



Audit and Procurement Committee Annual Report to Council 2020-21

To be considered at the City Council meeting
on the 7th September 2021

Audit and Procurement Committee Annual Report 2020-21

Introduction by Chair of Audit and Procurement Committee

I am pleased to present this report which outlines the Committee's work over the municipal year 2020-21.

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. The Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. Despite the challenges presented by Covid-19 over the last year, the Committee has worked flexibly and adapted to continue 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. This has included considering matters specifically related to the pandemic such as the Covid-19 risk register and anti-fraud and corruption activity in relation to business grants. Alongside this, the Committee approved new arrangements for discharging their role in respect of overseeing procurement activity.

I am looking forward to building on the good work done in 2020-21 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2021-22 these include ensuring that:

- The Council's risk management, governance, internal control and financial management arrangements continue to operate effectively as we emerge from the pandemic and enter the recovery phase.
- The Committee receives the audited 2019-20 accounts.
- The Committee considers forthcoming government guidance on implementing recommendations from 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 2020-21, the Council's Audit and Procurement Committee met on four occasions. Meetings were held in October and November 2020, as well as in January and March 2021.

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 2020-21 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2019-20, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in October 2020 and then in November 2020, when the audited Statement of Accounts were considered by the Audit and Procurement Committee. The Statement set out the impact of the Coronavirus pandemic on governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. As well as highlighting a number of ongoing governance issues that remain a focus for the Council, the Statement also acknowledged the following new governance issues identified from the work undertaken to produce the Statement; securing a legacy from the City of Culture, acting on the outcomes of the review of the Council's Scrutiny function, strengthening arrangements linked to the programme of health and safety audits, further developing the Council's IT disaster recovery plans and processes, review of the Social Value and Sustainability Policy, and implementation of recommendations arising from the Redmond Review and the Government's report into Local Government Ethical Standards.

1.2 **Financial Management and Accounting** – As a result of the coronavirus pandemic, a decision was taken that the draft Statement of Accounts would not be considered by the Audit and Procurement Committee and instead the audited Statement of Accounts were considered by the Committee in November 2020, when they were approved subject to any final changes to the Statement following completion of outstanding work by the Council's external auditors, Grant Thornton. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2019-20 was considered in October 2020. 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 2020-21 were considered in October 2020, November 2020 and March 2021.
- A treasury management activity update was considered in January 2021. 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 report was received from the Council's external auditors, Grant Thornton in 2020-21:

- The draft Audit Findings for Coventry City Council - This report was considered in November 2020 following an extension to the period of audit by Grant Thornton to 30th November 2020 in line with national regulations. Its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2020. The report conclusions were that, subject to completion of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements. This would include an emphasis of matter paragraph highlighting uncertainties in valuations due to Covid-19.
 - The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Alongside recommending a number of adjustments and amendments to the final accounting statements which were accepted, the external auditors recommended that the Council revalue a number of its assets on an annual basis with external valuers having been appointed to carry out this work.

Following consideration of this report, subsequent external audit activity undertaken to enable the Council's Statements to be finalised identified further issues that have been the subject of significant work since November 2020. This, alongside a range of other environmental factors have contributed to delays to the external auditors issuing their final audit opinion beyond the regulatory deadline and during 2020-21 has also impacted on the normal timetable of reports that the Committee receives from the external auditors.

1.4 **Internal Audit** – In October 2020, the Audit and Procurement Committee received the Internal Audit Annual Report. This report had two main purposes:

- To summarise the Council's Internal Audit activity for the period April 2019 to March 2020, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 89% of the agreed work plan by the 31st March 2020, against a target of 90%.
- 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 2019-20, 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.

Other Internal Audit reports considered during the year include:

- Internal Audit Plan for 2020-21 – 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.
- Quarter Three Internal Audit progress report – This report provided an update on the performance of the Service during 2020-21, along with a summary of the key audits from a sample of high-profile audit reviews carried out in the relevant period. In considering these reports, the Committee agreed with the

focus of improvements identified and the timescales agreed for implementation.

1.5 Fraud and Error- The following fraud reports were considered in 2020-21

- Annual Fraud and Error Report - This report was considered by the Committee in January 2021 and summarised the Council's response to anti-fraud and error activity for the financial year 2019-20. This included:
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 20 exemptions / discounts had been removed from customers' accounts in 2019-20, which resulted in revised bills being issued amounting to around £28k.
 - A summary of the work undertaken in relation to the National Fraud Initiative, a data matching exercise led by the Cabinet Office. In 2019-20 around 4000 matches were reviewed. This identified £300k of overpayments, which were being recovered wherever possible to do so.
 - An overview of the whistleblowing disclosures received during 2019-20. In total six disclosures were received and responded to, which was comparable to the national average. This included one case where management action was taken to make improvements.
 - 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 2021, which provided an up-date on anti-fraud and error activity in 2020-21. This included the work undertaken in relation to grants paid to businesses during the pandemic, including advising on controls to minimise the risk of fraud and error, undertaking assurance checks and investigating cases of fraud and error.
- In January 2021, the Committee considered a private report concerning a specific fraud which occurred during 2020-21. This included the action taken to improve controls to prevent any future frauds of this type.

1.6 Procurement – A report relating to procurement was received in November 2020. 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. The Committee also approved the proposed change in format and frequency of future reports concerning procurement activity.

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 October 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 2020-21, this included the following:

- Complaints to the Local Government and Social Care Ombudsman 2019-20 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and

investigated during 2019-20 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 117 complaints, only 22 were pursued and 11 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.

- Corporate and Covid-19 Risk Registers– This report set out the current Corporate Risk Register and Covid-19 Risk Register. The Corporate Risk Register focuses on the main risks facing the Council whilst the Covid-19 Risk Register highlighted specific organisational risks to the delivery of statutory functions as a result of the pandemic. Both registers provide details of the controls in place to address these risks. The Committee noted the Risk Registers having satisfied themselves that risks are being identified and managed.
- Information Governance Annual Report 2019-20 – This report considered the Council's performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 78% of FOI requests on time and 72% of Subject Access Requests. Five Information Commissioners Office complaints were received during the year, which were appropriately dealt with. No security incidents were reported to the Information Commissioners Office during the year.
- Regulation of Investigatory Powers Act 2000 Annual Compliance Report – This report focused on providing oversight of the Council's compliance with this Act. Four directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.