

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 11 September 2017**

Present:

Members: Councillor S Bains (Chair)  
Councillor R Brown  
Councillor L Harvard (Deputy Chair)  
Councillor R Singh  
Councillor H Sweet

Employees:

P Baggott, Place Directorate  
M Burn, People Directorate  
B Hastie, Place Directorate  
P Jennings, Place Directorate  
L Knight, Place Directorate  
K Tyler, Place Directorate

Other Representatives: M Stocks, Grant Thornton  
S Turner, Grant Thornton

Apologies: Councillor T Sawdon

## **Public Business**

### **27. Declarations of Interest**

There were no disclosable pecuniary interests.

### **28. Minutes of Previous Meeting**

The minutes of the meeting held on 24<sup>th</sup> July 2017 were agreed and signed as a true record. There were no matters arising.

### **29. 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 37 below 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.**

30. **Outstanding Issues**

The Committee considered a report of the Deputy Chief Executive (Place), which identified those issues on which further reports / information had been requested or were outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report outlined where a report back had been requested to a future meeting, along with the anticipated date for further consideration of the issue. Appendix 2 set out items where additional information was requested outside of the formal meeting along with the date when this had been completed.

**RESOLVED that the Audit and Procurement Committee note the outstanding issues report.**

31. **Work Programme 2017/18**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the work programme for the Committee for the coming year.

**RESOLVED that the Audit and Procurement Committee approve the work programme for 2017/18, noting that arrangements had been put in place for an additional meeting on 22<sup>nd</sup> January, 2018 and that the work programme had been adjusted accordingly.**

32. **Audit Findings Report 2016/17**

Further to Minute 20/17, 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, 2017. Mark Stocks and Simon Turner, of Grant Thornton, attended the meeting to present their report.

The report highlighted the key issues affecting the results of the Council and the preparation of the group and financial statements for year ended 31<sup>st</sup> March 2017. It was also used to report the audit findings to management and those charged with governance in accordance with the requirements of the International Standards on Auditing (UK and Ireland) 260 and the Local Audit and Accountability Act 2014.

Under then 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 consider other information published together with the audited financial statement, including the Annual Governance Statement and Narrative Report, whether it was consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with the auditors knowledge of the group acquired in the course of performing the audit, or otherwise misleading. Based on the review, the auditors were satisfied that they were consistent with the audited financial statements and met the requirements

set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report were in line with the requirements of the CIPFA Code of Practice.

In addition, the auditors were 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). Based on the review, the auditors indicated that they were satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Committee were advised that the audit was substantially complete, although procedures were being finalised in respect of obtaining and reviewing the management letter of representation; updating post balance sheet events review, to the date of signing the opinion; and the whole of Government Accounts.

Attention was drawn to two adjustments affecting the Council's reported financial position and details of these were recorded in section two of the report. The draft financial statements for the year ended 31 March 2017 recorded total comprehensive income and expenditure of £60,942k; the audited financial statements show total comprehensive income and expenditure of £57,746k. These changes had no impact on the Council's General Fund balance. The auditors also recommended a number of adjustments to improve the presentation of the financial statements. The Council produced its draft financial statements by the end of May, which enabled the audit to start at the beginning of June as planned. The Council produced draft accounts to a good standard and with an overall high level of compliance with disclosure requirements. The audit identified some misclassification errors and disclosure omissions in the draft financial statements. The more significant of these errors and omissions are detailed in the 'Misclassifications and disclosure changes' section of the report. These errors and omissions, which did not have any impact on the Council's overall financial position, had since been corrected.

The report indicated that the auditors anticipated providing an unqualified audit opinion in respect of the financial statements.

The Committee noted that, in addition to responsibilities under the Code, the auditors were required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present work on this claim was in progress and not due to be finalised until 30<sup>th</sup> November 2017. A report on the outcome of this certification work would be submitted to the Committee on 19<sup>th</sup> February 2018.

Attention was drawn to testing on the Council's financial IT systems, which had identified four control issues, these being:-

- Lack of information security policies and procedures for Agresso, ResourceLink and Active Directory;
- Proactive reviews of logical access within Agresso, ResourcesLink and Active Directory;
- Long period for password expiry;
- Generic accounts with administrative privileges on ResourceLink application.

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 with the Director of Finance and Corporate Services and the finance team.

The Committee were updated about the position in respect of leases and they noted that changes would be incorporated in the next annual report.

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

33. **Audited 2016/17 Statement of Accounts**

Further to Minute 21/17, the Committee considered a report of the Deputy Chief Executive (Place), which sought approval of the audited 2016/17 Statement of Accounts and Annual Governance Statement, on behalf of the Council. Councillor John Mutton, Cabinet Member for Strategic Finance and Resources attended the meeting for the consideration of this item.

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 32 above refers) which detailed the key changes to the draft Statement of Accounts considered by the Committee in June 2017 (Minute 9/17 refers). The changes had been agreed between Grant Thornton and the Director of Finance and Corporate Services.

An addendum to the report had also been submitted, detailing the representation letter to Grant Thornton in relation to the Financial Statement for the year ended 31<sup>st</sup> March 2017.

**RESOLVED that the Audit and Procurement Committee approve the 2016/17 Statement of Accounts, the Annual Governance Statement and Letter of Representation.**

34. **2017/18 First Quarter Financial Monitoring Report (to June 2017)**

The Committee considered a report of the Deputy Chief Executive (Place), that had also been considered by the Cabinet and Council at their meetings on 29<sup>th</sup> August and 5<sup>th</sup> September 2017 respectively, that advised Members of the of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2017 (Quarter 1). The headline revenue forecast for 2017/18 was an over spend of £4.6m. At the same point in 2016/17 there was a projected overspend of £6.4m.

The report also recommended a change to the Council's Investment Strategy and Policy, reviewed every year as part of the Council's Budget Setting process, to enable the Council to continue its current level of investment in Property based Collective Investment Schemes.

This position reflected areas that had reported overspends in recent previous years and ones where new budgetary issues were emerging. Although the initially reported overspend position was not as large as this time last year, the Senior Management Board was aware of the need to address the range of budgetary issues facing the Council. This included continued challenges in delivering savings targets set in previous Budgets and some local demand pressures, in particular in relation to looked after children and housing related costs. Even at this early stage it was likely that some of these pressures would need to be considered as part of the Council's Budget Setting process for the 2018/19 Budget, although further work would continue to keep these to a minimum. Councillor John Mutton, Cabinet Member for Strategic Finance and Resources provided an update on this latest financial position.

The Council's Capital spending was projected to be £128m for the year, a net increase of £5m on the programme planned at the start of the year.

The Committee noted that the Council had agreed to change the Council's Investment Strategy and Policy, increasing the maximum investment limit from £8m to £10m, to enable the Council to continue its current level of investment in Property based Collective Investment Schemes.

Members sought clarification about CCLA (Churches, Charities and Local Authorities), a property based investment fund and also about the £1.9m forecast revenue variation for Customer Services and Transformation.

In response to a question about schools funding and pupil premium, the Committee were informed about the recent work undertaken by the Council to assist schools when claiming pupil premium. Clarification was to be given to Members about which schools were receiving this support.

**RESOLVED that the Audit and Procurement Committee note the current position, indicating that there were no comments that they wished to be passed to the Cabinet at this time.**

### 35. **Fraud Annual Report 2016/17**

The Committee considered a report of the Deputy Chief Executive (Place), which provided a summary of the Council's anti-fraud activity for the financial year 2016/17.

The Committee noted that fraud in the public sector had a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity included areas which Coventry City Council did not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council were at relatively low levels, in terms of both numbers and value.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and work had been focussed on four main areas during 2016/17, namely Council Tax; National Fraud Initiative (NFI); Referrals and investigations considered through the Council's Fraud and Corruption Strategy; and Proactive work.

Work undertaken in relation to Council Tax had focussed on reviewing Council Tax exemptions and discounts and on Council Tax Referrals. The report indicated that 136 exemptions / discounts had been removed from customer accounts and that revised bills had been issued amounting to £157,000. £134,000 had been repaid to the Council and the remaining balances were being recovered through agreed payment instalment arrangements.

The Council received referrals from both internal and external sources linked to concerns around the payment of Council Tax support or Council Tax discounts / exemptions and the report identified the number of referrals by source during 2016/17. It was noted that whilst the vast majority of cases were passed to the Department for Work and Pensions to investigate under agreed arrangements, the Council had validated six concerns during 2016/17, linked to the payment of council tax. This resulted in revised bills / overpayments of approximately £19,000 being issued, of which £13,000 had been repaid to date.

The NFI exercise was led by the Cabinet Office, took place every two years and matched electronic data within and between public bodies with the aim of detecting fraud and error. In 2016/17 work had focussed on collating and submitting data for the next exercise and following up on matches identified during the last year relating to council tax bands E and above. 159 matches were reviewed which resulted in 10 single person discounts being cancelled and revised bills / overpayments of around £14,000 being issued. The report indicated that £7,000 had been repaid to date.

In relation to referrals and investigations, the report set out the number of referrals by source (Whistle Blower, Manager, and External) during 2016/17 and compared them with the three previous financial years. In considering the information, the Committee noted that there was no way of determining the number of referrals that the Council should receive on an annual basis. During 2016/17 21 referrals were received, of which 8 had led to full investigations. A further five investigations were carried forward from 2015/16. Of these 13 investigations, seven related to fraud / theft or other activities linked to obtaining a financial benefit, with the remaining six cases involved code of conduct issues including un-authorised absence. The report provided details of the outcome of the ten completed investigations and indicated that three investigations were still on going.

The Council's response to fraud also considered an element of proactive work to ensure that all key fraud risks were considered. In 2016/17 this work included consideration of the Organised Crime Procurement Pilot report, published by the Home Office in December 2016. As a result, a specific audit review on this issue was included in the 2017/18 Audit Plan. In addition, in conjunction with a third party, a proactive review was undertaken on the payments made to Council suppliers. The Committee noted that this work recovered payments totalling £181,000 and that a report detailing this work would be submitted to a future meeting.

The report further set out that, within the International Auditing Standards, there were clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This included an expectation that appropriate detail be provided around significant fraud. In the period April 2016 to March 2017, no significant frauds had been identified.

Members enquired about the investigation of housing benefit fraud; benchmarking staffing levels; and the support provided for whistle blowers.

**RESOLVED that:**

**(1) The Audit and Procurement Committee note the anti-fraud activity undertaken in the financial year 2016/17.**

**(2) Comparison data concerning staffing levels at other Local Authorities compared to Coventry to be included in the next fraud report.**

36. **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.

37. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Deputy Chief Executive (People) which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 24<sup>th</sup> July 2017. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

**RESOLVED that:**

**1. The current position in relation to the Commissioning and Procurement Services be noted.**

**2. No recommendations be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

38. **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 4.10 pm)