



Audit and Procurement Committee Annual Report to Council 2015-16

To be considered at the City Council meeting
on the 6th September 2016

Audit and Procurement Committee Annual Report 2015-16

Foreword by Chair of Audit and Procurement Committee 2015-16



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

I am pleased to present this report, which outlines the Committee's work over the municipal year 2015-16.

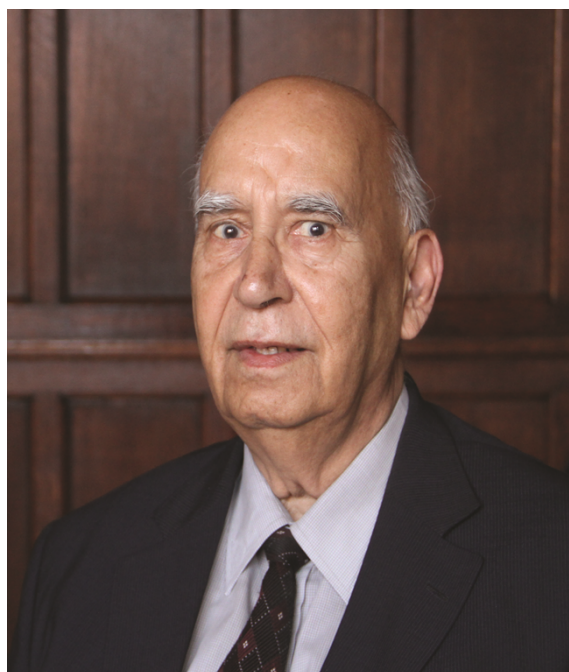
Over the last year, the Committee has discharged its key responsibility effectively, whilst at the same time, been able to consider other matters to support the Council including providing scrutiny and challenge over procurement activity and the Council's Corporate Risk Register.

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 2016-17

In May 2016, 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 2015-16 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 2016-17 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 Sucha Bains
Chair, Audit and Procurement
Committee 2016-17**

1 Activity of the Council's Audit and Procurement Committee

During 2015-16, the Council's Audit and Procurement Committee met on six occasions. Meetings were held in June, August, October and December 2015 as well as in February and April 2016.

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 2015-16 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2014-15, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2015 and then in August 2015, 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 2015-16; achievement of improvement in Children's Services, meeting the financial challenges faced by the Council, delivering the Kickstart Transformation Programme and continued implementation of the Education Improvement Strategy. The Statement also highlighted internal control issues for improvements in relation to the Council's processes for dealing with council tax discounts and exemptions, the administration of adult social care payments through the CareDirector system and review of the Council's Code of Corporate Governance.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts (including revenue and capital outturn) was considered by the Committee in June 2015 and then in August 2015, 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 2015-16 were considered in December 2015 and February 2016.
- Treasury Management activity updates were considered in August 2015 and December 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.
- European Funding – A briefing note was considered in October 2015 and provided an update on the European funding the Council had received since 2010 and how it was managed.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2015-16:

- The Audit Findings for Coventry City Council - This report was considered in August 2015, and its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2015. The report conclusions were that, pending satisfactory clearance of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements.
 - Whilst a final decision would be reached on the value for money conclusion once there had been further opportunity to evaluate evidence in relation to improvements in Children's Services, all other aspects of the Council's arrangements for securing value for money were satisfactory.

The report did identify issues which the external auditors thought required focus by the Council in the next year including ensuring that accruals and credit notes are raised on a timely basis, continuing to assess the adequacy of reserves and taking actions to maintain a sound financial position, and reporting on actual savings delivered against planned savings.

- Annual Audit and Inspection Letter - This was considered at the October 2015 meeting. The main focus being to summarise the findings from the 2014-15 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 August 2015 and confirmed that an unqualified value for money conclusion had been issued.
- Certification of Claims and Returns Annual Report - This was considered in February 2016 and summarised the findings from the certification of 2014-15 claims and returns that were subject to review by the external auditors. The report highlighted that only the Housing Benefits subsidy claim was subject to external audit approval, which had been qualified due to errors identified, although the impact of this was estimated not to be significant. The external auditors' conclusion was that the Council has appropriate arrangements to compile complete, accurate, and timely claims / returns for audit certification.
- 2015-16 Audit Plan - This was also considered in February 2016 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 2016. 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 June, August and October 2015 meetings:

- Internal Audit Annual Report - This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2014 to March 2015, against the agreed Internal Audit Plan for the same period.
 - To provide the Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2014-15, the Chief Internal Auditor 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 Chief Internal Auditor 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 for development to enhance current arrangements including Internal Audit Service staff development, reviewing how stakeholder feedback is obtained, and carrying out an assurance mapping exercise. Specifically in relation to the Audit and Procurement Committee, it was identified that there was a need to review / update the Committee's terms of reference and provide training for Members on the core areas that the Committee deals with.
- Internal Audit Plan for 2015-16 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit 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 2015 and February 2016. 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 2015, 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.
- Cyber Security - In response to specific concerns raised by the Committee, a briefing note was considered in February 2016 regarding

the Council's approach to cyber security and how risks are being managed, which includes a number of mitigation measures against attacks. The effectiveness of these arrangements are validated as part of the on-going ICT Audit Programme.

- Capital Receipts and Property Transactions – a briefing note was received in December 2015 which outlined the Council's approach to disposal of property including the approval process to ensure that capital receipts are maximised.

1.5 **Fraud** - The following fraud reports were considered in 2015-16:

- Annual Fraud Report - This report was considered by the Committee in August 2015 and summarised the Council's response to fraud activity for the financial year 2014-15, focusing on the work of both the Corporate Fraud and Benefit Fraud Teams. The report also provided an update on arrangements following the transfer of the Benefit Fraud Team to the Department of Work and Pensions in March 2015, with a Team of two officers established to respond to the risk of fraud and error in Council Tax.
- Half Yearly Fraud Update - A report was received in December 2015, focusing on the outcome of work by both the Corporate Fraud and Council Tax Fraud and Error Teams during 2015-16. It was highlighted that 90 exemptions had been removed from customer's Council Tax accounts since April 2015, which had resulted in revised bills being issued amounting to around £113k.

1.6 **Procurement** – The following reports were considered in 2015-16:

- Procurement was a standard agenda item at every meeting of the Committee during 2015-16 with the exception of June 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.
- In October 2015, a report was considered on the Sub-Regional Procurement Strategy which detailed the proposals for the shared procurement service between Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council for 2015 to 2020. Progress against the strategy will be reported to Audit and Procurement Committee on an annual basis.

1.7 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas and in 2015-16, this included the following:

- **2014-15 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 79% of FOI requests on time and 69% of DPA requests. 8 Information Commissioner's Office complaints were received during the course of the year, none of which were upheld.
- **Regulation of Investigatory Powers Act 2000 Annual Report** – This report focused on providing oversight of the Council's compliance with this Act. 6 directed surveillance applications were granted and 7 authorisations to acquire communications data. There were no reported instances of the Council having misused its powers under the Act.
- **Ombudsman Complaint Annual Report** - This report provided information regarding the number and outcome of Local Government Ombudsman complaints received and investigated during 2014-15, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 110 complaints, only 27 were pursued and 9 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.
- **Corporate Risk Register** – This report set out the current Corporate Risk Register with an overview of the Council's corporate risk profile and the controls in place to address these risks. The Committee noted the Risk Register having satisfied themselves that the corporate risks are being identified and managed.