



Audit and Procurement Committee Annual Report to Council 2019-20

To be considered at the City Council meeting
on the 8th December 2020

Audit and Procurement Committee Annual Report 2019-20

Introduction by Chair of Audit and Procurement Committee

In May 2019 I was appointed as the Chair of the Audit and Procurement Committee and I am pleased to present this report which outlines the Committee's work over the municipal year 2019-20.

The Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. Over the last year, the Committee has continued to discharge its key responsibility effectively, namely providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. At the same time, the Committee has been able to consider matters relating to procurement activity, which in 2019-20 has included taking steps to review the Committee's role in respect of this important function.

The covid-19 pandemic and the way the Council has stepped up to provide support to the citizens and businesses of Coventry in these challenging times only underlines the importance of having an effective governance framework and sound financial management in place. I am looking forward to building on the good work done in 2019-20 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2020-21 these include ensuring that:

- The Council's risk management, internal control and financial management arrangements continue to operate effectively as the Council deals with the on-going impact of Covid-19.
- New arrangements linked to the role of the Committee in providing oversight over procurement activity are implemented.
- The Committee considers the outcomes of the Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities.

I hope that 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.



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

1 Activity of the Council's Audit and Procurement Committee

During 2019-20, the Council's Audit and Procurement Committee met on six occasions. Meetings were held in June, July, September and November 2019 as well as in January and March 2020.

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 2019-20 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2018-19, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2019 and then in September 2019, 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 2019-20; securing sustainable improvement in Children's Services, delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy, continuing to raise educational standards, management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation, and governance over both relationships with partners and outside bodies and the programme of capital projects. The statement also highlighted the need to continue delivery of a number of key strategies, namely the Information Management Strategy, the Workforce Strategy, and the ICT Strategy, alongside implementation of a corporate data access standard. An update on the progress made against the actions planned in 2019-20 to address these issues was considered by the Committee in January 2020.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts was considered by the Committee in June 2019 and then in September 2019, 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 2018-19 was considered in July 2019. 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 2019-20 were considered in September 2019, January 2020 and March 2020.
- A treasury management activity update was considered in November 2019. 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 2019-20:

- The Audit Findings for Coventry City Council - This report was considered in July 2019 and September 2019, along with the Letter of Representation and Audit Opinion. Its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2019. The report conclusions were that:
 - 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 an annual reconciliation between the Estates Team property database and the Council's Asset Register, an annual valuation of all investment properties, a review of all investment methodologies to ensure that they are compliant with the Royal Institute of Chartered Surveyors guidance and for assets not valued in year, considering whether the value needs to be altered for movements in market prices and building costs.

- 2019-20 Audit Plan - This was considered in January 2020 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 2020. 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.
- Informing the audit risk assessment - This was considered in March 2020 and contributes towards the effective two-way communication between the external auditors and the Audit and Procurement Committee. The report highlighted key areas of the risk assessment which underpins the external auditors work on the financial statements and the management responses to this, which the Audit and Procurement Committee confirmed was consistent with their understanding of management processes.
- Public Sector Audit Appointments publication on Audit Market – the external auditor's letter to the Council S151 Officer which summarised the local audit position in relation to the three financial years spanning 2018-21 was considered in March 2020. The letter also outlined the implications on the fees for the audit of the 2020/21 accounts arising from new developments including revised auditing and accounting standards as well as a new Code of Audit Practice.

1.4 **Internal Audit** – In June 2019, 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 2018 to March 2019, 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 2019.

- To provide the Committee with the 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 2018-19, the 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 2019-20 – 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 2019 and March 2020. 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 2020, 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 2019-20:

- Annual Fraud Report - This report was considered by the Committee in September 2019 and summarised the Council's response to anti-fraud and error activity for the financial year 2018-19. This included:
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 129 exemptions / discounts had been removed from customers' accounts in 2018-19, which resulted in revised bills being issued amounting to around £142k.
 - 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 2020, which provided an up-date on anti-fraud and error activity in 2019-20.

1.6 **Procurement** – Reports relating to procurement were received in July and November 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 reports in July, September and November 2019 and January and February 2020 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 2019-20, this included the following:
- Whistleblowing Annual Report 2018-19 – This report provided a summary of the concerns raised under the Council’s Whistleblowing Policy during the year and the Council’s response to the issues. Of the six whistleblowing disclosures received, one was referred to the Council’s disciplinary investigation procedure and in two cases management action was taken to make improvements.
 - Complaints to the Local Government and Social Care Ombudsman 2018-19 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2018-19, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 100 complaints, only 18 were pursued and 10 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.
 - Corporate Risk Register update – 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 corporate risks are being identified and managed, whilst asking for further consideration around the corporate risk relating to Brexit.
 - Code of Corporate Governance – This report provided a summary of the work carried out during the year to monitor and improve the Council’s governance arrangements as part of its Code of Corporate Governance including review and update of the Member Code of Conduct, launch of “I have a concern” webpage, introduction of a new Equality, Diversity and Inclusion Policy and a review of the contract procedure rules.
 - Regulation of Investigatory Powers Act 2000 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.