

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 21 March 2022

Present:

Members: Councillor R Lakha (Chair)
Councillor J Blundell
Councillor A Hopkins (Named Reserve)
Councillor T Sawdon

Employees (by Service):

Finance P Jennings, R Martin, K Tyler

Law and Governance J Newman (Director of Law and Governance), A West

Apologies: Councillor M Ali
Councillor G Hayre
Councillor B Singh (Deputy Chair)
Councillor R Singh

Public Business

58. Declarations of Interest

There were no disclosable pecuniary interests.

59. Minutes of Previous Meeting

The minutes of the meeting held on 31 January 2022 were agreed and signed as a true record.

Further to minute 46/21 headed 'Minutes of Previous Meeting', the Finance Manager (Corporate Finance) indicated that he expected the 2019/20 statement of accounts to be finalised shortly, although recognised that this was the position reported at the last meeting. The issues causing the delay were national, including the way infrastructure assets were valued, rather than issues specific to Coventry. The Finance Manager (Corporate Finance) confirmed that there were no penalties associated with the delay, but there was an issue with the amount of officer and Member time involved in managing three open sets of accounts.

Further to Minute 56/21 headed 'Consideration of Approval of Severance Package', the Chair confirmed that he had spoken to the Council's Monitoring Officer regarding the possibility of a corresponding public report to accompany a private report in respect of severance packages. In response to questions, the Monitoring Officer confirmed that reports asking the Committee to approve a severance payment on early retirement were dealt with in private because they

contained sensitive personal data from which a person could be identified, even if they were not named. Counsel's opinion had previously been sought, the Council's Data Protection Lawyer and Heads of Legal Services across the region supported this approach.

Statutory requirements overrode protections for personal data in relation to the salaries and any severance payments for Chief Officers which were published and for others, a table of the numbers of severance packages in bands was included in the statement of accounts once the employee's early retirement application was approved.

60. **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 reports in Minute 67 headed 'Procurement and Commissioning Progress Report' and Minute 68 'Consideration of Approval of Severance Package' below, on the grounds that the reports involve the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as they contain 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.

61. **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 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 1 of Appendix 1, the Committee was advised that the audit of IT Disaster Recovery was expected to conclude this week and that a report would be submitted to the Committee following completion of the audit.

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

62. **Work Programme 2021/2022**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues that had been considered by the Committee during the Municipal Year 2021/2022 and identified matters for consideration in 2022/23.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/2022 and matters for consideration in 2022/23.

63. **Quarter Three Internal Audit Progress Report 2021-22**

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 2021, against the Internal Audit Plan 2021/22. The report was the second monitoring report for 2021/22 and was presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

The report provided information for the period between April and December 2021 about audits finalised including the level of assurance provided, information about the audits currently in progress and a summary of the findings from key audit reports completed.

The Chief Internal Auditor reported that a target of completing 90% of the audit programme by the end of the year had been set at the start of the year, although the number of audit days available was affected by staff vacancies. All posts had now been filled and 470 audit days were available for the year.

At the end of Quarter 3, 51% of the programme had been completed against the target of 75%. While this was behind the target, the pattern of work and types of audits completed were not equally spread across the year, for example some bigger more complex audits had been started during this quarter. Other pressures on resource had come from the announcement of further Covid grant schemes and the completion of recruitment, which were outside the core audit work. Completing 90% of the audit programme by the end of the year remained the target and at this stage it was anticipated that in excess of 80% of the programme would be delivered.

Appendix 1 of the report summarised findings from Key Audit Reports completed between April and December 2021. The audit of Purchasing Card Compliance had focussed on how soft controls impact the behaviour of purchasing card holders and approvers, as in any system with manual controls there is a risk of non-compliance. The audit identified further steps to encourage the right behaviours and strengthen soft controls which would be monitored and reported on.

The final follow-up report on St Osburg's Primary School had identified that only a couple of low-risk issues remained outstanding and would be signed-off. The report provided moderate assurance and that while progress had been made in implementing the actions agreed in the previous follow up audit report, the measures and knowledge that had been developed needed some more time to bed in.

In response to questions from Members of the Committee, the Chief Internal Auditor provided the following information and assurance:

- This year's allocation of 470 audit days reflected the newly populated Internal Audit Team Structure. The two assistants were new in their training roles so had not been allocated any audit days during this year but would be built into next year's programme.
- The structure provided the resources and levels of experience required to return to an increased level of audit days and meet the 90% completion target. Work would also be carried out to ensure that the work of the Team was aligned to the One Coventry Plan.
- While there had been some staff absence related to Covid, this had not had a significant impact on the Team. Covid related absence in the wider organisation had affected capacity in some service areas but this had led to audit work being rescheduled rather than preventing its completion.
- From audit work carried out to date, levels of fraud associated with business rates locally were lower than what had been reported nationally. Pre and post payment work would continue over the next year and would be the subject of reports to government.
- There was a framework in place for the issue of purchasing cards which had limitations on their availability and guidance for their use. The hospitality policy had been updated to reflect current expectations for appropriate work use and, for example, did allow cards to be used in certain circumstances to provide hospitality outside of the Council House.
- The Council was the accountable body for administering certain funds and as such were subject to Audit sign-off. The Peer-to-Peer Grant, which was linked to Covid Recovery and Brexit, was one such fund included in table 2 of the report.

RESOLVED that the Audit and Procurement Committee notes the performance as at quarter three against the Internal Audit Plan for 2021-22, including the findings of key audit reviews.

64. 2021-22 Third Quarter Financial Monitoring Report (To December 2021)

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that detailed the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2021. The report had also been considered by Cabinet at its meeting on 15th February 2022.

The report indicated that the headline revenue forecast for 2021/22 was for net expenditure to be £12.8m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net overspend was £2.5m. At the same point in 2020/21 there was a projected overspend of £0.5m.

The position included an underlying overspend of £10.1m within Children's Services. £8.5m of this had been attributed to the pandemic and funded from one-off Covid funding, accordingly, leaving a net overspend of £1.6m. The financial position in Children's Services continues to be a concern and the lack of access to further Covid funding next year will make finding solutions more difficult.

After adjusting for the effects of Covid, an overspend of £4.3m is forecast for the Streetscene and Regulatory Service. The HGV driver industrial dispute has resulted in a net forecast pressure of £1.8m for quarter 4. The current cost of the dispute is estimated at £600k per month primarily made up of the cost of fortnightly collection, the drop sites and loss of income. Should the dispute continue into next year, the cost pressures will continue.

In response to questions from Members of the Committee, the Finance Manager (Corporate Finance) provided the following information and assurance:

- The remaining £2.5m overspend in the Streetscene and Regulatory Service relates to temporary cover costs associated with the impact of Covid.
- The dividend from the Waste Disposal Company has not been affected by the dispute. The budget accounted for a £6m dividend this year and it has just been announced that it will be some £2m more than this. Given that the city is still producing the same amount of waste, no significant impact is anticipated in future.
- In relation to other dividends, the impact of Covid on Coombe Abbey Hotel and Birmingham Airport was anticipated in the budget. It was too early to know what the impact of industrial action might be on the dividend associated with Tom White Waste.

RESOLVED that the Audit and Procurement Committee, having considered and noted the proposals in the report, made no recommendations to Cabinet.

65. Corporate Risk

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that provided the Committee with the outcome of the review of the Risk Management Policy, an overview of the Council's corporate and COVID-19 risk management arrangements, the main risks identified and the mitigations in place.

A new risk management policy would be in place by April 2022 following consultation and review by the senior leadership team. The policy defined risk as something that jeopardised the Council's ability to achieve its priorities, deliver services as planned and fulfil statutory functions. It identified risk management as the process by which the Council continuously and methodically addressed the risks which could hinder the achievement of its priorities, provide services as

planned and fulfil its statutory duties. The policy identifies accountabilities and roles and how risks were dealt with recorded, reviewed and escalated.

The Committee last considered the risk register in March 2021 and the report included the current risk register at Appendix 2 to the report. The register followed the new policy, had a closer focus on Council priorities and identified the main risks facing the Council and where responsibility lied for the Council's response. As a result, five new risks had been identified addressing: climate change and sustainability; education and the link to inequalities; increase in demand for specialist school placements for children with an Education, Health and Care Plan; reducing health inequalities; and a deterioration in industrial/employee relations affecting the Council's ability to deliver vital services. Four risks had been removed from the corporate register relating to

Sky Blue sports, information governance, health and safety and elections. Red risks on the register related to Children's Services workforce stability and reducing health inequalities.

The City Council had maintained a Covid Risk Register since the start of the pandemic. This was the 6th version of the register and reflected the Omicron phase of the pandemic. The register included 16 red risks in March 2021 when the Committee last considered it and these had now reduced to three, all relating to Children's Services. It was anticipated that this would be the last iteration of the register with any residual risks being transferred to corporate, directorate or service level plans if appropriate, but this depended on circumstances which remained hard to predict.

In response to questions from Members of the Committee, the Insurance Manager and Finance Manager (Corporate Finance) provided the following information and assurance:

- The policy deductibles varied across different policies and a high proportion of claims were self-insured by the City Council. There had been very few claims relating to Covid.
- The market situation and context in relation to cyber security in the public sector had changed significantly over the last two years and was kept under review. The recent budget approval included significant investment in cyber security which was already a high priority, and this reflected the outcome of an audit last year which recognised the need to strengthen this area of work.

RESOLVED that, the Audit and Procurement Committee:

- 1) Having satisfied themselves that the risks are being identified and managed, notes the outcome of the review of the Risk Management Policy.**
- 2) Having satisfied themselves that corporate risks are being identified and managed, notes the Corporate Risk Register.**
- 3) Having satisfied themselves that COVID-19 risks are being identified and managed, notes the COVID-19 Risk Register.**

66. **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.

67. **Procurement and Commissioning Progress Report**

The Audit and Procurement 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 27th September 2021. Details of the latest positions in relation to individual matters were set out in the Appendices 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 provide assurance about governance arrangements and that meetings of the Procurement Panel and Board were appropriately attended.

In response to questions, the Director of Law and Governance confirmed that Legal Services was maximising the use of the Apprenticeship Levy with plans for eight apprenticeships to improve recruitment, retention and diversity and providing alternative routes into law.

The Committee asked the Monitoring Officer to request that the HR Service provide assurance that the Council was maximising the use of the Apprenticeship Levy across the organisation.

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.**

68. **Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), that sought approval of the severance packages for two employees of the Council which each exceeded £100,000 and had occurred due to service re-organisation.

Part 2I of the Council's constitution required that any severance package for an employee of the Council of £100,000 or over should be determined by the Audit and Procurement Committee. The calculation of the value of an exit package included the costs to the Authority, as well as payments / benefits to the employee.

The Finance Manager (Corporate Services) confirmed that costs for the year would be included in the statement of accounts when they were published, but that in the meantime he would circulate this information to the Committee once it has been finalised after the end of the year.

RESOLVED that the Audit and Procurement Committee approves the severance payment on early retirement as calculated.

69. **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 4.00 pm)