



Audit and Procurement Committee Annual Report to Council 2018-19

To be considered at the City Council meeting
on the 3rd September 2019

Audit and Procurement Committee Annual Report 2018-19

Foreword by Chair of Audit and Procurement Committee 2018-19



**Councillor Richard Brown
Chair, Audit and Procurement
Committee 2018-19**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2018-19.

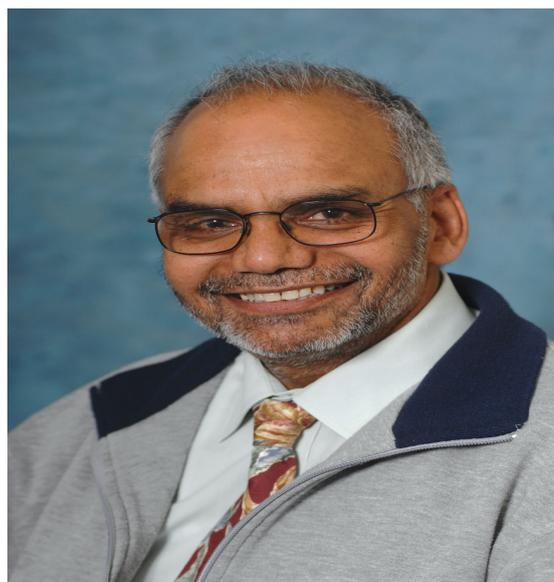
Over the last year, the Committee has discharged its key responsibility effectively to support good governance and strong public financial management whilst at the same time considering other matters which contribute to ensuring effective assurance arrangements are in place. This includes oversight of the actions arising from the Information Commissioners Office audit and the finance and governance arrangements of Coombe Abbey Park Ltd and the Culture Coventry Trust.

I hope 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.

Introduction by Chair of Audit and Procurement Committee 2019-20

In May 2019, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward to building on the good work done in 2018-19 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of my priorities for 2019-20 these include ensuring that:

- The Committee's work provides assurance on risk, control and governance issues.
- Any issues raised by External and Internal Audit and other assurance providers are addressed on a timely basis.
- The Committee continues to enhance its skills and knowledge to effectively influence and add value to the Council.
- The remit of the Committee in relation to considering procurement activity is further developed.



**Councillor Ram P. Lakha OBE
Chair, Audit and Procurement
Committee 2019-20**

1 Activity of the Council's Audit and Procurement Committee

During 2018-19, the Council's Audit and Procurement Committee met on seven occasions. Meetings were held in June, July, September and November 2018 as well as in January, February and March 2019.

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 2018-19 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2017-18, 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 2018 and then in July 2018, 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 2018-19; 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 delivery of the Kickstart programme, continuing to raise educational standards, ensuring long term sustainability of adult social care in the context of financial and demand issues and managing the increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation. The statement also highlighted the need to continue delivery of a number of key strategies, namely the Information Management Strategy, the Workforce Strategy, the Risk Management Strategy and the ICT Strategy, alongside establishing a Counter Fraud Framework and a Governance Steering Board.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts was considered by the Committee in June 2018 and then in July 2018, 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 2017-18 was considered in June 2018. 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 2018-19 were considered in September 2018, January 2019 and February 2019.
- A treasury management activity update was considered in November 2018. 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 2018-19:

- The Audit Findings for Coventry City Council - This report was considered in July 2018, 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 2018. The report conclusions were that, pending satisfactory clearance of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements.
 - The Council had proper arrangements in place 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 quarterly reconciliation of the payroll to the general ledger, planned reviews of information security policies and procedures, and strengthening logical access controls within Resourcelink, Agresso and Active Directory.

- Annual Audit Letter - This was considered at the November 2018 meeting. The main focus of this report being to summarise the findings from the 2017-18 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 2018.
- Certification of Claims work - This was considered in February 2019 and summarised the findings from the certification of the 2017-18 Housing Benefit subsidy claim. The report highlighted that the claim had been qualified due to errors identified, although no recommendations were made to officers as a result of the findings.
- 2018-19 Audit Plan - This was considered in January 2019 and set out the planned scope and timing of the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2019. It also documented the expected outputs that the Committee would receive from the external auditors and includes an assurance statement that Grant Thornton are independent and are able to express an objective opinion on the financial statements.

1.4 **Internal Audit** – In June 2018, the Audit and Procurement Committee received the following reports:

- Internal Audit Annual Report - This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2017 to March 2018, 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 31st March 2018.
 - 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 2017-18, 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 2018-19 – 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 November 2018 and February 2019. 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 March 2019, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted the levels of compliance with the implementation of agreed actions and the approach undertaken by Internal Audit to follow up recommendations.

1.5 **Fraud** - The following fraud reports were considered in 2018-19:

- Annual Fraud Report - This report was considered by the Committee in September 2018 and summarised the Council's response to anti-fraud and error activity for the financial year 2017-18. This included:
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 91 exemptions / discounts had been removed from customers' accounts in 2017-18, which resulted in revised bills being issued amounting to around £96k.
 - Review of around 1000 matches relating to the National Fraud Initiative, which resulted in overpayments being identified of around £230k.
 - A summary of the work undertaken in relation to other corporate fraud work including investigations and proactive exercises.
- Half Yearly Fraud and Error Update - A report was received in January 2019, which provided an up-date on anti-fraud and error activity in 2018-19.

1.6 **Procurement** – Reports relating to procurement were received in July and November 2018, as well as February 2019. 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 a report in March 2019 linked to the discharge of this function.

1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2018-19, this included the following:

- Information Commissioner's Office: Data Protection Audit – In November 2017, the Information Commissioner's Office (ICO) carried out a data protection audit into the Council's data protection governance arrangements, training / awareness and data sharing arrangements. A report detailing the outcomes of this was considered by the Committee in February 2018. This report set out a summary of the progress made in 2018-19 against the agreed recommendations. In considering the report the Committee sought and received assurance that training in respect of the General Data Protection Regulations is included as part of the Council's induction training for all new staff.
- 2017-18 Information Governance Annual Report - This report considered the Council's performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, 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 73% of FOI requests on time and 82% of DPA requests. Eight Information Commissioner's Office complaints were received during the course of the year, which were appropriately dealt with. Two security incidents were reported to the Information Commissioner's Office, both of which were concluded with no enforcement action due.
- Regulation of Investigatory Powers Act 2018 Annual Compliance Report – This report focused on providing oversight of the Council's compliance with this Act. Two directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.
- Complaints to the Local Government and Social Care Ombudsman 2017-18 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2017-18, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 136 complaints, only 26 were pursued and 20 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.
- Fraud and Corruption Strategy - The Committee is responsible for monitoring the Fraud and Corruption Strategy and considered a report on the review and update of the Council's Strategy. The Committee recommended the Strategy for approval by the Cabinet Member for Policy and Leadership.
- School audit recommendations - This report detailed the high-risk school audit recommendations made in the last three years and the action taken to assist to schools to ensure that financial controls are complied with, including the

introduction of a Finance and Audit newsletter which is issued on a termly basis. The Committee satisfied themselves with the action taken.

- Updated procedural guidance – Regulation of Investigatory Powers (RIPA) – The Council's RIPA arrangements in respect of directed surveillance were inspected in December 2016. This report detailed the Council's RIPA procedural guidance which had been updated following this inspection and the introduction of the General Data Protection Regulations. This included the production of separate guidance on the use of social media in investigations, as this is now a developing area. The Committee recommended that the Cabinet Member for Policing and Equalities ensure that appropriate publicity is undertaken in relation to the use of social media.
- Finance and Governance Arrangements – Following a request from the Committee, reports were provided in November 2018 and March 2019 outlining the finance and governance arrangements in respect of both Coombe Abbey Park Ltd and Culture Coventry Trust. The Committee noted the assurance provided in respect of these arrangements.