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Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 25 February 2019

Present:

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

Employees (by Directorate):

Place: M Burn, B Hastie, P Jennings, L Knight, K Tyler, A West

Others Present: A Sohal, Grant Thornton (External Auditors)

Apologies: Councillor S Bains

Public Business

55. Declarations of Interest

Councillor R Singh declared a disclosable pecuniary interest in the matter referred to in Minute 62 below, headed 'Quarter Three Internal Audit Progress Report 2018-2019' insofar as it related to Frederick Bird School. He withdrew from the meeting during the consideration and voting on this matter.

56. Minutes of Previous Meeting

The minutes of the meeting held on 21st January 2019 were agreed and signed as a true record. There were no matters arising.

57. 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 65 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.

58. **Outstanding Issues**

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

Appendix 1 to the report provided details of an issue where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter. Appendix 2 provided details of items where information had been requested outside formal meetings, along with the date when this had been completed. The Committee requested updates on the outstanding matters listed within Appendix 2. The Deputy Chief Executive (Place) reported that there were a number of items that had now been completed and undertook to provide the Governance Services Co-ordinator with relevant dates in order for these matters to be discharged. For those items that remained outstanding, the Committee requested that further requests be made to the relevant officers to provide the information requested.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the outstanding issues report and agrees that those issues that are complete can be discharged from the report.**
- 2. Request that for those items that remain outstanding, the relevant officers be contacted to provide the information requested.**

59. **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.

In considering the work programme, the Committee discussed information recently reported regarding an overspend of the Godiva Festival budget for the 2018 event. The Committee requested that the Finance and Corporate Services Scrutiny Board (1) undertake a review of the funding arrangements for the Godiva Festival and that the findings be circulated to the members of the Audit and Procurement Committee.

RESOLVED that the Audit and Procurement Committee approve the work programme for 2018/19 and request that the Finance and Corporate Services Scrutiny Board (1) undertake a review of the funding arrangements for the Godiva Festival and that the findings be circulated to the members of the Audit and Procurement Committee.

60. **Certification Work for Coventry City Council for Year Ended 31 March 2018 (Grant Thornton)**

The Audit and Procurement Committee considered a report of the External Auditors (Grant Thornton), which set out the certification work undertaken during year ending 31st March 2018.

The External Auditors were required to certify the Housing Benefit subsidy claim submitted by the Council. This certification work typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The report indicated that during the 2017/18 financial year the Housing Benefit subsidy claim had been certified relating to expenditure of £116.07m. Several issues were identified from the certification work and, as a result, the claim was qualified and the findings reported to the DWP in the External Auditors Qualification Letter on 28th November 2018.

Details of the matters reported were set out in Appendix A. The External Auditor particularly highlighted to the Committee that there were 4 error types from the extended testing carried out on the 2017/18 subsidy return which recurred from 2016/17 and that three new error types were identified as a result of the testing undertaken.

The External Auditor reported on the process undertaken in order to certify the Housing Benefit subsidy claim, which included initial sampling and testing and, where errors were identified, a further testing of additional samples to assist in identifying whether errors were isolated or repeated. However, the External Auditor indicated that the number of errors that had been identified was not unusual for an authority the size of Coventry.

The report provided further information on the indicative fee for 2017/18, which was based on the final 2015/16 certification fee and reflected the amount of work required by the auditor to certify the Housing Benefit subsidy claim in that year. The indicative scale fee set by the Public Sector Audit Appointments for the Council for 2017/18 was £14,020 and further information was provided at Appendix B.

RESOLVED that the certification work for the City Council for year ending 31st March 2018 be approved.

61. **2018/19 Third Quarter Financial Monitoring Report (to December 2018)**

The Committee considered a report of the Deputy Chief Executive (Place) which provided the forecast outturn position for the revenue and capital expenditure and the Council's treasury management activity as at the end of Quarter 3 (December 2018).

The Committee noted that the report would have been considered by Cabinet at its meeting held on 12th February 2019.

The Cabinet had approved the Council's revenue budget of £234.8m on the 20th February 2018 and a Directorate Capital Programme of £262.5m. The headline revenue forecast for 2018/19, at Quarter 3, was an under-spend of £1.8m. At the same point in 2017/18 there was a projected overspend of £1.8m. The headline capital position reported £58.6m of expenditure rescheduled into 2019/20 reflecting the reality that some of the Council's major schemes would fall significantly short of their planned progress this year. Notwithstanding this

rescheduling, the Council was still expected to deliver its largest capital programme in the modern era.

The revenue position continued to reflect overspends in several service areas that had been subject to recent budgetary pressures and which continued to demand management attention. This was most pressing and significant in relation to housing and homelessness services, the financial position for which had further worsened. Although a range of plans were being implemented, these circumstances were expected to in place for some time. This was reflected in the financial proposals within the 2019/20 Budget report that was approved by Council on 19th February 2019.

The change in the overall revenue bottom line was due to several positive unbudgeted movements including Coventry and Solihull Waste Disposal Company dividends and improved investment returns. These were opportune movements at a time when the Council needed to assess its financial resilience in relation to current financial risks and potential future shocks. It was likely that recommendations would be brought within June's financial outturn report regarding the need to reinforce the level of reserves to address this. Ahead of this, the report submitted had recommended contributing £1.2m of Business Rates Levy surplus, announced as part of the Government's Provisional Settlement in December, to the Council's Business Rates reserve, which the Cabinet had approved.

The Council's capital spending was projected to be £173.7m for the year, a net decrease of £48.7m on the programme planned at Quarter 2. Previous quarterly reports alerted the possibility of significant capital slippage later in the budgetary cycle and this risk was one that had materialised. Significant movements had occurred in a number of schemes, including Whitley South, City Centre South and the Friargate regeneration scheme. However, the Council had now finalised the legal agreement establishing the Friargate Joint Venture Company with Cannon Kirk which should enable progress on the Friargate Scheme.

The report also set out the current position in relation to treasury management activity in 2018/19, including interest rates; long term (capital) borrowing; short term (temporary) borrowing; external investments and the prudential indicators and prudential code.

In considering the report, the Committee expressed their concern in relation to the financial pressures identified for the Streetpride and Parks service area in Appendix 1, in particular £160k pressure relating to car parking income at Coombe Country Park. The Committee were advised that this related to a breakdown of the equipment at the park and that alternative arrangements had been put in place on a temporary basis. The Committee requested that the current position be investigated and the outcome be circulated to the Committee.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the 2018/19 Third Quarter Financial Monitoring Report (to December 2018) and indicate that there are no comments to pass to the Cabinet.**

- 2. That an investigation be undertaken in relation to the situation at Coombe Country Park in relation to the parking and an update be circulated to the Committee.**

62. Quarter Three Internal Audit Progress Report 2018-2019

The Committee considered a report of the Deputy Chief Executive (Place), which provided an update on the internal audit activity for the period April to December 2018 against the Internal Audit Plan for 2018/19.

The report indicated that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2019. At the end of December 2018, the Service had completed 70% of the Audit Plan against a planned target of 74% and was on track to meet its key target by the end of 2018-19.

The Committee noted that during quarter 3, the Service's ability to complete the original Audit Plan of 550 days had been impacted by an unplanned absence within the Team. As a result, the Plan had been amended to 480 days, which reflected the resources available for the remainder of the financial year. This reduction had been accommodated through a small number of audits being postponed until 2019/20 and changes in operational requirements for audit involvement. It was the view of the Acting Chief Internal Auditor, that these changes would not, in any significant respects, impact on the ability to deliver the annual internal audit opinion.

Table one in the report provided a summary of the performance of Internal Audit for 2018/19 to date against five key performance indicators (KPIs) with comparative figures for the previous year. Performance against two indicators was currently below expectations (final report deadline and audit delivered within budget days) and targeted actions to make improvements were ongoing.

Table two provided a list of the audits finalised between October and December 2018, along with the level of assurance provided. The audits currently in progress were highlighted in the report. Appended to the report was a summary of findings from key audit reports completed and, in all cases, 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 outcomes reported to the Committee.

In considering the report, the Committee expressed their concerns with the limited assurance in respect of Frederick Bird Primary School and the significant actions required due to the medium or high level risks identified at the school. The Committee noted that a follow up audit would be undertaken in April 2019 and requested that an update be circulated to them once this had been completed.

RESOLVED that, the Audit and Procurement Committee:

- 1. Having considered the summary findings of the key audit reviews set out at Appendix One, note the performance as at quarter three against the Internal Audit Plan for 2018/19.**
- 2. Request that an update be circulated to them following the completion of the follow up audit at Frederick Bird School.**

63. **Information Commissioner's Office - Data Protection Audit Progress Report**

The Committee considered a report of the Deputy Chief Executive (Place), which provided an update on progress over the last year on actions agreed with the Information Commissioner's Office following an audit into the Council's governance arrangements in November 2017.

In October 2015, the Information Commissioner's Office (ICO) carried out a data protection audit into the City Council's governance arrangements, training and awareness and data sharing arrangements. It audit concluded there was "very limited assurance that processes and procedures are in place and deliver data compliance". It made recommendations for the Council to strengthen its arrangements, which the Council implemented as part of a significant programme of work to strengthen its approach to information governance.

In November 2017, the ICO revisited the authority to carry out a further data protection audit. It followed the same scope as the earlier audit. As previously, the audit provided a snapshot of assurance levels at a moment in time rather than specifically looking at the direction of travel or progress since the previous audit.

The ICO indicated that "in our view, comparison between the assurance ratings strongly reflects the work undertaken at Coventry City Council since our original audit.... This demonstrates a clear improvement and progress and an individual level, as well as an overall level". However, it went on to make 141 detailed recommendations for the Council to consider, some of which were duplicated. 18 of these recommendations were rejected as arrangements were already in place to address the issues raised. 32 recommendations had already been completed as they proposed only very minor amendments to processes or documents. The remaining 91 recommendations fell into three main areas where the Council had further work to do. Many of them supported existing planned action, particularly work being undertaken to ensure the Council was ready for the introduction of the General Data Protection Regulation (GDPR) in May 2018.

The outcomes of the audit and the Council's consolidated action plan in response to the ICO's recommendations were reported to the Audit and Procurement Committee in February 2018. There were three main areas of focus covered in the audit and action plan which included Data Protection Governance; Training and Awareness; and Data Sharing. The report submitted provided a summary of the progress in these three areas, with more detailed information provided at Appendix 1 of the report submitted.

In considering the report, the Committee sought and received assurance that training in respect of the GDPR is included as part of the Council's induction programme for all new staff. The Committee noted that in addition to this, further specific work was undertaken with staff in some service areas, such as Children's Services.

RESOLVED that the Audit and Procurement Committee note the progress made in response to the recommendations arising from the audit and indicate that there are no recommendations to the Cabinet Member for

Policy and Leadership, who is the portfolio holder for information management and governance.

64. **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.

65. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (People) that provided an update on the procurement and commissioning undertaken by the Council. Details of the latest positions in relation to individual matters were set out in an Appendix to the report.

RESOLVED that the Audit and Procurement Committee:

- 1) **Notes the current position in relation to the Commissioning and Procurement Services.**
- 2) **Agrees that there are no recommendations to be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

66. **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 4.15 pm)

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