



Audit and Procurement Committee Annual Report to Council 2014-15

To be considered at the City Council meeting
on the 8th September, 2015

Audit and Procurement Committee Annual Report 2014-15

Foreword by Chair of Audit and Procurement Committee 2014-15



**Councillor David Galliers
Chair, Audit and Procurement
Committee 2014-15**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2014-15.

Over the last year, the Committee has discharged its key responsibility effectively, whilst at the same time, been able to consider other matters to support the Council including providing scrutiny and challenge over appointments to posts in the Council where proposed salary packages are in excess of £100,000 per year.

I hope that this Annual Report helps to demonstrate to Coventry residents and the Council's other stakeholders the vital role that is carried out by the Audit and Procurement Committee and the contribution that it makes to the Council's overall governance arrangements.

Introduction by Chair of Audit and Procurement Committee 2015-16

In May 2015, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward building on the good work done in 2014-15 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of initial priorities for 2015-16 these include ensuring that:

- Action is taken in response to disclosures made in the Annual Governance Statement.
- Any issues raised by the external auditors in the audit of the Council accounts are addressed on a timely basis.
- Members of the Audit and Procurement Committee are appropriately supported through training and development.



**Councillor Tony Skipper
Chair, Audit and Procurement
Committee 2015-16**

1 Activity of the Council's Audit and Procurement Committee

During 2014-15, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in July, August, September, October and December 2014 as well as in February, March and May 2015.

The Committee receives a range of:

- Routine reports based on the clearly defined expectations of services / functions that report to the Audit and Procurement Committee, e.g. internal / external audit and financial management.
- Ad-hoc reports which focus on either a specific concern or developments that impact directly on the Committee.

The details of the reports considered in 2014-15 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2013-14, the Internal Audit and Risk Manager co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in July 2014 and then in September 2014, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. The statement highlighted the following significant governance issues which required the Council's focus in 2014/15; implementation of the Ofsted Improvement Plan, meeting the financial challenges facing the Council, delivering the Kickstart Transformation Programme and implementing the Education Improvement Strategy. The Statement also highlighted internal control issues for improvements in relation to the Council's arrangements for dealing with fraud, its development of the Agresso financial system and processes in relation to Council Tax discounts and exemptions.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts (including revenue and capital outturn) was considered by the Committee in July 2014 and then in September 2014, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2014-15 were considered in August and December 2014, as well as February 2015.
- Treasury Management activity updates were considered in September and October 2014 as well as in February 2015. The report highlighted investment activity carried out by the Council and provided assurance that the Council was managing investments in accordance with its Investment Strategy.
- Transformation Programme / JEEP Campaign Financial Savings Update - A report was considered in October 2014 and provided an update on the financial savings anticipated from the Council's Transformation Programme and the final position in relation to achievement of the JEEP (Justify Expenditure, Examine Performance) financial savings.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2014-15:

- The Audit Findings for Coventry City Council - This report was considered in September 2014, and its purpose was to highlight the key matters arising from the audit of the Council's financial statements for the year ending 31 March 2014. The report conclusions were that, pending satisfactory clearance of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements.
 - A qualified value for money conclusion would be issued as a direct result of the findings in the Ofsted report on Children' Services.

The report did identify issues which the external auditors thought required focus by the Council in the next year including valuing assets in the same asset class simultaneously, taking actions to maintain a sound financial position, assessing the adequacy of reserves and reviewing its accounting for Private Finance Initiative schemes. An update on the response to these issues by the Council was considered at the March 2015 meeting. The Audit and Procurement Committee agreed with the assessment of progress made and that the current position represented an appropriate response to the issues raised.

- Annual Audit and Inspection Letter - This was considered at the December 2014 meeting. The main focus being to summarise the findings from the 2013-14 audit and to formally document their conclusions in respect of the audit of the accounts and the Council's arrangements for securing value for money. The conclusions reached for both these areas were consistent with those indicated in the Audit Findings for Coventry City Council report considered in September 2014.
- Certification of Claims and Returns Annual Report - This was considered in March 2015 and summarised the findings from the certification of 2013-14 claims and returns that were subject to review by the external auditors. The report highlighted that only three grant claims were subject to external audit approval and one of the claims had been qualified due to errors identified although the impact of this was estimated not to be significant.
- 2014-15 Audit Plan - This was also considered in March 2015 and set out the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2015. It also documented the expected outputs that the Committee would receive from the external auditors.

1.4 **Internal Audit** - During the year, the Audit and Procurement Committee received the following reports at the July and August 2014 meetings:

- Internal Audit Annual Report - This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2013 to March 2014, against the agreed Internal Audit Plan for the same period.

- To provide the Committee with the Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2013-14, the Internal Audit and Risk Manager concluded that 'moderate' assurance could be provided that there was generally a sound system of internal control in place to help the organisation meet its objectives.
- Annual Review of the Effectiveness of the System of Internal Audit - This review led by the Council's Internal Audit and Risk Manager discharges a requirement of the Accounts and Audit Regulations that the Council "*at least once a year, conduct a review of the effectiveness of the system of Internal Audit*". Whilst the review is primarily focused on assessing the Council's Internal Audit Service against recommended practice and professional standards, it also considers how the Council's Audit Committee arrangements compare against recommended practice. This identified a number of areas to enhance current arrangements including Audit Service staff development, greater use of computer assisted audit techniques, reviewing how stakeholder feedback is obtained, consideration of how best to receive external assessment of the service, understanding the range of assurance mechanisms available to the Council and a review of retention requirements.
- Internal Audit Plan for 2014-15 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit and Risk Service, the opportunity to comment on scope and coverage outlined in the plan.

Other Internal Audit reports considered during the year include:

- Progress reports on Internal Audit work - Monitoring reports were received in October 2014 and February 2015. These reports provided updates on the performance of the Service, along with a summary of the key audits from a sample of high profile audit reviews carried out in the relevant periods. In considering these reports, the Committee agreed with the focus of improvements identified and the timescales agreed for implementation.
- Recommendation Tracking Report - In December 2014, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted high levels of compliance with the implementation of agreed actions.
- In response to specific concerns raised by the Committee, updates on action taken to address audit concerns in respect of the following audits was considered in February 2015:
 - IT Systems Back Up, Recovery and Data Centre Review – The main audit concern was that whilst disaster recovery arrangements exist for certain key IT systems, these had not been informed by the views of senior management from across the Council and as such the risk was that current arrangements may not meet the needs of the Council. The update highlighted that an exercise had been undertaken with all Assistant Directors to identify their business critical systems and this found that not all systems either had

disaster recovery arrangements and even where arrangements were in place, these had not been tested. A further follow up review is planned during 2015-16 and the findings of the review will be reported to the Committee.

- Council Tax Exemptions and Discounts – The update indicated that to address audit concerns that existing procedures were not sufficient to mitigate against the risk of fraud and error, an on-going programme of proactive reviews will be undertaken as part of a wider remit looking at fraud and error in Council Tax. Updates on the impact of the proactive reviews will be reported to the Audit and Procurement Committee during 2015-16.

1.5 **Fraud** - The following fraud reports were considered in 2014-15:

- Annual Fraud Report - This report was considered by the Committee in August 2014 and summarised the Council's response to fraud activity for the financial year 2013-14, focusing on the work of both the Corporate Fraud and Benefit Fraud Teams.
- Half Yearly Fraud Update - A report was received in December 2014, focusing on the outcome of work by both the Corporate Fraud and Benefit Fraud Teams during 2014-15.

Both these reports also included updates on how the Council were responding to the impact of the Benefit Fraud Team transferring to the Department for Work and Pensions (DWP) in March 2015. The transfer went smoothly and the impact on the Council's fraud arrangements was limited by the fact that responsibility in legislation for investigating housing benefit fraud also moved from local authorities to the DWP. The Council does still have responsibility for Council Tax fraud and as a result, a team of two was set up in March 2015 to lead on the Council's response to the risk of fraud and error in Council Tax.

- National Fraud Initiative (NFI): Outcomes and Information for Elected Members and Decision Makers 2012-13 – This report was produced by the Audit Commission specifically for Coventry City Council and provided benchmark data on the outcome of the Council's response to NFI compared with other authorities. The data indicated that Coventry City Council investigates less matches than other authorities whilst achieving better outcomes through targeting resources on known areas of risks.

1.6 **Procurement** – The following reports were considered in 2014-15:

- Procurement was a standard agenda item at every meeting of the Committee during 2014-15 with the exception of March and May 2015. This area is considered under the private part of the agenda and is a progress report summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing an update on progress made in delivering agreed procurement saving targets. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted.

- A briefing note was considered in December 2014 regarding the work that has been undertaken since the introduction of Coventry's Social Value Policy in February 2014 which the Committee endorsed.

1.7 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas and in 2014-15, this included the following:

- 2013-14 Annual Freedom of Information/Data Protection Act Report - This report considered the Council's performance for responding to information requests through the different mechanisms as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 90% of FOI requests on time and 80% of DPA requests with 5 out of 8 Information Commissioner's Office complaints were upheld or partially upheld.
- Regulation of Investigatory Powers Act 2000 Annual Report – This report focused on providing oversight of the Council's compliance with this Act.
- Ombudsman Complaint Annual Report - This report provided information regarding the number and outcome of Local Government Ombudsman complaints received and investigated during 2013/14, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of 108 complaints only 19 were pursued and 10 upheld. The Committee noted the Council's performance including its response to complaints.
- Post with salary packages in excess of £100,000 - The Council's Pay Policy Statement considers that decisions on large salary packages (£100,000 and above) should be subject to accountability and scrutiny and it has been agreed that the Audit and Procurement Committee is the appropriate forum to undertake this role. At the March and May 2015 meeting, the following posts were approved with salaries in excess of £100,000:
 - Director of Education, Libraries and Adult Education
 - Executive Director for People
 - Director of Children's Services
 - Director of Adults Services