

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 19 October 2020

Present:

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

Other Members Present: Councillor R Ali
Councillor R Brown, Cabinet Member for Strategic Finance
and Resources

Employees (by Directorate):

D Blackburn, Streetscene and Regulatory Services
S Elliot, Law and Governance
B Hastie, Director of Finance and Corporate Resources
P Jennings, Finance and Corporate Resources
K Tyler, Finance and Corporate Resources
C Sinclair, Law and Governance

In attendance: M Stocks (Grant Thornton)

Public Business

1. Declarations of Interest

There were no declarations of interest.

2. Minutes

The minutes of the meeting held on 16 March 2020 were agreed as a true record.

3. 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 two private reports in Minutes 12 and 13 below headed 'Consideration of Approval of Severance Package (1) and (2)', on the grounds that the reports involve the likely disclosure of information defined in Paragraphs 1, 2 and 3 of Schedule 12A of the Act, as they contained 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.

4. **Outstanding Issues**

The Committee considered a report of the Director of Law and Governance which 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.

5. **Work Programme 2020/2021**

The Committee considered a report of the Director of Law and Governance, which set out the Work Programme of scheduled issues to be considered by the Committee during the 2020/21 municipal year.

RESOLVED that the Work Programme for 2020/21 be noted.

6. **Internal Audit Annual Report 2019-2020**

The Committee considered a report of the Director of Finance and Corporate Services, which summarised the Council's Internal Audit activity for the period April 2019 to March 2020 against the agreed Audit Plan for 2019/20 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 2019/20 financial year.

The key target for the Internal Audit and Risk Service was to complete 90% of its agreed work plan by the 31st March 2020. During 2019-20, the audit plan was subject to revision due to unplanned absence in the Team / implementation of the restructure, which the Audit and Procurement Committee were previously advised of. As a result, the performance of the Service has been assessed against the revised audit plan of 440 days. As illustrated by the chart overleaf, the service delivered 89% of this plan.

Whilst it was recognised that the performance was slightly below target, this was solely due to the impact of Covid-19 in March 2020 which led to delays in finalising two draft audit reports by the 31st March 2020 (both reports had since been agreed.) In respect of the other remaining four audits which formed part of the 2019-20 audit plan and which were not completed by the end of March 2020, two had now been finalised and two have been postponed due the pandemic (and would be rescheduled as appropriate.)

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.

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 Coventry City Council's internal control environment. Whilst there had been some impact on the total number of individual audits carried out in 2019-20 as a result of the revised audit plan of 440 days (in comparison to 480 days in 2018-19), sufficient assurance work across the areas which are key to forming the annual audit opinion (i.e. audits of key financial systems, reviews linked to the management of corporate risks and follow up reviews) had been carried out.

It is the Chief Internal Auditor's opinion that moderate assurance can be provided that there is generally a sound system of internal control in place designed to meet the Council's objectives. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level. Through Internal Audit work, actions are agreed to improve the control environment and assist the Council in achieving its objectives. A defined process exists within the Service to gain assurance that all actions agreed had been implemented on a timely basis.

In giving this opinion, assurance can never be absolute as the system of internal control is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness.

In undertaking the assessment of the Council's internal control environment, the Chief Internal Auditor has identified a number of areas that, in her opinion, needed to be considered when the Council produces its Annual Governance Statement for 2019-20.

From a general point of view, whilst any audit where '*limited*' or '*no*' assurance was provided required attention, an assessment is also made as to whether the review has a significant corporate impact and consequently needs to be considered in the producing the Annual Governance Statement, or whether the review was limited to specific working practices in service areas which did not have a wider bearing on the Council's control environment. The following key issues were highlighted: Health and Safety Audit Programme and IT disaster recovery.

Arising from discussion at the meeting, the Committee asked for further information on the progress of recommendations made in respect of the audit of IT Disaster Recovery. It was confirmed that when the formal follow-up review of this audit was undertaken, the findings would be reported back to the Committee.

RESOLVED that the Committee note:

- 1. The performance of Internal Audit against the Audit Plan for 2019-20.**
- 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 two) that have not already been reported to Audit and Procurement**

Committee during municipal year 2019-20 and which are relevant to the opinion on 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.

7. Annual Governance Statement 2019-2020

The Committee considered a report of the Director of Finance and Corporate Services, which sought approval of the Annual Governance Statement, which forms part of the Statement of Accounts for 2019-20.

Coventry City Council was responsible for ensuring that its business was conducted in accordance with the 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 City Council was 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 such arrangements, the City Council had adopted a Code of Corporate Governance, which was consistent with the principles reflected in the CIPFA/SOLACE framework and guidance 'Delivering Good Governance in Local Government' (2016).

The Annual Governance Statement ('AGS') explained how Coventry City Council had complied with the Code and in doing so, reflected the requirements of the Accounts and Audit Regulations 2015, which required all relevant bodies to prepare an Annual Governance Statement. The AGS also detailed key governance/control issues that the Council faced in the coming year.

As a result of the pandemic, the statutory date for the production of the draft Statement of Accounts and AGS for 2019-20 was delayed until the 31st August 2020. However, the Council had endeavoured to maintain business as usual in relation to this activity and worked in advance of this deadline. Notwithstanding this, the impact of the pandemic clearly created challenges in the Council's approach to producing the AGS at this time, both in undertaking the review of effectiveness and the ability to meaningfully identify the key governance issues for 2020-21. Consequently, an interim version was initially published in May 2020, with a clear intention that it would be updated further, in order for gaps in process to be addressed. It was also important that the Statement was current at the time of final publication, so this approach has allowed the Council to keep the Statement up to date in the intervening period, where there had clearly been much uncertainty and emerging actions/issues which need to be considered. The Statement presented to the Audit and Procurement Committee as part of this report was the final version of the AGS for 2019-20.

RESOLVED that the Committee approve the Annual Governance Statement (attached at Appendix One of the report), which accompanied the 2019-20 Statement of Accounts.

8. Revenue and Capital Outturn 2019/2020

Further to Minute 24 of the Council, the Committee considered a report of the Director of Finance that outlined the final revenue and capital outturn position for 2019/2020 and reviewed treasury management activity and 2019/2020 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position included the following headline items:

- A balanced revenue position after a recommended £5.5m is set aside in reserves for the Council's reset and recovery following the Covid-19 outbreak.
- Capital Programme expenditure of £216m which represents the largest programme in the modern era.
- An increase in the level of Council revenue reserves from £82m to £90m including the Covid funding and the net underspend contribution.

Further detail included:

- A revenue overspend of £3.4m relating to housing and homelessness as a result of demand for temporary accommodation and the associated costs not recoverable from Housing Benefit.
- A revenue overspend of £2.5m across services for children and young people driven principally by the number and cost of children's placements.
- A net underspend across the rest of the Council and in particular a £12m position within central budgets resulting overwhelmingly from one-off circumstances.
- Identified expenditure and income loss related to the Covid-19 situation in March 2020 of £2.85m funded by Government emergency funding provided for this purpose.
- Receipt of overall Covid-19 funding of £10.4m of which £7.55m is proposed be set aside to deal with Covid costs in 2020/21.

The underlying revenue position had improved by £3.6m since Quarter 3 when an underspend of £1.9 was forecast. In particular, the overall underspend and the improved position related to improvements within Contingency and Central budgets which were set out in the report. In overall terms the favourable outturn position shown must be put in the context of the Covid-19 crisis. The human and public health impacts of this have been widely reported and some of these could be expected to continue for the foreseeable future. Councils had been assessing the estimated additional costs and lost income that had already been incurred or were expected and this task was essential to inform the Government's pledge to ensure that such costs were fully funded.

Given the huge uncertainties, it was difficult to provide robust estimates of the forward looking financial impact on the Council although even with optimistic forecasts of the lifting of restrictions, the overall cost could exceed £30m. Notwithstanding early Government commitments, there had been subsequent indications that councils may be expected to 'share the burden' of these costs. On this basis it was important that the Council continued to maintain a strong financial position to protect itself from what could be a very challenging financial environment which would certainly be felt well beyond financial year 2020/21. The recommended proposals put forward through the Director of Finance, the Council's Section 151 officer, were reflected in the report recommendations and

explained in section 5.1 of the report. Appendices to the report provided a detailed breakdown of Directorate Revenue Variations, Capital Programme Changes, Analysis of Rescheduling and Prudential Indicators.

RESOLVED that the content of the report be noted.

9. 2020/21 First Quarter Financial Monitoring Report (to June 2020)

The Committee considered a report of the Director of Finance 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 2020. The headline revenue forecast for 2020/21 was for net expenditure to be £28.2m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend was **£6.7m**. The Government had indicated that further funding would be available to compensate councils for the loss of income as a result of Covid which would improve this overall position. At the same point in 2019/20 there was a projected underspend of £0.6m.

Excluding the effects of Covid there were overspends in excess of £1m in each of Children's and Young People, Streetscene and Regulatory, and Highways and Transportation.

Early forecasts indicated that the Council's capital spending was projected to be £271.8m and included major scheme expenditure which ranged from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure, Public Realm, Secondary Schools expansion and the National Battery Plant. This level of expenditure, if achieved, would exceed that reported in 2019/20

RESOLVED that the content of the report be noted.

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

The Committee considered a report of the Director of Streetscene and Regulatory Services 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 ("CHIS").

The Act set out the procedures that the Council must follow if it wished to use directed surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards and Environmental Health). The information obtained as a result of such operations can later be relied upon in court proceedings providing RIPA was complied with.

The Home Office Code for Covert Surveillance and Property Interference recommended that elected members, whilst not involved in making decisions or specific authorisations for the local authority to use its powers under Part II of the Act, should review the Council's use of the legislation and provide approval to its policies. The Council adopted this approach for oversight of the authority's use of Parts I and II of the Act.

RESOLVED that the Committee note the Council's use and compliance with RIPA.

11. **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.

12. **Consideration of Approval of Severance Package (1)**

The Audit and Procurement Committee considered a report of the Director of Streetscene and Regulatory Services which sought approval of a severance package for an employee.

Part 2I 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 Committee approve the severance payment as calculated.

13. **Consideration of Approval of Severance Package (2)**

The Audit and Procurement Committee considered a report of the Director of Streetscene and Regulatory Services which sought approval of a severance package for an employee.

Part 2I 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 Committee approve the severance payment as calculated.

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

Further to Minute 23 of the City Council in respect of changes to the Committee's Terms of Reference regarding limits on exit packages, the Committee agreed that they would wish to retain an oversight of this issue and resolved to receive an annual update on this matter.

RESOLVED the Committee receive an annual report on severance packages.

(Meeting closed at 4.20 pm)