



Audit and Procurement Committee Annual Report to Council

2021-22

To be considered at the City Council meeting
on the 6th September 2022

Audit and Procurement Committee Annual Report 2021-22

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 2021-22.

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 which have continued to be presented by Covid-19 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. The Committee has provided oversight of key matters such as the Annual Governance Statement, Internal Audit activity and challenges in meeting the regulatory deadlines for the publication of the Council's accounts. Alongside this, the Committee has considered additional information which provides assurance over the governance arrangements for procurement activity.

During the year, the Local Government Association established a regional audit forum for Audit Committee chairs as part of an enhanced package of support for audit, which I am pleased to be a member of.

I am looking forward to building on the good work done in 2021-22 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2022-23 these include ensuring that:

- The Council's risk management, governance, internal control and financial management arrangements continue to operate effectively, especially in light of the current economic situation facing the country.
- Matters relating to the publication of the Council's Statements of Accounts are resolved.

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 2021-22, the Council's Audit and Procurement Committee met on seven occasions. Meetings were held in June, July, September, October and November 2021, as well as in January and March 2022.

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 2021-22 are expanded upon below.

1.1 Governance - As part of the Annual Accounts process for 2020-21, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in July 2021. The Statement provides assurance that the Council's governance arrangements have been fit for purpose during the year, based on an assessment using a range of sources, including an evaluation of the impact of the Coronavirus pandemic on governance. 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; further strengthening the Council's arrangements around IT / Cyber Security, demonstrating compliance with the Financial Management Code, ensuring robust governance over group activities / investments, embedding new methods of Public Health engagement and consultation and refresh of the One Coventry Plan.

1.2 Financial Management and Accounting – The Committee received a report in June 2021, which provided an update on the audit and publication of the 2019/20 Statement of Accounts. The audited Statement of Accounts for 2019-20 were approved by the Audit and Procurement Committee in November 2021, subject to any final changes required from outstanding matters arising from the audit. Subsequent external audit activity identified further issues which has caused further delay to completion of the 2019/20 accounts and has also impacted on work required for the 2020/21 accounts. The Committee has continued to receive updates on this during the year. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2020-21 was considered in July 2021. 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 2021-22 were considered in September 2021, January 2022 and March 2022.
- A treasury management activity update was considered in January 2022. 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 2021-22:

- 2020-21 Audit Plan – This was considered in July 2021 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 2021. 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 also considered in July 2021 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 Committee confirmed was consistent with their understanding of management processes.
- Addendum to the Audit Findings for the 2019-20 accounts – this report was an addendum to the Audit Findings report presented to the Committee in November 2020 following which subsequent audit work was undertaken and several accounting issues were identified for which adjustments were required to the group and Council's financial statements. 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 regarding Property, Plant and Equipment, investment properties and Pension Fund investment properties.
 - The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Alongside the adjustments and amendments to the final accounting statements, the external auditors identified three recommendations for the Council which were agreed with management.

Following consideration of this report, subsequent external audit activity undertaken to enable the Council's Statements to be finalised have led to further delays to the external auditors issuing their final audit opinion and during 2021-22 has also impacted on the normal timetable of reports that the Committee receives from the external auditors, specifically the Audit Findings for the 2020-21 accounts.

1.4 **Internal Audit** – In June 2021, 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 2020 to March 2021, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 91% of the agreed work plan by the 31st March 2021, 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 risk

management, internal control and governance arrangements. Based on the work of Internal Audit in 2020-21, the Chief Internal Auditor concluded that 'moderate' assurance could be provided that there was generally an effective and adequate framework of governance, risk management and internal control in place to help the organisation meet its objectives.

Other Internal Audit reports considered during the year include:

- Internal Audit Plan for 2021-22 – 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.
- Progress reports on Internal Audit work – Monitoring reports were received in November 2021 and March 2022. These reports provided updates on the performance of the Service, along with a summary of the key findings from a sample of 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.

1.5 Fraud and Error- The following fraud reports were considered in 2021-22

- Annual Fraud and Error Report - This report was considered by the Committee in September 2021 and summarised the Council's response to anti-fraud and error activity for the financial year 2020-21. This included:
 - Work undertaken in managing the risk of fraud and error in business support grants which were administered by local authorities on behalf of the government in response to Covid-19. This included effective intelligence sharing on a regional basis which enabled timely action to be taken to prevent a large-scale cross boundary impersonation fraud amounting to £400k.
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 22 exemptions / discounts had been removed from customers' accounts in 2020-21, which resulted in revised bills being issued amounting to around £49k.
 - A summary of the work undertaken in relation to other corporate fraud work including investigations and proactive exercises, including one significant fraud which was concluded during 2020-21 (details of which were considered by the Committee in January 2021.)
- Half Yearly Fraud and Error Update - A report was received in January 2022, which provided an up-date on anti-fraud and error activity in 2021-22. This included the ongoing work in respect of business support grants and a summary of the work undertaken in relation to the National Fraud Initiative, a data matching exercise led by the Cabinet Office. This highlighted that £52k of overpayments had been identified which were being recovered by the Council.

1.6 Procurement – Report relating to procurement was received in September 2021 and March 2022. This area is considered under the private part of the agenda and are progress reports 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 reports also provided assurance around the effectiveness of governance arrangements for Procurement Board and Panels and details of exceptions to Contract Procedure Rules which had been granted. 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 October 2021, January 2022 and March 2022 linked to the discharge of this function. The Committee also received a report which outlined the revised framework which the Council has put in place to increase and strengthen the governance arrangements and process for organisational change.
- 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 2021-22, this included the following:
- Whistleblowing Annual Report 2020-21 – 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 in three cases management action was taken to make improvements.
 - Complaints to the Local Government and Social Care Ombudsman 2020-21 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2020-21 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 54 complaints, 13 were investigated and 10 were upheld. The Ombudsman issued one formal report of maladministration and injustice, in regards to which the Committee received assurance that the Council had accepted and has implemented all recommendations made.
 - 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 2020-21 – 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 71% of FOI requests on time and 76% of Subject Access Requests. Four Information Commissioners Office complaints were received during the year, which were appropriately dealt with. One security incident was 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. There were no directed surveillance applications granted during the year due to Covid-19 and the need for officers to undertake duties related to legislation

brought in during the pandemic. There were no reported instances of the Council having misused its powers under the Act.