



# **Audit and Procurement Committee Annual Report to Council 2016-17**

To be considered at the City Council meeting  
on the 5<sup>th</sup> September 2017

## **Audit and Procurement Committee Annual Report 2016-17**

### **Introduction by Chair of Audit and Procurement Committee**

In May 2016 I was appointed as the Chair of the Audit and Procurement Committee and I am pleased to present this report which outlines the Committee's work over the municipal year 2016-17.

Over the last year, the Committee has continued to discharge its key responsibility effectively, namely providing independent assurance on the adequacy of the Council's internal control environment, the risk management framework and the integrity of the financial reporting and annual governance processes. At the same time, the Committee has been able to consider other matters to support the Council including providing scrutiny and challenge over procurement activity and arrangements to ensure compliance with data protection requirements.

I am looking forward to building on the good work done in 2016-17 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 2017-18 these include ensuring that:

- Action is taken in response to disclosures made in the Annual Governance Statement and that 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.
- Any actions arising from the outcome of the annual review of the Council's Code of Corporate Governance are effectively implemented.

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.



**Councillor Sucha Bains  
Chair, Audit and Procurement  
Committee**

## 1 Activity of the Council's Audit and Procurement Committee

During 2016-17, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in June, July, September, October and December 2016 as well as in January, February and April 2017.

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 2016-17 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2015-16, the Acting Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2016 and then in July 2016, 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 2016-17; securing sustainable improvement in Children's Services, delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy, on-going implementation of the Kickstart programme, continuing to raise educational standards, addressing actions arising from the Information Commissioner's Audit and implementing the Information Management Strategy. The Statement also highlighted internal control issues for improvement in relation to the Council's processes for awarding council tax discounts and exemptions and review of a number of the key procedures that underpin the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing Procedure and the Fraud and Corruption Strategy.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts was considered by the Committee in June 2016 and then in July 2016, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2015-16 was considered in July 2016. The report showed the Council's financial position in relation to management accounts used to monitor performance through the year.
- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2016-17 were considered in September 2016, December 2016 and February 2017.
- A treasury management activity update was considered in October 2016. 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.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2016-17:

- The Audit Findings for Coventry City Council - This report was considered in July 2016, 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 2016. 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 work in respect of Children's Services was still underway, the value for money work undertaken found that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report did identify issues which the external auditors thought required focus by the Council in the next year including commissioning a new valuation for its investment in Birmingham Airport Holdings Limited, enhancing controls within the Agresso application, making improvements to the process for managing leavers' access to IT systems and taking actions to maintain a sound financial position, including ensuring that the medium term financial plan is up-to-date and covers a range of potential scenarios. The Committee received an update on the implementation of these recommendations in December 2016.

- Annual Audit Letter - This was considered at the September 2016 meeting. The main focus of this report being to summarise the findings from the 2015-16 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 July 2016 and confirmed that an unqualified value for money conclusion had been issued.
- Certification of Claims and Returns Annual Report - This was considered in February 2017 and summarised the findings from the certification of 2015-16 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.
- 2016-17 Audit Plan - This was considered in April 2017 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 2017. 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 October 2016 meetings as well as in February and April 2017.

- Internal Audit Annual Report - This report had two main purposes:
  - To summarise the Council's Internal Audit activity for the period April 2015 to March 2016, against the agreed Internal Audit Plan for the same period. This highlighted that the Internal Audit Service had met its' target to deliver 90% of the agreed work plan by the 31<sup>st</sup> March 2016.
  - To provide the Committee with the Acting 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 2015-16, the Acting 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.
- Internal Audit Plan for 2016-17 – 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 2016 and February 2017. 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 April 2017, 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.

1.5 **Fraud** - The following fraud reports were considered in 2016-17:

- Annual Fraud Report - This report was considered by the Committee in September 2016 and summarised the Council's response to anti-fraud activity for the financial year 2015-16. This included:
  - A rolling programme of reviews linked to Council Tax exemptions. It was highlighted that 105 exemptions had been removed from customers' accounts in 2015-16, which resulted in revised bills being issued amounting to around £120k.
  - A summary of the work undertaken in relation to the National Fraud Initiative and other corporate fraud work including investigations and proactive exercises.
- Half Yearly Fraud Update - A report was received in December 2016, which provided an up-date on anti-fraud activity in 2016-17.

- 1.6 **Procurement** – Procurement was a standard agenda item at every meeting of the Committee during 2016-17 with the exception of June 2016 and January 2017. 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.
- 1.7 **Salaries** – Within its terms of reference, the Committee is responsible for determining any salary or severance package for an employee of the Council (except the Chief Executive) of £100k or over. The Committee received reports in December 2016, January and February 2017 linked to the discharge of this function, which included approving a revised interpretation of this requirement in light of new legislation, to include all severance packages where the benefits payable to the employee and the costs to the Council exceed £100k.
- 1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas and in 2016-17, this included the following:
- Information Management Strategy – The Committee received reports in July and October 2016, as well as February 2017, linked to the findings of the Information Commissioner’s Office data protection audit and the progress made in implementing the audit recommendations. By the end of 2016-17, all of the 77 recommendations had been completed and it was anticipated that a significantly improved level of assurance would be received from the Information Commissioner’s Office at the point of their follow up visit.
  - 2015-16 Annual Freedom of Information (FOI) / Data Protection Act (DPA) 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 60% of FOI requests on time and 53% of DPA requests. 5 Information Commissioner’s Office complaints were received during the course of the year, which were appropriately dealt with.
  - Regulation of Investigatory Powers Act 2000 Annual Report – This report focused on providing oversight of the Council’s compliance with this Act. 2 directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.
  - Ombudsman Complaints Annual Report - This report provided information regarding the number and outcome of Local Government Ombudsman complaints received and investigated during 2015-16, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 109 complaints, only 22 were pursued and 11 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. Members of the Committee also received a specific training session on risk management during the year.
- Code of Corporate Governance – a briefing note was received in April 2017 which outlined the revised Code of Corporate Governance based on updated national guidance. It was highlighted that the proposed changes will help support the preparation of the Annual Governance Statement which the Committee approves.
- Whistleblowing Policy – the Committee is required to monitor the Council's policy on Whistleblowing and in April 2017 considered a report on the review and update of the Council's policy to ensure compliance with current legal obligations and best practice.