

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 25 July 2016**

Present:

Members: Councillor S Bains (Chair)  
Councillor R Brown  
Councillor J Clifford  
Councillor J Lepoidevin  
Councillor T Sawdon

Other Members Present: Councillor J Mutton (Cabinet Member for Strategic Finance  
and Resources)  
Councillor T Skipper (Chair of the Audit and Procurement  
Committee for 2015/16)

Employees (by Directorate):

Resources P Baggott, M Burn, B Hastie, P Jennings, L Knight, H Lynch,  
J Sansom, K Tyler

Other Representatives J Gregory, Grant Thornton  
S Turner, Grant Thornton

Apologies: Councillor H Sweet

## **Public Business**

### **7. Declarations of Interest**

There were no declarations of disclosable pecuniary interests.

### **8. Minutes of Previous Meeting**

The minutes of the meeting held on 13<sup>th</sup> June 2016, were agreed and signed as a true record.

There were no matters arising.

### **9. Exclusion of Press and Public**

**RESOLVED** to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 18 headed "Procurement and Commissioning Progress Report" on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10. **Work Programme 2016/17**

The Committee considered a report of the Executive Director of Resources, which set out the work programme for the Committee for the coming year.

The Committee noted an update by the Acting Chief Internal Auditor, indicating that there was no longer a statutory requirement to submit a report on the Review of the Effectiveness of the System of Internal Audit to the Audit and Procurement Committee and it was therefore proposed that this item be removed from the work programme.

The Chair, Councillor Bains referred to the significant number of items on the work programme and indicated that it was appropriate to hold two additional meetings over the course of the municipal year to allow for better management of the programme.

**RESOLVED that:**

1. **The Audit and Procurement Committee approve the work programme subject to the deletion of the Review of the Effectiveness of the System of Internal Audit.**
2. **In light of the significant number of items included on the work programme, consideration be given to holding two additional meetings of Committee during the course of the current year.**

11. **Audit and Procurement Committee Annual Report 2015/16**

The Committee considered the Audit and Procurement Committee's Annual Report, which was to be submitted to the City Council at their meeting on 6<sup>th</sup> September 2016. The report provided an overview of the Committee's activity during 2015/16.

During the previous municipal year, the Committee met on six occasions. The report detailed all the routine reports considered during this time which were based around the clearly defined expectations of the services and functions that report to the Committee such as internal and external audit and financial functions.

The Committee also considered ad-hoc reports which focused on either a specific concern or developments that impacted directly on the Committee. These included the 2014-15 Annual Freedom of Information/Data Protection Act Report; Regulation of Investigatory Powers Act 2000 Annual Report; Ombudsman Complaint Annual Report and the Corporate Risk Register.

In 2016/17, the Committee's initial focus would be ensuring that action was taken in response to disclosures made in the Annual Governance Statement; ensuring that any issues raised by the external auditors in the audit of the Council accounts were addressed on a timely basis, and ensuring that Members of the Committee were appropriately supported through training and development.

**RESOLVED that the Audit and Procurement Committee recommends that the Council considers the Annual Report 2015/16.**

(NOTE: Councillor T Skipper, Chair of the Audit and Procurement Committee in 2015/16, attended the meeting for the consideration of this item.)

**12. Information Management Strategy Update**

The Committee considered a report of the Executive Director of Resources, which set out the findings of the audit and maturity assessment, the actions identified and progress against the actions in respect of the Information Management Strategy.

The Committee noted that the report was also to be considered by the Cabinet Member for Policy and Leadership at his meeting scheduled for 28<sup>th</sup> July 2016.

The report indicated that the Council's Information Management Strategy was approved by the Cabinet in March 2016. Information Management was becoming increasingly critical to the way the public sector did business as services became integrated and sought to gain better outcomes with fewer resources and digitalised the way services were delivered. It was acknowledged that information was one of the authority's greatest assets and its usage was a major responsibility. There was an expectation by the citizens of Coventry and the Council's customers that the authority could be trusted to manage and protect information provided. The Information Management Strategy would ensure that the Council exploited information as a strategic asset, used recognised best practice, legislation and technology to minimise requests for information and to maximise the opportunities of information intelligence to share future services and evaluate the effectiveness of existing ones.

To assist with the development and delivery of the Strategy, it was felt helpful to understand the state of information governance across the Council so that improvement actions could be identified. In October 2015, the Information Commissioner (ICO) conducted a data protection audit of Children's Social Care and Revenues and Benefits. The audit considered governance arrangements, training and awareness of data sharing arrangements. The ICO met with the Senior Information Risk Owner, Acting Monitoring Officer, Caldicott Guardian, Assistant Director for ICT, Transformation and Customer Service, as well as managers and officers within the two service areas.

The Audit concluded that the Council had "very limited assurance that processes and procedures are in place and deliver data protection compliance". It was important to note that the audit provided only a snap shot of assurance levels at the time of the audit. It took limited account of the Council's strategic aims and direction of travel, which were in place and in the process of being implemented. The audit did identify the key policies in place, the development of a toolkit / handbook for employees and the communications campaign as areas of good practice. A copy of the ICO Audit's executive summary was appended to the report.

The Council considered the ICO's recommendations and included these within the action plan, which was also appended to the report submitted. Out of 77 actions, 8 had been completed, 50 were in progress and 19 were still to be commenced. The majority of these were dependent on the completion of other actions.

The Committee noted that the ICO will conduct a follow up audit towards the end of 2016/early 2017 to assess progress against the recommendations. The Council was well on track to have implemented the majority if not all of the actions in advance of this audit. By implementing these actions, the Council would significantly increase its assurance rating.

Since the scope of the ICO Audit was relatively limited and in order to refine the entire approach to how the Council managed and used information effectively, the Council proactively engaged Information Management Specialists, In-Form Consult (IFC) to conduct a maturity assessment of information management arrangements across the Council.

IFC assessed the Council's maturity level as low-medium. Across the areas considered, maturity was either at a formative (level 2) or developing stage (level 3) with level 1 being the lowest and 5 being the highest. IFC considered the maturity assessment to be a cause for optimism and not unlike similar local government organisations and no area scored a lowest level of 1. This demonstrated that the Council already had a good basis to work from and gave confidence it would be able to progress quickly in transformation of its approach to information.

IFC used the maturity assessment to create a roadmap/action plan identifying key work streams and activities required to implement the Council's vision for information management. There was some overlap between the activities' identified by IFC and the ICO audit. A copy of the road map was attached at Appendix 3 to the report.

The Members discussed the concerns that had been raised by ICO audit and the IFC assessment and requested that a further report on progress with the actions be submitted to their next meeting.

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

- 1. Note the outcome of the ICO Audit and In-form Consult Maturity Assessment.**
- 2. Note the progress to date on the ICO Audit and Maturity Assessment Action Plans.**
- 3. Request that Officers bring a further report to the Committee on the outcome of the follow up audit by the Information Commissioner.**
- 4. Decided not to make any other recommendations to the Cabinet Member.**

5. **Request a further report on progress with the two action plans arising from the Information Commissioner audit and the In-Form Consult assessment, to be submitted to the next meeting on 26th September, 2016.**

### 13. **Internal Audit Annual Report 2015/16**

The Committee considered a report of the Executive Director of Resources, which summarised the Council's Internal Audit activity for the period April 2015 to March 2015 against the agreed Audit Plan for 2015-16 and provided the Acting Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2015-16.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2015-16 at its meeting on the 26th October 2015. The report submitted detailed the performance of the Internal Audit and Risk Service against the Plan for 2015-16, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference.

The key target for the Internal Audit and Risk Service was to complete 90% of its agreed work plan by the 31st March 2016. The Committee acknowledged that this performance was against a revised plan that was agreed by them in February 2016. The revisions stemmed from unplanned absences within the Internal Audit Service from December 2015 and the decision to manage the impact of this in the short term through amending the 2015-16 audit plan to take account of planned audits being postponed / delayed and where days allocated in the plan were not reflective of need. In addition the report set out performance against the service's key performance indicators.

Appendix one of the report submitted detailed the audit reviews that had been carried out in the financial year 2015-16 along with the level of assurance provided. A summary of the findings of key audits that had not already been reported to the Committee during municipal year 2015 were included at Appendix two. In all cases, the relevant managers had agreed to address the issues raised in line with the timescales stated. These reviews would be followed up in due course and the outcome reported to the Audit and Procurement Committee. In addition, the report provided an update on those disclosures made by the Internal Audit Annual Report 2014/15 where it was believed that significant control improvements were required.

The Committee noted that the Public Sector Internal Audit Standards highlighted that a key responsibility of Internal Audit was to provide an objective evaluation of, and assurance on, the effectiveness of the organisations risk management, control and governance arrangements. It required that the annual internal audit opinion provided by the Acting Chief Internal Auditor should form part of the Annual Governance Statement as a key element of the framework of assurance.

The report indicated that, in producing the opinion, it was appropriate that the Council's approach to internal control was explicitly set out. This had evolved over the last few years and was now based upon a more fluid, but risk based approach, which had moved from central oversight and placed emphasis on management

ensuring that activity within services and directorates they were responsible for, complied with Council policies and procedures.

In adopting this approach, it was acknowledged that a greater inherent risk existed in terms of the control environment. This risk had continued to increase in recent times due to the fact that the financial challenges faced over the last few years had resulted in significant management delayering across the Council. As a result, there was less management resource available to provide oversight of activity in directorates. For these reasons, the level of assurance that the Acting Chief Internal Auditor could provide were somewhat restricted.

In considering all the factors highlighted within the report, it was the Acting Chief Internal Auditor's view that the Council's internal control environment had not significantly changed over the last year. As a result, the Acting Chief Internal Auditor had concluded that moderate assurance could be provided that there was generally a sound system of internal control designed to meet the Council's objectives.

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

- 1. The performance of Internal Audit against the Audit Plan for 2015-16.**
- 2. The summary findings of key audit reviews, attached at appendix two to the report submitted, that have not already been reported to Audit and Procurement Committee during municipal year 2015-16 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 3. The opinion of the Acting Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**

**14. Audit Findings Report 2015/16**

The Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31st March, 2016. John Gregory and Simon Turner, of Grant Thornton, attended the meeting to present their report.

The report highlighted the key issues affecting the results of Coventry City Council and the preparation of the group and financial statements for the year ending 31st March 2016. It was also used to report their audit findings to management and those charged with governance in accordance with the requirements of International Standards on Auditing (UK and Ireland) 260, and the Local Audit and Accountability Act 2014.

Under the National Audit Office Code of Audit Practice, the External Auditors were required to report whether, in their opinion, the Council's financial statements gave a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they had been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They were also required to carry out sufficient work to satisfy themselves on whether the

Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (“the value for money (VFM) conclusion”).

The Committee were advised that the audit was substantially complete, although procedures were being finalised in respect of the review of the final version of the financial statements; obtaining and reviewing the management letter of representation; updating post balance sheet events review, to the date of signing the opinion; final consideration of evidence in relation to improvements in children’s services; and the whole of Government Accounts.

It was anticipated that an unqualified opinion would be provided in respect of the financial statements. Reference was made to the fact that the audit had progressed smoothly, with audit queries being responded to in a prompt and constructive manner. Draft accounts were of a good standard with an overall high level of compliance with disclosure requirements. Identified errors and omissions, which did not impact on the Council’s overall financial position, had subsequently been corrected

The report highlighted that with the exception of their work in respect of children's services, the Value for Money work was complete and had not raised any issues which would lead the External Auditors to conclude that the Council had not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016. Discussions with officers about the improvements being made in respect of children's services had continued and John Gregory reported at the meeting that having referred to Ministerial letters regarding progress with the Improvement Plan sufficient progress had been made.

Attention was drawn to testing on the Council's general IT controls, which had identified three significant deficiencies, these being:-

- Inappropriate segregation of duties among IT staff
- Ineffective design of leaver disablement process
- Security administration rights granted to those performing financial reporting processes or controls

Actions in response to these issues, along with a number of other recommendations were set out in an action plan attached as an appendix to the report and these had already been agreed by the Executive Director of Resources.

**RESOLVED that the Audit and Procurement Committee note the audit findings, as presented by the Council’s External Auditors.**

#### 15. **Audited 2015/16 Statement of Accounts**

Further to Minute 4/16, the Committee considered a report of the Executive Director of Resources, which sought approval of the audited 2015/16 Statement of Accounts and Annual Governance Statement, on behalf of the Council.

The Committee noted that the Council had delegated authority for approval of the Statement of Accounts, including the Annual Governance Statement, to the Audit and Procurement Committee.

The report was considered alongside the External Auditor's Audit Findings report (Minute 14 above refers) which detailed the key changes to the draft Statement of Accounts considered by the Committee in June. The changes had been agreed between Grant Thornton and the Executive Director of Resources.

An addendum to the report had also been submitted, detailing three minor amendments to the Statement of Accounts previously circulated.

**RESOLVED that the Audit and Procurement Committee approve the 2015/16 Statement of Accounts and the Annual Governance Statement.**

(NOTE: Councillor J Mutton, Cabinet Member for Strategic Finance and Resources, attended the meeting for the consideration of this item.)

**16. Revenue and Capital Outturn 2015/16**

The Committee considered a report of the Executive Director of Resources, which outlined the final revenue and capital outturn position for 2015/16 and reviewed treasury management activity and 2015/16 Prudential Indicators reported under the Prudential Code for Capital Finance.

The Committee noted that the report had also been considered by Cabinet at their meeting on 5th July 2016 and Council on 12<sup>th</sup> July 2016.

The overall financial position included a revenue overspending of £1.3m which was to be balanced to nil by a contribution from the General Fund Balance. Headline variations included an overspend of £5.4m within the People Directorate and an underspend of £5.6m within the Asset Management Revenue Account. There was a Capital Programme expenditure of £014m and a capital spending of £10.9m rescheduled into 2016/17. Revenue reserve balances were reduced from £84m to £83m. After taking into account capital grants received and capital receipts generated ahead of the need to spend, overall reserve balances had increased by £10m to £95m.

The need for the Council to manage very large cuts in government resources in recent years had required wide-ranging measures to reduce the Council's cost base, with the most important element of this being large-scale reductions in the Council's employee numbers. A resourcing package for Council staffing reductions was approved by the Cabinet in November 2015 and nearly 300 individuals had agreed to leave the Council as a result of redundancy and early retirement decisions during 2015/16. The Council had incurred costs of £5.8m, compared to £10.3m during 2014/15. A budget of £2.4m existed to part fund these costs and, at their meeting on 12<sup>th</sup> July 2016, the Council had approved that the remaining £3.4m be funded from within the overall revenue bottom line. This would ensure that the £12.5m reserve balance established as part of the November report would be available to support future redundancy and early retirement programmes.

The report further indicated the Council had recognised that it needed to deliver the new city centre water-park, swimming pool and leisure centre as soon as possible. The facility would be a visible symbol of growth and regeneration and



was part of the City Centre transformation vision, along with Friargate. It would support the City Centre South development and demonstrate physical change in the city centre, use redundant sites in the city centre and have a positive impact on the people of Coventry in terms of better sport provision.

In order to achieve this, it had been necessary to accelerate vacant possession of Christchurch House and Spire House and relocate the relevant staff into other accommodation on a temporary basis, ahead of the completion date for Friargate. It made sense to vacate Christchurch House and Spire House earlier in order to guarantee a date for the sports facility and to avoid the potential of any additional costs due to either construction inflation, on-going running costs at Fairfax Street Sport Centre, or as a result of any delays at Friargate. The Committee noted that the delivery of Friargate was largely in the hands of Friargate LLP and not the Council, so this was the best way to safeguard the delivery of the new Sport Centre. The project was advanced enough to give confidence that if the Christchurch House and Spire House site could be available earlier, the sports facility would be open in early November 2018, rather than the original date of August 2019. Total costs of £1.3m would arise from ICT and building works and leased building costs to accommodate relocated staff, with savings from vacating Christchurch House and Spire House and the Fairfax Street site funding the relocation costs and producing an overall saving of £0.1m. Approximately £0.1m of the total costs had been incurred in 2015/16 with the majority of the remainder likely to be incurred during 2016/17.

The Committee were informed that the Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities were able to borrow whatever sums they saw fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework required that authorities set and monitor against a number of prudential and treasury indicator relating to capital, treasury management and revenue issues. These indicators were designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent and were for the purpose of supporting decision making and financial management rather than illustrate comparative performance.

Appendix 3 of the report submitted set out the Ratio of Financing costs to Net Revenue Stream which highlighted the revenue impact of the capital programme. This showed the revenue costs of financing the Council's capital programme as a proportion of its income from government grant and council tax. The actual was 13.91% as against a 14.83% as forecast in the Treasury Management Strategy and reflected a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

**RESOLVED that, having considered the contents of the report, the Audit and Procurement Committee determine that there were no specific issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.**

17. **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.

## **Private Business**

### **18. Procurement and Commissioning Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report, submitted to the meeting on 11<sup>th</sup> April 2016. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report.

An update was provided on an amendment to several of the financial figures contained in the appendix.

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

- 1. Note the current position in relation to the Commissioning and Procurement Services.**
  - 2. Do not intend to make recommendations to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
  - 3. Do not require any changes to the format of the report at this time.**
- 19. 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 4.45 pm)