

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 18 June 2018**

Present:

Members: Councillor R Brown (Chair)  
Councillor P Akhtar  
Councillor R Bailey (Substitute for Councillor Sawdon)  
Councillor R Singh  
Councillor H Sweet  
Councillor K Taylor

Employees (by Directorate):

Place V Castree, P Jennings, K Tyler

Apologies: Councillor S Bains (Deputy Chair)  
Councillor T Sawdon

**Public Business**

**1. Declarations of Interest**

There were no disclosable pecuniary interests.

**2. Minutes of Previous Meeting**

The minutes of the meeting held on 26<sup>th</sup> March 2018 were agreed and signed as a true record.

**3. 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. Where a request had been made to delay the consideration of the report back, the proposed revised date was identified along with the reason for the request. Appendix 2 set out items where additional information was requested outside of the formal meeting along with the date when this had been completed.

The Committee were informed that the Acting Chief Internal Auditor was continuing to work with the Council's Communications Team on Appendix 2 to the report, action 2 'the Half Yearly Fraud Update 2017-18' to produce the press release.

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

#### 4. **Work Programme 2018/19**

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

Members requested additional reports to seek assurance on the governance and financial processes of outside bodies who were receiving significant grants from Coventry City Council. Therefore, the following organisations were to be added to the Work Programme on the basis above, subject to consultation with and agreement from relevant scrutiny chairs:

- 1) Coventry City of Culture Trust
- 2) Culture Coventry
- 3) Coombe Abbey Park Limited

**RESOLVED that the Audit and Procurement Committee approves the Work Programme for 2018/2019, subject to the additions above.**

#### 5. **Internal Audit Annual Report 2017/2018**

The Committee considered a report of the Deputy Chief Executive (Place) which summarised the Council's Internal Audit activity for the period April 2017 to March 2018 against the agreed Audit Plan for 2017/18. The report also provided the Committee with the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment.

The key target for the Internal Audit and Risk Service was to complete 90% of its agreed work plan by the 31st March 2018 and the report indicated that this target was met. In addition to the delivery of the Plan, the Service had a number of other key performance indicators (KPIs) which underpinned its delivery. These KPIs were aimed at ensuring that the audit process was completed on a timely basis. The report provided details of the performance of Internal Audit against the KPIs for 2017/2018, compared with performance in 2016/17. Appendix One of the report detailed the audit reviews that had been carried out in the financial year 2017/2018, along with the level of assurance provided. A summary of the findings of key audits were included at Appendix Two of the report.

In the Acting Chief Internal Auditor's view, sufficient assurance work had been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment. It was the Acting Chief Internal Auditor's opinion that that moderate assurance could be provided that there was generally a sound system of internal control in place designed to meet the Council's objectives. This meant that there was generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level.

In giving this opinion, the Committee acknowledged that assurance could never be absolute as the system of internal control was designed to manage risk to a

reasonable level. It could not eliminate all risk and could therefore only provide reasonable and not absolute assurance of effectiveness.

In undertaking the assessment of the Council's internal control environment, the Acting Chief Internal Auditor had identified a number of areas that, in her opinion, needed to be considered when the Council produced its Annual Governance Statement for 2017-2018. These related to readiness for General Data Protection Regulations, Homelessness and the delivery of the IT Strategy.

The Committee asked a number of questions and received answers on areas of the report including:

- That there has been an increase in the number of audits without assurance or with limited assurance – this was due, in part, to being asked to go into an area where the service knows there's an issue.
- How resources within the team were managed whilst it was not at full strength and how the restructure was progressing.
- How work programmes had evolved – used to be a bigger team and do more work with schools, however, the pool of local authority schools had shrunk with the rise of academies which the Authority didn't audit and the team now took a risk based approach.

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

- 1) The performance of Internal Audit against the Audit Plan for 2017-2018.**
- 2) The results of the Quality Assurance and Improvement Programme and the Acting Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.**
- 3) The summary findings of key audit reviews (attached at Appendix two to the report) that have not already been reported to Audit and Procurement Committee during municipal year 2017-18 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 4) The opinion of the Acting Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**

## **6. Annual Governance Statement 2017/2018**

The Committee considered a report of the Deputy Chief Executive (Place) that sought approval of the Annual Governance Statement, which formed part of the Statement of Accounts for 2017/2018.

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Reflecting on the action plan which accompanied this document, the Committee requested that the Annual Governance Statement for 2018/2019 contained:

- 1) More specific deadlines in the action plan.
- 2) A breakdown of some of the actions further or signposted to the more detailed plans which sat beneath this overview document.

**RESOLVED that the Audit and Procurement Committee approves the Annual Governance Statement (attached at Appendix One tot the report), which accompanies the 2017-2018 Statement of Accounts.**

## **7. Internal Audit Plan 2018/2019**

The Committee considered a report of the Deputy Chief Executive (Place), which outlined the draft Internal Audit Plan for 2018-2019, a copy of which was set out in Appendix One to the report.

The draft Internal Audit Plan documented the outcome of the audit planning process for 2018-2019 and provided a mechanism for allowing the Committee to discharge its responsibility to 'consider the Head of Internal Audit's Annual Report and Opinion and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance statement incorporated in the Annual Accounts'. The report also enabled the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The report set out the planning process for the plan. The draft plan was based on an allocation of priorities against the current level of audit resource available. The Committee were informed that the resources available for audit and corporate fraud work was 550 days. In focussing the resources to meet the needs of the Council, the following approach was taken:-

- A documented risk assessment had been undertaken, which considered the Council's corporate risk register and key priorities as identified from consultation with senior management. This had also been informed by an assurance mapping exercise which was undertaken in 2016-2017 to identify others sources of assurance that the Council placed reliance on. Where appropriate, the assessed risk level had been included in Appendix One to the report. Where the risk had been assessed as medium rather than high, this generally reflected the findings of previous audit reviews in the respective area.
- A risk based approach to the audit of schools based on links with School Finance rather than a fixed programme of audit work.
- A flexible and responsive approach to issues highlighted by Senior Officers with on-dialogue to ensure resources were directed in accordance with their priorities.
- A more flexible response to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

As a result it was believed that the draft Audit Plan was sufficient for the work required to report on key risks and controls in the year and to prepare for the annual opinion and report.

The report also referred to the implications concerning corporate risks, corporate governance and contingency / directorate risks.

The Plan set out the audit areas under the key driver headings of corporate risk, Council / audit priorities, financial systems, regularity and other. Against each of the audit areas, the level of risk was identified, along with the planned audit days.

The Committee asked how the quality of reviews was assured – this was done through the Acting Chief Internal Auditor independently reviewing the quality of the work produced by her Team.

The Committee also raised concerns about the performance of the telephony system and customer service and were told there would be an external review of customer service undertaken this year.

Members were also assured that they could request specific reviews via the Audit Committee providing the scope of the review fell within the remit of the Committee.

**RESOLVED that Audit and Procurement Committee approved the draft Internal Audit Plan for 2018-19 (attached as Appendix One to the report).**

## **8. Fraud and Corruption Strategy**

The Committee received a report of the Deputy Chief Executive (Place), that would also be considered by the Cabinet Member for Policy and Leadership at his meeting on 26<sup>th</sup> July 2018, on the Fraud and Corruption Strategy which explained the Council's strategic response to tackling fraud and corruption and set out the Counter Fraud Framework, which comprised the various elements the Council used to fight fraud and implement the Fraud and Corruption Strategy.

This strategy was last updated in 2012, and since then there had been a number of national changes around fraud and corruption work, risk profiles had changed as had best practice. The Council needed a transparent structure of how it delivered counter fraud arrangements and would be producing an annual work plan for the Committee.

The Committee asked how fraud was identified, as there was not known to be a problem until the fraud had taken place. The Acting Chief Internal Auditor indicated that Internal audit work with other councils helped identify areas of weakness as well as receiving fraud alerts and sitting on the West Midlands fraud group.

The importance of capacity within the Internal Audit Team was highlighted and Members requested that capacity was a key element of the Counter Fraud Framework and as such, the restructure of the Internal Audit Team needs to be a priority and that this be referred to Cabinet Member for Policy and Leadership.

**RESOLVED that Audit and Procurement Committee recommends that the Cabinet Member for Policy and Leadership approves the revised Fraud and Corruption Strategy (attached as Appendix One to the report).**

**9. Revenue and Capital Out-turn 2017/2018**

The Committee considered a report of the Director of Finance and Corporate Services, that had also been considered by the Cabinet at their meeting on 12<sup>th</sup> June 2018 (their minute 4/18 referred) and would be considered by the Council at their meeting on 10<sup>th</sup> July 2018, which set out the final revenue and capital outturn position for 2017/2018 and reviewed treasury management activity and 2017/2018 Prudential Indicators under the Prudential Code for Capital Finance.

The overall financial position included the following headline items:

- Revenue underspending of £1.6m which was required to be contributed to the Council's General Fund reserve.
- Within this position, contributions to reserves that required approval; £3.25m for future UK City of Culture costs and £2.1m to strengthen the Council's Business Rates' reserve.
- Headline overspends of £2.7m within Children's Services and £4.2m relating to Housing Benefit payments; part of wider budgetary pressures relating to housing and homelessness issues.
- An underspend of £6.6m within Corporate budgets relating to variations in inflation contingency, pension, treasury management and Business Rates related budgets.
- Capital Programme expenditure of £107m which is £17m less than envisaged at the start of the year.
- An increase in the level of Council revenue reserves from £51m to £67m.

The underlying revenue position had improved significantly since Quarter 3 when an overspend of £1.8 was forecast. In particular this related to improvements within Children's Services, Adult Social Care, Customer Services and Transformation and Contingency and Central budgets, which were set out in the report. This had enabled the Council to bring forward the fulfilment of several policy commitments and/or transactions recommended by the Council's Director of Finance and Corporate Services – the Council's Section 151 officer - to strengthen the Council's balance sheet position.

**RESOLVED that, having considered the contents of the report, the Audit and Procurement Committee determines that are no specific issues to refer to the Cabinet Member for Strategic Finance and Resources.**

**10. Unaudited 2017/18 Statement of Accounts**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the unaudited statement of accounts for 2017/18.

In addition to the report, the Committee received a presentation setting out the key elements of the statement of accounts and issues to be aware of. These included:

- End of Year Financial Reporting
- Narrative Statement
- Comprehensive Income and Expenditure Statement vs Outturn

- Reserves Trend
- The Balance Sheet
- Fall in Fixed Asset Value
- Contingent Liabilities
- Long Term Investments
- Pensions
- Pensions Liability
- Officers Remuneration
- Other Items Within the Accounts
- Highways Assets Accounting

The Committee noted that there had been significant rescheduling of Capital Programmes but this was not impacting on objectives. They also noted the improved position regarding pension liabilities as a result of making an upfront payment for the year.

The Committee requested more information about the income from fees and charges, rents and dividends and that this be circulated to them.

**RESOLVED that the Audit and Procurement Committee notes the Unaudited Statement of Accounts 2017/18.**

11. **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.

(Meeting closed at 4.45 pm)