

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee
held at 1.00 pm on Monday, 27 September 2021

Present:

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

Employees (by Service):

Finance: B Hastie (Director of Finance), M Burn, P Jennings,
K Tyler

Legal and Governance: L Knight

Apologies: Councillor R Brown
Councillor R Singh

Public Business

18. Declarations of Interest

There were no disclosable pecuniary interests.

19. Minutes of Previous Meeting

The minutes of the meeting held on 26th July 2021 were agreed as a true record. There were no matters arising.

20. 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 27 below headed 'Procurement and Commissioning Progress Report', 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.

21. 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 anticipate date for consideration of the Matter.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

In respect of Item 5 of Appendix 2, the Committee were advised that arrangements were being made for the training sessions requested and that a notification would be sent in due course with the details for these. The Committee noted that it was likely that the training would take place on a Monday afternoon.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report.

22. **Work Programme 2021/22**

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 Municipal Year 2021/2022.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/2022.

23. **2021/22 First Quarter Financial Monitoring Report (to June 2021)**

The Committee considered a report of the Director of Finance, which had also been considered by the Cabinet at their meeting on 31st August 2021, that advised the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2021.

The headline revenue forecast for 2021/22 was for net expenditure to be £14.3m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend was £4.0m. At the same point in 2020/21 there was a projected overspend of £6.7m.

The position included an underlying overspend of £6.5m within Children's Services although £3.8m of this has been attributed to the pandemic and funded from one-off Covid funding accordingly, leaving a net overspend of £2.7m. In order to anticipate the likely future budgetary position within Children's Services it would be necessary to understand more fully the extent to which these pressures would continue beyond the period when Covid was a significant contributory factor. Looking ahead to next year, it would be a key focus of management to identify the causes and to reduce the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position.

Elsewhere, budget pressures had emerged within Streetscene and Regulatory Services, Legal and Governance Services and Finance although the overall corporate position was within acceptable tolerances at this stage of the financial cycle.

The Council and the city continued to receive Government support linked to Covid within the 2021/22 financial year. This amounted to c£19m announced to date to support Council services directly and a further c£45m channelled through the Council to support Coventry businesses and external suppliers. Although further allocations could not be ruled out, the pace of funding announcements had slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants was therefore likely to be modest.

The Council's capital spending was projected to be £247.1m and included major scheme expenditure which ranged from investment in to the A46 Link Road, Coventry Station Masterplan, Friargate Building 2 and the Hotel, Air Quality and Secondary Schools expansion. The size of the programme and the nature of the projects within it, continued to be fundamental to the Council's role within the city.

The Council's services and its financial position were moving gradually towards a business as usual position as the year progressed with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continued to be significantly affected although often this was not resulting in a net financial cost. It was clear though that significant financial risk remained in relation to the underlying funding position for local government as well as the future trajectory of Covid costs and funding within a few service areas. It remained a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

Appendices to the report provided details of: the Revenue Position: Detailed Directorate Breakdown of Forecast Outturn Position; the Capital Programme: Analysis of Budget/Technical Changes; the Capital Programme: Estimated Outturn 2021/22; the Capital Programme: Analysis of Rescheduling; and Prudential Indicators.

In considering the report, the Committee requested that comparison information be provided in relation to the waste and fleet services to see if other authorities were having difficulties with waste collections.

RESOLVED that the content of the report be noted.

24. **Annual 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 for the financial year 2020-21.

The report documents the Council's response to fraud and error during 2020-2021 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 is 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 2020-21: Business Support Grants; National Fraud Initiative; Referrals and investigations considered through the Council's Fraud and Corruption Strategy;

and Council Tax. A summary of the key activity that had taken place in each of these areas was set out in the report.

During 2020-21, there have been a number of grant schemes announced by the Government which has reflected various periods of local and national restrictions as a result of the Covid 19 Pandemic. A summary of the schemes, along with the number of awards made and the value of payments issued was set out within the report.

Within the International Auditing Standards, there are 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 includes an expectation that appropriate detail is 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 2020 to March 2021, there was one significant fraud identified. Details of this had been provided to the Committee in January 2021.

From time to time the Internal Audit Team receive referrals or are asked to assist in investigations relating to employee misconduct and other fraud against the Council involving external individuals. During 2020-21, the Council received 24 referrals, 14 of these led to full investigations. The reasons for referrals not resulting in a full investigation was set out in the report. In addition to the 14 investigations, one investigation was carried forward from 2019-20. Of the 15 investigations, eight related to fraud / theft or other activities linked to obtaining a financial benefit, whilst the other six involved a code of conduct issue. Three of the investigations are still ongoing. The outcomes of the remaining 12 investigations were set out within the report submitted.

In relation to the work undertaken within the area of Council Tax, a rolling programme of reviews is undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in the area as the Council is reliant on the customer to report any changes in circumstances that would affect their entitlement to an exemption or discount. During 2020/21, limited work was undertaken due to the focus on business grant work. However, the work undertaken resulted in 22 exemptions / discounts being removed and revised bill amounting to approximately £49k have been issued. £34k of this money has been paid to the Council to date and the outstanding balances are being recovered through agreed payment instalments or the Council's standard recovery arrangements in relation to Council Tax.

Within the International Auditing Standards, there are clear expectations around the level of oversight that the Committee should have in relation to the risk of fraud. This includes an expectation that appropriate detail is provided around

significant fraud. The report set out the definitions of significant fraud and it was confirmed that in the period April 2020 to March 2021 there had been one significant fraud concluded. Details of this had been provided to the Committee in January 2021.

RESOLVED that the Audit and Procurement Committee notes the anti-fraud and error activity undertaken in the financial year 2020-21.

25. **Whistleblowing Annual Report 2020/21**

The Audit and Procurement Committee considered a report of the Director of Finance, which provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2020/21, along with the Council's response.

Whistleblowing is the making of a protected disclosure as found in Part IVA of the Employment Rights Act 1996 (and as amended by the Public Interest Disclosure Act 1998) and is reflected in the Council's Whistleblowing Policy 2017. This qualifies employees for legal protection against detriment or unfair dismissal if they make a disclosure in the public interest. To qualify the disclosure must also fall within one of the following grounds:

- A criminal offence
- Breach of any legal obligation
- Miscarriages of justice
- Danger to health and safety
- Damage to the environment
- The deliberate concealing of information about any of the above.

The Council's Whistleblowing Policy makes it clear that all concerns raised about actual or potential misconduct or wrongdoing in the Council are taken seriously. For matters relating to fraud and corruption, these are considered by the Chief Internal Auditor. All other concerns which fall under one of the issues listed above are considered by the Council's Monitoring Officer.

The report indicated that during 2020/21, the Council received six whistleblowing disclosures. Of these, three were made by third parties and, as such, the legal protection afforded to employees who raised concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and, consequently, have made every reasonable effort to protect all individuals under the whistleblowing process. The report also set out the types of disclosures made and the response to each of the six disclosures received.

Where appropriate, responsible officers would identify learning points from any issues raised and ensure that they were acted upon to prevent similar issues reoccurring. If required, this included consideration of whether there were any systematic improvement actions for the wider organisation, and in three of the cases considered during 2020/21, management actions were agreed to make improvements.

RESOLVED that the Audit and Procurement Committee considered and notes the summary of whistleblowing concerns raised during 2020/21 and confirm its satisfaction with the actions taken to respond to the issues raised.

26. **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.

27. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Director of Law and Governance which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 30th November 2020. Details of the latest positions in relation to individual matters were set out in the Appendix to the report. The report contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report indicated that since the last Committee when the procurement report had been presented, the Procurement Panel had received 71 reports and the Procurement Board 36 reports.

The Committee indicated that, for future meetings where the Procurement and Commissioning Progress Report is to be considered, a corresponding public report be submitted, setting out those elements of the report that are not confidential.

RESOLVED that the Audit and Procurement Committee:

1. **Notes the current position in relation to the Commissioning and Procurement Services.**
2. **Agrees that no recommendations are to be made to the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
3. **Agrees that at future meetings where this matter is considered, a corresponding public report be submitted setting out those items that are not confidential.**

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

(Meeting closed at 1.52 pm)