

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at**  
**3.00 pm on Monday, 24 June 2019**

Present:

Members: Councillor R Lakha (Chair)  
Councillor M Ali  
Councillor S Bains  
Councillor J Blundell  
Councillor T Sawdon  
Councillor R Singh

Employees (by Directorate):

Place: P Jennings, L Knight, K Tyler

Apologies: Councillor H Sweet  
Councillor R Brown (named substitute)

### **Public Business**

#### **1. Declarations of Interest**

Councillor R Singh declared an interest in Minute 7 below, headed 'Internal Audit Annual Report 2018/19' insofar as it related to Frederick Bird School. He remained in the meeting and took part in the consideration of the matter.

#### **2. Minutes of Previous Meeting**

The minutes of the meeting held on 25<sup>th</sup> March 2019 were agreed and signed as a true record. There were no matters arising.

#### **3. Outstanding Issues**

The 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.

Officers provided updates on the items listed in the Appendices to the report and agreed that the date for consideration of the report on the follow up review at Frederick Bird School listed in Appendix 1, be amended to 2<sup>nd</sup> September 2019.

The Committee also agreed the following amendments to Appendix 2:

- Item 1 – Telephony system and customer services. The Committee were advised that the replacement telephony system had now been fully replaced and is operational. Item to be removed from the report.
- Item 2 – Information Governance / Data Protection Training. The Committee were advised that the online training in relation to Data Protection had been reviewed and refreshed and that an email would

be circulated to all Members regarding the requirement to undertake the training. Item to remain on the report.

- Item 3 – Future reporting arrangements for procurement and commissioning progress reports. The Committee discussed possible alternative options for consideration of procurement and commissioning progress reports and agreed for the time being to continue with existing arrangements. Item to remain on the report.
- Item 4 – Fees paid to external suppliers to undertake proactive reviews of single person discounts linked to Council Tax. The Committee had received information in relation to this matter by email. Item to be removed from report.
- Item 5 – Training of staff in Contract Management. The Committee were advised that 90 staff have now been trained in relation to Contract Management. Item to be removed from report.
- Item 6 – Circulation of findings to Committee following a review of the funding of Godiva Festival by the Finance and Corporate Services Scrutiny Board (1). The Committee were advised that this matter continues to be pursued and there has been significant amounts of work undertaken. Item to remain on the report.
- Item 7 – Car parking at Coombe Country Park. The Committee had received information in relation to this matter by email. Item to be removed from report.
- Item 8 – Governance timeline and current governance structure of Culture Coventry Trust. The Committee were advised that this information continues to be outstanding. Item to remain on the report.

**RESOLVED that, the Audit and Procurement Committee note the Outstanding Issues Report and agree that the Appendices to the report be amended as indicated above.**

#### **4. Work Programme 2019/20**

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

In considering the report, the Committee requested that the three items of business listed as 'Date to be agreed' be reviewed. As these all related to outside bodies, it was indicated that it may be more appropriate for the Scrutiny Co-ordination Committee to consider these matters. The Committee requested that discussions take place with Scrutiny Co-ordinators to establish the most appropriate place for these matters to be considered. The Committee indicated that if it is established that they should be considered by Audit and Procurement Committee, an appropriate date be identified.

**RESOLVED that, the Audit and Procurement Committee note the work programme for 2019/20 and request that investigations be undertaken in relation to the 'Date to be confirmed' items as indicated above.**

## 5. Annual Governance Statement 2018/19

The Committee considered a report of the Deputy Chief Executive (Place), which sought approval of the Annual Governance Statement, which forms part of the Statement of Accounts for 2018/19.

The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the Council is 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.

To demonstrate these arrangements, the Council has adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government (2016)'.

The Annual Governance Statement, attached as an appendix to the report, explains how the Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The Statement also details key governance / control issues identified through the assessment that the Council faces in the coming year.

The report indicated that a review had been undertaken of the twelve disclosures highlighted in the 2017-18 Statement. Five disclosures have been closed as they are either no longer viewed as a significant governance / control issue facing the Council or have been subsumed into other disclosures. Seven disclosures are to be carried forward into the 2018-19 Statement, including:

- Sustainable improvement in Children's Services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy.
- Raising Educational standards.
- Implementation of the Information Management Strategy.
- Delivery of the Workforce Strategy.
- Delivery of the ICT Strategy.
- Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation.

In addition, three new disclosures were identified for inclusion within the 2018-19 Statement. These were identified as part of the review undertaken to support the production of the Statement. The disclosures related to:

- Corporate data access standard.
- Governance over relationships with partners and outside bodies.
- Governance over the programme of capital projects.

In relation to governance over relationships with partners and outside bodies, the Committee were of the view that this should also include neighbouring local authorities.

In addition, the Committee were keen to assure themselves through the year that everything is in order and therefore requested an update report to their January 2020 meeting.

**RESOLVED that, the Audit and Procurement Committee approve the Annual Governance Statement, attached as Appendix 1 to the report submitted, which accompanies the 2018/19 Statement of Accounts and request that an update report be submitted to the Committee in January 2020.**

## 6. Unaudited 2018/19 Statement of Accounts

The Committee considered a report of the Deputy Chief Executive (Place) which provided the opportunity to review the unaudited 2018/19 Statement of Accounts and raise any points that need to be addressed prior to approval of the audited Statement in July 2019.

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:

- Narrative Report
- Once Council – Two Different Financial Positions
- Reserves Trend
- The Balance Sheet
- Long Term Investments
- Pensions Liability
- Rise and Fall of the Pensions Deficit
- Officers Remuneration
- Contingent Liabilities
- What Happens Next

In considering the report and the presentation, the Committee requested information on the profit figure in relation to Coombe Abbey Hotel be circulated to them so that they are able to understand the level or return on investment. In addition, they sought clarification in relation to the increase in salaries for the Deputy Chief Executives and wanted to understand whether this was due to an increase in basic salary or some other form of remuneration. As this information was not available at the meeting, Members requested that it be circulated to them at the earliest opportunity.

In addition, the Committee noted that there had been significant rescheduling of the capital programme, but further noted that the delivered programme was larger than any other programme in the modern era.

**RESOLVED that, the Audit and Procurement Committee note the unaudited 2018/19 Statement of Accounts.**

## 7. **Internal Audit Annual Report 2018/19**

The Committee considered a report of the Deputy Chief Executive (Place), which summarised the Council's Internal Audit activity for the period April 2018 to March 2019 against the agreed Audit Plan for 2018/19 and the Public Sector Internal Audit Standards. The report also provided the Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment for the 2018/19 financial year.

The key target for the Internal Audit and Risk Service was to complete 90% of its agreed work plan by the 31<sup>st</sup> March 2019 and the report indicated that this target had been exceeded, with 92% of its work completed. It was noted that the reported performance was based on a revised audit plan of 480 days, which reflected un-planned absence within the Team and which was reported to the Committee in February 2019. 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 2018/2019, compared with performance in 2017/18. Appendix One of the report detailed the audit reviews that had been carried out in the financial year 2018/2019, 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 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 Chief Internal Auditor's view 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 means 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, 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 a reasonable and not absolute assurance of effectiveness.

In undertaking the assessment of the Council's internal control environment, the Chief Internal Auditor had identified a number of areas that, in her opinion, need to be considered when the Council produces its Annual Governance Statement 2018/19. These related to homelessness, controls over accessing system data, and delivery of the IT Strategy.

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

- 1. The performance of Internal Audit against the Audit Plan for 2018/19.**
- 2. The results of the Quality Assurance and Improvement Programme and the 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 2) that have not already been reported to the Audit and Procurement Committee during municipal year 2018/19 and which are relevant to the opinion of the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
4. **The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**

## 8. **Internal Audit Plan 2019/20**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the draft Internal Audit Plan for 2019/20 for the Committee to express their views on the extent and nature of the planned coverage.

The draft Internal Audit Plan documented the outcome of the audit planning process for 2019/20 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 Directors and other senior managers, alongside other priorities identified from (a) the annual review of the Local Code of Corporate Governance and (b) areas of risk which have been highlighted by the Chief Internal Auditor during the course of the year. 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 and / or an initial assessment of the control environment.
- A risk based approach to the audit of schools based on links with School Finance / issues raised by schools, rather than a fixed programme of audit work. In 2019/20, specific focus has been given to schools which have not been audited for some time.
- A flexible and responsive approach to issues highlighted by Senior Officers with 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 for 2019/20 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, Council / audit priorities, corporate governance, contingency / directorate risks and carried forward audits.

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.

In considering the draft Internal Audit Plan for the year, Councillor Sawdon reported that there had been press coverage regarding the Council having lost out on significant income by having not yet implemented a Community Infrastructure Levy (CIL). He proposed that an audit be undertaken to ensure the Committee could be satisfied regarding the amounts of income received through Section 106 Agreements against possible CIL funding. This proposal was seconded by Councillor Blundell. The Committee voted 2 for and 2 against this proposal. The proposal was subsequently lost with the Chair's casting vote against the proposal.

**RESOLVED that, the Audit and Procurement Committee approve the draft Internal Audit Plan for 2019/20 attached as Appendix One to the report.**

9. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

The Chair of the Committee indicated that, following a recent debate at Council and the current focus on Climate Change, he proposed that a report be submitted to the meeting scheduled for 2<sup>nd</sup> September 2019 on single use (non-recyclable) plastic within procurement contracts.

**RESOLVED that, the Audit and Procurement Committee request a report in relation to single use (non-recyclable) plastic within procurement contracts.**

(Meeting closed at 5.05 pm)