

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 2 September 2019**

Present:

Members: Councillor R Lakha (Chair)  
Councillor R Bailey (Substitute for Councillor T Sawdon)  
Councillor J Blundell  
Councillor R Singh  
Councillor H Sweet

Employees (by Directorate):

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

Others Present: A Sohal – External Auditor (Grant Thornton)

Apologies: Councillor M Ali, S Bains and T Sawdon

**Public Business**

**23. Declarations of Interest**

There were no disclosable pecuniary interests.

**24. Minutes of Previous Meeting**

The minutes of the meeting held on 15<sup>th</sup> July 2019 were agreed and signed as a true record. There were no matters arising.

**25. 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 34 below headed ‘Consideration of Approval of Severance Package’, on the grounds that the report involves the likely disclosure of information defined in Paragraphs 1, 2 and 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.**

**26. 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 to the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

It was confirmed that in relation to item 4 of Appendix 2 to the report, 'Culture Coventry Trust – Finance and Governance', information had been circulated to Committee on 22<sup>nd</sup> August 2019 and it was agreed that this matter could now be removed from the report.

**RESOLVED that the Audit and Procurement Committee Notes the outstanding issues report and agrees that those issues that are complete can now be discharged from the report.**

27. **Work Programme 2019/20**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues for consideration by the Committee for the Year 2019/20.

The Committee noted that, in respect of the matter relating to 'Procurement Contracts – Non-Recyclable Plastics', a Council Policy on non-recyclable plastics would be established and that a timetable for this work would be forwarded to Members.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2019/20.**

28. **Audit Findings Report 2018-2019 (Grant Thornton)**

Further to Minute 15/19, the Audit and Procurement Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31<sup>st</sup> March 2019.

The report indicated that when carrying out the audit procedures on school assets which were not revalued in year, the External Auditors had identified through their indexation calculations that there was potentially a difference between the value of school assets shown in the financial statements and those compared to the External Auditors indexations. As a result, the Council had instructed its valuers to do a detailed revaluation of school assets in line with RICS and DfE guidance. This resulted in a £1m difference between the value in the financial statement and the valuations. This was significantly below the External Auditors materiality level and the Council made no adjustment to the financial statements. The External Auditors concluded that they were satisfied that the valuation of Other Land and Buildings in Property Plant and Equipment was not materially misstated.

The External Auditors had completed the audit of the financial statements of the Council for year ending 31<sup>st</sup> March 2019 and had identified an overall adjustment of £11.8m to the Total Comprehensive Income and Expenditure, with a fall from £60.1m per the draft accounts to £48.3m per the final audited financial statements. This was due to the Council making an adjustment in relation to the pensions

liability as a result of the McCloud judgement. However, this adjustment to the financial statement had no impact on useable reserves or the financial resilience of the Council.

The report indicated that there were no matters of which the External Auditors were aware that would require modification of their audit opinion. However, as a result of their findings there were areas of outstanding work that the audit team would need to complete before an audit opinion could be issued. These included: receipt of management representation letter; and receipt of the final approved signed financial statements.

Recommendations had been raised for management as a result of the audit work in respect of the lack of reconciliation between the property database and the asset register; valuation of investment properties; and valuation of PPE – School Assets. These were set out in full in Appendix A to the report. Appendix B of the report set out the follow up of recommendations from the previous year's audit.

The External Auditors had concluded that the other information to be published with the financial statements was consistent with their knowledge or the Council and the financial statements they had audited. The anticipated audit report opinion would be unmodified.

The report also set out the External Auditor's opinion in relation to Value for Money. Under the National Audit Office Code of Audit Practice (the Code), the External Auditors are required to report if the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). The risk based review of the Council's value for money arrangements was completed and the External Auditors concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The External Auditors therefore anticipated issuing an unqualified value for money conclusion.

The External Auditors had not exercised any of their additional statutory powers or duties, had completed the majority of work required under the Code and would be issuing the audit completion certificate on completion over the Whole of Government Accounts.

**RESOLVED that the Audit and Procurement Committee notes the Audit findings, as presented by the Council's External Auditor.**

## 29. **Audited 2018-2019 Statement of Accounts**

Further to Minute 16/19, the Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which sought approval of the audited 2018/19 Statement of on behalf of the Council, following an extension to the period of audit by Grant Thornton beyond the Council's initial deadline to complete and authorise the Statement of Accounts by the end of July 2019..

The Council had delegated responsibility for approving the Statement of Accounts to the Audit and Procurement Committee, which had become the key body in respect of understanding, analysing and discussing the content of these statements.

The Committee had considered the initial Audit Findings Report at its meeting on 15<sup>th</sup> July, 2019. However, it was not possible to approve the final Statement of Accounts at that meeting due to unresolved issues with the accounts. As a result, it was agreed that the Audit Findings Report and the Statement of Accounts would need to be reconsidered by the Committee at its September meeting. In compliance with the Accounts and Audit Regulations 2015, the Council published a notice on its website indicating that the audit of the accounts for the 2018/19 financial year had not been completed and it had not been possible to publish the Statement of Accounts by 31<sup>st</sup> July 2019.

Following further work on the Statement and the audit of the accounts, the report was considered alongside the External Auditor's Audit Findings report (Minute 28 above refers) which detailed the significant changes to the draft Statement of Accounts and the Annual Governance Statement, which the Committee had considered in June 2019. The changes had been agreed between Grant Thornton and the Director of Finance and Corporate Resources.

**RESOLVED that the Audit and Procurement Committee approves the final Audited 2018/2019 Statement of Accounts.**

30. **2019/2020 First Quarter Financial Monitoring Report (to June 2019)**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2019. The report was considered by the Cabinet at their meeting on 27<sup>th</sup> August (their minute 17/19 refers).

The headline revenue forecast for 2019/20 is for net expenditure to be £0.6m below budget. At the same point in 2018/19, there was a projected overspend of £2m. The headline capital position reports £6.9m of expenditure rescheduled into 2020/21.

This revenue position reflected overspends in services relating to Looked After Children Placements and Special Education Needs (SEN) Transport with compensating below budgeted expenditure within corporate areas.

The Council's capital spending is projected to be £218.9m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, the Coventry Station Masterplan, Whitley South infrastructure and the National Battery Plant. This is an increase of £23.5m on the approved Capital Programme for the year. Appendix 3 of the report submitted provided an analysis by Directorate of the movement since budget setting.

With regards Treasury Management, the report indicated that the Bank of England Base Rate has been 0.75% since August 2018. There continued to be a great deal of uncertainty both in the global economy as a result of US trade policy, and in the UK economy as there is even greater uncertainty surrounding EU exit. The net long term borrowing requirement for the 2019/20 Capital Programme is £40.8m. Although the Council's recent Capital Programmes have incorporated borrowing as part of the overall resourcing package, no long term borrowing had

been undertaken for several years, due in part to the level of investment balances available to the authority. During 2019/20, the interest rates for local authorities borrowing from the Public Works Loans Board (PWLB) had varied. The PWLB now allowed qualifying authorities, including the Council, to borrow at 0.2% below the standard rates.

In managing the day to day cash-flow of the authority, short-term borrowing or investments are undertaken with financial institutions and other public bodies. The council does not currently hold any short-term borrowing.

In relation to Prudential Indicators and the Prudential Code, the Committee noted that under the CIPFA Prudential Code for Capital Finance, authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes is affordable, sustainable and prudent. The indicators, together with the relevant figures at 30<sup>th</sup> June 2019 were included in Appendix 5 of the report submitted.

**RESOLVED that, the Audit and Procurement Committee consider and note the proposals in the report and indicate that they have no recommendations to the Cabinet.**

### 31. **Annual Fraud and Error Report 2018-2019**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) which provided a summary of the anti-fraud and error activity for the financial year 2018/19.

The report documented the Council's response to fraud and error during 2018/19 and is presented to the Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistleblowing and the fraud and corruption strategy*'.

Fraud in the public sector has 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 does not have responsibility for, such as social housing; and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.

The Committee noted that the Internal Audit Service is responsible for leading on the Council's response to the risk of fraud and error. The work of the team had focused on four main areas during 2018/19, namely: Council Tax; National Fraud Initiative; Referrals and investigations considered through the Council's Fraud and Corruption Strategy; and Proactive work. The report detailed the work undertaken within each of these areas.

In relation to the National Fraud Initiative, 10 single person discounts were cancelled during 2018/19 and the Committee sought further information on the work that the Council's own Council Tax Team undertake and how many further frauds / errors were identified as a result of this work. The Chief Internal Auditor undertook to provide this information to the Committee.

**RESOLVED that, the Audit and Procurement Committee considered and notes the anti-fraud and error activity undertaken in the financial year 2018/19.**

### 32. Whistleblowing Annual Report 2018-2019

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2018/19, along with the Council's response.

Whistleblowing is the making of a protected disclosure as found in Part IVA of the Employment Rights Act 1996 (and as amended by the Public Interest Disclosure Act 1998) and is reflected in the Council's Whistleblowing Policy 2017. This qualifies employees for legal protection against detriment or unfair dismissal if they make a disclosure in the public interest. To qualify the disclosure must also fall within one of the following grounds:

- A criminal offence
- Breach of any legal obligation
- Miscarriages of justice
- Danger to health and safety
- Damage to the environment
- The deliberate concealing of information about any of the above.

The Council's Whistleblowing Policy makes it clear that all concerns raised about actual or potential misconduct or wrongdoing in the Council are taken seriously. For matters relating to fraud and corruption, these are considered by the Chief Internal Auditor. All other concerns which fall under one of the issues listed above are considered by the Council's Monitoring Officer.

The report indicated that during 2018, the Council received six whistleblowing disclosures. Of these, three were made by third parties and, as such, the legal protection afforded to employees who raised concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and, consequently, have made every reasonable effort to protect all individuals under the whistleblowing process. The report also set out the types of disclosures made and the response to each of the six disclosures received.

Where appropriate, responsible officers will identify learning points from any issues raised and ensure that they are acted upon to prevent similar issues reoccurring. If required, this includes consideration of whether there are any systematic improvement actions for the wider organisation, and in two of the cases considered during 2018/19, management actions was agreed to make improvements.

**RESOLVED that the Audit and Procurement Committee considered and notes the summary of whistleblowing concerns raised during 2018-19 and confirm its satisfaction with the actions taken to respond to the issues raised.**

33. **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.

34. **Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) which sought approval of a severance package for an employee taking early retirement.

Part 21 of the Council's constitution requires that any severance package for an employee of the Council of £100,000 or over should be determined by the Audit and Procurement Committee. When calculating the value of an exit package, the authority should calculate and include the costs to the authority as well as payments / benefits to the employee.

**RESOLVED that the Audit and Procurement Committee approves the severance payment on early retirement as calculated.**

(Meeting closed at 4.05 pm)