

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 4.00 pm
on Monday, 25 January 2021
(This meeting was held remotely)

Present:

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

Employees (by Service):

Finance P Jennings, A Stretton, K Tyler

Law and Governance M Rose, M Salmon

Apologies: Councillor J Blundell
Councillor R Brown – Cabinet Member for Strategic Finance
and Resources (By invitation)

Public Business

29. Declarations of Interest

There were no disclosable pecuniary interests.

30. Minutes of Previous Meeting

The minutes of the meeting held on 30th November 2020 were agreed as a true record. There were no matters arising.

31. Exclusion of Press and Public

RESOLVED that the Audit and Procurement Committee agrees to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 39 below headed 'Half Yearly Fraud and Error Report 2020-21', on the grounds that the report involves the likely disclosure of information defined in Paragraph 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.

32. **Outstanding Issues**

The Audit and Procurement 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 Audit and Procurement Committee notes the Outstanding Issues report.

33. **Work Programme 2020/21**

The Audit and Procurement 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 Audit and Procurement Committee notes the Work Programme for 2020/21.

34. **Treasury Management update**

The Audit and Procurement Committee considered a briefing note of the Director of Finance that provided an update on the Council's Treasury Management activity in 2020/21 to the end of September 2020, as required by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice. The Appendices to the report provided details of the Council's Lending List and the list of short-term borrowing and investments that the Council held.

At the end of the previous financial year, the total short-term borrowing was £20m. A further significant amount of short-term borrowing (£74m) was undertaken in April 2020 solely to enable a heavily discounted upfront payment of £97.8m to be made to the West Midlands Pension Fund. This payment represents three years employer's contributions.

No long-term borrowing had been undertaken for several years, due in part to the level of investment balances available to the Council, and no long-term borrowing was planned. As at 31st March 2020, the Council's long-term liabilities totalled £315.8m with most long-term borrowing was sourced from the Public Works Loan Board (PWLB) (£190.4m). In November 2020 the PWLB cut its lending rates by 1%, however councils could now only borrow from PWLB if there was no intention to buy investment assets primarily for yield, in the three years following a loan. Further the PWLB would not lend to a council planning to buy assets for yield regardless of whether the transaction would notionally be financed from a source

other than the PWLB and failure to comply with the rules could lead to a council being banned from using the PWLB borrowing facility.

The impact to the UK from the Covid 19 pandemic had a major influence on the economy and the Council's ability to gain returns on investments, ongoing into 2021/22. In the overall economy, the medium-term outlook had improved with the administration of the vaccine, however the recent upsurge in coronavirus cases had worsened economic prospects over the short-term. The potential for bank losses was expected to be greater than expected once government and central support was removed, suggesting a cautious approach to bank deposits in the short-term.

The Council had been in receipt of central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. These funds have been temporarily invested in short-term liquid instruments, particularly in Money Market Funds. Work continued to ensure that all appropriate parties receive grant payments. The government had announced a further support package of grants up to £9,000 per business to be administered by the Council with the upfront payment of grants grossly inflating the Council's cash balances.

RESOLVED that the Audit and Procurement Committee notes the Treasury Management Update.

35. Quarter Three Internal Audit Progress Report 2020-21

The Audit and Procurement Committee considered a report of the Director of Finance that provided an update on the internal audit activity for the period April to December 2020, against the Internal Audit Plan for 2020-21. An Appendix to the report set out the Summary Findings from Key Audit Reports Completed in this period.

The key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2021. An analysis of progress against planned work for the period April to December 2020 was set out in the report. At the end of December 2020, the Service had completed 53% of the Audit Plan against a planned target of 75%, due to a post vacancy, work on assurance requirements for grants to businesses, priorities around the pandemic requiring flexibility of the Service. Achievement of 90% of the Audit Plan by the end of March 2021 would be a key priority for the Internal Audit Service in quarter four.

In addition to the delivery of the Audit Plan, the Internal Audit Service had a number of other KPI's which underpinned its delivery. A table in the report gave a summary of the performance for 2020-21 to date against five KPIs, with comparative figures for the financial year 2019-20. Currently, all indicators were at or above target. A further table provided a list of audits finalised between April and December 2020, along with the level of assurance provided.

The following Audits were currently in progress:

- Audits at Draft Report Stage – Information Governance Risk Management.
- Audits On-going – Expenditure Analytical Review, Sickness Absence Reporting, Management Compliance with HR Procedures Follow Up, CareDirector, Cyber Resilience, Mobile Phones, Council Tax, Payment of

Allowances, Risk Management, Controls over Additional Covid Funding, Business Grants round 2, Accounts Receivable.

The Chair, Councillor Lakha, placed on record his appreciation and thanks to the Chief Internal Auditor and the Audit Team for their hard work relating to business grants.

RESOLVED that the Audit and Procurement Committee:

- 1) Notes the performance as at quarter three against the Internal Audit Plan for 2020-21 and the summary findings of the key audit reviews as set out in the Appendix to the report.**
- 2) Requests that a briefing note providing further detail of planned IT audit work for 2021/22, be submitted to the Committee when the Annual Audit Plan is submitted for consideration.**

36. Annual Fraud and Error Report 2019-20

The Audit and Procurement Committee considered a report of the Director of Finance that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service for the financial year 2019-20.

The report documented the Council's response to fraud and error during 2019-2020 and was 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'.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and error. The work of the team has focused on four main areas during 2019-20: Council Tax; National Fraud Initiative; Referrals and investigations considered through the Council's Fraud and Corruption Strategy; and Proactive work. A summary of the key activity that had taken place in each of these areas was set out in the report.

Within the International Auditing Standards, there were clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This included an expectation that appropriate detail was provided around significant fraud. The following principles were applied when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 could be included if the Chief Internal Auditor considered this justified by the nature of the fraud.
- In terms of establishing when a fraud had occurred, this was normally defined as occurring when the disciplinary process had been concluded, although in cases not involving employees, this would be linked to other management action, such as criminal prosecution.

In the period April 2019 to March 2020, no significant frauds had been identified.

During 2019-20, the Council received six whistleblowing disclosures. A summary of the disclosures made by type and the response was set out in a table in the report. Whilst all concerns were taken seriously, the response differed on a case by case basis. In some cases, if the disclosure had been made anonymously and insufficient details had been provided, the Council may be restricted in the action it could take. However, typically a preliminary fact-finding investigation would be undertaken which, if required, would result in a full investigation and formal action being considered.

The Chartered Institute of Public Finance and Accountancy Fraud and Corruption Tracker provided annual benchmarking information relating to counter fraud activity across all local authorities. In the 2019 survey, respondents reported a total of 755 whistleblowing cases. The figures reported indicate that the number of disclosures received by the Council was comparable to the national average of six whistleblowing disclosures per local authority. It was also worth noting that employees did not have to use the Whistleblowing Policy to raise concerns and were able to resolve matters using other routes if they wished, this could be through discussion with their line manager or reporting concerns to one of the “prescribed persons” set out in the Public Interest Disclosure (Prescribed Persons) Order 2014, such as the Health and Safety Executive. In 2019-20, the Council launched a campaign “I have a concern” to promote to employees’ different ways in which they could raise concerns about work, including how to raise an issue through the whistleblowing process.

Members requested information on the last SPD exercise undertaken in conjunction with 3rd party and the Chief Internal Auditor undertook circulate this to Members of the Committee.

RESOLVED that the Audit and Procurement Committee notes the anti-fraud and error activity undertaken in the financial year 2019-20.

37. Half Yearly Fraud and Error Report 2020-21

The Audit and Procurement Committee considered a report of the Director of Finance that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service during the financial year 2020-21 to date.

A corresponding private report was also submitted to the meeting setting out the commercially confidential matters of the proposals. (Minute 39 below refers.)

Fraud in the public sector had 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 did not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council remained at relatively low levels, in both numbers and value. Notwithstanding this, it was recognised that the risk of fraud during emergency situations such as the pandemic was higher than at other times. This included an inherent risk of fraud in emergency programmes which local authorities had to administer on behalf of government, particularly in relation to grants paid to businesses. This risk had

been explicitly acknowledged by government in guidance issued to local authorities and as such, the Internal Audit Service had specifically included this within its anti-fraud work undertaken in 2020-21.

The report documented the Council's response to fraud and error during the first half of the financial year 2020-21 and was presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference 'to monitor Council policies on whistle blowing and the fraud and corruption strategy'.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and error with the work of the team focused on three main areas during 2020-21: Business Support Grants; National Fraud Initiative; and Referrals and Investigations considered through the Council's Fraud and Corruption Strategy. A summary of the key activity that had taken place in these areas during 2020-21 to date was set out in the report.

Within International Auditing Standards there were clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This included an expectation that appropriate detail was provided around significant fraud. The Council had applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 could be included if the Chief Internal Auditor considered this justified by the nature of the fraud.
- In terms of establishing when a fraud had occurred, this was normally defined as occurring when the disciplinary process had been concluded, although in cases not involving employees, this would be linked to other management action, such as criminal prosecution.

In the period April 2020 to September 2020, one significant fraud had been concluded and the corresponding private report provided details of this case and the actions taken.

Whilst the Internal Audit Service normally undertook a rolling programme of reviews of council tax exemptions and discounts, this work had not been progressed during the period April to September 2020, given the focus on business grant work. As a rolling programme of work, this was not viewed as significant. Some work in this area had commenced in the second half of the year.

The Council received referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. A table in the report set out the number of referrals received by source during the first half of the financial year 2020-21. Whilst appropriate cases were passed to the Department of Work and Pensions to investigate under agreed arrangements i.e. where housing benefit was also in payment, the Internal Audit Service have validated two concerns in 2020-21, which had resulted in revised bills / overpayments of around £14k being issued, of which £8K had been recovered to date.

RESOLVED that the Audit and Procurement Committee notes the anti- fraud and error activity undertaken during the first half of the financial year 2020-21, subject to consideration of the private report on significant fraud.

38. **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.

39. **Half Yearly Fraud and Error Report 2020-21**

Further to Minute 37 above, the Cabinet considered a private report of the Director of Finance setting out confidential matters relating to the HalfYearly Fraud and Error Report 2020-21.

RESOLVED that the Audit and Procurement Committee notes the details of the report and confirms its satisfaction with the action taken in respect of matters.

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

There were no other items of private business.

(Meeting closed at 5.50 pm)