corporate Governance continued to be fit for purpose and identified key governance issues for the forthcoming year. The annual review considered information from a number of sources with the outcomes reviewed and agreed by the Corporate Governance Steering Board and Leadership Team.

Based on the outcomes of the review, the overall opinion that had been reached was that reasonable assurance could be provided that the Council's governance arrangements continued to be regarded as fit for purpose in accordance with the governance framework. The basis of this opinion, including the key findings from the review, were set out in the report.

An update on the progress against planned actions in relation to the issues raised in the 2022-23 AGS was provided in section 5.1 of the Statement, attached at Appendix One.

18 new issues had been identified for the Annual Governance Statement, these were also detailed in section 5.2 of the Statement, attached at Appendix One, along with the actions the Council planned to take (or had taken) in 2024-25 in

relation to these issues. These issues were identified as part of the review undertaken to support the production of the AGS as detailed in section 2.1 of the report.

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

- 1) In considering the findings of the review of effectiveness of the Council's governance arrangements, confirms its satisfaction with the level of assurance provided that arrangements are fit for purpose.**
- 2) In considering the Annual Governance Statement, attached as Appendix One to the report, approves the Statement which will accompany the 2023-24 Statement of Accounts.**

**27. 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. It was agreed on 18<sup>th</sup> March 2024, that the Audit and Procurement Committee would receive the Corporate Risk Register twice a year in line with the Grant Thornton value for money report.

The Corporate Risk Register should identify the risk that threaten the successful implementation of the One Coventry Plan.

The Committee noted that the Corporate Risk Register at Appendix 1 to the report has been reviewed in consultation with the Leadership Board and the allocated Risk Owner. It identifies 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. In addition, a further column has been added identifying what the risk score was when the Committee last received a report in March 2024.

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

Risks added:

- Risk 37 – Inadequate database systems in Regulatory Services.
- Risk 38 – Impact of the Illegal Migration Act 2023 on Coventry.

Risks Removed:

- Risk 29 – The continued implementation of the Elections Act



The following residual risk score had had decreased:

- Risk 36 – Managing any loss of reputation and public trust.

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

- Risk 22 – Childrens Services workforce stability.

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

- 1) **Notes the current Corporate Risk Register, indicating that they had satisfied themselves that corporate risks were being identified and managed.**
- 2) **Confirms that they have not identified any areas where they require additional information.**
- 3) **Approves the bringing of a further risk management report to the Audit and Procurement Committee in March 2025.**

(NOTE: The Committee were advised that Roger Martin was attending his final meeting prior to leaving the authority. The Committee thanked Roger for his work and wished him well for the future.)

## 28. **Outstanding Issues**

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

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

Appendix 2 of the report provided details of an item where information had been requested outside the formal meeting.

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

## 29. **Work Programme 2024-2025**

The Audit and Procurement Committee considered a report of the Director of Law and Governance that detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2024/2025.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2024/2025.**

30. **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.

31. **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 18<sup>th</sup> March 2024. 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 42 reports and the Procurement Board 31 reports.

In addition, there had been a total of 73 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.

**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.**

32. **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 3.45 pm)



Coventry City Council

## Public report

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Audit and Procurement Committee

25<sup>th</sup> November 2024

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

**Director Approving Submission of the report:**

Director of Finance and Resources (Section 151 Officer)

**Ward(s) affected:**

City Wide

**Title:**

2023/24 External Audit Plan and Related Audit Reports

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to request that the Audit & Procurement Committee note the 2023/24 External Audit Plan (Appendix 1 to the report) provided by the Council's external auditor, Grant Thornton, together with the related 'Informing the risk assessment' report, and the 2023/24 IT Audit Report.

The Audit Plan provides details of the planned scope and timing of the audit of the Council's accounts. As the focus of the audit is risk based, Grant Thornton have been liaising with the Council's management to update their understanding of the nature of risks that could impact on the audit plan. The findings from this work are detailed in the 'Informing the risk assessment' report (Appendix 2 to the report). The auditors will design an audit programme that is tailored to address the risks and circumstances at Coventry City Council.

In support of the audit of the accounts, Grant Thornton have reviewed the controls in place for the Council's key financial systems. The outcome from this work is detailed in the '2023/24 IT audit findings' report (Appendix 3 to the report). Although there were some areas for improvement identified, there were no significant deficiencies in IT controls relevant to the audit of financial statements.

**Recommendations:**

**Audit and Procurement Committee is recommended:**

- 1) To note the details presented in the 2023/24 Audit Plan.
- 2) To note the findings detailed in the 'Informing the audit risk assessment – 2023/24' report.
- 3) To note the findings detailed in the '2023/24 IT audit findings' report.

**List of Appendices included:**

Appendix 1 – 2023/24 External Audit Plan  
Appendix 2 – Informing the audit risk assessment – 2023/24  
Appendix 3 – 2023/24 IT Audit

**Background Papers**

None

**Other useful documents:**

None

**Has it been or will it be considered by Scrutiny?**

The Audit and Procurement Committee will consider the Statement.

**Has it been 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: 2023/24 External Audit Plan and Related Audit Reports**

### **1. Context (or background)**

- 1.1. The purpose of this report is to request that the Audit & Procurement Committee note the 2023/24 External Audit Plan (Appendix 1 to the report) provided by the Council's external auditor, Grant Thornton, together with the related 'Informing the risk assessment' report and the IT audit 2023/24 report.
- 1.2. The Audit Plan provides details of the planned scope and timing of the audit of the Council's accounts. As the focus of the audit is risk based, Grant Thornton have been liaising with the Council's management to update their understanding of the nature of risks that could impact on the audit plan. The findings from this work are detailed in the 'Informing the risk assessment' report (Appendix 2 to the report).
- 1.3. The auditors will design an audit programme that is tailored to address the risks and circumstances at Coventry City Council. The key risks identified in the Audit Plan are:
  - Management override of controls
  - Valuation of land and buildings, and investment properties.
  - Valuation of the pension net asset/liability.
  - Accounting for the Group and the valuation of long-term investments.
  - Liabilities for equal pay claims
- 1.4. In support of the audit of the accounts, Grant Thornton have reviewed the controls in place for the Council's key financial systems. The outcome from this work is detailed in the '2023/24 IT audit findings' report (Appendix 3 to the report). Although there were some areas for improvement identified, there were no significant deficiencies in IT controls relevant to the audit of financial statements.
- 1.5. In September 2024, the Government passed legislation designed to address the backlog in the completion of local authority accounts. This legislation specified deadlines for the completion of audit work for particular financial years. In the event of uncompleted audits by the specific deadlines, auditors would be required to issue either qualified opinions or disclaimers, as appropriate.
- 1.6. Primarily due to delays in the publishing of the audited 2019/20 accounts, the audit of the Council's 2020/21 accounts has not been completed and the audit of the 2021/22 and 2022/23 accounts has not begun. As the deadline for publishing of the audited accounts in relation to these years has been set as 13th December 2024, there is not sufficient time to carry out the audit of these years, and the external auditor will be issuing disclaimed opinions for these years.
- 1.7. As a result, the audit of the 2023/24 accounts will also need to be adapted to reflect the fact that the Council's 2022/23 accounts have not been audited, so reliance cannot be placed on brought forward balances. The deadline for the publishing of the audited 2023/24 accounts has been set as 28th February 2025.

## **2. Options considered and recommended proposal**

- 2.1. A decision not to agree to these recommendations would result delaying the audit of the Council's 2023/24 statutory accounts.

## **3. Results of Consultation Undertaken**

- 3.1. None

## **4. Timetable for implementing this decision**

- 4.1. The external auditor, Grant Thornton, will begin the main work on the Council's 2023/24 Statement of Accounts in early December 2024, following the publication of the draft accounts on the Council's website.

## **5. Comments from the Director of Finance and Resources (section 151 Officer) and the Director of Law and Governance**

### **5.1. Financial Implications**

Were the recommendations proposed in this report not accepted this would delay the start of the audit and result in additional work for the Council's officers and the external auditor. It is likely that this would increase audit costs.

### **5.2. Legal Implications**

On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for financial statements up to and including 2023/24 by 28 February 2025.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the One Coventry Plan?**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

N/A

### **6.2 How is risk being managed?**

N/a

### **6.3 What is the impact on the organisation?**

It remains important for the Council to ensure timely and accurate reporting of the Council's financial position.

### **6.4 Equalities / EIA**

No impact

**6.5 Implications for (or impact on) Climate Change and the environment**

No impact

**6.6 Implications for partner organisations?**

No impact

**Report author:**

**Name and job title:**

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Finance Manager (Corporate Finance)

**Service Area:**

Finance and Resources

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Enquiries should be directed to the above person.

<b>Contributor/ approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	12/11/24	13/11/24
Karen Tyler	Chief Internal Auditor	Finance and Resources	12/11/24	15/11/24
<b>Names of approvers for submission:</b> (Officers and Members)				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	12/11/24	15/11/24
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	12/11/24	15/11/24
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	12/11/24	14/11/24

This report is published on the council's website: [www.coventry.gov.uk/council-meetings](http://www.coventry.gov.uk/council-meetings)



# Coventry City Council audit plan

Year ending 31 March 2024

Coventry City Council

7 November 2024



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## Your key Grant Thornton team members are:

### Andrew Smith

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Key matters

## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

# Key matters - continued

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## Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#) This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024.

As you are aware, we have not yet signed the accounts audits for the years 2020/21, 2021/22, or 2022/23. This delay is due to complexities and errors in the draft 2019/20 accounts, particularly regarding property, plant, and equipment valuations, as well as group accounting. These issues resulted in significant delays in completing the 2019/20 audit and had a consequential impact on the draft 2020/21 accounts. As a result, a the draft 2020/21 accounts were not certified for issue until 28 March 2024. Subsequently, the draft accounts for 2021/22 were certified for issue on 9 August 2024, and the draft accounts for 2022/23 on 12 September 2024.

It is important to note that our review of the Council's arrangements for securing value for money over this period is up to date. We issued our 2022/23 Interim Auditor's Annual Report on Coventry City Council in March 2024.

On 4 September 2024, we wrote to the Chair of the Audit and Procurement Committee to agree that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. As a consequence of this, the authority's accounts for years up to 2022/23 have been backstopped and a disclaimer of opinion will be issued by 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

# Key matters - continued

## Government proposals around the backstop

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we will focus your audit on the following areas in advance of the backstop date.

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, including the opening cash position as at 1 April 2023

We will continue the process of recovery during 2024/25 and ongoing years.

# Key matters - continued

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## Group audit

The Council's group is becoming increasingly complex and the structure and components of the group have changed significantly since the last year of audit in 2019/20. Refer to pages 10 and 20.

As discussed on page 4, the 2019/20 audit was delayed partly due to significant issues with accounting for the group. This is therefore a significant risk area for the audit. Refer to page 18.

As an additional development since our 2019/20 audit, the Financial Reporting Council's Revised Ethical Standard 2019 became effective from 15 March 2020 and has implications on the reliance we, as group auditors, are able to place on the audit work carried out by the auditors of the group's companies (the component auditors). The Ethical Standard contains certain additional requirements or prohibitions that apply only in the case for public interest entities (PIEs).

As a PIE engagement, our audit of Coventry City Council and group is affected by these standards. In practice, this means that due to the non-audit services provided by the component auditors to the companies of the group, we are no longer able to place reliance on their work. Instead, for the duration of time that the prohibited services are being provided, we must carry out our own audit procedures on areas that fall within the scope of the group audit. These procedures are detailed on pages 20-26.

## Equal Pay Claims

The Council has received claims in respect of Equal Pay. Due to the process being currently at an early stage, it is management's view that there is no reliable assessment of the validity, potential success or value of any claims at this stage.

However, equal pay claims can have a highly material impact on a Council's expenditure and balance sheet.

As such we have recognised a risk of material misstatement in our audit plan for 2023/24 and designed audit procedures to address the risk - refer to page 19.

# Key matters - continued

## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance and Resources.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Procurement Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will review progress against previously agreed recommendations in response to matters identified through previous audit work.
- We will continue to provide you and your Audit and Procurement Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Procurement Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

# Key matters - continued

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## Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There are rebuttable presumed risks that revenue and expenditure may be misstated due to the improper recognition of revenue. We have rebutted these risks for 2023/24– refer to pages 13 and 14.



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Coventry City Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body.

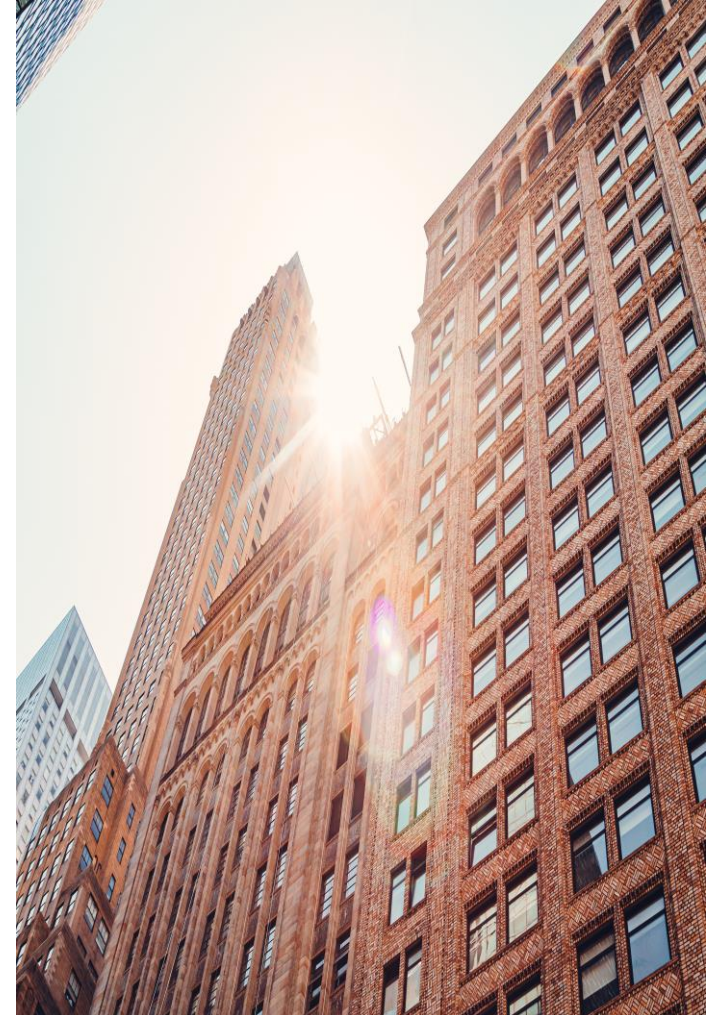
Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Coventry City Council. We draw your attention to these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Procurement Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Procurement Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

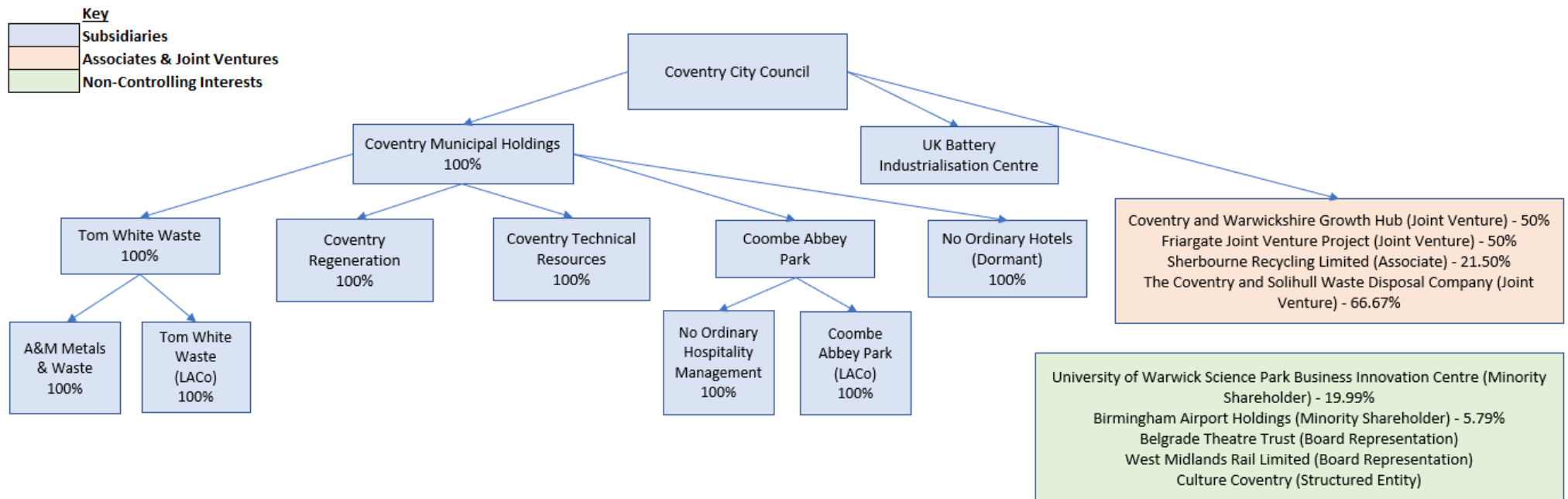


# Introduction and headlines

Page 26

## Group Audit

The Council has the following group structure:



The Council is required to prepare group financial statements that consolidate the financial information of its material subsidiaries, associates and joint ventures.

Non-controlling interests are excluded from consolidation, on the basis that the Council does not exert control or significant influence over these entities, as defined by accounting standards.

# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud in revenue recognition – presumed risk per ISA (UK) 240 – rebutted, see page 13
- Fraud in expenditure recognition – presumed risk per Public Audit Forum – Practice Note 10 – rebutted, see page 14
- Management override of controls - presumed risk per ISA (UK) 240
- Valuation of land and buildings and investment properties
- Valuation of pensions net asset/liability
- Accounting for the group and the valuation of long-term investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Other risks

Other risks identified for the 2023/24 audit:

- Liabilities for equal pay claims

# Introduction and headlines

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## Materiality

We have determined planning materiality to be £11.7m for the group and £11.0m for the Council, which equates to 1.25% of your prior year unaudited gross expenditure. We will update our materiality determination upon receipt of the draft gross expenditure total for 2023/24. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

As part of our risk assessment, we have considered the impact of having three periods of unaudited accounts 2020/21-2022/23, as well as the level and value of errors identified in the last audited accounts, 2019/20.

We are also required to set a performance materiality level. This is an amount less than materiality, for the purposes of assessing risks of material misstatement and for determining the nature, timing and extent of audit procedures. Using performance materiality reduces the probability that aggregated misstatements exceed materiality. We have determined performance materiality of £7.605m for the group and £7.150m for the Council, which equates to 65% of planning materiality.

Clearly trivial has been set at £0.585m for the group and £0.550m for the Council.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Governance- Risk of significant weakness identified for 2023/24, due to delays in publication of accounts
- Financial sustainability- Risk of significant weakness identified for 2023/24 on the underlying deficit; future deficits expected; and the adequacy of reserves available to cover budget shortfalls.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our financial statements planning visit took place in September 2024 and our final visit will commence in December 2024. Our VfM work was carried out from July to October 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £484,749, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We appreciate that if a full audit is not completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification
Presumed risk of fraud in revenue recognition ISA (UK) 240	Not applicable- risk rebutted	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Coventry Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for Coventry City Council.</p> <p>As set out on pages 20-26, there are no other individually significant components in the group, and therefore the risk is also rebutted for other group entities. Where revenues are material in other group entities, specified audit procedures will be carried out as set out on those pages.</p>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified

Page 30

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification
<p>Risk of fraud related to expenditure recognition</p> <p>Public Audit Forum- Practice Note 10</p>	Not applicable- risk rebutted	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>Having considered the expenditure streams of Coventry City Council, and on the same basis as that set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.</p> <p>As set out on pages 20-26, there are no other individually significant components in the group, and therefore the risk is also rebutted for other group entities. Where revenues are material in other group entities, specified audit procedures will be carried out as set out on those pages.</p>

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls ISA (UK) 240	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of controls - in particular through journals, group consolidation adjustments, management estimates, and transactions outside the normal course of business - as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals and group consolidation adjustments</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• test significant consolidation adjustments made to arrive at group account balances</li> <li>• gain an understanding of the accounting estimates applied and critical judgements made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified - continued

Page 32

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of land and buildings and investment properties</p>	<p>Group and Council</p>	<p>The Council revalues its land and buildings as a minimum on a rolling five-yearly basis. Interim reviews are carried out: If the value of an asset class is projected to materially change during the period since the last Code and then further valuations are instructed.</p> <p>The Council also hold a range of investment properties which comprise of commercial units, office units, agricultural assets, residential and other assets. These assets are included in the balance sheet at fair value, and the Council revalues its investment properties each year.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the balances involved (£605m land &amp; buildings; £323m investment properties as at 31 March 2023), and the sensitivity of this estimate to changes in key assumptions.</p> <p>Within the other group entities listed on pages 20-26, further material land and buildings are held. Under FRS 102, (the accounting basis on which the other group entities prepare their financial statements) these assets are held at depreciated historical cost. In preparation of the group accounts, the Council is therefore required to obtain a valuation compliant with the IFRS-based CIPFA Code and make appropriate consolidation adjustments for the asset balance and revaluation movements.</p> <p>We therefore identified valuation of land, buildings, and investment properties, particularly revaluations and impairments, as a significant risk of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuer's reports and the assumptions that underpin the valuations</li> <li>• test revaluations made during the year to see if they have been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> </ul>



# Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension net asset/liability	Group and Council	<p>The pensions net asset/liability, as reflected in the balance sheets of both the Council and group as the “net defined benefit asset/liability” represents a significant estimate in the financial statements due to the the sensitivity of the estimate to changes in key assumptions, and due to the size of the balance and remeasurements involved (£614.7m net liability at 31 March 2022 reducing to £25.2m net liability at 31 March 2023).</p> <p>For 2023/24, the Council’s actuaries have determined a net surplus on the pension fund for the first time. In this situation, further accounting consideration is required under IFRIC 14 in relation to asset ceiling caps. Refer to pages 47-48 for more detail.</p> <p>The methods applied in the calculation of the IAS19 estimate are routine and commonly applied by all actuarial firms in line with the requirements of the CIPFA Code. We have therefore concluded that there is not a significant risk of material misstatement due to methods and models used.</p> <p>The source data used by the actuary to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increases, and life expectancy) can have a significant impact on the estimated balance.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the actuarial calculation, and due to the application of IFRIC 14 for pension funds in surplus.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary’s work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of West Midlands Pension Fund (WMPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the WMPF and the fund assets valuation in the WMPF financial statements.</li> <li>• Test the accounting for the fund surplus and application of IFRIC 14.</li> </ul>

# Significant risks identified - continued

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for the Group and the valuation of Long-Term Investments	Group and Council	<p>Over recent years, the Council has increased the number and value of interests it has in associated companies. In addition to the companies listed on pages 20-26 which are assessed as forming part of the Council's group, the Council also has a material interest in Birmingham Airport Holdings Limited.</p> <p>In its single-entity accounts, the Council has elected to report the value of these long-term investments at the balance sheet date at Fair Value. This is allowable under the CIPFA Code, which permits either Fair Value accounting or historical cost accounting. The Fair Value method requires a valuation of each company at the balance sheet date. The Council instruct external experts to, in some cases, determine appropriate valuations, or in other cases, to issue an opinion on the Council's in-house determination.</p> <p>The valuation of long-term investments is considered a significant estimate due to the size of the balance involved (£122.3m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions</p> <p>For the group accounts, the Council is required to assess the level of control or significant influence it has over its company interests and apply the appropriate accounting treatment. For companies where the Council has control, these are consolidated into the group accounts line-by-line; for entities where there is joint control or significant influence, the interest is accounted for using the equity method. The Council has both types of interest.</p> <p>Group accounting has further complexities where the accounting policies and accounting frameworks are different to those of the group. This is the case for the majority of the Council's interests. The Council must apply adjustments to the financial information reported by the group entities prior to inclusion in the group accounts.</p> <p>We therefore identified valuation of the Council's long-term investments; and the accounting for the group as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter</p>	<p>To address the risk of group accounting we will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that group accounting is not materially misstated and evaluate the design of the associated controls</li> <li>• review the Council's assessment of its group boundary, that is the entities included within the Council's group accounts</li> <li>• test the consolidation adjustments made in producing the group accounts for completeness and accuracy</li> </ul> <p>To address the risk relating to the valuation of long-term investments:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the long-term investments are not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management experts for this estimate and the scope of the experts' work</li> <li>• assess the competence, capabilities and objectivity of the experts who carried out the valuations</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the experts to estimate the fair values</li> <li>• engage our own valuer to assess the instructions issued by the Council to their valuers, the scope of the Council's valuers' reports and the assumptions that underpin the valuations</li> <li>• test the consistency of the values and disclosures in the notes to the core financial statements with the valuation report from the experts</li> </ul>

# Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Liabilities for Equal Pay Claims	Group and Council	<p>Equal pay claims can have a highly material impact on a Council's expenditure and balance sheet.</p> <p>If it becomes probable that the claims will be settled in the claimant's favour a charge to revenue is made and a liability in the form of a provision is recognised on the balance sheet.</p> <p>Where there is a possibility greater than remote, but it is judged to be improbable that claims may be settled in the claimant's favour, a contingent liability disclosure is required instead.</p> <p>The Council has received claims in respect of Equal Pay. Due to the process being currently at an early stage, it's management's view that there is no reliable assessment of the validity, potential success or value of any claims at this stage.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>continue to discuss developments in relation to equal pay claims with management and the Audit and Procurement Committee</li> <li>review management's assessment of the probability of the claims being successful and the estimation of any associated liabilities</li> <li>test the basis for related accounting treatment and disclosures</li> <li>consider all relevant events up to the point of signing our audit opinion and, if significant events are identified, consider management's judgement as to whether these are adjusting events or non adjusting events.</li> </ul>

# Group audit scope and risk assessment

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In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

## Key changes within the group since the 2019/20 audit:

### New companies:

- Coventry Municipal Holdings Limited (CMH) was incorporated in October 2021. 100% of shares are owned by the Council. The following companies were brought under the CMH umbrella in November 2021: Tom White Waste Limited & group; Coombe Abbey Park Limited & group; Coventry Regeneration Limited; Coventry Technical Resources Limited; and No Ordinary Hotels Limited (dormant company).
- Tom White Waste (LACO) Limited was incorporated in October 2021 under immediate parent company Tom White Waste Limited.
- Coombe Abbey Park (LACO) Limited was incorporated in April 2021 under immediate parent company Coombe Abbey Park Limited.
- No Ordinary Hospitality Management Limited was incorporated in April 2021 under immediate parent company Coombe Abbey Park Limited.
- Sherbourne Recycling Limited was incorporated in February 2021 and is jointly owned by eight local authorities across the West Midlands. The Council has a 21.5% share.
- The Council acquired 50% shares in Coventry and Warwickshire Growth Hub Limited in November 2023, along with Warwickshire County Council.

### Company name changes:

- Coventry North Regeneration Limited became Coventry Regeneration Limited in November 2021
- North Coventry Holdings Limited became Coventry Technical Resources Limited in October 2021

# Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Coventry City Council	Yes	Audit of the financial information of the component using component materiality	Risks set out on pages 13-19 of this report.	Full scope audit performed by Grant Thornton UK LLP
UK Battery Industrialisation Centre LTD	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	None at this stage.	Specified audit procedures relating to risks of material misstatement of the group financial statements. We will confirm the specific audit procedures upon receipt of the group consolidated financial statements for 23/24.

## Audit scope

- page 37
- Audit of the financial information of the component using component materiality
  - Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
  - Review of component's financial information
  - Specified audit procedures relating to risks of material misstatement of the group financial statements
  - Analytical procedures at group level

# Group audit scope and risk assessment

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Component	Individually Significant ?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Coventry Municipal Holdings Limited (CMH)  (company only- CMH group is considered below)	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts.
Tom White Waste Limited & group  (under the CMH umbrella)	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts.

# Group audit scope and risk assessment

Component	Individually Significant ?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Coombe Abbey Park Limited & group  (under the CMH umbrella)	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	None at this stage.	Specified audit procedures relating to risks of material misstatement of the group financial statements. We will confirm the specific audit procedures upon receipt of the group consolidated financial statements for 23/24.
Coventry Regeneration Limited  (under the CMH umbrella)	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts

# Group audit scope and risk assessment

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Component	Individually Significant ?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Coventry Technical Resources Limited  (under the CMH umbrella)	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts
No Ordinary Hotels Limited (Dormant)	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts



# Group audit scope and risk assessment

Component ?	Individually Significant	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
The Coventry and Solihull Waste Disposal Company Limited	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	None at this stage.	We anticipate that we will need to perform specified audit procedures relating to risks of material misstatement of the group financial statements in relation to this entity. We will confirm whether this is the case upon receipt of the group consolidated financial statements for 23/24.
Coventry and Warwickshire Growth Hub Limited	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts

# Group audit scope and risk assessment

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Component	Individually Significant ?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Friargate JV Project Limited	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts
Sherbourne Recycling Limited	No	Analytical procedures at group level	n/a	We would usually categorise this response as 'Analytical procedures at group level.' However, we are currently evaluating the appropriateness of this categorisation due to the lack of assurance over opening balances. As a result, we are still determining the approach to testing this component and will make a decision after receiving the 23/24 draft consolidated accounts

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit and 2020/21 partial audit of the Council and group's financial statements, which resulted in five recommendations being reported in our Audit Findings Reports. We have followed up on the implementation of our recommendations and 1 is still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The Council's group is gaining complexity and appropriately accounting for activity and balances independently from both a single entity and group perspective is increasingly challenging and at risk of material error.</p> <p>We recommended that management strengthens the capacity within its finance team and implements standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long-term investments in companies. We recommend management looks to harmonise the year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information.</p>	<p><b>Management Response:</b> 'The Council has strengthened the capacity within the finance team, including the appointment of a lead accountant with specific responsibility for Group Accounting. The capacity within the group was also strengthened with the incorporation of Coventry Municipal Holdings in October 2021. CMH was set up to manage the Council's investments and employs a Finance Director to oversee the activities of the group.</p> <p>Considerable progress has been made to standardise and improve group accounting procedures, including issuing group instructions for financial reporting, developing group asset registers and engaging valuation experts to assess specific PPE assets held within the group where required to align with the CIPFA CoP.</p> <p>The year end reporting dates have been harmonised since March 2023, after the CMH group and UKBIC changed from their previous December year end dates. All companies consolidated into the Council's group accounts now have a March year end.</p> <p>The CMH group has also transitioned to IFRS accounting to improve alignment with the Council. Where companies report under FRS 102, as is the case with CSWDC and FJVP, the Council reviews any adjustments required to align with the CIPFA CoP. The Council is aware that adjustments may still be required to IFRS accounts to comply with the specific requirements of the CIPFA CoP.</p> <p>The Council continues to use external experts to produce the long term investment valuations for its equity interests in companies. The Council established Coventry Shareholder Committee, which first met in March 2022, to oversee company performance and budget plans.'</p>

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The valuation of property assets does not accurately reflect the usage and proposed usage of properties held by the Council leading to material error in valuation .</p> <p>We recommended that management should regularly reconcile the asset register with estate records held by the property team. We also recommended that management carry out a regular review of all relevant Local Plans identified as having an impact on local areas in which the Council owns land and ensure this is considered in the valuation of affected land assets.</p>	<p><b>Management response:</b> ‘The Council has implemented a process to reconcile information held within its property databases with the data held in the fixed asset module of its financial system. Any differences are investigated and any necessary changes are actioned.</p> <p>A review of local plans for Coventry City Council and relevant Warwickshire authorities has been undertaken as part of the annual valuation process.’</p> <p>We will consider the progress as part of our audit.</p>
✓	<p>The valuation of property assets incorporate a wide range of assumptions, source data and judgements.. Errors in these variables can and have resulted in materially misstated valuations of property assets.</p> <p>We recommended that management conducts a thorough review of the valuations provided by their valuations expert to ensure that the source data used by the valuer is factually accurate and assumptions and judgements are appropriate.</p>	<p><b>Management response:</b> ‘The Council has created a data sharing facility to enable the efficient sharing of information between CCC and the external valuers. Asset information is provided in a structured manner and Council’s external valuers are asked to use this as part of the official instruction. This ensures that there is no ambiguity about where to find the information and what information should be used.</p> <p>Additional staff resource has been employed within the property team to undertake a check and challenge of the valuations. This included:</p> <ol style="list-style-type: none"> <li>1. Reviewing the accuracy of the transfer of information provided to the valuation working papers ensuring it matched the data provided by the Council’s property asset management system (Qube) and/or the operational team.</li> <li>2. Querying the yields and valuation rates adopted to ensure they were appropriate.</li> <li>3. Checking the valuations accounted for significant known factors impacting the capital value.</li> <li>4. Reviewing and querying the valuation methodology adopted to ensure it is appropriate.’</li> </ol> <p>We will consider the progress as part of our audit.</p>

# Progress against prior year audit recommendations

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>During a review of the control access performed by the IT audit team for the 2020/21 audit, it was identified that there were a small number of finance staff who had privileged administrative access rights within Business World. This presented a heightened opportunity risk for fraud and required substantial work to be performed by the engagement team to gain reasonable assurance over this area.</p> <p>We recommended that the Council reviews the administrative access allowed to finance staff through Business World. The Council should ensure that adequate controls are in place to ensure segregation of duties and to prevent fraud.</p>	<p><b>Management response:</b> ‘In 2022/23 we noted that three finance users with administrative access still had their access enabled. Further we noted that seven finance team members had access to amend the batch schedule in Business World.</p> <p>In 2023/24 we confirmed the findings had been remediated.’</p> <p>We will consider the progress as part of our audit.</p>
<p><b>New recommendation – will be followed up in due course</b></p>	<p>Lack of journal authorisation control:</p> <p>We found that there is no authorisation process for journal postings in the finance system. The control environment relies on budgetary processes (i.e. management account review) and access controls, which do not fully compensate for the lack of authorisation controls. This presented a heightened opportunity risk for fraud.</p> <p>We recommended the Council introduce an automated authorisation control designed to ensure segregation of duty with regard to journal postings. We recommended authorisation privileges are limited to appropriate finance managers</p>	<p><b>Management response:</b> ‘This recommendation has been made in the 2020/21 Audit Findings Report that is being taken to the Audit and Procurement Committee alongside the 2023/24 Audit Plan. The Council will consider this recommendation in due course.’</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Description

## Planned audit procedures

### Determination

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £11.7m for the group and £11.0m for the Council, which equates to 1.25% of your prior year unaudited gross expenditure.

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- assist in establishing the scope of our audit engagement and audit tests;
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

### Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements.

An item may be considered to be material by nature where it may affect instances when greater precision is required.

- We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We will consider the materiality of any errors identified in these disclosures on a case-by-case basis.

# Our approach to materiality

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The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Description

## Planned audit procedures

### Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. For example, we will reconsider materiality upon receipt of your draft 2023/24 accounts.

### Other communications relating to materiality we will report to the Audit and Procurement Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Procurement Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

We report to the Audit and Procurement Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.585m for the group and £0.550mn for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Procurement Committee to assist it in fulfilling its governance responsibilities.



# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	£11,000,000	This equates to 1.25% of the gross expenditure of the Council. We consider gross expenditure to be the most appropriate benchmark given the level of user interest in spend incurred. We have applied a low percentage (1.25%) to the benchmark to reflect increased interest in the accounts due to the previous three years' accounts being unaudited and to reflect that the Council is a Public Interest Entity (UK PIE), due to its listed debt.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	N/A	The materiality of any errors identified will be considered on a case-by-case basis due to the sensitive nature of these notes and user interest in this area.
Group materiality	£11,700,000	This equates to 1.25% of the gross expenditure of the group. We consider gross expenditure to be the most appropriate benchmark given the level of user interest in spend incurred. We have applied a low percentage (1.25%) to the benchmark to reflect increased interest in the accounts due to the previous three years' accounts being unaudited and to reflect that the Council is a Public Interest Entity (UK PIE), due to its listed debt.

# IT audit strategy

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In accordance with ISA (UK) 315 Revised (see page 51), we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	22/23 Spend/Income	Planned level IT audit assessment
Business World-Unit 4	Financial reporting	Total comprehensive income of £733m and reserves of £1.3bn.	• Design and Implementation Effectiveness
Capita - Academy	Council Tax, Business Rates, Housing Benefits	Council Tax income of £159m, business rates income £97m, housing benefits subsidy of £76m and related expenditure.	• Design and Implementation Effectiveness
Resource Link	Payroll	Employee benefits expenses of £355m	• Design and Implementation Effectiveness
ControCC	Child Social Care	Expenditure contributing to the £107m of Children and Young People's services expenditure	• Design and Implementation Effectiveness
CareDirector	Adult Social Care	Expenditure contributing to the £183m of Adult Services & housing expenditure.	• Design and Implementation Effectiveness

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.



# Risks of significant VFM weaknesses

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As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment	Additional risk-based procedures planned
Financial sustainability	<b>Amber</b> We noted in 2022/23 that the Council’s financial position would be more challenged for the 2023/24 and later years.	We will follow up progress against the key recommendation(s) made and ensure that our work assesses the current arrangements in place.
Governance	<b>Red</b> Significant weakness around delayed audit timetable and audit timetable identified in 2022/23.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place as required by the Code of Audit Practice.
Improving economy, efficiency and effectiveness	<b>Amber</b> No significant weakness in arrangements identified for 2022/23 but improvement recommendations were made.	We will follow up progress against the improvement recommendation(s) made and ensure that our work assesses the current arrangements in place.

# Risks of significant VFM weaknesses – continued

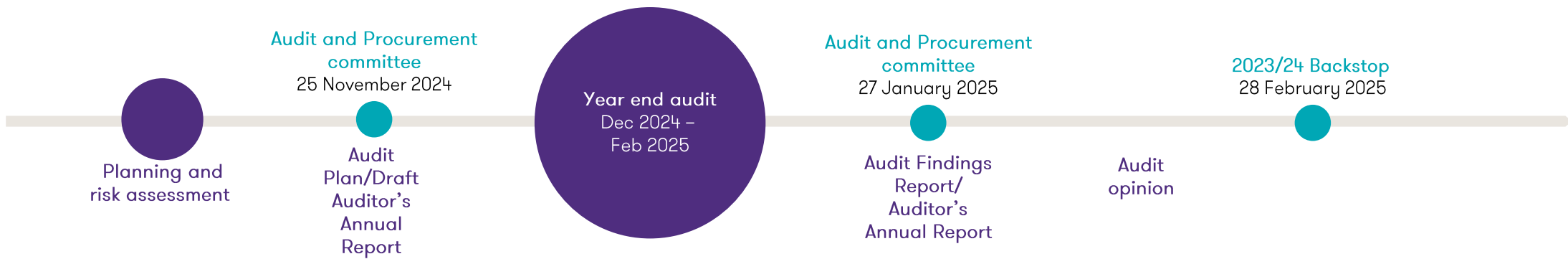
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Since we reported on 2022/23, we have undertaken our detailed planning work and identified risks of significant weakness in relation to your 2023/24 arrangements. This means that we will continue our review of your arrangements and undertake additional procedures as necessary relating to the risk(s) identified in our planning. We have detailed our risk assessment for 2023/24 below.

Criteria	Risk of significant weakness identified from the planning work	Additional risk-based procedures planned
Financial sustainability	Risk of significant weakness identified for 2023/24 on the underlying deficit; future deficits expected; and the adequacy of reserves available to cover budget shortfalls.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place including additional risk-based procedures relating to the risk identified. Where appropriate we will follow up on any recommendation(s) made in 2022/23.
Governance	Risk of significant weakness identified for 2023/24, due to delays in publication of accounts.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place including additional risk-based procedures relating to the risk identified. Where appropriate we will follow up on any recommendation(s) made in 2022/23.
Improving economy, efficiency and effectiveness	No risk of significant weakness identified for 2023/24.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place including additional risk-based procedures relating to the risk identified. Where appropriate we will follow up on any recommendation(s) made in 2022/23.

We report our value for money work in our Auditor's Annual Report. Any confirmed or additional significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

# Audit logistics and team



## Andrew Smith Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Zak Francis Audit Manager

Works with senior members of your finance team, undertakes reviews of the audit team's work and ensures our reports are clear, concise and understandable.

## Megan Hancox Audit Incharge

Key audit contact for your finance team, responsible for the day-to-day management and delivery of the audit work

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you on our file sharing site, Inflo.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards

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Audit fees are set by PSAA as part of their national procurement exercise. PSAA awarded a contract of audit for Coventry City Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £472,199.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here

<https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.



# Audit fees

	Proposed fee 2023/24
Coventry City Council Audit	£472,199
ISA 315 (refer to page 51)	£12,550
<b>Total audit fees (excluding VAT)</b>	<b>£484,749</b>

## Previous year

In 2022/23 the scale fee set by PSAA was £143,564. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for the audit years 2022/23, 2021/22 and 2020/21.

Since the opinion on the three preceding audits are disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances and are awaiting guidance on the scope and timing of this work. We will discuss the practical implications of this with you should this circumstance arise in the period.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

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## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention except for the following: there is a possibility we will exceed the 70% cap set by the Ethical Standards for non audit work, because the audit fee for previous years is expected to be reduced due to the backstop. We do not believe this impacts our independence and we received a waiver approval from the FRC.

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Subsidy claim	£143,487 (2023/24)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £143,487 in comparison to the total fee for the audit of £484,749, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	£106,150 (2022/23)	Self review (because GT provides audit services)	To mitigate against the self review threat, grants work is carried out by a Grant Thornton team who are different to the audit team. The timing of certification work is carried out after the audit has completed where possible. Housing Benefit subsidy is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material.
		Management (because GT report to DWP)	The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting. Any changes to subsidy payable will be determined by DWP and we have no involvement in the decision.  These factors mitigate the perceived threats to an acceptable level.

# Independence and non-audit services

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Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Certification of Teachers Pensions Return	£12,500 (2023/24)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £484,749, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	£10,000 (2022/23)	Self review (because GT provides audit services)	To mitigate against the self review threat, grants work is carried out by a Grant Thornton team who are different to the audit team. The timing of certification work is carried out after the audit has completed where possible. Housing Benefit subsidy is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material.
		Management (because GT report to DWP)	The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.  These factors mitigate the perceived threats to an acceptable level.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Page 62 Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Applying IFRIC 14

This section provides the Audit and Procurement Committee with an overview of IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The application of IAS 19 Employee Benefits when an authority has a net pension asset, and in some cases where it has a net liability, can be complex. To help practitioners, the International Accounting Standards Board (IASB) issued an interpretation to support the paragraph 64 of IAS 19: 'IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Historically, local authorities have reported significant net pension liabilities on their balance sheets, and therefore the impact of IFRIC 14 could reasonably be assumed to be minimal. However, recent market fluctuations have meant that, for some authorities, net pension liabilities have significantly reduced, and in some cases the balance reversed so there is a net pension asset. As a result, the consideration of IFRIC 14 has become much more important.

Applying IFRIC 14 itself is not always straightforward, and therefore we have prepared this briefing to help the members of the Audit and Procurement Committee understand the potential implications for the Authority's financial statements.

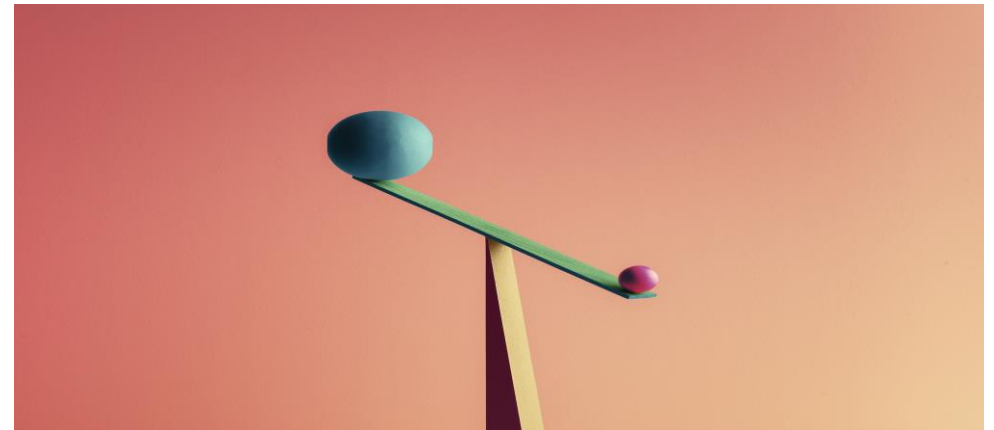
If you would like further information on this matter, please contact either your Engagement Lead or Engagement Manager.

## Background

As part of the terms and conditions of employment of its officers, a local authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment for them at the time the employees earn their future entitlement. The cost of retirement benefits is therefore recognised in the cost of services, with the Comprehensive Income and Expenditure account, as they are earned by employees. However, under statute the charge that is required to be made against Council Tax is based on the cash contributions payable in the year.

The authority participates in the Local Government Pension Scheme (the 'Scheme') which is a funded defined benefit final salary scheme. This means the Council and employees pay contributions into a fund, at a level intended to balance the pensions liabilities with investment assets. The level of employer contributions is set by the Scheme actuary and it is our understanding these contributions represent the minimum funding requirements for the authority's participation in the Scheme. Employee contribution rates are set by regulation.

At any given reporting date, the present value of an authority's defined benefit obligation, calculated in accordance with IAS 19 Employee Benefits, is expected to differ from the fair value of the plan assets, also calculated in accordance with IAS 19. This may result in a net pension liability or net pension asset.



# Applying IFRIC 14

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## Recognition of an IAS 19 asset

An authority can recognise an IAS 19 pension asset on its balance sheet to the extent that associated future economic benefits will be available to it. This benefit would be in the form of a reduction in future employer pension contributions.

The economic benefit available to an authority as a reduction in future contributions is any reduction in the minimum funding requirement arising from an early payment, and the estimated future service cost less the minimum funding requirement contributions for future service contributions, if no early payment had been made. If this is less than the net asset initially calculated, it acts as a ceiling on the asset value which can be recognised on the balance sheet.

Management has engaged with the Fund actuary to understand the impact of IFRIC 14 on the Council's accounts.

In some cases, the actuary may determine that, as well as contributions for future service costs, there is a requirement for the authority to make good an existing pension shortfall in respect of services already received. This may be reflected in the actuary's certificate as required secondary contributions. Where this is the case, consideration needs to be given as to whether these contributions will be available to the authority after they are paid into the plan. To the extent that they will not be available, the authority needs to recognise a liability as the obligation arises. This can have the affect of reducing a net pension asset or increasing a net pension liability.

The potential impact of IFRIC 14 can be highly material to an authority's financial statements. Actuaries, generally, will not consider the impact of IFRIC 14 unless specifically requested to do so by the authority.

Further audit work may be required in this area, the extent of which will depend on the level of previous consideration of IFRIC14.



# IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an entity is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

## Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \(publishing.service.gov.uk\)](#)

# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

## **Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)**

We will have a conversation with the Finance Director to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

## **Step 2 - Further Reminder (within two weeks of deadline)**

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

## **Step 3 - Escalation to Chief Executive (within one month of deadline)**

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

## **Step 4 - Escalation to the Audit and Procurement Committee (at next available Audit and Procurement Committee meeting or in writing to Audit and Procurement Committee Chair within 6 weeks of deadline)**

If senior management is unable to resolve the delay, we will escalate the issue to the Audit and Procurement Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

## **Step 5 - Consider use of wider powers (within two months of deadline)**

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

- ISA (UK) 315 (Revised July 2020) ‘Identifying and Assessing the Risks of Material Misstatement’

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

- ISA (UK) 220 (Revised July 2021) ‘Quality Management for an Audit of Financial Statements’
- ISA (UK) 240 (Revised May 2021) ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>• the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>• the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>• the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>

# Auditing developments

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Area of change	Impact of changes
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>• increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>• increased guidance on management and auditor bias</li> <li>• additional focus on the authenticity of information used as audit evidence</li> <li>• a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> <li>• Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>• clarification of the requirements relating to understanding fraud risk factors</li> <li>• additional communications with management or those charged with governance</li> </ul>
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

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# Informing the audit risk assessment for Coventry City Council 2023/24

September 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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# Purpose

The purpose of this report is to contribute towards the effective two-way communication between Coventry City Council's external auditors and Coventry City Council's Audit & Procurement Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Procurement Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Procurement Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Procurement Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Procurement Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Procurement Committee and supports the Audit & Procurement Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Coventry City Council's management. The Audit & Procurement Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>Valuation of the Council's asset portfolio will continue to be the area most subject to potential volatility. Also, the Council expects to incur Capital spend in excess of £100m in 23/24 which will impact key financial statements. There remains a need to continue to review the impact on the group accounts of the Council's activity in relation to the UKBIC, Sherbourne Recycling Ltd, and other subsidiaries.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Coventry city Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>100% of Investment Properties are now valued annually in line with the recommendation in 19-20 audit findings report and signed off by audit committee.</p> <p>IFRS 16 is due to be adopted in 2024/25. Local authorities will need to include an anticipated impact of implementation within the 2023/24 financial statements.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council's financial instruments (both assets and liabilities) are reported annually in the notes to the main financial statements (latest year available at the time of writing is 2022-23, section 3.34).</p> <p>There is no use of financial derivative instruments.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Council is increasing the extent of the activity that it undertakes through companies which it owns in part or on a 100% basis. However, this in most cases this is likely to be a delivery mechanism for business as usual operations</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware at this stage of any changes of circumstances that would lead to an impairment of non-current assets. An annual impairment review of the Council's property assets is undertaken as a matter of course.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Council provides pension guarantees to a number of organisations. It does not have guarantor status for any other contractual purpose.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	A contingent liability potentially exists in respect of Equal Pay Claims. Claims have been received which if successful, would result in a one-off revenue cost to the Council. However, the issue is still at an early stage and the Council is robustly defending, so there is, as yet, no reliable assessment of the validity, potential success, or value of any claims.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Coventry city Council during the year. Please indicate where they are working or open litigation or contingencies from prior years?	No solicitors used on litigation which would have a significant impact on the Council's financial position.

# General Enquiries of Management

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Question	Management response
9. Have any of the Coventry city Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	Not aware of any.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	No advisors used on issues which would have a significant impact on the Council's financial position
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, this exercise is completed annually using payment information, communications received from borrowers and company performance information.

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Procurement Committee and management. Management, with the oversight of the Audit & Procurement Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Procurement Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Coventry City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Procurement Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Procurement Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Procurement Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Coventry City Council's management.

# Fraud risk assessment

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Question	Management response
<p>1. Has Coventry City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The authority's assessment is that the risk of material misstatement is low.</p> <p>The quarterly monitoring of service revenue and capital budgets, financial outturn results and the subsequent financial statements should identify any material misstatements, including where this could be due to fraud.</p> <p>These processes are key components of the annual financial cycle and as such are carried out as part of business as usual. In addition the financial statements are subject to internal quality assurance control checks including analytical reviews with the objective of identifying any significant year on year variances.</p> <p>Further risk assessment processes related to the preparation of accounts will be completed based upon any audit issues raised by both Internal and External Audit.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See above, the risk of fraud within the financial statements is considered to be low.</p>



## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Coventry City Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>All concerns regarding fraud should be reported to the Chief Internal Auditor and defined processes are in place deal with any concerns raised. Since 1st April 2023 no concerns have been raised which would impact on the financial statements. In cases where fraud / error is identified through the work of Internal Audit as a result of third party actions (i.e the wider public) action is taken amend customer accounts / raise overpayments and recover monies wherever possible. In cases involving employees, these are dealt with through the Council's disciplinary procedures (including police investigation where appropriate.)</p> <p>In 2023/24 there have been the following cases of actual, suspected or alleged fraud:</p> <p>14 cases relating to external fraud against the Council.</p> <p>9 cases involving employees of the Council. Of these, 7 were not substantiated. In one case standards were reset and in one case relating to an agency member of staff, their engagement was terminated.</p> <p>There are 3 cases from previous years which are still under investigation:</p> <p>1 relates to a grant fraud (external)</p> <p>1 relates to a direct payment fraud (this is subject to legal proceedings)</p> <p>1 relates to an employee theft (the employee has been dismissed but there is an associated criminal investigation which is ongoing)</p>

# Fraud risk assessment

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Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council's corporate risk register is subject to regular review and is reported to the Audit and Procurement Committee. The Committee also receives a half yearly report on anti fraud and corruption activity.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Coventry City Council where fraud is more likely to occur?</p>	<p>A fraud risk register is maintained by Internal Audit and specific fraud risk assessments are undertaken where appropriate.</p> <p>Most risks around fraud relate to actions undertaken by third parties (i.e the wider public) to commit fraud against the Council. The risk of fraud in relation to financial reporting is assessed as low.</p>
<p>6. What processes do Coventry City Council have in place to identify and respond to risks of fraud?</p>	<p>The work of Internal Audit which specifically relates to fraud focuses on three areas: the National Fraud Initiative, referrals and investigations considered through the Council's Fraud and Corruption Strategy and proactive work (e.g fraud awareness). Separate arrangements are in place in relation to the risk of council tax fraud which is managed by the Revenues and Benefits Service.</p> <p>In addition to this, a fraud risk register is maintained by Internal Audit and specific fraud risk assessments are undertaken where appropriate.</p> <p>The risk of fraud is considered in individual audits, including an assessment of the controls in place to mitigate this.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Coventry City Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Internal Audit Annual Report details the process for reviewing the effectiveness of the system of internal control and the results of this review. The last formal assessment of the Council's control environment was for the financial year 2023-24. The Chief Internal Auditor's opinion was that reasonable assurance could be provided that there is generally a sound system of internal control in place. 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. Nothing has come to light in 2024-25 to materially impact on this opinion.</p> <p>No risk areas have been identified in relation to the financial statements.</p> <p>Roles and responsibilities in relation to systems of control are defined in various places such as the Constitution and Contract Procedure Rules and are enforced as far as practicable through ICT system controls and monitoring. This includes controls enforced through the BusinessWorld system, which limits the potential for override of controls over the financial reporting process. Service area controls, e.g segregation of duties of officers to mitigate fraud are in place to support the Councils Fraud and Corruption Strategy and Whistleblowing Policy.</p>
<p>Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None known</p>

# Fraud risk assessment

Question	Management response
<p>How does Coventry City Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council has a Code of Conduct which sets out the expected behaviours of its staff. In addition, all staff and agency workers are required to undergo an induction process. Contracts include terms and conditions around the behaviours etc of contractors. Policies linked to ethical behaviour and business processes are available on the Council's Intranet site. This includes an "I have a concern" page which provides details of how employees can raise concerns, including those linked to fraud.</p> <p>The Council has a Fraud and corruption Strategy, a Whistleblowing Policy and an e-learning fraud awareness tool in place. Other mechanisms are also used to encourage staff to report concerns, including the Finance and Audit school newsletter and face to face fraud awareness sessions. Staff are expected to raise all concerns about fraud with the Chief Internal Auditor. In 2023/24 to date, no issues have been reported which have led to significant fraud being identified. (There are 3 cases from previous years which are ongoing. This includes 2 cases linked to external fraud against the Council and one relating to employee theft.)</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any postholder with responsibilities for handling income, particularly cash, or who have budget holder responsibilities could be considered to be high-risk. However, levels of cash income are not significant and appropriate checks and balances are in place, including budget monitoring, scheme of delegation and segregation of duties, which are also enforced through the BusinessWorld system.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Most of the related party transactions that could give rise to potential fraud are those in which Councillors have a direct interest. Risks are mitigated by Councillor's declaration of interests and non-participation in debates.</p> <p>All postholders grade 9 and above are required to complete an annual declaration of interests and provide details of how any potential conflicts of interests are managed.</p> <p>In addition, the Council receives and reviews data matches via the National Fraud Initiative linked to this area of risk.</p> <p>Officers who have a role in Coventry Municipal Holdings complete an additional declaration of interest in relation to that role and a separate register of interests is maintained</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit &amp; Procurement Committee?</p> <p>How does the Audit &amp; Procurement Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit and Procurement Committee receive half yearly reports on anti fraud and corruption activity. The Committee also receive quarterly Internal Audit progress reports which provides details of key audits undertaken. Where appropriate this would include issues relating to management processes for mitigating the risk of fraud and internal control issues.</p> <p>The Chief Internal Auditor's annual audit opinion on the adequacy and effectiveness of the internal control environment also highlights any significant control issues to the Committee. Where appropriate, significant issues would be included in the Annual Governance Statement.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Council has a Whistleblowing Policy and a defined process in place to deal with concerns raised by whistleblowers. In 2023/24 four whistleblowing complaints linked to potential fraud were raised. Of these:</p> <ul style="list-style-type: none"> <li>- in 3 cases the matter was not substantiated</li> <li>- in 1 case involving an external fraud against the Council, action was taken to end the Council's duty to provide temporary accommodation</li> </ul> <p>None of the concerns relate to misstatement within the financial statements / financial reporting due to fraud.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>One of the Whistleblowing concerns referred to above related to potential bribery. The matter was not substantiated.</p>

# Law and regulations

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Issue

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Procurement Committee, is responsible for ensuring that Coventry City Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Procurement Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Coventry City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer and the Council's legal team advise the Council's leadership, councillors and departments on changes to the legal and regulatory environment that impact on the Council. For example, in light of new procurement regulations the Council's contract procedure rules have been updated and the new requirements disseminated to the organisation.</p>
<p>2. How is the Audit &amp; Procurement Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement presented to the Committee provides assurance that arrangements are in place for facilitating effective exercise of the Council's functions. This includes ensuring that its business is conducted in accordance with the law and proper standards. The review which underpins development of the Annual Governance Statement includes assurance from Directors that there have been no significant breaches of laws and regulations.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>As stated above, Equal Pay claims have been received which if successful, would result in a one-off revenue cost to the Council. However, the issue is still at an early stage and the Council is robustly defending, so there is, as yet, no reliable assessment of the validity, potential success, or value of any claims.</p>

# Impact of laws and regulations

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Question	Management response
5. What arrangements does Coventry City Council have in place to identify, evaluate and account for litigation or claims?	Legal Services maintain a risk register containing a list of high-risk matters (financial and reputational) which are constantly kept under review by the Legal and Procurement Management Team for potential litigation. Any of these matters which have a significant financial implication to the Council would be included and identified in the Corporate Risk Register.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no reports of non-compliance from regulatory bodies.



# Related Parties

## Issue

### Matters in relation to Related Parties

Coventry City Council is required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Coventry City Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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# Related Parties

Question	Management response
<p>1 Have there been any changes in the related parties including those disclosed in Coventry City Council's 2023/24 financial statements?            If so please summarise:</p> <p>06 the nature of the relationship between these related parties and Coventry City Council</p> <ul style="list-style-type: none"> <li>• whether Coventry City Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>(New RP since April 20)</p> <p>Yes, changes detailed below.</p> <p>Coventry Municipal Holdings was incorporated in October 2021 to act as an intermediary parent company acquiring interests in the Council's existing subsidiaries via a share issue in November 2021. CMH is a wholly owned subsidiary of the Council. CMH was set up to strengthen the governance and strategic management across the Council's group structure. Note that UKBIC is not included within CMH due to the highly specialised nature of the company, but will still comply with the same member governance oversight.</p> <p>The Council acquired a 50% shareholding in Coventry and Warwickshire Growth Hub (company no. 09146585) for a £1.00 nominal value in November 2023. This is a joint venture between the Council and Warwickshire County Council, with each partner acquiring a 50% shareholding in the company following the closure of Coventry and Warwickshire Local Enterprise Partnership (company no. 08210423) in March 2023. CWGH is treated as a joint venture and the Council has agreed to provide an annual funding contribution of £0.130m.</p> <p>The Council acquired a 21.5% shareholding in Sherbourne Recycling Limited (company no. 13227088) in April 2021, which is a recycling company owned with other local authority partners. The Council is the largest single shareholder, owns the freehold over the site which is provided to the company on a long term lease and has a waste supply contract with the company. The Materials Recycling Facility became operational in October 2023. SRL is treated as an associate.</p> <p>CAPL (LACo) and TWW (LACo) were set up in April 2021 and October 2021 respectively. The Council is permitted to directly contract with each LACo for services without undertaking a regulated procurement exercise using the 'Teckal' exemption where the Council assess that the Teckal company is best placed to provide this service .</p>

## Related Parties

Question	Management response
2. What controls does Coventry City Council have in place to identify, account for and disclose related party transactions and relationships?	Related party transactions and relationships are reported within the statutory accounting process through analysis of existing disclosure records and a process to collect information on these relationships.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	No specific controls relating to related parties' transactions. Relevant controls for approval and delegation form part of our business-as-usual practices.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Per above. No transactions expected outside of normal business.

# Going Concern

## Page 9 Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Coventry City Council will no longer continue?</p>	<p>The Council has a number of controls in place to establish and manage any threat to statutory service delivery. A Corporate Risk register is in place, which is reviewed regularly at senior officer level, as well as being presented to members periodically. Service risk registers are also maintained which are managed by service Directors and their management teams. Performance boards also exist, together with budgetary control arrangements/reporting to identify any financial threat to service delivery. Officer/member relations are also very strong in terms of financial strategy and budget planning. Suitable governance arrangements are also in place for non-financial performance, and also major project specific delivery.</p>
<p>2. Are management aware of any factors which may mean for Coventry City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>The Council has a robust MTFS and budget setting strategy with a healthy officer/member relationship. Whilst the operating environment is currently very volatile for key services, and national funding is reducing in real terms, these arrangements place the Council in a good position to respond to challenges such that statutory service delivery will not be placed at risk.</p>
<p>3. With regard to the statutory services currently provided by Coventry City Council, does Coventry City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Coventry City Council to cease to exist?</p>	<p>It is expected that Coventry City Council will continue to deliver statutory services for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits Coventry City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Management are satisfied that financial statements can be prepared on a going concern basis, and that they will provide a faithful representation of the financial position of the Council in so doing.</p>

# Accounting estimates

## Page 9 Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	See Appendix A
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	The relevant budget holders, supported by financial management officers, review the latest information feeding into, and outputs generated from, the estimation processes. This includes comparing the latest position with the estimates made at previous balance sheet dates.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	See 2 above
4. How do management review the outcomes of previous accounting estimates?	See 2 above
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No changes are anticipated, however there may be a need to make changes on review, per 2. Above.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>By considering the complexity and uncertainty of different aspects of the accounts.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The relevant budget holders, supported by financial management officers, consider what controls are required for particular aspects of the accounts where accounting estimates are required.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The impact of, and particularly any significant changes in, the accounting estimates are reviewed by Corporate Finance officers as part of the process for producing the statement of accounts.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The Corporate Finance officers involved in 8 above, would review both the output and methodology adopted.</p>



## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	We are not aware of any transactions, events or conditions other than those identified.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. pension fund actuary, professionally qualified asset valuer.
12. How is the Audit & Procurement Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting estimates are an integral part of the statutory accounting and reporting process.

## Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Current value for land/buildings defined as 'existing use value' DRC method used for specialist assets e.g. schools	Valuations are performed 5 yearly with consideration for any high value assets or assets where there has been a known change in year e.g significant spend. An impairment review is undertaken to ensure that the current value of an asset that hasn't been revalued does not differ materially from its carrying amount.	Yes – Wilkes Head and Eve	Degree of uncertainty inherent with any revaluation. We commission professional valuers and rely on expert opinion.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	n/a	n/a	n/a	n/a	n/a
Investment property valuations	Fair Value	Valuations are performed annually to ensure that the current value/ fair value of a revalued asset does not differ materially from its carrying amount.	Yes – Wilkes Head and Eve	Degree of uncertainty inherent with any revaluation. We commission professional valuers and rely on expert opinion.	No
Depreciation	Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	Consistent application of depreciation method across assets	Discussion with internal asset team and where applicable the external valuer. (WHE)	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption.	No

## Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarial gains and losses are created when the assumptions underlying the Council's projected benefit obligations change. All pension plans will see periodic actuarial gains or losses as key demographics, or economic assumptions are updated. These figures are calculated by the actuarial for the West Midlands Pension Fund – Hymans Robertson	Hymans Robertson carry out calculations in conjunction with the pensions authority – City of Wolverhampton Council. Coventry will respond to any queries raised by Wolverhampton and vice-versa	The Council are provided with an actuarial report by Hymans Robertson	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Level 2 investments	Following acquisition date, the Council uses a combination of Level 2 and Level 3 to value its investments in companies.	The advice of an external valuer is taken to identify comparable transactions for company sales.	Yes, external valuers for company investments.	There is a degree of uncertainty with using market multiples and performance / budget information from companies.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	Following acquisition date, the Council uses a combination of Level 2 and Level 3 to value its investments in companies.	Conversations with management to investigate any assumptions made in financial information provided by companies.	Yes, external valuers for company investments.	There is a degree of uncertainty with using market multiples and performance / budget information from companies.	No
Fair value estimates	Methods compliant with IFRS 13 (market, income, cost and adjusted net assets) are used to value company investments.	n/a	Yes, external valuers for company investments, including RICS surveyors where required.	There is a degree of uncertainty with using market multiples and performance / budget information from companies.	No

## Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No
Accruals of income and expenditures	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty	No
Credit loss and impairment allowances	Expected Credit Loss model  Long term debtors are assessed for impairment using payment information, company performance data, knowledge of the external environment and communications from companies.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. Tina Pinks Finance Manager (Corporate Finance) at CCC signs off the write off.	No	N/A	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	<p>Under the requirements of IFRS16 we are reviewing all our potential lease liabilities.</p> <p>In recent years the council's policy has been to purchase assets e.g vehicles/waste containers and resource these from borrowing rather than leasing the assets.</p>	Review of leasing agreements and associated information against accounting requirements.	No However, as part of the introduction of IFRS16 the use of experts may be considered on a case-by-case basis.	The assumptions would be based on the legal agreements in place and the relevant market information e.g interest, asset values, etc.	No Impending changes due to IFRS16 are being considered and will impact at the relevant stage.
PFI Liabilities	Estimates are made at the outset of PFI schemes based on established models. The models are agreed with our external auditors who have reviewed this extensively in recent years.	Given that estimates are established at the outset of the PFI scheme they are then determined for the life of the scheme, reflecting for example, the fixed cost or the debt financing within the scheme.	Yes, at the outset of the schemes or where re-financing of PFI debt is considered experts are used in line with standard practice.	Alternative estimates are not generally considered once the model has been established, unless there are major changes in the scheme (e.g. re-financing).	No







# IT Audit Findings

## Coventry City Council

**Year ended : 31 March 2024**

**Issued Date : 11 September 2024**

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# Section 1: Executive summary

## 01. Executive summary

## 02. Scope and summary of work completed

## 03. Summary of IT audit findings

## 04. Detail of IT audit findings

To support the financial statement audit of Coventry City Council for year ended 31 March 2024, Grant Thornton has completed a design and implementation review of the IT General Controls (ITGC) for applications identified as relevant to the audit.

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff at Coventry City Council for their assistance in completing this IT Audit.

## Section 2: Scope and summary of work completed

01. Executive summary

**02. Scope and summary of work completed**

03. Summary of IT audit findings

04. Detail of IT audit findings

The objective of this IT audit was to complete a design and implementation controls review over Coventry's IT environment to support the financial statement audit. The following applications were in scope for this audit:





















- ResourceLink
- CareDirector
- Business World Unit 4
- Capita
- ContrOCC

We completed the following tasks as part of this IT Audit:





- Evaluated the design and implementation for security management, change management and job scheduling controls where relevant.
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas
- Documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.
- Performed a cyber security assessment and inspected supporting documentation.

## Section 3: Overview of IT audit findings

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.]

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
ResourceLink	Design and Implementation					N/A
CareDirector	Design and Implementation					N/A
Capita	Design and Implementation					N/A
Business World Unit 4	Design and Implementation					N/A
ContrOCC	Design and Implementation					N/A

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Significant deficiencies identified in IT controls relevant to the audit of financial statements / significant deficiencies identified but with sufficient mitigation of relevant risk
-  Controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

**Continue to next page..**

# Section 4: Details of IT audit findings

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01. Executive summary
02. Scope and summary of work completed
03. Summary of IT audit findings
- 04. Details of IT audit findings**

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1.	<p><b>Absence of formal upgrade management process and data validation procedures</b></p> <p>Through our audit procedures, we identified that an upgrade performed in Oct 2021 led to technical issues with file formats and duplication of files in CareDirector. We noted that no manual reconciliations were performed between CM2000 and CareDirector for the period October 2021 to January 2022. Instead, the Council made payments based upon their average invoice amount prior to the change.</p> <p>We understand that the completion of payment reconciliations was targeted to be finished by the end of 2024. At present, seven out of nine reconciliations have been completed with a further two remaining for Caremark and Consummate.</p> <p><b>Risks</b></p> <p>Failure to adequately perform change management processes prior to releasing the change into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time.</p>	<p>For future upgrades, the Council should</p> <ul style="list-style-type: none"> <li>- implement a formal upgrade management / system implementation procedures encompassing planning, testing, and implementation phases.</li> <li>- ensure rigorous testing is completed to identify and address potential issues, followed by validation procedures to verify the integrity of data.</li> </ul> <p><b>Management response</b></p> <p>The upgrade was completed during the 2021-2022 audit period, and all issues were resolved before the 2023-2024 audit period. Care Director upgrades follow a structured process involving planning, testing, and implementation, subject to approval by our Adult Social Care Management Team (ASCMT). Rigorous testing is conducted to identify and address potential issues, followed by validation procedures to verify data integrity.</p> <p>CM2000 has been decommissioned, and providers are now paid based on actual hours every eight weeks, with reconciliations requested every four weeks to facilitate easy payment reconciliation. We maintain a spreadsheet to evidence reconciliations between CM2000 and CareDirector.</p> <p>Payment reconciliations have been completed and signed off by Internal Audit, except for one which is still in progress. The decision to write off the Consummate reconciliation was made following recommendations from Internal Audit and financial operations.</p>

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

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# IT general controls assessment findings

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2.

Assessment

Issue and risk

Recommendations

## Insufficient control over nested accounts within ContrOCC, CareDirector and Business World database

During our review, we identified that there were a number of nested accounts identified within ContrOCC, CareDirector and Business World database. These accounts provide continuous privileged access for third-party consultants to the system. While these consultants provide system support services to the Council, we regard the total number of users to be excessive:

- CareDirector – 28
- Business World – 27
- ContrOCC – 26

The details of the users are provided in Appendix 1.

### Risks

The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.

The Council should undertake a review of all user accounts on ContrOCC, CareDirector and Business World database to confirm

- requirements for the account to be active and assigned privileged access
- which users have access
- controls in place to safeguard the account from misuse.

While these accounts may be necessary for ongoing support services, the Council should re-evaluate whether all third-party accounts need to be active.

It is recommended that the Council undertakes a review of these accounts to confirm the ongoing need.

### Management response

The engagement of a third-party database administration team is crucial for the effective management of our multiple databases. The third-party team, with its extensive expertise and large workforce, ensures rapid response to any issues and provides the council with the necessary resilience and access to specialised knowledge.

We acknowledge the concern regarding the number of third-party users with access to our financial databases. To address this, we have already implemented a quarterly review process to ensure that access is granted only to those individuals actively working with our portfolio of databases. This measure is designed to minimise the risk of unauthorised and inappropriate changes to the database.

We are committed to strengthening our control mechanisms and will continue to work closely with the third-party provider to ensure that access is appropriately managed and monitored.

### Advanced/CareWorks

Maintaining this number of named accounts is essential for delivering responsive system support. These accounts are not permanently open; access is granted for specific time periods upon request by our Digital Services Team. If Advanced operatives require access to our database, they will request this quoting a support ticket we have raised for a specific issue. We then raise a ticket with internal ICT to activate their account for a set period, which never includes weekends. We provided evidence of this process to GT in July 2024.

#### Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach



# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
3. ●	<p><b>Lack of formal change management procedures for changes to job schedules within Capita</b></p> <p>During our review, we identified that there is no formal process followed to make changes to batch job configurations. All the changes are discussed verbally via team meetings as and when required. We understand that the Council does not document, review, or approve changes made to batch scheduling parameters and job schedules.</p> <p><b>Risks</b></p> <p>Without adequate change management controls, unauthorized or undocumented changes to batch scheduling configurations can lead to disruptions in critical business processes, data loss, and security vulnerabilities.</p> <p>Furthermore, the absence of a structured change management process increases the likelihood of configuration errors and inconsistencies.</p>	<p>The Council should establish a formalized change management process for batch scheduling configurations, including documentation of proposed changes, impact assessment, approval workflows and implementation controls.</p> <p><b>Management response</b></p> <p>The council will explore the implementation of a more structured process for significant modifications to batch jobs. However, accommodating minor changes such as date parameters daily may not be feasible within this formal framework.</p>

## Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

# IT general controls assessment findings

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## Assessment

### Issue and risk

### Recommendations

4.



#### Lack of security events monitoring for Capita, ResourceLink, ContrOCC, Business World and Active Directory (AD)

During our review, we understand that security event logs for AD are sent to Azure Sentinel and monitored by the SOC cyber team 24\*7.

Post discussion with Council and review of evidence, GT IT Audit noted that the Council reviews and monitors security logs daily for anomalies such as external login attempts etc.

However, GT IT Audit noted that there is no monitoring performed on the activities performed by privileged users within Capita, ResourceLink, ContrOCC, Business World and AD.

#### Risks

Without enabling security event logging and then proactively monitoring them increases the risk that anomalous security activity such as failed login attempts, may not be identified and / or addressed in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.

It is recommended that the Council proactively reviews the security event logs for privileged users to detect any suspicious activities such as

- repeated invalid/ unauthorised login attempts to access systems, data or applications
- privileged user activities
- privileged generic accounts
- changes to system configurations, tables and standing data

These reviews should be performed by one or more knowledgeable individuals, who are independent of the day-to-day use or administration of these systems and formally evidenced.

Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.

#### Management response

The presence of privileged users on key financial systems is essential for the maintenance, continuous improvement, and timely troubleshooting of any issues that may arise. These users play a critical role in ensuring the systems operate efficiently and effectively.

However, we acknowledge that there is room for improvement in the monitoring and reviewing of activities performed by these privileged users. To address this, the council will undertake a comprehensive review of the logging and reporting capabilities available within these systems. This review will aim to enhance our ability to detect and mitigate the risks associated with unauthorised activities.

We are committed to implementing robust monitoring mechanisms to ensure the security and integrity of our financial systems. The council will develop and enforce policies and procedures to regularly review and monitor privileged user activities, thereby strengthening our overall IT governance framework.

#### Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

# Review of other findings raised in prior year

Assessment	Issue and risk previously communicated [FY2023]	Update on actions taken to address the issue [FY2024]
✓	<p><b>Inadequate control over generic user accounts within Capita Ingres database</b></p> <p>Through our audit procedures, we identified that the following generic accounts within the Capita database</p> <ul style="list-style-type: none"> <li>- aisdba</li> <li>- revtrain</li> <li>- autouser</li> </ul> <p>are used by members from the 'Revenue and Benefits' team.</p> <p>This is considered to be a segregation of duties conflict, as the team have both financial responsibilities along with the ability to perform administrative tasks in database.</p>	<p>This finding has been remediated.</p> <p>We inspected and verified that no finance members has privileged access to the application. Privileged access is only restricted to systems support team which is necessary for them to carry out their job role. The systems support team administer the Academy system, so need administration rights to maintain the system and resolve issues. Further, we noted that the systems team do not enter/amend any direct debit amounts or bank details and are only responsible to run the system jobs to create the direct debit files that go to the banks. Therefore, the finding has been remediated from the prior year.</p> <p>Further, we verified that REVTRAIN is a default logon that has never been used and AISDBA &amp; autouser passwords have to be changed every 90 days and the passwords are only known to the systems team.</p> <p>Access to these privileged generic accounts is now appropriately restricted to authorized personnel from systems team to carry out financially critical business functions.</p>
X	<p><b>Inadequate control over generic user accounts within CareDirector Database</b></p> <p>During our review, we identified that there were a number of nested accounts within the 6 generic database accounts, providing access to 38 third party consultants. These consultants provide database support services to the Council.</p>	<p>This finding has not been remediated.</p> <p>We inspected and verified that there were a number of nested accounts within 6 generic database account, providing access to 46 third party consultants. These consultants provide database support services to the Council.</p> <p>Please refer to finding 2 above.</p>

# Review of other findings raised in prior year

Assessment	Issue and risk previously communicated [FY2023]	Update on actions taken to address the issue [FY2024]
Page 116 ✓	<p><b>Segregation of duties conflicts within Business World and Capita (Academy)</b></p> <p><b>Business World Unit 4:</b>            In FY22, we noted that three finance users with administrative access still have their access enabled. Further, we also noted that seven finance team members who had access to amend the batch schedule in Business World still retained access. We understood that one account (User Carolyn Prince, Lead Accountant) was disabled since the user had left the council.</p> <p>In FY23, we identified that one Finance team member has access to amend the batch schedule in Business World Unit 4. The combination of financial responsibilities along with the ability to perform administrative task is considered as segregation of duties conflict.</p> <p><b>Capita (Academy):</b>            We identified an increase in the number of Finance members (FY23:7 members, FY22: 5 members) from the Revenue and Benefits team with administrative access to Capita. The combination of financial responsibilities along with the ability to perform administrative task is considered to be a segregation of duties conflict. Please refer to Appendix 2.</p> <p>We also noted that four member of the finance team still had access to amend the batch schedule in Capita (Academy).</p>	<p>This finding has been remediated.</p> <p>For Business World Unit 4, we noted that no user from finance has access to amend the batch job.</p> <p>For Capita, we inspected and verified that no finance member has privileged access to the application. Privileged access is only restricted to systems support team which is necessary for them to carry out their job role. The systems support team administer the Academy system, so need administration rights to maintain the system and resolve issues. Further, we noted that the systems team do not enter/amend any direct debit amounts or bank details and are only responsible to run the system jobs to create the direct debit files that go to the banks.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Review of other findings raised in prior year

Assessment	Issue and risk previously communicated [FY2023]	Update on actions taken to address the issue [FY2024]
X	<p><b>Lack of formal management approval for the upgrade to CareDirector</b></p> <p><b>CareDirector</b> Through our audit procedures, we identified that an upgrade performed in Oct 2021 led to technical issues with file formats and duplication of files in CareDirector.</p> <p>We noted that no manual reconciliations were performed between CM2000 and CareDirector for the period October 2021 to January 2022. Instead, the Council made payments based upon their average invoice amount prior to the change. We understand that payments will be reconciled in 2023.</p> <p>While the Council were aware of the implementation issues, it was unclear how these were considered in the decision to go live with the upgraded version. We were unable to obtain any formal sign off by management when the upgrade was promoted into the live environment. We understand that communication was only orally agreed with the Head of Service.</p>	<p>This finding has not been remediated.</p> <p>We were informed that seven out of nine reconciliations have been completed. The remaining two reconciliations for Caremark and Consummate are still in progress. Therefore, the finding remains same from prior year.</p> <p>Please refer to finding 1 above.</p>
X	<p><b>Lack of security events monitoring for CareDirector, ResourceLink, Capita and AD</b></p> <p>Information security event logs, which record the activities performed by privileged user accounts within CareDirector, ResourceLink, Capita and AD are captured but are not proactively monitored for any suspicious events.</p>	<p>This finding has been partially remediated.</p> <p>For CareDirector, we verified that activity logs for privileged users are now reviewed on an annual basis.</p> <p>For ResourceLink, Capita and AD, we determined that the finding remains from the prior year.</p> <p>Please refer to finding 4 above.</p>



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Coventry City Council

## Public report

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Audit and Procurement Committee

25<sup>th</sup> November 2024

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

**Director Approving Submission of the report:**

Director of Finance and Resources (Section 151 Officer)

**Ward(s) affected:**

City Wide

**Title:** External Audit Documentation Relating to the Council's 2020/21, 2021/22 and 2022/23 Statutory Accounts

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to request that the Audit & Procurement Committee note, accept and authorise, as appropriate, a series of documents from the external auditor, Grant Thornton, relating to the Council's 2020/21, 2021/22 and 2022/23 statutory accounts.

Earlier this year, the Government passed legislation designed to address the backlog in the completion of local authority accounts. This legislation specified 'backstop' deadlines for the completion of audit work relating to particular financial years. The 13<sup>th</sup> December 2024 was set as the deadline for all years up to and including 2022/23. In the event of uncompleted audits, auditors would be required to issue either qualified opinions or disclaimers, as appropriate.

As a result of significant delays in the completion of the audit of the 2019/20 accounts, it has not been possible for Grant Thornton to complete the audit of the 2020/21 accounts, and they have not begun the audit of either the 2021/22 or 2022/23 accounts.

Grant Thornton have provided an Audit Findings Report for the work carried out on the audit of the 2020/21 accounts, and an Audit Report explaining the position on the 2021/22 and 2022/23 accounts. They have also drafted disclaimed opinions; relating to

2020/21, 2021/22 and 2022/23 and proposed 'management letters of representation' for the Council to review.

**Recommendations:**

**Audit and Procurement Committee is recommended:**

- 1) To note the details presented in the 2020/21 Audit Findings Report, and the Audit Report for 2021/22 and 2022/23.
- 2) To accept the disclaimed opinions provided by the external auditor in relation to the 2020/21, 2021/22 and 2022/23 accounts.
- 3) To grant authorisation for the requested letters of representation, in relation to these financial years, to be signed and returned to the external auditors.

**List of Appendices included:**

- Appendix 1 – Audit Findings Report 2020-21
- Appendix 2 – Audit Report 2021-22 and 2022-23
- Appendix 3 – Disclaimer of opinion due to backstop 2020-21
- Appendix 4 – Disclaimer of opinion due to backstop 2021-22
- Appendix 5 – Disclaimer of opinion due to backstop 2022-23
- Appendix 6 – Letter of representation 2020-21
- Appendix 7 – Letter of representation 2021-22
- Appendix 8 – Letter of representation 2022-23

**Background Papers**

None

**Other useful documents:**

None

**Has it been or will it be considered by Scrutiny?**

The Audit and Procurement Committee will review the documentation submitted to them by the Council's external auditor.

**Has it been 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:** External Audit Documentation Relating to the Council's 2020/21, 2021/22 and 2022/23 Statutory Accounts.

## **1. Context (or background)**

- 1.1 In September 2024, the Government passed legislation designed to address the backlog in the completion of local authority accounts. This legislation specified deadlines for the completion of audit work for particular financial years. In the event of uncompleted audits by the specific deadlines, auditors would be required to issue either qualified opinions or disclaimers, as appropriate.
- 1.2 The relevant deadline for the accounts of financial years up to and including 2022/23 is 13<sup>th</sup> December 2024. Grant Thornton have not been able to complete the audit of the Council's 2020/21 accounts and have not started the audit of the 2021/22 and 2022/23 accounts. This is primarily due to the significant delays in the completion of the audit of the 2019/20 accounts, which the Committee has been briefed on previously.
- 1.3 The documents from Grant Thornton which are attached as appendices to this report detail the situation in relation to the three uncompleted years and deal with the necessary matters required in advance of the deadline. In particular, they have issued an Audit Findings Report (AFR) in relation to the work they had previously carried out on the 2020/21 accounts.
- 1.4 In addition, Grant Thornton have provided an Audit Report for 2021/22 and 2022/23 clarifying that it was not possible to audit the accounts for these years and detailing the other non-audit work that they did carry out.
- 1.5 Although some audit work was carried out on the 2020/21 accounts this was not sufficient for the auditor to issue a qualified opinion. As a result, Grant Thornton have issued disclaimers with regards to all three years' accounts (2020/21, 2021/22 and 2022/23). To complete the administrative process, the auditor provides draft management letters of representation, one for each respective year of accounts, for the Council to review and authorise.

## **2. Options considered and recommended proposal**

- 2.1 A decision not to agree to these recommendations would result in the Council not meeting the statutory deadline of 13<sup>th</sup> December 2024 for approving and publishing accounts for all years up to and including 2022/23.

## **3. Results of Consultation Undertaken**

- 3.1 None

#### **4. Timetable for implementing this decision**

- 4.1 If the Committee approve the proposed recommendations, the auditors disclaimed opinions will be appended to the 2020/21, 2021/22 and 2022/23 accounts. These accounts will then be published on the Council's website as soon as is practicable, and in advance of 13<sup>th</sup> December 2024.

#### **5. Comments from the Director of Finance and Resources (section 151 Officer) and the Director of Law and Governance**

##### **5.1 Financial Implications**

There are no regulatory penalties for missing the accounting deadlines. However, failure to comply with the accounting deadlines would likely result in additional work for officers and the Council's auditors, which would be reflected in additional audit costs.

##### **5.2 Legal Implications**

On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for financial statements up to and including 2022/23 by 13th December 2024. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

#### **6. Other implications**

##### **6.1 How will this contribute to achievement of the One Coventry Plan?**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

N/A

##### **6.2 How is risk being managed?**

N/A

##### **6.3 What is the impact on the organisation?**

It remains important for the Council to ensure timely and accurate reporting of the Council's financial position.

##### **6.4 Equalities / EIA**

No impact

##### **6.5 Implications for (or impact on) Climate Change and the environment**

No impact

##### **6.6 Implications for partner organisations?**

No impact

**Report author:**

**Name and job title:**

Tina Pinks  
Finance Manager (Corporate Finance)

**Service Area:**

Financial Management  
Finance and Resources

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Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	12/11/24	14/11/24
Karen Tyler	Chief Internal Auditor	Finance and Resources	12/11/24	15/11/24
<b>Names of approvers for submission:</b> (Officers and Members)				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	12/11/24	15/11/24
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	12/11/24	15/11/24
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	12/11/24	14/11/24

This report is published on the council's website: [www.coventry.gov.uk/Council-meetings](http://www.coventry.gov.uk/Council-meetings)

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13 November 2024

Chair of Audit and Procurement Committee  
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Dear Cllr Lakha

## **Coventry City Council and group - Conclusion of the audit for 2020/21– letter to those charged with governance on the application of the local authority backstop**

As you will be aware, on 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements up to and including 2022/23 by 13 December 2024. The new National Audit Office Code, which is expected to be approved on 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Director of Finance and Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2020/21 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit Committee.

We are required under Auditing Standards to report certain matters to the Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

### **Outcome of our audit for 2020/21– Disclaimer of the opinion on the financial statements**

Unfortunately, for reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The 2020/21 audit has been challenging due to various reasons. We issued our 2020/21 audit plan in July 2021 but since that time there have been delays in progressing the audit due to significant issues identified in the prior year. These issues were set out in detail in our 2019/20 audit findings report which was discussed at the 9<sup>th</sup> October 2023 meeting of the Audit and Procurement Committee. In summary, these issues related primarily to the accounting of property, plant and equipment, and to the accounting for group entities. Tackling these issues meant that the 2019-20 audit was not concluded until October 2023 and the Council did not publish its draft 2020/21 accounts until 28 March 2024.

Prior to publishing its 2020/21 draft accounts, management provided us with a preliminary version of the 2020/21 accounts (excluding group figures), upon which we were able to begin our audit procedures for areas of the accounts not expected to be affected by the delays. A significant amount of audit work was started; however, the audit was put on hold, largely due to efforts of the finance team being re-focused on the completion of the 2019/20 audit, and more recently on the catch up of publishing delayed accounts for the four years 2020/21 – 2023/24. All these factors

have resulted in a position where a significant amount of audit work has been carried out, but no final conclusions have been reached ahead of the 13<sup>th</sup> December 2024 backstop date. Considering this, discussions were held with the Director of Finance and Resources and yourself regarding the resourcing implications. It was agreed that it was no longer feasible to complete the 2020/21 audit ahead of the backstop date, leading to a decision to prioritise resources on the recovery of assurance, starting with the audit of the Council's 2023/24 financial statements.

### **Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice**

We finalised our Value for Money work in July 2022 and we reported the outcome in two documents: our Interim Auditor's Annual Report; and our Auditors VfM Report on Company Governance. These were discussed with the Audit and Procurement Committee at the 25 July 2022 meeting. The key findings include:

- No significant weaknesses in arrangements identified, but improvement recommendations made in the areas of: financial sustainability, governance, and improving economy, efficiency and effectiveness.
- No risk of significant weakness was identified in the Council's COVID-19 arrangements.
- In relation to group governance, a series of improvement recommendations were made. These related to oversight, business planning, skills and accounting.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

### **Independence**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

### **Management letter of representation**

We have asked management to provide a letter of representation in respect of the financial statements for 2020/21. This will be tabled as a separate agenda item.

### **Looking ahead**

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

***Mark Stocks***

For Grant Thornton UK LLP

CC Director of Finance and Resources

Attachments: Draft Disclaimer of Opinion

# Appendix

## Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Coventry City Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

## Audit Plan

We issued an Audit Plan on 26<sup>th</sup> July 2021. In our plan we identified the following issues as significant audit risks:

- Fraud in revenue recognition- this ISA 240 presumed risk was rebutted
- Fraud in expenditure recognition – this ISA 240 presumed risk was rebutted
- Management over-ride of controls
- Valuation of land and buildings and investment properties
- Valuation of pension fund net liability
- Accounting for the Group and Long-Term Investments.

We have not identified any other significant risks since the date we issued our audit plan.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

For 2020/21 we set a materiality level of £12m for the Council and £12.2m for the group.

## Key financial reporting and audit issues identified during the audit

As we have not completed our detailed work in respect of the 2020/21 financial statements audit, we are only able to report issues to you which we have noted up to the point of issuing our disclaimer opinion.

The issues that we wish to highlight for your attention are as follows.



The draft accounts published in March 2024 contain materially different figures across the primary statements and notes to the accounts when compared to the preliminary version of the 2020/21 accounts provided to audit in June 2022. We have not audited the adjustments made between these versions.

The following issues all relate to findings during the 2020/21 audit, which affected both the 2020/21 accounts and the 2019/20 accounts. These issues were appropriately adjusted for in the final 2019/20 accounts, as reported in our 2019/20 audit findings report. Adjustments in the 2020/21 accounts have not been audited.

- Historic cost depreciation - it was noted during the 20/21 audit that accumulated depreciation was significantly higher than expectations, given the regularity of revaluation on PPE. Upon further investigation by the Council, a historic error dating back to the implementation of the Business World system (Agresso) in 2011/12 was identified where downward revaluation on PPE assets had been improperly accounted for. The accounts at the time treated the movements as impairments by decreasing the net book value of the assets through accelerated depreciation, instead of correctly reducing the gross book value of the assets. However, within the fixed asset register (FAR) these were correctly treated as a revaluation and the gross book value of assets and depreciation were reduced. The resulting impact of this was a difference between the FAR and the Council's accounts.

As the 2019/20 audit was still open at the time we identified this issue, the adjustment was processed in the 2019/20 accounts. The difference in 2019/20 was a c.£380m equal and opposite overstatement in both gross book value and accumulated depreciation. There was no impact on the Net Book Value of the assets or the assets held by the Council. We discussed this with management, and as it was not possible to determine what the appropriate treatment was in 2011/12 (as records are not available), we agreed that it is appropriate to restate the 2019/20 financial statements to reflect the fixed asset register. This resulted in a c£380m adjustment to both gross asset values and gross depreciation. This was reported in our 2019/20 Audit Findings Report.

In 2020/21 we note a similar £386m adjustment has been made between the preliminary accounts received and the published draft accounts indicating this adjustment has been appropriately applied in 2020/21 as well, however we have not audited the accuracy of the adjustment made in 2020/21.

- Changes in Valuation Methodology - The Council engaged an external valuer, Wilks, Head & Eve, to perform PPE valuations in the year ended 31 March 2021, succeeding from the internal valuers at the Council in previous financial years. The external valuers highlighted five assets where they opted to value using a Depreciated Replacement Cost (DRC) approach deeming the assets as specialist, i.e. where there may not be an accurate market value. Upon review of previous valuations of these assets, it was identified that in prior years that the assets had been valued using rateable values of the property as a proxy in lieu of market rents. The engagement team deemed that this was not an appropriate approach to valuation of assets.

The assets were subsequently revalued by Wilks, Head & Eve resulting in upwards revaluation adjustments: a prior period adjustment to the opening balance at 1 April 2018 of £6.5m, a prior period adjustment to the closing balance at 31 March 2019 of £6.5m, and an adjustment to the closing balance at 31 March 2020 of £6.3m.

These were all adjusted for in the 2019/20 accounts as reported in our 2019/20 Audit Findings Report, however we have not audited the accuracy of the adjustment made in 2020/21.

- Errors in Non-Operational Asset Valuations - There were errors in 2019/20 noted on 5 non-operational assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: inaccurate lease data used within the valuation, incomplete site size / not all units included in the valuation, incorrect reversionary rents used by the valuers.

The errors led to a prior period adjustment in the 2019/20 accounts to the opening balance at 1 April 2018 of £3.8m; a prior period adjustment to the closing balance at 31 March 2019

of £6.4m, and an adjustment to the closing balance at 31 March 2020 of £8.3m.

These were all adjusted for in the 2019/20 accounts as reported in our 2019/20 Audit Findings Report, however we have not audited the accuracy of the adjustment made in 2020/21.

### Summary of work carried out

Although we are unable to reach conclusion of our audit, a significant amount of work has been carried out, including:

- Audit planning, including understanding the entity, group and its environment; documenting business processes; understanding the design and implementation of controls including IT controls; making inquiries of management and others; risk assessment and scoping the audit; culminating in the issuing of our audit plan in July 2021.
- Review of the preliminary financial statements by the Engagement Partner, Audit Manager, and technical team and feedback to management on points of interest.
- Engagement of auditor's experts who assisted with testing of property valuations and investment valuations.
- Engaging with the Pension Fund auditor to request assurances in relation to the Pension Fund.
- Discussions with management throughout the extended period.
- Discussions among the audit team.
- Discussions with component auditors and review of their work. This was abortive work following adoption of the revised ethical standard. See 'Matters in relation to the Group audit' section, below.
- Value for money work, culminating in the issuing of two documents: our Interim Auditor's Annual Report; and our Auditors VfM Report on Company Governance in July 2022.
- Selecting samples and beginning to test transactions and balances. Where findings impacted 2019/20, ensuring these were remediated in the 2019/20 accounts. In particular, the following audit work was carried out but not finalised:

In relation to significant risks:

- Journals- risk assessment procedures were carried out on transactions, including documenting an understanding of the control environment, walking through controls, making inquiries of journal posters, analysing transactions, and holding discussions among the audit team to identify large and unusual entries that we would test further. Furthermore, a significant piece of work was carried out in response to IT control findings – refer to the Design Effectiveness of Internal Control section later in this appendix, for details of our findings.
- Property valuations- risk assessment procedures were carried out on valuations and on assets that weren't valued in the year, including documenting an understanding of the related processes and controls, walking through controls, assessing the competence, experience and capability of management's expert, obtaining valuation reports, analysing movements since the last valuation and comparing this to expected movements, challenging management on the value of assets that weren't revalued in year, engaging with our expert to: 1) evaluate the instructions sent by management to the valuer; 2) evaluate the valuation report issued by the valuer; and 3) assist with the testing of the reasonableness of assumptions underpinning valuations; selecting a sample of high risk valuations;

and testing the underlying assumptions and accounting. We had relevant findings, see the ' Key financial reporting and audit issues identified during the audit' section earlier in this report.

- Pension liability valuation- risk assessment procedures were carried out on the pension liability valuation, including documenting an understanding of the related processes and controls, walking through controls, assessing the competence, experience and capability of management's expert, obtaining actuarial reports, requesting assurances from the auditor of the Pension Fund, agreeing the pension disclosures in the preliminary accounts to the actuary reports, testing the upfront payment made to the pension fund and related disclosures, comparing assumptions used by the actuary to those recommended by our expert, and starting work on comparing figures to expectations we had developed.
- Group accounting and Long-Term Investment valuation- holding discussions with management as they prepared the group accounts, obtaining valuation reports for investments in companies, engaging auditor experts to review valuations of long term investments, specifically in Birmingham Airport Holdings and the Coventry and Solihull Waste Disposal Company, including the underlying assumptions and source data used, testing the entries in the preliminary accounts to valuation reports. Considering the rationale for a nil valuation of UKBIC.

In relation to other material financial statement line items:

- Writing to the banks and other institutions to confirm the cash, investment and borrowing balances at the year end.
- Selecting and testing samples for: PPE balances, additions, REFCUS, debtors, creditors, fees and charges, grant income, income and expenditure around the year end, non-pay expenditure, and grants received in advance.
- Carrying out analytical procedures on depreciation, payroll costs and collection fund income
- Testing statements and disclosures including: the movement in reserves statement and supporting notes, the cash flow statement, the expenditure and funding analysis and related notes, officer remuneration notes, the related party note, the collection fund statement, the financial instruments notes, provisions and PFI notes.

### **Going Concern**

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised

approach for the consideration of going concern will often be appropriate for public sector entities

- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets these criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

#### **Design effectiveness of internal controls**

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We wish to highlight the following information for your attention:

Super user access rights:

During a review of control access performed by the IT audit team for the 2020/21 audit, it was identified that there were a small number of finance staff who had privileged administrative access rights within Business World. This presented a heightened opportunity risk for fraud and required substantial work to be performed by the engagement team to gain reasonable assurance over this area.

As the 2019/20 audit remained open at this point, this issue was also addressed in 2019/20. In our 2019/20 Audit Findings Report, we recommended that the Council reviews the administrative access allowed to finance staff through Business World. The Council should ensure that adequate controls are in place to ensure segregation of duties and to prevent fraud.

Lack of journal authorisation control:

There is no authorisation process for journal postings in the finance system. The control environment relies on budgetary processes (i.e. management account review) and access controls, which do not fully compensate for the lack of authorisation controls. We recommend the Council introduce an automated authorisation control designed to ensure segregation of duty with regard to journal postings. We recommend authorisation privileges are limited to appropriate finance managers.

#### **Other matters which we are required to report on to those charged with governance**

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.

- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

### **Matters in relation to the Group audit**

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work
- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We were unable to commence work on the group accounts given these were first published on 28<sup>th</sup> March 2024, and therefore we have no matters to report in this respect, except for the following issue to note:

The Financial Reporting Council's Revised Ethical Standard 2019 became effective from 15 March 2020 and has implications on the reliance we, as group auditors, are able to place on the audit work carried out by the auditors of the group's companies (the component auditors). The Ethical Standard contains certain additional requirements or prohibitions that apply only in the case for public interest entities (PIEs). As a PIE engagement, our audit of Coventry City Council and group is affected by these standards. In practice, this means that due to the additional non-audit services provided by the component auditors to the companies of the group, we are no longer able to place reliance on their work. Instead, for the duration of time that the prohibited services are being provided, we must carry out our own audit procedures on areas that fall within the scope of the group audit.

### **Audit fees and non-audit fees**

PSAA set a scale fee for this year's audit of £133,564 + VAT. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year. However, we estimate that our fee will be £211,000 + VAT.

The fees reconcile to the financial statements as follows:

Audit fees per financial statements: £211,000 + VAT  
 Less adjustment not yet determined by PSAA £77,436 + VAT  
 Equals PSAA scale fee: £133,564

We have also undertaken the following non audit work in respect of 2020/21:

<b>Audit Service</b>	<b>Proposed Fee</b>	<b>Final Fee</b>
Certification of housing benefit claim	£45,000	£69,861
Certification of teachers pensions return	£5,000	£6,000
Certification of Innovate UK grant claims (from April 2019 for 18 months)	£6,000	£6,000

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £211,000 + VAT and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

A full listing of non-audit fees chargeable for the periods 2020/21 to the date of this letter is included in the table overleaf.

**Chartered Accountants**

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**Type of Non-audit Service**

	20/21	21/22	22/23	23/24	Threats identified	Safeguards
<b>Audit-related:</b>						
Certification of Teachers Pension Return	£6,000	£7,500	£10,000	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it.
Certification of Housing Benefit Claim	£69,861	£70,000	£106,150	£143,487	Self-review (because GT provides audit services)  Management (because GT report to Teachers Pensions/DWP)	To mitigate against the self-review threat, we carry out the certification work after the audit has been completed wherever possible. Errors identified have not been and are not expected to be material.  The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.  Any changes to subsidy payable will be determined by Teachers Pensions/DWP and we have no involvement in the decision.  These factors mitigate the perceived threats to an acceptable level.
Certification of Innovate UK grant claims in relation to Battery Industrialisation Centre (from April 2019 for 18 months)	£6,000	-	-	-	Self-review (because GT provides audit services)	The level of this non recurring fee taken on its own is not considered a significant threat to independence as the annual fee was low in comparison to the total annual audit fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self review threat , the timing of certification work is done after the audit has completed where possible. Amounts are not material to the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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25 November 2024

Chair of Audit and Procurement Committee  
Coventry City Council  
City Council House  
Earl Street  
Coventry  
CV1 5RR

Grant Thornton UK LLP  
17th Floor  
103 Colmore Row  
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B3 3AG

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Dear Cllr Lakha,

**Coventry City Council and group - Conclusion of the audit for 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop**

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Director of Finance and Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2021/22 and 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit and Procurement Committee.

We are required under Auditing Standards to report certain matters to the Audit and Procurement Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

**Outcome of our audit for 2021/22 and 2022/23 – Disclaimer of the opinion on the financial statements**

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for the year ended 31 March 2022 available for public inspection by the first working day in June 2022 and for the year ended 31 March 2023 available for public inspection by the first working day in June 2023. However, the Authority did not make the 2021/22 financial statements available for public inspection until 13 August 2024 and the 2022/23 financial statements were not available until 13 September 2024. Consequently, we were not able to commence our audit of these financial statements before the 1 September 2024 (the backstop date). As a result, we did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that these financial statements as a whole are free from material misstatement.

**Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice – 2021/22**

We undertook our Value for Money work for the year ended 31 March 2022 and reported the outcome in an interim Auditor's Annual Report presented to the Audit and Procurement Committee on 29 January 2024.

We have nothing to report in respect of the above except on 29 January 2024, we identified and reported significant weaknesses in the Authority's arrangements for governance. This relates to delays in preparing the Authority's financial statements, leading to uncertainty regarding the Council's financial position and a failure to meet statutory reporting deadlines. We recommended that the Authority address the weaknesses in the preparation of its financial statements as identified in our financial statements audit work that have caused delays to the publication of the Statement of Accounts.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

**Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice – 2022/23**

We undertook our Value for Money work for the year ended 31 March 2023 and reported the outcome in an interim Auditor's Annual Report presented to the Audit and Procurement Committee on 18 March 2024.

We have nothing to report in respect of the above except on 18 March 2024, we identified and reported significant weaknesses in the Authority's arrangements for governance. This relates to delays in preparing the Authority's financial statements, leading to uncertainty regarding the Council's financial position and a failure to meet statutory reporting deadlines. We recommended that the Authority address the weaknesses in the preparation of its financial statements as identified in our financial statements audit work that have caused delays to the publication of the Statement of Accounts.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

**Independence**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

**Management letter of representation**

We have asked management to provide a letter of representation in respect of the financial statements for both 2021/22 and 2022/23. These letters will be tabled as separate agenda items.

**Looking ahead**

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years.

Yours sincerely

***Andrew Smith***

For Grant Thornton UK LLP

Cc: Director of Finance and Resources

Attachments: Draft Disclaimer of Opinion 2021/22 and 2022/23

# Appendix

## **Responsibilities**

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Coventry City Council. We draw your attention to both of these documents.

## **Scope of our audit**

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

## **Audit Plan**

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of the 2021/22 or 2022/23 audit years.

## **Our approach to materiality**

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for 2021/22 or 2022/23.

## **Key financial reporting and audit issues identified during the audit**

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

## **Going Concern**

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

#### **Design effectiveness of internal controls**

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

#### **Other matters which we are required to report on to those charged with governance**

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

#### **Matters in relation to the Group audit**

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work

- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We have no matters to report in this respect.

### Audit fees and non audit fees

PSAA set a scale fee for the 2021/22 audit of £143,564 and 2022/23 audit of £143,564. Given the unusual circumstances of the backstop, the final fee for 2021/22 is reduced to £36,000 and for 2022/23 is reduced to £31,000.

We have also undertaken the following non audit work in respect of the year.

Audit Service	Proposed Fee	Final Fee
Certification of housing benefit claim year ending 31 March 2022	£60,000	£70,000
Certification of teachers pension return year ending 31 March 2022	£7,500	£7,500
Certification of housing benefit claim year ending 31 March 2023	£86,350	£106,150
Certification of teachers pension return year ending 31 March 2023	£10,000	£10,000

The fees reconcile to the financial statements, as follows:

	31 March 2022	31 March 2023
Audit fees per financial statements	£144,000	£144,000
Adjustment for non-completion of audit	(£108,564)	(£113,564)
Rounding difference	£564	£564
Total audit fees per above	£36,000	£31,000
Certification of grants per financial statements	£77,000	£116,000
Rounding difference	£500	£150
Total grant fees per above	£77,500	£116,150

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the rolling average audit fee for the previous three years, which was: £235,736 in 2021/22 and £199,881 in 2022/23, and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

A full listing of non-audit fees chargeable for the periods 2021/22 to the date of this letter is included in the table overleaf.

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**Type of Non-audit Service**

	21/22	22/23	23/24	Threats identified	Safeguards
<b>Audit-related:</b>					
Certification of Teachers Pension Return	£7,500	£10,000	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it.
Certification of Housing Benefit Claim	£70,000	£106,150	£143,487	Self-review (because GT provides audit services)  Management (because GT report to Teachers Pensions/DWP)	To mitigate against the self-review threat, we carry out the certification work after the audit has been completed wherever possible. Errors identified have not been and are not expected to be material.  The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.  Any changes to subsidy payable will be determined by Teachers Pensions/DWP and we have no involvement in the decision.  These factors mitigate the perceived threats to an acceptable level.

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# Independent auditor's report to the members of Coventry City Council

## Report on the Audit of the Financial Statements

### Disclaimer of opinion


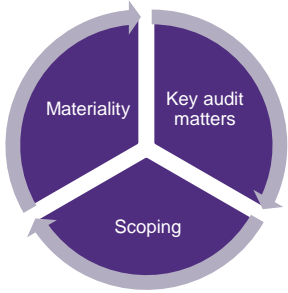
We were engaged to audit the financial statements of Coventry City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and Notes, the Group Comprehensive Income and Expenditure Account, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Overview of Main Financial Statements, Notes to the Main Financial Statements, Statement of Accounting Policies, Notes to the Collection Fund Statement, Overview of Group Accounts and Notes to the Group Accounts (Notes 4.6 to 4.15). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2021 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2021 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Our approach to the audit

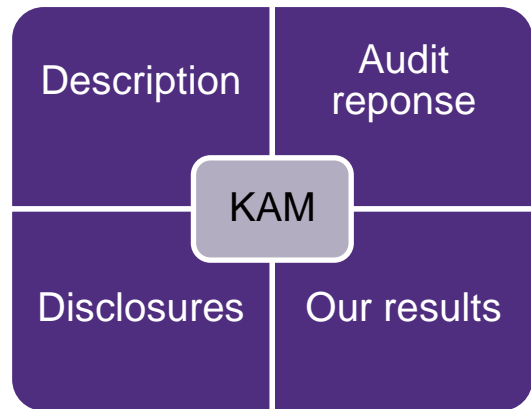
 <b>Grant Thornton</b>	<b>Overview of our audit approach</b>
	<b>Financial statements audit</b>
	Overall materiality Group: £12,200,000, which represented 1.5% of the group's gross expenditure; Authority: £12,000,000, which represented 1.5% of the Authority's gross expenditure.
	Key audit matters for both the Group and Authority were identified as: <ul style="list-style-type: none"><li>• Valuation of Land and Buildings and Investment Properties (Same as previous year)</li><li>• Valuation of Pension Fund Net Liability (Same as previous year)</li><li>• Group Accounting (Same as previous year) and valuation of Long-Term Investments in Companies (New this year).</li></ul>

	<p>Our auditor’s report for the year ended 31 March 2020 included one key audit matter that has not been reported as a key audit matter in our current year’s report. This relates to the valuation of Other Land and Buildings – UK Battery Industrialisation Centre Limited, for which the accounting treatment issues were resolved in the prior year.</p>
	<p><b>Value for money arrangements</b></p> <p>We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Our approach to this work is set out in the ‘Report on other legal and regulatory requirements –the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources’ section of this report.</p>

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority’s financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



●	Key audit matter	●	Significant risk	●	Other risk
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### Valuation of Land and Buildings and investment properties

#### Land and Buildings:

We identified the valuation of land and buildings as one of the most significant assessed risks of material misstatement due to error.

The Authority revalues its other land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation, then further valuations are instructed.

These valuations represent a significant estimate by management in the financial statements due to the size of the balance involved (£551.473m as at 31 March 2021), and the sensitivity of this estimate to changes in key assumptions.

In addition, the Authority has instructed an external valuation expert to conduct these valuations for 2020/21. Previously the Authority has used internal valuation experts. Changes in valuers can mean changes in estimation technique and assumptions employed, and this adds further complexity to the audit of the valuations.

Within the other group entities, further material land and buildings are held. Under FRS 102, (the accounting basis on which the other group entities prepare their financial statements) these assets are held at depreciated historical cost. In the preparation of the group accounts, the Authority is therefore required to obtain a valuation compliant with the IFRS-based CIPFA Code and make appropriate consolidation adjustments for the asset balance and revaluation movements.

In addition to these complexities, the audit of the 2019/20 accounts identified material errors in this area which were adjusted for by the Authority.

#### Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

- Accounting Policy: Note 5.7, Accounting Policies - Property, Plant & Equipment, Investment Property and Assets Held for Sale.
- Financial statements: Note 3.15, Property, plant and equipment and Note 3.19 Revaluations of Property, Plant and Equipment.
- Narrative Report: Note 1.2, Asset Valuations

In responding to the key audit matter, we performed the following audit procedures but were not finalised:

- Risk assessment procedures carried out on valuations and on assets that were not valued in the year including documenting an understanding of the related processes and controls, walking through controls;
- Assessing the competence, experience and capability of management's expert;
- Obtaining valuation reports;
- Analysing movements since the last valuation and comparing this to expected movements;
- Challenging management on the value of assets that were not revalued in year;
- Engaging with our expert to evaluate the instructions sent by management to the valuer, the valuation report issued by the valuer and assist with the testing of the reasonableness of assumptions underpinning valuations; and
- Selecting a sample of high risk valuations and testing the underlying assumptions and accounting.

We identified the following matters. Adjustments in the 2020/21 accounts but have not been audited:

- Historic cost depreciation – a £380m adjustment was required in the 2019/20 accounts to reduce both the gross book value and accumulated depreciation of property, plant and equipment. There was no impact on the net book value (the value on balance sheet). This related to a historic error dating back to 2011/12 when the Authority upgraded its ledger system.
- Changes in valuation methodology – the Authority instructed a new valuer for its 2020/21 property valuations. We noted that the new valuer applied different valuation methodology to the previous valuer for five assets. We found that the previous valuations were not carried out on an appropriate basis, and adjustments were made in the 2019/20 accounts to property, plant and equipment. Adjustments were made, including: a prior period adjustment to the opening balance at 1 April 2018 of £6.5m, a prior period adjustment to the closing balance at 31 March 2019 of £6.5m, and an adjustment to the closing balance at 31 March 2020 of £6.3m.

### Investment Property:

We identified the valuation of investment property as one of the most significant assessed risks of material misstatement due to error.

The Council hold a range of investment properties which comprise of commercial units, office units, agricultural assets, residential and other assets. These assets are included in the balance sheet at fair value. Up until the 2019/20 year, the Council revalued around 80% of its assets each year. The remaining assets not valued were subject to review to ensure that there has been no material changes. We have previously reported that to be compliant with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Authority should instead value 100% of assets at the balance sheet date. In 2020/21, the Authority adopted a new policy of valuing 100% of its investment properties annually.

These valuations represent a significant estimate by management in the financial statements due to the size of the balances involved (£317.073m as at 31 March 2021), and the sensitivity of this estimate to changes in key assumptions.

In addition, the Authority has instructed an external valuation expert to conduct these valuations for 2020/21. Previously the Authority has used internal valuation experts. Changes in valuers can mean changes in estimation technique and assumptions employed, and this adds further complexity to the audit of the valuations

In addition to these issues, the audit of the 2019/20 accounts identified material errors in this area which were adjusted for by the Authority.

### Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

- Accounting Policy: Note 5.5 Changes in Accounting Policies – Investment Property Valuations and note 5.7 - Accounting Policies - Property, Plant & Equipment, Investment Property and Assets Held for Sale.
- Financial statements: Note 3.17 Non-Operational Assets.
- Narrative Report: Note 1.2, Asset Valuations

In responding to the key audit matter, we performed the following audit procedures but were not finalised:

- Risk assessment procedures carried out on valuations and on assets that were not valued in the year including documenting an understanding of the related processes and controls, walking through controls;
- Assessing the competence, experience and capability of management's expert;
- Obtaining valuation reports;
- Analysing movements since the last valuation and comparing this to expected movements;
- Challenging management on the value of assets that were not revalued in year;
- Engaging with our expert to evaluate the instructions sent by management to the valuer, the valuation report issued by the valuer and assist with the testing of the reasonableness of assumptions underpinning valuations; and
- Selecting a sample of high risk valuations and testing the underlying assumptions and accounting.

We identified the following matters. Adjustments in the 2020/21 accounts but have not been audited:

Errors in non-operational asset valuation- There were errors in 2019/20 noted on five non-operational assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: inaccurate lease data used within the valuation; incomplete site size / not all units included in the valuation; and incorrect reversionary rents used by the valuers. The errors led to a prior period adjustment in the 2019/20 accounts to the opening balance at 1 April 2018 of £3.8m; a prior period adjustment to the closing balance at 31 March 2019 of £6.4m; and an adjustment to the closing balance at 31 March 2020 of £8.3m.

## Group Accounting and Valuation of Long-Term Investments

Over recent years, the Authority has increased the number and value of interests it has in associated companies.

In its single-entity accounts, the Authority has elected to report the value of these long-term investments at the balance sheet date at Fair Value. This is allowable under the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, which permits either Fair Value accounting or historical cost accounting. The Fair Value method requires a valuation of each company at the balance sheet date. The Authority instructs external experts to determine appropriate valuations.

The valuation of long-term investments is considered a significant estimate due to the size of the balance involved (£98.562m at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.

For the group accounts, the Authority is required to assess the level of control or significant influence it has over its company interests and apply the appropriate accounting treatment. For companies where the Authority has control, these are consolidated into the group accounts line-by-line; for entities where there is joint control or significant influence, the interest is accounted for using the equity method. The Authority has both types of interest.

Group accounting has further complexities where the accounting policies, accounting frameworks and year-end dates are different to those of the group. This is the case for the majority of the Authority's interests. The Authority must apply adjustments to the financial information reported by the group entities prior to inclusion in the group accounts.

In addition to these issues, the audit of the 2019/20 accounts identified material errors in group accounting which were adjusted for by the Authority.

We therefore identified valuation of the Authority's long-term investments; and the accounting for the group as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.

In responding to the key audit matter, we performed the following audit procedures but were not finalised:

- Holding discussions with management as they prepared the group accounts, obtaining valuation reports for investments in companies;
- Engaging auditor experts to review valuations of long term investments, specifically in Birmingham Airport Holdings and the Coventry and Solihull Waste Disposal Company, including the underlying assumptions and source data used; and
- Testing the entries in the preliminary accounts to valuation reports. Considering the rationale for a nil valuation of UKBIC.

## Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

- Accounting Policy: Note 5.7 - Accounting Policies – Investments; Financial Assets Measured at Fair Value; and Group Accounts
- Financial statements: Note 3.21 Long Term Investments; note 3.34 Financial Instruments; note 3.35 Associated Company Interests and Holdings; and notes 4.1 to 4.15 Group Accounts.
- Narrative Report: Note 1.2, Locally Committed; The Council's Financial Performance – Revenue Position and COVID-10; and The Council's Financial Performance – Capital

### Valuation of Pension Fund Net Liability

We identified the valuation of the Pension Fund Net Liability as one of the most significant assessed risks of material misstatement due to error.

The pension fund net liability, as reflected in the balance sheets of both the Council and group as the “net pension liability”, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the balance involved (£742.911m at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.

### Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

- Accounting Policy: Note 5.7 - Accounting Policies - Employee Benefits - Post-Employment Benefits – Pensions
- Financial statements: Note 3.31 - Retirement Benefits.
- Narrative report: Note 1.2 - Pensions Accounting; March 2024 Update

In responding to the key audit matter, we performed the following audit procedures but were not finalised:

- Risk assessment procedures were carried out on the pension liability valuation, including documenting an understanding of the related processes and controls, walking through controls;
- Assessing the competence, experience and capability of management’s expert, obtaining actuarial reports;
- Requesting assurances from the auditor of the Pension Fund;
- Agreeing the pension disclosures in the preliminary accounts to the actuary reports;
- Testing the upfront payment made to the pension fund and related disclosures, comparing assumptions used by the actuary to those recommended by our expert; and
- Comparing figures to expectations we had developed.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report.

Materiality was determined as follows:

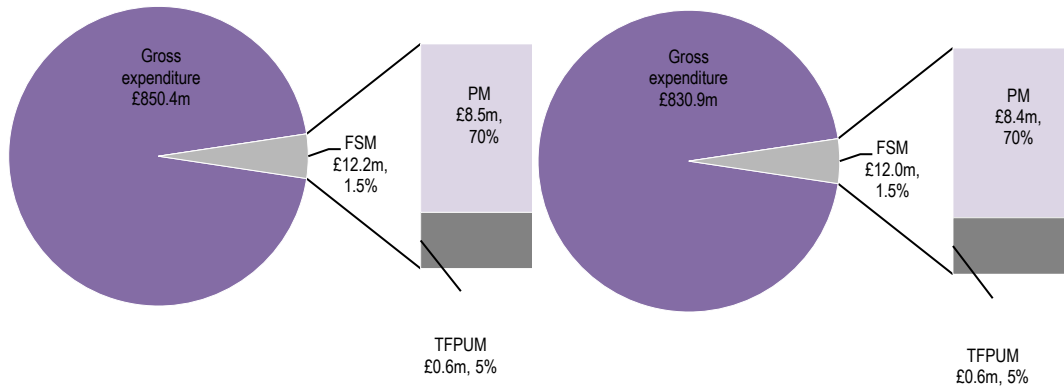
Materiality measure	Group	Authority
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	Overall materiality has been set at £12,200,000, which represented 1.5% of the group’s gross expenditure;	Overall materiality has been set at £12,000,000, which represented 1.5% of the Authority’s gross expenditure;
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> <li>• regarding selection of an appropriate benchmark, we determined gross expenditure to be most appropriate as the group’s performance, including the Authority as the most significant component of the group, is assessed based on its spend;</li> </ul>	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> <li>• regarding selection of an appropriate benchmark, we determined gross expenditure to be most appropriate as the Authority’s performance is assessed based on its spend;</li> <li>• regarding selection of an appropriate percentage to apply to that benchmark we</li> </ul>

<b>Materiality measure</b>	<b>Group</b>	<b>Authority</b>
	<ul style="list-style-type: none"> <li>regarding selection of an appropriate percentage to apply to that benchmark we considered the heightened public interest in the group including the Authority which is a Public Interest Entity.</li> </ul> <p>Materiality for the current year in percentage terms, is the same as the level we determined for the year ended 31 March 2020. In '£' terms, materiality is lower than the level that we determined for the year ended 31 March 2020 due to audit adjustments in 2019/20.</p>	<p>considered the heightened public interest in the Authority which is a Public Interest Entity.</p> <p>Materiality for the current year in percentage terms, is the same as the level we determined for the year ended 31 March 2020. In '£' terms, materiality is lower than the level that we determined for the year ended 31 March 2020 due to audit adjustments in 2019/20.</p>
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	Performance materiality for the year has been set at £8,540,000, which is 70% of financial statement materiality.	Performance materiality for the year has been set at £8,400,000, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we considered the number and value of errors identified in the prior year.	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we considered the number and value of errors identified in the prior year.
<b>Specific materiality</b>	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
<b>Communication of misstatements to the Audit and Procurement Committee</b>	We determine a threshold for reporting unadjusted differences to the Audit and Procurement Committee.	
Threshold for communication	£600,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£600,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Authority



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

### An overview of the scope of our audit

We planned a risk-based audit that requires an understanding of the group's and the Authority's business. The audit was planned based on preliminary figures for the Authority and was based on prior year figures for the group components. The audit plan was not updated following issuing of the draft accounts, and therefore the planned audit procedures may not address all risks that the audit team would have included in the scope of the audit had this update been completed. Our preliminary audit plan considered particular matters related to:

- Gaining an understanding of and evaluating the Authority's internal controls environment including its financial and IT systems and controls.
- Evaluation of identified components of the group to assess the significance of each component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's total income, assets and liabilities. A full scope, targeted or analytical approach was planned for each component based on their relative materiality to the group and our assessment of audit risk.
- Full scope audit procedures were planned for the Authority, the only financially significant component in the group. The Authority's transactions represent 95% of the group's income and 94% of its total assets.
- Specified audit procedures were planned for The Coventry and Solihull Waste Disposal Company Limited, Tom White Waste Limited, UK Battery Industrialisation Centre Ltd, and Friargate JV Project Limited.
- Analytical procedures on the other non-significant components in the group accounts were planned: Coombe Abbey Park Limited, Coventry North Regeneration Limited, North Coventry Holdings Limited.



#### Understanding the group, the Authority, and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority only level. This was completed to support the production of our audit plan but was not updated following the issue of the draft accounts and is therefore incomplete.

#### Identifying significant components

- The engagement team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. This evaluation was based on information available at a point in time and was not updated following issuing of the draft accounts and is therefore incomplete.

#### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

#### Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## **Responsibilities of the Authority, the Director of Finance and Resources, and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities set out in note 1.3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Procurement Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

## **Other matters which we are required to address**

We were appointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is twelve years, covering the years ending 31 March 2012 to 31 March 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and the group and we remain independent of the Authority and the group in conducting our audit.

We have provided the following services in addition to the audit, to the Authority and its subsidiaries since 1 April 2020 that have not been disclosed separately in the Statement of Accounts:

- agreed-upon procedures in relation to the Housing Benefit Subsidy Claim and the Teachers' Pension return;
- agreed-upon procedures in relation to follow up work requested by the DWP on the Housing Subsidy Claim; and

- agreed-upon procedures of Innovate UK funding in relation to the UK Battery Industrialisation Centre.

Our audit opinion is consistent with the additional report to the Audit and Procurement Committee.

## **Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.


We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Coventry City Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: 

Mark C Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

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# Independent auditor's report to the members of Coventry City Council

## Report on the Audit of the Financial Statements

### Disclaimer of opinion



We were engaged to audit the financial statements of Coventry City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Account, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Overview of Main Financial Statements, Notes to the Main Financial Statements, Statement of Accounting Policies, Notes to the Collection Fund Statement, Overview of Group Accounts and Notes to the Group Accounts (Notes 4.6 to 4.14). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

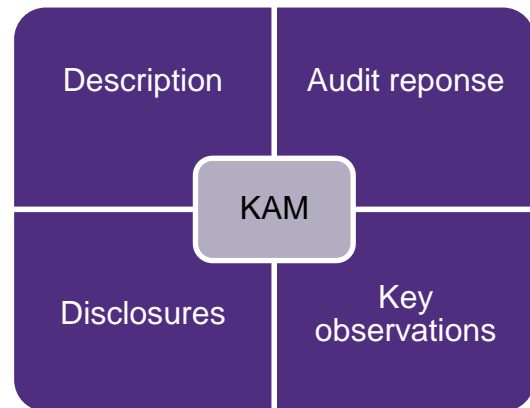
The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Our approach to the audit

 	<p><b>Overview of our audit approach</b></p> <p><b>Financial statements audit</b></p>
	<p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to determine materiality for 2021/22 before the backstop date.</p>
	<p><b>Key audit matters</b></p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we did not perform audit procedures to identify any key audit matters, significant risks or other risks relevant to the audit.</p>
	<p><b>Value for money arrangements</b></p> <p>We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.</p>

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we did not perform audit procedures to identify any key audit matters, significant risks or other risks relevant to the audit.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to determine materiality for 2021/22 before the backstop date.

### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or



- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance and Resources and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Procurement Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

### **Other matters which we are required to address**

We were appointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ending 31 March 2019 to 31 March 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority in conducting our audit.

We have provided the following services in addition to the audit, to the Authority and its subsidiaries since 1 April 2022 that have not been disclosed separately in the Statement of Accounts:

- agreed-upon procedures in relation to the Housing Benefit Subsidy Claim and the Teachers' Pension return for the years ending 31 March 2021, 2022, 2023 and 2024

Our audit opinion is consistent with the additional report to the Audit and Procurement Committee.

## Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 29 January 2024, we identified a significant weakness in the Authority’s arrangements for governance. This relates to delays in preparing the Authority’s financial statements, leading to uncertainty regarding the Council’s financial position and a failure to meet statutory reporting deadlines. We recommended that the Authority address the weaknesses in the preparation of its financial statements as identified in our financial statements audit work that have caused delays to the publication of the Statement of Accounts.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Coventry City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent

permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Signature:**

Andrew J Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

**Date:**

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# Independent auditor's report to the members of Coventry City Council

## Report on the Audit of the Financial Statements

### Disclaimer of opinion



We were engaged to audit the financial statements of Coventry City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Account, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Overview of Main Financial Statements, Notes to the Main Financial Statements, Statement of Accounting Policies, Notes to the Collection Fund Statement, Overview of Group Accounts and Notes to the Group Accounts (Notes 4.6 to 4.14). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

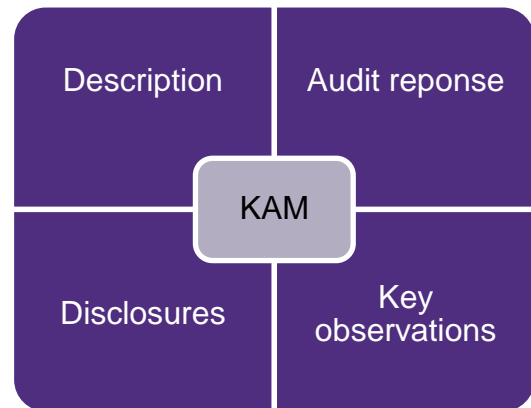
The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Our approach to the audit

  	<p><b>Overview of our audit approach</b></p>
	<p><b>Financial statements audit</b></p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to determine materiality thresholds for 2022/23 before the backstop date.</p>
	<p><b>Key audit matters</b></p> <p>Key audit matters were identified as:</p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we did not perform audit procedures to identify any key audit matters, significant risks or other risks relevant to the audit.</p>
	<p><b>Value for money arrangements</b></p> <p>We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.</p>

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we did not perform audit procedures to identify any key audit matters, significant risks or other risks relevant to the audit.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to determine materiality thresholds for 2022/23 before the backstop date.

### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance and Resources and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Procurement Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

### **Other matters which we are required to address**

We were appointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ending 31 March 2019 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority in conducting our audit.

We have provided the following services in addition to the audit, to the Authority and its subsidiaries since 1 April 2023 that have not been disclosed separately in the Statement of Accounts:

- agreed-upon procedures in relation to the Housing Benefit Subsidy Claim and the Teachers' Pension return for the years ending 31 March 2021, 2022, 2023, and 2024

Our audit opinion is consistent with the additional report to the Audit and Procurement Committee.

## **Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except:

- on 29 January 2024, we identified a significant weakness in the Authority’s arrangements for governance. This relates to delays in preparing the Authority’s financial statements, leading to uncertainty regarding the Council’s financial position and a failure to meet statutory reporting deadlines. We recommended that the Authority address the weaknesses in the preparation of its financial statements as identified in our financial statements audit work that have caused delays to the publication of the Statement of Accounts.

As part of our work on the Authority’s arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness for the year ended 31 March 2023, we have reviewed the progress against the issued identified. Insufficient progress has been made in any of the significant weaknesses, therefore the significant weaknesses in arrangements remain in place.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Coventry City Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Signature:**

Andrew J Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

**Date:**

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**[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]**

Grant Thornton UK LLP  
17<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
B3 3AG

**[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]**

Dear Grant Thornton UK LLP

**Coventry City Council - Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council and its subsidiary undertakings, Coombe Abbey Park Limited, Tom White Waste Limited, UK Battery Industrialisation Centre LTD, Coventry North Regeneration Limited, North Coventry Holdings Limited; and its joint ventures: The Coventry and Solihull Waste Disposal Company Limited and Friargate JV Project Limited for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include: the valuation of land and buildings and investment properties; the valuation of long term investments in companies; the valuation of the net defined benefit pensions liability; the valuation of financial assets and financial liabilities for the purposes of disclosing fair values; income and expenditure accruals; impairment allowances; provisions and contingent liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework,

and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for investment properties and the following change to estimation process was made: the Council now revalues 100% of its investment properties annually at the balance sheet date. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the 'Key financial reporting and audit issues identified during the audit' included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards, including the equal pay claims lodged against the Council.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. The prior period adjustments disclosed in Note 3.39 and Note 4.15 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

the group and Council's system of internal control has not identified any events or conditions relevant to going concern. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

#### **Information Provided**

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xviii. On 5 September 2024, parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2020/21 of 13 December 2024. The new National Audit Office Code which is expected to be approved on 14 November 2024, also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 2020/21 by the statutory backstop date. This includes the following:
  - a. providing you with:
    - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
    - ii. additional information that you have requested from us for the purpose of your audit; and
    - iii. access to persons within the Council via remote arrangement from whom you determined it necessary to obtain audit evidence.
  - b. communicating to you all deficiencies in internal control of which management is aware.
  - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
    - i. management;
    - ii. employees who have significant roles in internal control; or
    - iii. others where the fraud could have a material effect on the financial statements.
  - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
  - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xx. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 25 November 2024

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

**[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]**

Grant Thornton UK LLP  
17<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
B3 3AG

**[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]**

Dear Grant Thornton UK LLP

**Coventry City Council - Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council and its subsidiary undertakings: Coventry Municipal Holdings Limited and UK Battery Industrialisation Centre Ltd; and its joint ventures and associates: The Coventry and Solihull Waste Disposal Company Limited, Friargate JV Project Limited and Sherbourne Recycling Limited for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and investment properties; the valuation of long term investments in companies; the valuation of the net defined benefit pensions liability; the valuation of financial assets and financial liabilities for the purposes of disclosing fair values; income and expenditure accruals; impairment allowances; provisions and contingent liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework,

and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards, including the equal pay claims lodged against the Council.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xiv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.



### Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 5 September 2024, parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on \*14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2022 by the statutory backstop date. This includes the following:
  - a. providing you with:
    - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
    - ii. additional information that you have requested from us for the purpose of your audit; and
    - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
  - b. communicating to you all deficiencies in internal control of which management is aware.
  - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
    - i. management;
    - ii. employees who have significant roles in internal control; or
    - iii. others where the fraud could have a material effect on the financial statements.
  - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
  - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 25 November 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
17<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
B3 3AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

**Coventry City Council - Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council and its subsidiary undertakings; Coventry Municipal Holdings Limited and UK Battery Industrialisation Centre Ltd; and its joint ventures and associates: The Coventry and Solihull Waste Disposal Company Limited, Friargate JV Project Limited and Sherbourne Recycling Limited for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and investment properties; the valuation of long term investments in companies; the valuation of the net defined benefit pensions liability; the valuation of financial assets and financial liabilities for the purposes of disclosing fair values; income and expenditure accruals; impairment allowances; provisions and contingent liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods,

assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards, including the equal pay claims lodged against the Council.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xiv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

### Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 5 September 2024, parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which was approved on \*14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
  - a. providing you with:
    - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
    - ii. additional information that you have requested from us for the purpose of your audit; and
    - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
  - b. communicating to you all deficiencies in internal control of which management is aware.
  - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
    - i. management;
    - ii. employees who have significant roles in internal control; or
    - iii. others where the fraud could have a material effect on the financial statements.
  - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
  - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 25 November 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**



Audit and Procurement Committee  
Cabinet Member for Policing and Equalities

25 November 2024  
30 January 2025

**Name of Cabinet Member:**

Cabinet Member for Policing and Equalities – Councillor AS Khan

**Director Approving Submission of the report:**

Director of Law and Governance

**Ward(s) affected:**

None

**Title:**

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

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**Is this a key decision?**

No

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**Executive Summary:**

The Regulation of Investigatory Powers Act 2000 (RIPA) enables the Council to use covert surveillance; covert human intelligence sources (CHIS); and the acquisition of service use or subscriber information in relation to communications data in a manner that is compatible with Article 8 of the European Convention on Human Rights governing an individual's right to respect for their private and family life, home and correspondence.

The Council uses 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 are related to the underage sale of alcohol and tobacco. There are three processes available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources ("CHIS").

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

The Home Office Code for Covert Surveillance and Property Interference recommends 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 oversight of the authority's use of Parts I and II of the Act. **Page 183**

**Recommendations:**

The Audit and Procurement Committee is requested to:

- 1) Consider and note the Council's use and compliance with RIPA.
- 2) Forward any comments and/or recommendations to the Cabinet Member for Policing and Equalities.

The Cabinet Member for Policing and Equalities is requested to:

- 1) Consider any comments and/or recommendations provided by the Audit and Procurement Committee.
- 2) Approve the report as a formal record of the Council's use and compliance with RIPA.

**List of Appendices included:**

None

**Other useful background papers:**

None

**Other useful background information:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

Yes – Cabinet Member for Policing and Equalities 30<sup>th</sup> January 2025

**Will this report go to Council?**

No



Report title: **Annual Compliance Report 2023 - Regulatory & Investigatory Powers Act (RIPA) 2000**

**1. Context (or background)**

- 1.1 RIPA governs the acquisition and disclosure of communications data and the use of covert surveillance by local authorities. The Council can only use powers under RIPA to support its core functions for the purpose of prevention and detection of crime.
- 1.2 There are different thresholds that need to be met before any surveillance can be undertaken. In the case of Directed Surveillance or the use of Covert Human Intelligence Sources (CHIS) an offence has to be punishable by a custodial sentence of 6 months or more or the offence is related to the underage sale of alcohol and/or tobacco. In the case of Communications Data an offence has to be punishable by a custodial sentence of 12 months or more (e.g. offences relating to counterfeit goods which carry a maximum penalty of 10 years in prison).
- 1.3 Where the above criteria are met, local authorities can make an application for the acquisition and disclosure of communications data (such as telephone billing information or subscriber details) or directed surveillance (covert surveillance of individuals in public places); and the use of a CHIS (such as the deployment of undercover officers). The powers are most commonly used by Business Compliance. However, powers can also be used by other Council services if their offences meet the serious crime threshold, mentioned in 1.2 above.
- 1.4 RIPA and Codes of Practice set out the procedures that local authorities must follow when undertaking surveillance. These include approval by Authorised Council Officers for Directed Surveillance / CHIS applications to show that the proposed use of the powers is “necessary and proportionate”.
- 1.5 The Council is required to have a Senior Responsible Officer to maintain oversight of the RIPA arrangements, procedures and operations. The Council’s Monitoring Officer performs this function and is responsible for the integrity of the Council’s process for managing the requirements under RIPA.
- 1.6 Since 1 September 2017, the [Investigatory Powers Commissioner's Office](#) (IPCO) has been responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.
- 1.7 2019 saw the implementation of Part 3 of the Investigatory Powers Act 2016 (IPA). The introduction of this legislation has seen the most significant change to the acquisition of communications data in recent years. The IPA consolidates all existing powers available to law enforcement and other agencies. It radically overhauls the way these powers are authorised and overseen. The legislation also ensures that the powers conveyed are fit for the fast-moving digital age that we live in. The IPA has 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. In addition, the legislation has

broadened the range of communications data available including access to location data.

1.8 The acquisition of communications data is undertaken through the National Antifraud Network (NAFN). They act as the single point of contact for many local authorities and ensure the application is RIPA/ IPA compliant. It is NAFN that are audited by the commissioners.

1.9 Details of the applications that the Council has made are set out below:

1.9.1 Use of Directed Surveillance or Covert Human Intelligence Sources

For the Period 1 January 2023 – 31 December 2023

The number of applications made for a Directed Surveillance authorization	0
The number of Directed Surveillance authorisations successfully granted	0
The number of Directed Surveillance authorisations that were cancelled	0
The number of Directed Surveillance authorisations extant at the end of the year	0

- There were no reported instances of the Council having misused its powers under the Act.

1.9.2 Use of Acquisition & Disclosure of Communications Data

No applications for the disclosure of communications data were made during the period 1 January 2023 – 31 December 2023.

1.10 Statistical Data

The IPCO require annual statistical data each year. The Annual Report of the Investigatory Powers Commissioner 2020 (last report at the time of writing, published 6 January 2022) is published on the IPCO website at the following link: <https://www.ipco.org.uk/publications/annual-reports/#:~:text=report%20in%20Parliament.-,06%20January%202022,-Annual%20Report%202020> . Part 15 provides the findings relating to local authorities.

## 1.11 RIPA Training

It is recommended good practice to provide RIPA training to all relevant Officers periodically. A one-day training session was delivered on 20 April 2023 and a further session is in the process of being arranged as a refresher.

## 2. Options considered and recommended proposal

### 2.1 The recommended proposal is that:

- Audit and Procurement Committee consider and note the Annual Compliance Report, which sets out how the Council has used its powers during the reporting periods of the individual Commissioners. In addition, the Committee is recommended to forward any comments or recommendations to the Deputy Leader Policing and Equalities; and
- The Deputy Leader Policing and Equalities is recommended to consider any comments and/or recommendations from the Audit and Procurement Committee and approve the report as a formal record of the Council's use and compliance with RIPA.

2.2 The only other option is to "Do Nothing" which is not recommended as this would result in inadequate oversight and scrutiny by elected members on how the Council has used its powers during the reporting periods set out in this report

## 3. Results of consultation undertaken

3.1 Not applicable

## 4. Timetable for implementing this decision

4.1 The report will be a formal record of the Council's use of RIPA in 2023 when approved by the Cabinet Member for Policing and Equalities.

## 5. Comments from the Director of Finance and Resources and the Director of Law and Governance

### 5.1 Financial implications

The Council has budget provision to cover the cost of the training, which will be delivered by an external trainer who specialises in RIPA legislation. There are no other direct financial implications arising from this report.

### 5.2 Legal implications

There are no legal implications arising directly from this report.

The powers of local authorities have remained largely unchanged following the introduction of the Investigatory Powers Act 2016. However, Officers will continue to monitor the operation of RIPA and ensure that any amendments are incorporated into the Council's policy and procedures as appropriate.

Consideration and endorsement by Members, ensures that appropriate scrutiny is in place. Consideration of RIPA activity as recommended by the OSC guidance ensures that such activity is subject to appropriate scrutiny and authorisations.

## **6. Other implications**

Whilst the requirement to obtain judicial / OCDA approval introduced an additional step into the process, given the Council's low use of its powers under RIPA, it has not resulted in any significant delays for planned operations. Routine patrols, ad-hoc observations at trouble 'hot spots', immediate response to events and overt use of CCTV do not require RIPA authorisation.

### **6.1 How will this contribute to achievement of the One Coventry Plan?** **<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>**

As and when judicial / OCDA approval is sought to use these powers, it will help support the Council's core aims by preventing and detecting crime associated with enforcement activities such as: investigations relating to counterfeiting and fraudulent trading activity, or underage sales of alcohol or tobacco.

### **6.2 How is risk being managed?**

The requirement for the Council to seek judicial / OCDA approval for any proposed use of its powers under the Regulation of Investigatory Powers Act 2000, as amended by the Protection of Freedoms Act 2012 and IPA, reduces the risk of the Council using such powers inappropriately or unlawfully. This will help ensure any evidence gained from such use will be admissible in a court of law.

### **6.3 What is the impact on the organisation?**

There is no additional impact on the Council.

### **6.4 Equalities / EIA**

When submitting a request for authorisation to use RIPA, consideration is given to any impact on equalities.

### **6.5 Implications for (or impact on) climate change and the environment?**

There are no implications on the environment.

### **6.6 Implications for partner organisations?**

There are no implications on partner organisations.

**Report author:****Name and job title:**

Oluremi Aremu  
Head of Legal and Procurement Services

**Service Area:**

Law and Governance

**Tel and email contact:**

Tel: 024 76972 070

Email: [Oluremi.aremu@coventry.gov.uk](mailto:Oluremi.aremu@coventry.gov.uk)

Enquiries should be directed to the above.

<b>Contributor/ approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Rob Back	Strategic Lead - Planning	City Services and Commercial	04/10/2024	08/10/2024
Debbie Cahalin-Heath	Strategic Manager	Law and Governance	04/10/2024	11/10/2024
Sue Gilbert	Information Governance Officer	Law and Governance	04/10/2024	07/10/2024
Michelle Salmon	Governance Services Officer	Law and Governance	04/10/2024	04/10/2024
<b>Names of approvers for submission: (officers and members)</b>				
Andrew Walster	Director of City Services and Commercial	City Services and Commercial	14/10/2024	14/10/2024
Davina Blackburn	Strategic Lead - Regulation and Communities	Law and Governance	14/10/2024	15/10/2024
Cath Crosby	Lead Accountant (Business Partnering)	Finance and Resources	14/10/2024	15/10/2024
Julie Newman	Director of Law and Governance (Monitoring Officer)	Law and Governance	14/10/2024	15/10/2024
Councillor A S Khan	Cabinet Member for Policing and Equalities	-	14/10/2024	21/10/2024

This report is published on the council's website: [www.coventry.gov.uk/council-meetings](http://www.coventry.gov.uk/council-meetings)

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Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

25th November 2024

### Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

### Director approving submission of the report:

Director of Finance and Resources

### Ward(s) affected:

City Wide

### Title:

Internal Audit Plan 2024-25 – Half Year Progress Report

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### Is this a key decision?

No – this is a monitoring report

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### Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the internal audit activity for the period April to September 2024, against the Internal Audit Plan for 2024-25.

### Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the performance as at quarter two against the Internal Audit Plan for 2024-25.
- 2) Consider the summary findings of the key audit reviews (attached at Appendix Two to the report).

**List of Appendices included:**

Appendix One - Audit Reviews Completed between April and September 2024

Appendix Two - Summary Findings from Key Audit Reports

**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:**

Internal Audit Plan 2024-25 – Half Year Progress Report

**1. Context (or background)**

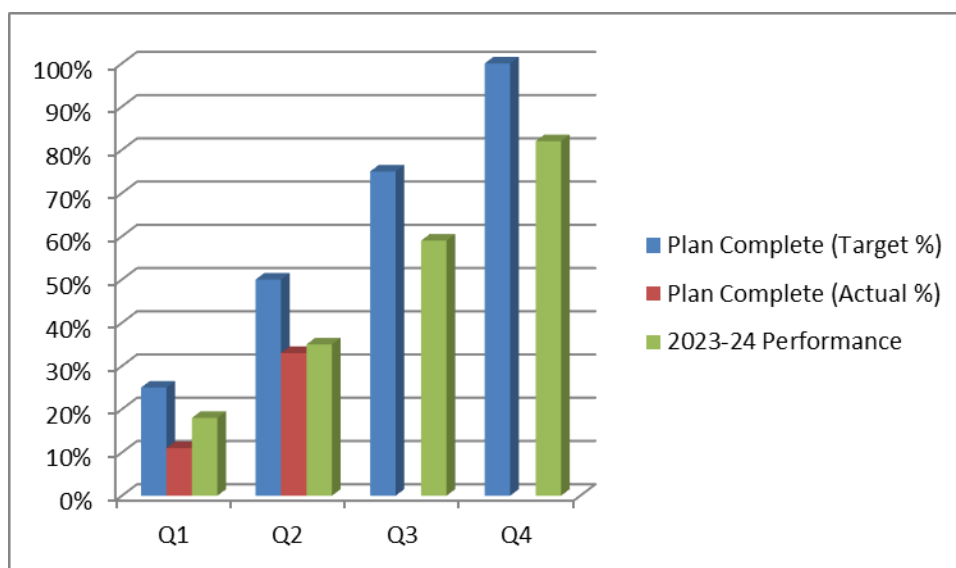
1.1 This report is the first monitoring report for 2024-25, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

**2. Options considered and recommended proposal**

**2.1 Delivering the Audit Plan**

The key target facing the Internal Audit Service is to complete 90% of its work plan by 31<sup>st</sup> March 2025. The chart below provides analysis of progress against planned work for the period April to September 2024.

**Chart One: Progress against delivery of Internal Audit Plan 2024-25**



As at the end of September 2024, the Service has completed 33% of the Audit Plan against a benchmark of 50% (which reflects delivery of 100% of the Plan). It is recognised that performance is below expectation, although the quarterly targets do not take account of the varying length of audits and as such performance will vary across the year. It is also apparent that performance has been impacted by vacancies within the Internal Audit structure. Whilst the Audit Plan for 2024-25 took account of this in terms of available audit days, draft reports are taking longer to turn round due to competing management demands. However, notwithstanding this, based on an assessment of performance as at early November 2024, it is predicted that the Service are on track to meet its target by the end of March 2025.

It should be noted that whilst the Annual Audit Plan is 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 is important that the Internal Audit Service retains a flexible approach in order to ensure it can respond to issues on a timely basis and add value. Any significant changes to the Plan are reported to the Audit and Procurement Committee.

## 2.2 Other Key Performance Indicators (KPIs)

In addition to the delivery of the Audit Plan, the Internal Audit Service has a number of other KPI's which underpin its delivery. The table below shows a summary of the performance for 2024-25 to date against these five KPIs, with comparative figures for the financial year 2023-24. There are three areas where performance is below expectations, although in two areas the current position shows an improvement from 2023-24. Whilst there are a number of reasons which can impact on performance, for example the audit area was more complex than originally envisaged and has taken longer to complete than the original time estimated, ongoing monitoring of internal audit work and identifying opportunities for improvement remains a key focus for management, in line with the Public Sector Internal Audit Standards.

**Table One: Internal Audit Key Performance Indicators 2024-25**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q2 2024/25</b>	<b>Performance 2023/24</b>
<b>Planned Days Delivered</b>	100%	38%	88%
<b>% of work time spent on audit work</b>	90%	93%	92%
<b>Draft Report to Deadline</b> (Draft issued within two weeks of deadline)	80%	70%	64%
<b>Final Report to Deadline</b> (Final issued within two weeks of deadline)	80%	90%	92%
<b>Audit Delivered within Budget Days</b> (Where budget days have not been exceeded by more than 50%)	80%	67%	54%

The Public Sector Internal Audit Standards are 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 for the UK public sector will come into force from 1<sup>st</sup> April 2025. As a result, the Internal Audit Service are developing a revised set of performance indicators which are aligned to the new standards. Further updates on this will be provided to the Audit and Procurement Committee in due course.

## **2.3 Audits Completed to Date**

Attached at Appendix One to the report is a list of the audits finalised between April and September 2024, along with the level of assurance provided.

As at 30<sup>th</sup> September 2024, the following audits were in progress:

- **Audits at Draft Report Stage** – Payment Kiosks
- **Audits On-going** – Housing Benefit Subsidy, Group Governance Review, New Working Arrangements in Waste Services, CareDirector post upgrade assurance, Equality Impact Assessments, Emergency Planning / Business Continuity, Implementation of new IT systems, Henley Green Primary School, Howes Primary School, Sowe Valley Primary School, Willenhall Primary School, Disabled Facility Grant Service Review, Health Visitors Contract, Energy Billing, S17 Payments.

Details of a selection of key reviews completed in this period are provided at Appendix Two to the report. In all cases, the relevant managers have agreed to address the issues raised in line with the timescales stated. These reviews will be followed up in due course and the outcomes reported to the Audit and Procurement Committee.

## **3. Results of consultation undertaken**

3.1 None

## **4. Timetable for implementing this decision**

4.1 There is no implementation timetable as this is a monitoring report.

## **5. Comments from the Director of Finance and Resources 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

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? (<https://www.coventry.gov.uk/strategies-plans-policies/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 any 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

**Report author:**

**Name and job title:**

Karen Tyler  
Chief Internal Auditor

**Service area:**

Finance and Resources

**Tel and email contact:**

Tel: 024 76972186  
Email: Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	6/11/2024	6/11/2024
Tina Pinks	Finance Manager Corporate Finance	Finance and Resources	6/11/2024	14/11/2024
<b>Names of approvers: (officers and members)</b>				
Phil Helm	Head of Finance	Finance and Resources	15/11/2024	15/11/2024
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	6/11/2024	14/11/2024
Councillor R Lakha	Chair of Audit and Procurement Committee	-	6/11/2024	6/11/2024

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## Appendix One – Audit Reviews Completed between April and September 2024

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
<b>2023-24 B/Fwd</b>	Care Director 23-24	Reasonable
	IT Asset Management – Leavers	Significant
	Cyber Security	Reasonable
	Business Rates 23-24	Limited
	Council Tax Arrears	Significant
	Register Office	Significant
<b>Regularity</b>	SHDF 2 grant	Verification
	Family Hubs and Start for Life grant	Verification
	Turnaround Programme grant	Verification
	Highways grants	Verification
	Homelessness grants	Verification
	Annual Governance Statement	Reasonable
	Teachers Pension Statements	Verification
	Disabled Facility Grant	Verification
	Broad Heath Primary School	Limited
	Earlsdon Primary School	Reasonable
	Bus Subsidy grant	Verification
	Longford Park Primary School	Reasonable
<b>Directorate issues</b>	EDT Pay Arrangements	Limited
<b>Follow ups</b>	Resourcelink self-service Delegated Authority	Limited (interim)
	IR35	Reasonable

**Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2024**

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Business Rates</b></p> <p><b>October 2024</b></p> <p><b>Business Rates Manager</b></p>	<p><b>Overall Objective:</b> To ensure that the Council identifies, calculates, and collects all income due to the Council through business rates.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- An accurate register is maintained of all properties subject to business rates.</li> <li>- Liability for business rates is correctly calculated, including the application of any exemptions and reliefs.</li> <li>- Appropriate mechanisms are in place to collect monies due for business rates.</li> <li>- A risk-based quality assurance programme is in place to provide assurance in respect of accuracy of input and consistency of decisions made around liability.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>The assurance level reflects both that a significant number of agreed actions from previous audits remain unimplemented and there have been a number of staffing changes / resource issues which have presented challenges in operating business as usual requirements and increases the risk that failures in the control environment will occur. Whilst we understand that time is required to fully resolve the resource issues, it is our view that this should be a focus for management in order to ensure that a robust control environment can be maintained in respect of the administration of Business Rates.</p> <p><b>Agreed Actions - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Determine what the Service’s approach to undertaking visits should be, taking into account risks and available resources. Ensure that visits are undertaken in accordance with the agreed approach and reflected appropriately within the Team’s procedures. (H)</li> <li>• Ensure that requests to the VOA are effectively monitored with appropriate action taken to chase up responses and update records. (M)</li> <li>• Ensure that weekly schedules from the VOA are updated to the Academy system on a timely basis and the date of input is recorded. (M)</li> </ul>



Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> <li>• Ensure that procedures to underpin the award of mandatory charitable rate relief are complied with. (H)</li> <li>• Ensure that accounts for charitable organisations in receipt of mandatory rate relief are reviewed on an annual basis. (M)</li> <li>• Take action to (a) Develop an appropriate mechanism to enable effective monitoring of the progress of discretionary rate relief applications and to provide a process for assurance to be gained that they are actioned on a timely basis and (b) Ensure that appropriate evidence is retained to support decision making. (M)</li> <li>• Ensure that the approval of awards of Part Occupied Rate Reliefs are provided in writing and retained on file. (M)</li> <li>• Ensure that the testing for annual parameters includes a reconciliation to the reliefs listed on Gov.Uk. (M)</li> <li>• Establish a robust process to ensure that all changes in corporate property tenancies are promptly notified to Business Rates. (M)</li> <li>• Ensure that notifications of changes in liability from Corporate Property Management are processed in a timely manner. (M)</li> <li>• Ensure that the spreadsheet to evidence that refunds are checked in accordance with procedures prior to the refund being authorised is maintained. (M)</li> <li>• Update the Service's documented procedures relating to refunds to include details of how bank details should be established and verified prior to a refund being authorised. (M)</li> <li>• Ensure that write-offs are processed each month in accordance with procedures. (M)</li> <li>• Ensure that notes are added within Academy when holds are added to accounts and are removed on a timely basis. (M)</li> <li>• Ensure that the review of the quality assurance framework is completed, and arrangements are put in place for required checks to be undertaken in a timely manner. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Broad Heath Primary School</b></p> <p><b>July 2025</b></p> <p><b>Head Teacher / School Business Manager</b></p>	<p><b>Overall Objective:</b> To provide assurance that the School is meeting standards necessary to ensure regularity and propriety of spending and provide for good financial management.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Ensuring that there is adequate governance over the School’s financial management.</li> <li>- Ensuring that the School obtains value for money in relation to its spending.</li> <li>- Ensuring that the School protects public money and has appropriate internal controls in place which minimise the risk of fraud, error or loss.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>The review highlighted weaknesses in arrangements across a number of key areas which underpin effective governance, including arrangements for whistleblowing and registering business interests. In addition, we were unable to establish that the School has followed procurement rules and obtained value for money in its purchasing decisions. As such, we do have concerns that the overall control environment is not sufficiently robust to protect the School from the risk of fraud and ensure effective financial management. In saying this, it is clear that these failings have existed for some time and are not reflective of the current Head Teacher and School Business Manager who have only been in post since Autumn of 2023. We acknowledge that the Head Teacher is committed to ensuring good practices are employed and a robust framework of controls is embedded.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Complete the ESFA skills analysis matrix for the Governing Body and where required, develop an action plan to address any gaps. (M)</li> <li>• Ensure that Governors are presented with budget monitoring reports on a regular basis. (M)</li> <li>• Establish a register of business interests for all staff at the School. (H)</li> <li>• Ensure that the register of business interests for staff / governors is updated on an annual basis and staff / governors are reminded that any new interests which arise should be reported on a timely basis. (H)</li> <li>• Complete the ESFA skills analysis matrix for school staff with financial management responsibilities</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<p>and where required, develop an action plan to address any gaps. (M)</p> <ul style="list-style-type: none"> <li>• Ensure that in respect of all purchases of goods / services, the School complies with procurement rules / legislation, or where exceptions to this are required, approval is sought in advance from the Governing Body. (H)</li> <li>• Take action to produce a local procurement procedure. Whilst this should be consistent with the requirements of the Fair Funding Scheme of Delegation, it should set out the roles and responsibilities of staff and the Governing Body. (M)</li> <li>• Take action to further develop the register of suppliers to enable it to fully meet the requirements of a contract register and ensure it is shared regularly with the Governing Body to make them aware of up upcoming milestones and provide them an opportunity to challenge procurement plans. (M)</li> <li>• Take action to develop a fraud / theft log so that all instances of fraud / theft can be recorded (including attempted fraud / theft). (M)</li> <li>• Review / update the School's Whistleblowing Policy. (H)</li> <li>• Ensure that the audit of the voluntary funds is brought up to date as soon as practicable and presented to the Governing Body. (M)</li> <li>• Take appropriate action to ensure that official purchase orders are raised / issued at the time the order is placed with the supplier. (H)</li> <li>• Ensure that in the event of future staff absences, alternative arrangements are put in place to maintain separation of duties within key financial processes. (H)</li> <li>• Ensure that the final BACS run listing is printed prior to the BACS run being processed and is approved by the Head Teacher.( M)</li> <li>• Improve controls over the School's purchasing cards. (M)</li> <li>• Ensure that bank reconciliations are subject to independent approval. (M)</li> <li>• Take action to develop a debtor's policy which is approved by the Governing Body. (M)</li> <li>• For the two cases highlighted in the review, ensure that a CEST check is completed and sent to Payroll for approval. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Emergency Duty Team Pay Arrangements</b></p> <p><b>December 2025</b></p> <p><b>Strategic Lead – Help and Protection in conjunction with HR</b></p>	<p><b>Overall Objective:</b> To provide assurance that additional payments made to staff in the Emergency Duty Team are appropriately controlled and accurately paid.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- The scheme of additional payments in place within the Emergency Duty Team is consistent with the Green Book and other Council policies.</li> <li>- Eligibility for additional payments is clearly defined with arrangements in place to ensure the legitimacy and accuracy of payments.</li> <li>- Arrangements ensure that capacity within the Emergency Duty Team is managed appropriately to minimise the requirement for additional payments.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>The assurance level reflects that we have been unable to establish if there is any formal agreement in place in respect of the salary arrangements for staff and it does not appear that these arrangements have been reviewed for several years. In addition, it is clear that operational decisions have been made affecting pay which has increased the overall cost of the service without any senior management approval. As such, it is our view that there is a lack of proper governance over the Team. In addition, the review highlighted examples of where the controls to ensure payments are accurate and legitimate are insufficient or have not been properly exercised by management. Whilst we understand that action has already been taken to address some of the issues highlighted, from our perspective, a more fundamental approach is required to ensure that risks are appropriately managed.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• A fundamental review of the Emergency Duty Team service is undertaken to provide for a more transparent scheme in respect of salary arrangements, which is based on the needs of the service and with appropriate controls in place to underpin the calculation of payments due to staff. (H)</li> <li>• Management arrangements for the Team are reviewed with clear expectations of the role defined and subject to appropriate oversight. (H)</li> </ul>



Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

25<sup>th</sup> November 2024

### Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

### Director approving submission of the report:

Director of Finance and Resources

### Ward(s) affected:

City Wide

### Title:

Treasury Management Update 2024-25 – Half Year Progress Report

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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 Council's Treasury Management activity for 12 months to the end of September 2024.

### Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the update against the Treasury Management Strategy 2024-25 at 30 September 2024.

### List of Appendices included:

Appendix One - Short-term Borrowing and Investment Summary at 30 September 2024.

Appendix Two - UK and Foreign Counterparty Lending List at 30 September 2024

**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:**

Treasury Management Update 2024-25 – Half Year Progress Report

**1. Context (or background)**

- 1.1 The Council adopts the Chartered institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice (the CIPFA code). This requires the Council to approve an annual Treasury Management Strategy and a mid-year update report. Treasury Management performance is reported as part of regular budget monitoring reports to this Committee.
- 1.2 The Council's Treasury Management activity is undertaken in line with the Treasury Management and Commercial Investment Strategy and Policy for 2024/25, which was agreed by Cabinet as part of the Budget Report 2024/25 at its meeting of 20 February 2024. There are no breaches of the strategy and policy to report.
- 1.3 The Council is supported in the Investment Strategy and Policy by its Treasury Management Advisors - Arlingclose. The advisors provide economic analysis and specialist advice. A key element of this is the provision of advice on credit risk and the supply of information on credit ratings. Regular review meetings with the advisors continue to be held.
- 1.4 Staff with involvement in treasury issues continue to attend on-line events focused on treasury management as appropriate.
- 1.5 **Appendix 1** to the report is a detailed list of short-term borrowing and investments that the Council holds as at 30th September 2024.

**2. Options considered and recommended proposal****2.1 Borrowing Update**

There has been no short-term borrowing thus far in 2024-25. There are one or two variables in the forecast for the rest of the year, but it is anticipated that we may need to borrow some short-term cash at the year-end. It is once again important to emphasise that this is a snapshot of the Council's cashflow, it does not represent the Council's overall financial situation. In many cases we receive grant funding ahead of the expenditure being incurred.

Other than an £18m loan from WMCA on behalf of UKBIC, no new long-term borrowing has been undertaken since 2009, due in part to the level of investment balances available to the Council. The Council has no immediate plans to take any new long-term borrowing, until interest rates bottom out, forecast to be in the final quarter of 2025, however this will be kept under review. As at 30 September 2024, the Council's long-term liabilities totalled £310.3m. This total is 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 Public Works Loan Board (PWLB) remains 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 are purchasing or intending to purchase investment assets primarily for yield will 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 it was agreed the Council will not purchase investment assets primarily for yield.

## 2.2 Investments Update

The final three tables at **Appendix 1** to the report provides a detailed list of investments held at 30<sup>th</sup> September 2024 and identifies a total investment of £87.0m. This compares to £91.1 this time last year. These balances are a snapshot at any one time and do not reflect the Council's overall financial situation.

The breakdown of these balances is shown below:

	<b>29/09/2023</b>	<b>30/09/2024</b>
	<b>£m</b>	<b>£m</b>
Banks and Building Societies	0.0	0.0
<b>Local Authorities</b>	<b>33.0</b>	<b>26.0</b>
Debt Management Office	0.0	0
<b>Money Market Funds</b>	<b>28.1</b>	<b>31.0</b>
<b>Collective Investment Funds</b>	<b>30.0</b>	<b>30.0</b>
Corporate Bonds	0.0	0.0
Registered Providers	0.0	0.0
<b>Total</b>	<b>91.1</b>	<b>87.0</b>

For the twelve-month period to 30 September 2024, the Council's investments earned an average rate of interest of 5.11%. This can be split down between Collective Investment Funds at 5.30% and other investments at 5.02%. This is against a backdrop of the Bank of England base rate being maintained at 5.25% until 18<sup>th</sup> September 2024 when it reduced to 5%.

Whilst the Council's Collective Investment Funds have continued to provide an annualised return of around 5.30%, their capital value (£27.5m) remains below the original sum invested (£30.0m). Whilst all seven funds are showing a capital value loss, there are now signs of recovery. As interest rates start to fall the capital value of these funds should increase. In addition to the capital value, income received from these investments will exceed any returns offered by banks or money market funds.



The capital value would not normally be an issue unless the Council intended to disinvest from the funds (the intention is that the Council keeps these for the long term). However, there is currently a statutory override for gains and losses on pooled investment funds held outside of a pension fund being taken to revenue. This was introduced in 2018 following a change to International Financial Reporting Standards (IFRS). At the time, the government felt it was inappropriate for revaluations to “impact on the balanced budget requirement or on the quantum of funds available to support delivery of services.” This override was time-limited and was due to expire in April 2023 however, the Government have further extended this to March 2025 pending the outcome of a formal consultation process.

**Appendix 2** to the report shows the Council's Lending List as at 30 September 2024. This list shows those banking and government institutions that the Investment Strategy allows the Council to invest cash balances with. The list is taken using specialist advice from Arlingclose and is split between UK and foreign institutions. The Council does not hold any funds with counterparties that are not on this list. Duration limits for counterparties on the Council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

## **2.3 National issues**

Financial markets are in a state of flux following the Budget announced by the Chancellor of the Exchequer on 30<sup>th</sup> October 2024 and pending the U.S. Presidency Election on 5<sup>th</sup> November 2024. Initial thoughts on the Budget announcement are that inflation will increase and thus restrict the Bank of England Monetary Policy Committee's (MPC) ability to reduce interest rates as much as was hoped. Events in the Middle East and Ukraine also add to the uncertainty.

Throughout the majority of 2024, the Bank of England Monetary Policy Committee (MPC) maintained interest rates at 5.25% although there were reductions of 0.25% in August 2024 and a further reduction of 0.25% in November 2024 following favourable inflation data taking the rate to 4.75%. Latest inflation data shows a year-on-year increase of 1.7%. The latest forecast from the Council's Treasury Management Advisors, Arlingclose, is for the Bank Interest Rate to fall but not as quickly as was first envisaged. Initial thoughts were that it would be in the region of 3% to 3.5% by December 2025 but this has now been updated in response to both the Chancellor's budget and the US election to 3.75%.

## **3. Results of consultation undertaken**

3.1 None

## **4. Timetable for implementing this decision**

4.1 There is no implementation timetable as this is a monitoring report.

## 5. Comment from the Director of Finance and Resources and the Director of Law and Governance

### 5.1 Financial Implications

The financial implications are discussed in the body of this report.

### 5.2 Legal implications

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services; Code of Practice 2017 Edition* (the CIPFA code) which requires the Council to approve a treasury management strategy before the start of each financial year. The Council's treasury management activity must be carried out in accordance with the requirements of the *Local Government Act 2003* which gives legal obligation to have regard to the CIPFA Code.

## 6. Other implications

### 6.1 How will this contribute to achievement of the One Coventry Plan? (<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rate. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management.

### 6.2 How is risk being managed?

In terms of risk management, there are two main focuses:

- Credit Risk – This is the risk of an investment counterparty defaulting and any subsequent loss of funds or delay in making returns. The risk is mitigated through investment counterparties being subject to a minimum credit rating limit (A-) as determined by the Fitch crediting rating agency. Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. The Lending List at **Appendix 2** identifies the credit rating for each counterparty on 30th September 2024. The minimum credit rating and funding limits on counterparty investment levels are agreed by the Council as part of the Treasury Management Strategy.
- Liquidity Risk – This is the risk of not having access to cash when needed. Detailed forecasts on future daily cashflows are made and based on known outgoings and incomings (e.g. cost of salaries and government funding). Surplus funds are invested in counterparties (e.g. Money Market Funds as shown in **Appendix 1** to the report) with high liquidity so there is quick access to cash to cover payments.

**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

**Report author:**

**Name and job title:**

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Finance Manager (Corporate Finance)

**Service area:**

Finance and Resources

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<b>Contributor/approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	31/10/24	12/11/24
Mike Revis	Lead Accountant Control and Treasury Management	Finance and Resources	31/10/24	31/10/24
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	13/11/24	15/11/24
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	13/11/24	14/11/24

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## Appendix One - Short-term Borrowing and Investment Summary at 30th September 2024

INVESTMENTS (TYPE)	LOAN REF.	LENDER NAME	BROKER	PRINCIPAL	START DATE	MATURITY DATE	INITIAL INT. RATE
	200004363	UTTLESFORD DISTRICT COUNCIL	IMP	1,000,000.00	30/09/2024	07/10/2024	5.10%
	200004358	UTTLESFORD DISTRICT COUNCIL	IMP	8,000,000.00	19/09/2024	02/10/2024	5.00%
	200004364	BEDFORD BOROUGH COUNCIL	IMP	5,000,000.00	30/09/2024	31/10/2024	5.05%
	200004361	CORNWALL CITY COUNCIL	IMP	10,000,000.00	25/09/2024	02/10/2024	5.00%
	200004362	COLCHESTER CITY COUNCIL	IMP	2,000,000.00	25/09/2024	02/10/2024	5.05%
				<b><u>26,000,000.00</u></b>			
<b>MMF DEPOSITS</b>	2400000002	ABERDEEN LIQUIDITY FUND	N/A	11,000,000.00	04/09/2012		4.997799
	2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/2012		4.946481
	2400000004	FEDERATED PRIME RATE	N/A	20,000,000.00	17/09/2012		5.015721
	2400000005	DEUTSCHE MANAGED STERLING	N/A	0.00	19/07/2013		4.996959
	2400000006	MORGAN STANLEY	N/A	0.00	10/06/2016		4.941479
				<b><u>31,000,000.00</u></b>			
<b>COLLECTIVE INVESTMENT FUNDS</b>	2600000006	CCLA INVESTMENT MGT LTD	N/A	12,000,000.00	28/11/2013		5.42%
	2600000013	COLUMBIA TREADNEEDLE	N/A	1,500,000.00	16/08/2018		4.44%
	2600000014	M&G INVESTMENTS	N/A	1,500,000.00	20/08/2018		5.34%
	2600000015	M&G INVESTMENTS	N/A	3,000,000.00	20/08/2018		5.13%
	2600000016	M&G INVESTMENTS - UK INCOME DISTRIBUTION FUND	N/A	3,000,000.00	20/08/2018		6.05%
	2600000012	INVESTEC ASSET MANAGEMENT / NINETY ONE DIVERSIFIED INCOME FUND	N/A	4,500,000.00	10/08/2018		4.44%
	2600000011	SCHRODERS UNIT TRUSTS LTD	N/A	4,500,000.00	01/08/2018		7.97%
				<b><u>30,000,000.00</u></b>			
<b>GRAND TOTAL</b>				<b><u>87,000,000.00</u></b>			

## Appendix 2 - Counterparty Lending List as at 30th September 2024

Counterparty	Country of Domicile	Maximum Deposit/CD Duration	Fitch Long-term	Moody's Long-term	Standard & Poors Long-term	Banking Group	Limit £
<b>UNITED KINGDOM: BANKS</b>							
BANK OF SCOTLAND PLC	GB	100 days	A+	A1	A+	Lloyds Banking Group	£10m
LLOYDS BANK PLC	GB	100 days	A+	A1	A+		£10m
BARCLAYS BANK PLC	GB	100 days	A+	A1	A+	Barclays Group	£10m
HANDELSBANKEN PLC	GB	100 days	AA		AA-	Svenska HB	£10m
HSBC BANK PLC	GB	100 days	AA-	A1	A+	HSBC Group	£10m
HSBC UK BANK PLC	GB	100 days	AA-	A1	A+		£10m
NATIONAL WESTMINSTER BANK	GB	100 days	A+	A1	A+	NatWest Group	£10m
NATWEST MARKETS PLC	GB	100 days	A+	A1	A		£10m
ROYAL BANK OF SCOTLAND PLC/T	GB	100 days	A+	A1	A+		£10m
SANTANDER UK PLC	GB	100 days	A+	A1	A	Santander	£10m
STANDARD CHARTERED BANK	GB	100 days	A+	A1	A+		£10m
<b>UK: BUILDING SOCIETIES</b>							
NATIONWIDE BUILDING SOCIETY	GB	100 days	A+	A1	A+		£10m
<b>UK: OTHER INSTITUTIONS</b>							
LCR FINANCE PLC	EN	10 years	AA-	Aa3	AA		£10m
NETWORK RAIL INFRASTRUCTURE	GB	10 years	AA-	Aa3			£10m
UNITED KINGDOM	GB	50 years	AA-u	Aa3	AAu		£10m
WELLCOME TRUST FINANCE PLC	GB	15 years		Aaa	AAA		£10m
<b>AUSTRALIA</b>							
AUST AND NZ BANKING GROUP	AU	100 days	AA-	Aa2	AA-		£10m
COMMONWEALTH BANK OF AUSTRAL	AU	100 days	AA-	Aa2	AA-		£10m
NATIONAL AUSTRALIA BANK LTD	AU	100 days	AA-	Aa2	AA-		£10m
WESTPAC BANKING CORP	AU	100 days	AA-	Aa2	AA-		£10m
<b>AUSTRIA</b>							
OESTERREICHISCHE KONTROLLBAN	AS	10 years	AA+u	Aa1	AA+		£10m
<b>CANADA</b>							
BANK OF MONTREAL	CA	100 days	AA	Aa2	A+		£10m
BANK OF NOVA SCOTIA	CA	100 days	AA	Aa2	A+		£10m
CAN IMPERIAL BK OF COMMERCE	CA	100 days	AA	Aa2	A+		£10m
EXPORT DEVELOPMENT CANADA	CA	10 years		Aaa	AAA		£10m
NATIONAL BANK OF CANADA	CA	100 days	AA-	Aa3 *+	A+		£10m
ROYAL BANK OF CANADA	CA	100 days	AA	Aa1	AA-		£10m
TORONTO-DOMINION BANK	CA	100 days	AAu	Aa1	AA-		£10m
<b>DENMARK</b>							
KOMMUNEKREDIT	DE	10 years		Aaa	AAA		£10m
<b>FINLAND</b>							
MUNICIPALITY FINANCE PLC	FI	10 years		Aa1	AA+		£10m
NORDEA BANK ABP	FI	100 days	AA	Aa3	AA-		£10m
OP CORPORATE BANK PLC	FI	100 days		Aa3	AA-		£10m
<b>GERMANY</b>							
BAYERISCHE LANDESBANK	GE	100 days	AA-	Aa2	NR		£10m
DZ BANK AG DEUTSCHE ZENTRAL-	GE	100 days	AA	Aa2	A+		£10m
FMS WERTMANAGEMENT	GE	25 years		Aaa	AAA		£10m
KREDITANSTALT FUER WIEDERAUFBRAU (KFW)	GE	25 years	AAAu		AAA		£10m
LANDESBANK BADEN-WUERTTEMBER	GE	100 days	AA-	Aa2	NR		£10m
LANDESBANK HESSEN-THURINGEN	GE	100 days	AA-	Aa2	NR		£10m
LANDESKRED BADEN-WUERTT FOER	GE	25 years	AAA	Aaa	AA+		£10m
LANDWIRTSCHAFTLICHE RENTENBA	GE	25 years	AAA	Aaa	AAA		£10m
<b>NETHERLANDS</b>							
BNG BANK NV	NE	5 years	AAA	Aaa	AAA		£10m
COOPERATIEVE ABN BANK UA	NE	100 days	AA-	Aa2	A+		£10m

NEDERLANDSE WATERSCHAPSBANK	NE	5 years		Aaa	AAA		£10m
NORWAY	NO		AAAu	Aaa	AAAu		
KOMMUNALBANKEN AS	NO	5 years		Aaa	AAA		£10m
SINGAPORE	SI		AAAu	Aaa	AAAu		
DBS BANK LTD	SI	100 days	AA-	Aa1	AA-		£10m
OVERSEA-CHINESE BANKING CORP	SI	100 days	AA-	Aa1	AA-		£10m
UNITED OVERSEAS BANK LTD	SI	100 days	AA-	Aa1	AA-		£10m
SWEDEN	SW		AAAu	Aaa	AAAu		
SVENSKA HANDELSBANKEN-A SHS	SW	100 days	AA+	Aa1	AA-	Svenska HB	£10m
SVENSK EXPORTKREDIT AB	SW	5 years		Aa1	AA+		£10m
UNITED STATES OF AMERICA	US		AA+u	Aaa	AA+u		
NORTHERN TRUST CO	US	100 days	AA	Aa1	AA-		£10m
SUPRANATIONAL							
AFRICAN DEVELOPMENT BANK (AfDB)	IV	5 years	AAA	Aaa	AAA		£10m
ASIAN DEVELOPMENT BANK	PH	5 years	AAA	Aaa	AAA		£10m
COUNCIL OF EUROPE DEVELOPMENT BANK (CEDB)	FR	15 years	AAA	Aaa	AAA		£10m
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	GB	25 years	AAA	Aaa	AAA		£10m
EUROPEAN INVESTMENT BANK (EIB)	LX	25 years	AAA	Aaa	AAA		£10m
INTER-AMERICAN DEVELOPMENT BANK (IADB)	US	25 years	AAAu	Aaa	AAA		£10m
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK)	US	25 years	AAAu	Aaa	AAA	World Bank Group	£10m
INTERNATIONAL FINANCE CORP	US	5 years		(P)Aaa	AAA		£10m
NORDIC INVESTMENT BANK (NIB)	FI	25 years		Aaa	AAA		£10m

Money Market Funds on Arlingclose List	Country of Domicile		FUND CREDIT RATINGS				
			Fitch	Moody's	Standard & Poor's		
ABRDN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
AVIVA INVESTORS	IR	Overnight	-	Aaa-mf	AAAm		£20m
BLACKROCK	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
BNP PARIBAS ASSET MANAGEMENT	LX	Overnight	-	Aaa-mf	AAAm		£14m
CCLA - PSDF	GB	Overnight	AAAmmf	Aaa-mf	-		£7.5m
DWS	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
FEDERATED INVESTORS (UK)	GB	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
FIDELITY INTERNATIONAL	IR	Overnight	-	Aaa-mf	AAAm		£7m
GOLDMAN SACHS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
HSBC ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm		£20m
INSIGHT INVESTMENTS	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
INVESCO AIM	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£8.7m
J.P.MORGAN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
LEGAL & GENERAL INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
MORGAN STANLEY INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
NORTHERN TRUST ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm		£20m
ROYAL LONDON STERLING LIQUIDITY FUND	IR	Overnight	AAAmmf	Aaa-mf	-		£20m
STATE STREET GLOBAL ADVISORS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
UBS ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm		£3.3m
AVIVA INVESTORS GOV	IR	Overnight	-	Aaa-mf	AAAm		£20m
BLACKROCK GOV	IR	Overnight	-	Aaa-mf	AAAm		£20m
GOLDMAN SACHS ASSET MANAGEMENT GOV	IR	Overnight	-	Aaa-mf	AAAm		£6.6m

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## Public report Committee Report

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Audit and Procurement Committee

25<sup>th</sup> November 2024

**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 Audit and Procurement 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 Corporate Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th 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**

N/A

### **3. Results of consultation undertaken**

N/A

### **4. Timetable for implementing this decision**

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 One Coventry Plan?**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

N/A

**6.2 How is risk being managed?**

This report will be considered and monitored at each meeting of the Audit and Procurement Committee.

**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:**

**Name and job title:**

Michelle Salmon  
Governance Services Officer

**Service Area:**

Law and Governance

**Tel and email contact:**

E-mail: [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)  
Tel: 024 7697 2642

Enquiries should be directed to the above person.

This report is published on the council's website: [www.coventry.gov.uk/council-meetings](http://www.coventry.gov.uk/council-meetings)

## Appendix 1

### Further Reports Requested to Future Meetings

	<b>Subject</b>	<b>Minute Reference and Date Originally Considered</b>	<b>Date for Further Consideration</b>	<b>Responsible Officer</b>	<b>Proposed Amendment to Date for Consideration</b>	<b>Reason for Request to Delay Submission of Report</b>
	Nil					

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

## Appendix 2

## Information/Action Requested Outside Meeting

No.	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Procurement and Commissioning Progress Report	Audit and Procurement Committee 18th March 2024 - Minute 59/23	Members 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	Rob Amor	

## Audit and Procurement Committee

### Work Programme 2024/25

#### 3rd June 2024 – Additional Meeting

Consideration of Approval of Severance Packages (Private)

#### 24th June 2024

Local Code of Corporate Governance  
Internal Audit Annual Report 2023/2024  
Internal Audit External Quality Assessment  
Consideration of Approval of Severance Packages - 2 reports (Private)

#### 22nd July 2024

Revenue and Capital Outturn 2023/2024  
Audit and Procurement Committee Annual Report to Council 2023/2024  
Internal Audit Plan 2024/2025  
Annual Fraud and Error Report 2023/2024

#### 30<sup>th</sup> September 2024

First Quarter Revenue and Capital Monitoring Report (to June 2024)  
Whistleblowing Annual Report 2023/2024  
Annual Governance Statement 2023/2024  
Corporate Risk Report  
Six Monthly Procurement Progress Report (Private)

#### 25<sup>th</sup> November 2024

Treasury Management Update 2024-25 – Half Year Progress Report  
Internal Audit Plan 2024-25 – Half Year Progress Report  
2023 Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2000  
2023/24 External Audit Plan and Related Audit Reports  
External Audit Documentation Relating to the Council's 2020/21, 2021/22 and 2022/23  
Statutory Accounts

#### 3<sup>rd</sup> February 2025

External Auditor's Annual Report 2023/2024 (Grant Thornton)  
Quarter Two Revenue and Capital Monitoring Report 2024/2025 (to September 2024)  
Information Governance Annual Report 2023  
Half Year Fraud and Error Report 2024/2025  
Complaints to the Local Government and Social Care Ombudsman 2023/2024  
Coventry Municipal Holdings Group Accounts 31st March 2023 and 31st March 2024

**17th March 2025**

Corporate Risk Report

Internal Audit Recommendation Tracking Report

Quarter Three Revenue and Capital Monitoring Report 2024/2025 (to December 2024)

2024 Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2000

Quarter Three Internal Audit Progress Report 2024/2025

Six Monthly Procurement Progress Report (Private)

**Future Items – Date to be Confirmed**

Data Analytics, Including Use of Artificial Intelligence