

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 16 March 2020**

Present:

Members: Councillor R Lakha (Chair)  
Councillor J Blundell  
Councillor R Brown (Named Labour Group Substitute)  
Councillor T Sawdon

Employees:

A Harwood, Place Directorate  
B Hastie, Place Directorate  
L Knight, Place Directorate  
P Jennings, Place Directorate  
S Newing, People Directorate  
K Tyler, Place Directorate  
A West, Resources Directorate

Others Present: A Sohal, M Stocks (Grant Thornton)

Apologies: Councillors M Ali and R Singh

### **Public Business**

**61. Declarations of Interest**

There were no disclosable pecuniary interests.

**62. Minutes of Previous Meeting**

The minutes of the meeting held on 27<sup>th</sup> January 2020 were agreed and signed as a true record. There were no matters arising.

**63. 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.

Appendix 1 to the report provided details of issues 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.

**RESOLVED that the Outstanding Issues report be noted.**

64. **Work Programme 2019/20**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues considered by the Committee during the 2019/20 municipal year.

**RESOLVED that the Work Programme for 2019/20 be noted.**

65. **Informing the Audit Risk Assessment for Coventry City Council Group 2019-20**

The Committee considered a report of the External Auditors, Grant Thornton, the purpose of which was to contribute towards the effective two-way communication between the Council's External Auditors and the Committee as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where the auditor was required to make inquiries of the Committee under auditing standards.

The report indicated that Under International Standards on Auditing (UK) (ISA(UK)) auditors had specific responsibilities to communicate with the Audit and Procurement Committee. ISA(UK) emphasised the importance of two-way communication between the auditor and the Committee and also specified matters that should be communicated. This two-way communication assisted both the auditor and the Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enabled the auditor to obtain information relevant to the audit from the Committee and supported the Committee in fulfilling its responsibilities in relation to the financial reporting process.

As part of their risk assessment procedures, the auditors were required to obtain an understanding of management processes and the Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

The report detailed a series of questions on each of these areas and the responses received from the Council's Group management.

The Committee were reassured by the auditor's clarification that the responses received had not flagged up any areas of concern/ risk.

**RESOLVED that, having considered and agreed that the responses are consistent with their understanding, the Committee noted the contents of the report.**

## 66. **PSAA Publications on Audit Market**

The Committee considered an item submitted by the External Auditor concerning a letter sent to the Council's Section 151 Officer which summarised the local audit position in relation to the three financial years spanning 2018-21. A copy of the PSAA 'Future Procurement and Market Supply Options Review' final report was also provided.

The letter informed that by this time of the year it would have been expected that the vast majority of audits of 2018/19 accounts to have been completed. However, at the end of January there remained nearly 80 opinions still outstanding. This presented a significant concern going forward. In response an independent research had been commissioned into the sustainability of the audit market.

One of the consequences of the multiple pressures and challenges which had arisen in the 2018/19 audits was an increase in the number of proposed fee variations for additional audit work.

The letter indicated that the PSAA was working with auditors to address two major concerns regarding the planned timetable for when audits would be taking place and any likely fee variations. In addition, the PSAA was currently consulting on the scale of audit fees for the current year, which had to be set ahead of the commencement of the 2019/20 audits. Reference was made to a potential series of new developments which were likely to impact on audit including revised auditing and accounting standards as well as a new Code of Audit Practice.

An appendix to the letter explained PSAA's approach to fees more fully and set out the importance of revising scale fees where new developments or other local factors had clear ongoing implications.

The Committee considered the PSAA 'Future Procurement and Market Supply Options Review' final report, which found that the sustainability of audit supply would be difficult to achieve and would depend to a great extent on factors outside the PSAA's control. Research had identified a lack of experienced local authority auditors as the main threat to the future sustainability of the market. It was not clear how the future supply chain of auditors would compensate for the retirement of the current cohort of partners, directors and senior managers. In addition, external auditing was seen as an increasingly unattractive career option, and local auditing was seen as unattractive in relation to corporate auditing. Also, it was difficult to bring non-approved firms into the market. The report set out the options available to the PSSA.

The Committee discussed the current situation regarding the future of audit supply and reference was made to a current Government review of the issue.

### **RESOLVED that:**

**(1) The contents of the letter and PSSA report be noted.**

**(2) The results of the current review concerning the future of Local Government Audit be submitted to a future meeting.**

67. **2019/20 Third Quarter Financial Monitoring Report (to December 2019)**

The 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 at Quarter 3 of the 2019/20 financial year (to December 2019).

The Committee noted that the report had previously been considered by Cabinet at its meeting held on 18<sup>th</sup> February 2020

The report indicated that Cabinet approved the City Council's revenue budget of £231.5m on the 19th February 2019 and a Directorate Capital Programme of £195.4m. The headline revenue forecast for 2019/20 was for a net underspend of £1.9m. At the same point in 2018/19 there was a projected underspend of £1.8m. The headline capital position reports £20.6m of expenditure rescheduled into 2020/21.

The largest areas of budget pressure were within services for Children and Young People and Housing and Homelessness which were projecting overspends of £2.6m and £3.2m respectively. These were offset by a significant underspend within central and contingency budgets.

The Council's capital spending was projected to be £215.9m, a reduction of £2.8m since the quarter 2 forecast, which included major scheme expenditure including investment in the A46 Link Road, Whitley South infrastructure and the National Battery Plant.

**RESOLVED that the proposals in the report be noted and the Committee indicate that they have no recommendations for Cabinet.**

68. **Quarter Three Internal Audit Progress Report 2019/2020**

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 2019, against the Internal Audit Plan for 2019-20. This was the second monitoring report of the current year.

The report indicated that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2020. A chart set out in the report provided analysis of progress against planned work for the period April to December 2019. As at the end of this period the Service had completed 59% of the Audit Plan against a planned target of 75%. Whilst it was acknowledged that progress in quarter three remained below target, it was the Chief Internal Auditor's view that, based on an assessment of progress made at the end of January 2020, the Service was on track to meet its key target by the end of 2019-20.

At the meeting on 11<sup>th</sup> November 2019 the Committee noted that the Internal Audit Plan had been amended to 460 days which reflected the current best estimate of available resource. During quarter three close monitoring had continued and the plan had been amended to 440 days. This reduction had been accommodated by postponing a small number of audits until 2020/21 and changes in operational requirements.

In relation to the other Key Performance Indicators (KPIs) for the Internal Audit Service, the report included a summary of the performance for 2019-20 to date against the five KPIs, with comparative figures for the financial year 2018-19. Currently, all the indicators were close to / above target.

In relation to the other Key Performance Indicators (KPIs) for the Internal Audit Service, the report included a summary of the performance for 2019-20 to date against the five KPIs, with comparative figures for the financial year 2018-19. Currently, all the indicators were close to / above target. Performance Management continued to be a key focus.

The report set out a list of audits finalised between October and December 2019 along with the level of assurance provided. The following audits were currently in progress:

- Audits at Draft Report Stage – Sports and Arts grants process
- Audits On-going – Adult Social Care Workflow Processes, Health and Safety Audit Programme, IT Disaster Recovery and Business Continuity, Business Rates, CareDirector, Tribunals for Special School Places, Selective and Additional Licensing.

Details of a selection of key reviews completed in this period were set out at an appendix to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescales stated. Following the findings of the audit review of St Osburg's Primary School, arrangements had been made with finance colleagues to support the School to address the issues raised. The Internal Audit Service would be undertaking a formal follow up review to obtain assurance that actions had been progressed before the end of this academic year. A request was made for a follow up report regarding St Osburg's Primary School.

**RESOLVED that:**

- (1) The performance as at quarter three against the Internal Audit Plan for 2019-20 be noted.**
- (2) The summary findings of the key audit reviews be noted.**
- (3) An update on St Osburg's Primary School be included in a future progress report when appropriate.**

**69. Internal Audit Recommendation Tracking Report**

The Committee considered a report of the Deputy Chief Executive (Place) which provided an update on progress made in implementing internal audit recommendations since the last update in March 2019.

The report indicated that the Public Sector Internal Audit Standards required that the "Chief Audit Executive (ie the Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action." As reflected within its terms of reference, the Audit and Procurement Committee was required to receive reports on Internal Audit's follow up process.

The report provided an update as to progress in respect of the agreed management actions which have been followed up during the period March 2019 to February 2020.

Currently, there were three key considerations that would determine the follow up procedure adopted, namely:-

- 1) Whether the area audited was of such significance that it was subject to an annual review
- 2) The level of assurance provided in the audit report
- 3) A self-assessment process for these reviews where neither of the points above apply, but a follow-up review was necessary

Overall it was believed that the procedure achieved the right balance between ensuring action was taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

The report and appendices set out the results from the latest follow up exercise, indicating that of the 188 actions followed up, 62% had been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, the results were that formal follow up method had a 63% implementation rate and self-assessment follow up method had a 61% implementation rate.

In relation to self-assessment, the implementation rate of 61% reflected a reduction when compared to the last three years. Whilst there could be a number of factors which had contributed to this, particular reference was made to the introduction of a new template form to assist managers to undertake the self-assessment and face to face meetings held in some cases may have assisted managers to reach more appropriate conclusions on the level of progress made. Given that the current rate of implementation was comparable to that of the formal follow up method, it was viewed that the self-assessment process was fit for purpose at the current time.

No validation checks had been undertaken on self-assessment responses in 2019-20 due to other priorities within the Internal Audit Service. Due to the reported rate of implementation, this was not considered a significant risk at the current time. In relation to dealing with outstanding actions, after the follow up had been completed, the results were collated within Internal Audit. If progress was not consistent with expectations, audit management would determine the next course of action, details of which were outlined in the report. Proposed actions for the audits where recommendations remain outstanding were highlighted within Appendices to the report.

The Committee agreed to highlight the importance of managers undertaking audits.

**RESOLVED that:**

**(1) The progress made in implementing audit recommendations be noted and satisfaction with this and the proposed action by the Acting Chief Internal Auditor for Internal Auditor for audits where actions remain outstanding be confirmed.**

**(2) All managers be requested to ensure that the importance of audit work is acknowledged, with audits being carried out as required.**

## 70. Code of Corporate Governance

The Committee considered a report of the Director of Finance and Corporate Services which summarised the outcome of review work carried out during the past year on the Council's Code of Corporate Governance which would inform the Annual Governance Statement to be presented to the Committee in June as part of its consideration of the Statement of Accounts for 2019/20.

The report indicated that the City Council had a range of measures in place to ensure that governance in the organisation was managed effectively and worked hard to ensure that these arrangements were robust and met best practice. This was achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium-Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk. The Council updated its Code of Corporate Governance in April 2017 to reflect national guidance and best practice. A copy of the Code was set out at an appendix to the report. The Code provided a framework against which the organisation's governance arrangements could be assessed to ensure that the principles of the code were being met, that there were systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance were identified and appropriate actions developed.

The Council had introduced a Corporate Governance Board to ensure the Council's governance arrangements were kept under review and amended and updated to reflect best practice and ensure they were effective. Local authorities were required to conduct a review at least once every financial year of the effectiveness of their governance framework and to report on this review with its Statement of Accounts. The Committee was responsible for approving the Annual Governance Statement alongside the Statement of Accounts. The Code of Corporate Governance was one element in informing this process.

Progress made on strengthening the Council's governance arrangements and meeting the standards set out in the Code during the last year had included:

- Review and update of the Member Code of Conduct;
- Launch of a "Cause for Concern" page on the intranet to improve signposting for concerns including whistleblowing, fraud and corruption;
- Introduction of a new Equality, Diversity and Inclusion Policy
- A review of Contract Procedure Rules for consideration by Council;
- A review of Finance Procedure Rules for consideration by Council.

Further information about the measures undertaken in the past year and the actions planned for the coming year to strengthen the corporate governance arrangements were set out in a second appendix to the report.

**RESOLVED that the progress and next steps being considered to maintain sound corporate governance arrangements be noted.**

**71. Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2019**

The Committee considered a report of the Deputy Chief Executive (Place) which reported on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), which governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The report indicated that the Council used powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more or were related to the underage sale of alcohol and tobacco. There were three processes available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources.

The report detailed the procedures that local authorities must follow when applying to use RIPA powers. The Council's Monitoring Officer maintained oversight of the RIPA arrangements and was responsible for the integrity of the Council's process for managing the requirements under RIPA.

2019 saw the implementation of Part 3 of the Investigatory Powers Act 2016 (IPA). The introduction of this legislation had seen the most significant change to the acquisition of communications data in recent years. The IPA consolidated all existing powers available to law enforcement and other agencies. It radically overhauled the way these powers were authorised and overseen. The legislation also ensured that the powers conveyed were fit for the fast-moving digital age that we live in. The IPA had introduced the Office for Communications Data Authorisation (OCDA) which was now responsible for independently authorising all applications for communications data. This had removed the requirement for local authorities to seek judicial approval for communications data. In addition, the legislation had broadened the range of communications data available including access to location data.

The acquisition of communications data was undertaken through the National Antifraud Network (NAFN). They acted as the single point of contact for many local authorities and ensured the application was RIPA/ IPA compliant.

Details of the applications that the Council had made under RIPA were detailed in the report. For the period 1 January to 31 December 2019 four direct surveillance applications were granted, three were cancelled and one was extant at the end of the year. The Committee noted that all of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime. There were no reported instances of the Council having misused its powers under the Act. No applications for the disclosure of communications data were made during the period.

The Committee questioned the officer on several issues, including the use of minors in connection with underage sales of alcohol and/or tobacco and the options for using surveillance to assist with the problems of fly-tipping.

**RESOLVED that:-**

- 1) The Council's use and compliance with the Regulatory and Investigatory Powers Act be approved.**
- 2) The Cabinet Member for Policing and Equalities be requested to consider the issue of using surveillance in response to incidents of fly-tipping.**

**72. Post of Director of Law and Governance - Salary Approval**

The Committee considered a report of the Chief Executive which sought approval for an annual salary package in excess of £100,000 for the post of Director of Law and Governance. This was in line with statutory guidance issued by the Secretary of State under Section 40 of the Localism Act 2011 and the Council's Pay Policy statement.

The report indicated that the Chief Executive had suggested changes in relation to the senior management structure in order to meet the changing organisational needs, secure sufficient capacity at a senior level and ensure it was fit for purpose. The post of Head of Legal Services had been amended to also include the responsibility, accountability and management of the governance of the Council. These additional duties had resulted in a proposed change in grade and therefore salary. These changes had been subject to consultation with both the officer concerned and the trades unions.

The Director of Law and Governance would now be responsible for:  
Legal Services, including acting as City Solicitor  
Act as Proper Officer for Registrars  
Monitoring Officer  
Governance, including Member Services

The Business Case for the post was set out at an appendix to the report, which identified that the post of Director of Law and Governance should be graded at Grade AD1, the salary range for which was £97,929 to £106,130.

The Committee discussed the reasons behind the change to the post, including the existing and new management structure, and the issue of Cabinet Member involvement in the process.

**RESOLVED that:**

- (1) Approval be given for a salary range of up to £106,130 pa for the post of Director of Law and Governance.**
- (2) Future reports to include details of existing and future management structures.**
- (3) For future reports, consideration to be given to the involvement of the relevant Cabinet Member(s).**

73. **Any other items of public business - Request for Additional Report**

The Chair, Councillor Lakha, placed on record his thanks to members and officers for all their work and support throughout the year.

He requested a report/ briefing note about the risk management/ mitigation concerning COVID-19 at an appropriate time in the new municipal year.

**RESOLVED that a report/ briefing note concerning risk management/ mitigation relating to COVID-19 be submitted to a future meeting.**

(Meeting closed at 4.15 pm)