

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
2.30 pm on Monday, 27 June 2022

Present:

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

Employees (by Directorate):

Finance B Hastie (Chief Operating Officer (Section 151 Officer)),
P Jennings, L Tyler

Law and Governance K Black, L Knight

Apologies: Councillor Sawdon

Public Business

6. Declarations of Interest

There were no declarations of disclosable pecuniary interests.

7. Minutes of Previous Meetings

The minutes of the meeting held on 21st March 2022 were agreed and signed as a true record. There were no matters arising.

8. 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 Appendix 1, item 1, the Chief Internal Auditor indicated that work had been completed and a draft report issued to management in relation to the audit of IT Disaster Recovery. It was anticipated that this audit would be finalised within

the next few weeks and a report would then be submitted to the Committee for consideration.

With regards to Appendix 2, the Finance Manager (Corporate Finance) advised the Committee that, in relation to item 2, the information requested on severance packages was now available and would be circulated to members of the Committee.

The Chair indicated that there had been no further information provided in relation to item 1 of Appendix 2 and it was agreed that this would be followed up with the responsible officer.

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

9. **Work Programme 2022/23**

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 2022/23.

It was agreed that for the meeting scheduled for 25th July 2022, an item be added to the meeting on 25th July 2022 titled 'External Auditor's Annual Report 2021-22 (Grant Thornton)' and that the item titled 'External Audit Plan Year Ending March 2021 (Grant Thornton)' be deferred to the meeting on 26th September 2022.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2022/23.

10. **Internal Audit Annual Report 2021-22**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that summarised the Council's Internal Audit activity for the period April 2021 to March 2022 against the agreed Audit Plan for 2021-2022 and the Public Sector Internal Audit Standards. The report also provided the Audit and Procurement 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 for the financial year 2021-2022. Appendices to the report provided: details of the Audits completed in 2021-2022 and the Summary findings from key audit reports.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2021-2022 at its meeting on the 28th June 2021. During the last financial year, the Committee received a progress report summarising completed audit activity in November 2021 and March 2022. This report detailed the performance of the Internal Audit Service against the Plan for 2021-2022, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - "To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts".

The report was set out in the following sections:

- Assessment of the performance of the Internal Audit Service against its key targets.
- The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector internal Audit Standards.
- A summary of the audit activity in 2021-22 and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
- The Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.

The key target for the Internal Audit Service was to complete 90% of its agreed work plan by the 31st March 2022. Whilst the plan was originally developed on the basis of an estimate of 650 available audit days, this was subsequently slightly amended to 470 days following a reassessment of available resources in quarter four, and reflected the fact that establishing an accurate resource position was more difficult when changes in staffing occurred during the year. As a result, the performance of the Service had been assessed against the revised audit plan of 470 days. The service delivered 87% of the plan.

As a result of the pandemic and the need to prioritise work which had been required to support the Council's ongoing response to Covid-19 throughout 2021-22, the Service had been unable to progress the improvement actions from the 2021-22 improvement plan. These actions had therefore been carried forward to the 2022/23 plan. Forthcoming progress against these actions would be included in future reports to the Committee.

Details of audit reviews carried out in the financial year 2021-2022, along with the level of assurance provided, were set out in an Appendix to the report.

A summary of the findings of key audits that had not already been reported to the Committee during the Municipal Year 2021-2022 were included in further Appendices to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescale stated. The reviews would be followed up in due course and the outcome reported to the Committee.

In respect of follow up of disclosures made in the Internal Audit Annual Report 2020-21, in the previous annual report, the Chief Internal Auditor identified two areas where she believed significant control improvements were required. The report provided an update on each of these areas: Information Risk Management and IT / Cyber Security.

The Public Sector Internal Audit Standards (PSIAS) highlights that a key responsibility of Internal Audit is to provide an objective evaluation of, and assurance on, the effectiveness of the organisation's risk management, internal control and governance arrangements. It requires that the annual internal audit opinion provided by the Chief Internal Auditor is a key element of the framework of assurance that informs the Annual Governance Statement.

In the Chief Internal Auditor's view, sufficient assurance has been obtained to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements. This takes into account the internal audit work performed during 2021-22 and other sources of assurance, specifically the work of the Corporate Governance Steering Board (of which the Chief Internal Auditor is a member), Corporate Risk Register and the Covid-19 Risk Register. It is the Chief Internal Auditor's opinion that moderate assurance can be provided that there is generally an effective and adequate framework of governance, risk management and internal control in place to meet the Council's objectives.

RESOLVED that the Audit and Procurement Committee considered and notes:

- 1) The performance of Internal Audit against the Audit Plan for 2021-22.**
- 2) The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.**
- 3) The summary findings of key audit reviews (attached at Appendix two to the report) that have not already been reported to Audit and Procurement Committee during municipal year 2021-22 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 4) The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.**

11. Internal Audit Plan 2022-23

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that submitted the draft Internal Audit Plan for 2022-23, attached as an appendix to the report, to the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

In terms of proposed audit activities, the draft Internal Audit Plan documented the outcome of the audit planning process for 2021-22. The report set out the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility but also enabled them, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The priorities of internal audit activity were determined through the development of an annual risk- based Internal Audit Plan. The report documented the planning process and identified the outcome of the process, namely the draft Internal Audit Plan for 2022-23.

Key points to note from the results of the initial assessment of priorities included:

- a) The draft plan was based on an allocation of priorities against the current level of audit resources available. The resource requirements had been assessed taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. For 2022-23, the resources available are 560 days for audit and corporate fraud work. This was an increase of approximately 90 days when compared with 2021-22 and reflected that all vacant posts which were responsible for delivery of the Internal Audit Plan were now recruited to.
- b) In addition to the 560 available audit days, two trainee posts have been recruited to as part of the longer-term strategic plan for the service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2022-23, although they will provide support to the Team in delivery of audit work.
- c) In focusing the available resources to develop a plan which met the needs of the Council, the following approach had been taken:

An initial risk assessment has been undertaken, which considered the Council's corporate risk register and any priorities identified from consultation with Directors and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level had been included within Appendix 1 of the report submitted. Where stated as medium rather than high, this generally reflected findings of previous audit reviews in the respective area / an initial assessment of the control environment.

Resource had been allocated to support the development of an audit universe to support future audit planning. Whilst there was no mandatory requirement to use this tool, it was a helpful model in large and complex organisations to ensure clarity and transparency around internal audit coverage. It supported an objective approach to determining audit priorities and would provide more assurance to senior management and the Audit and Procurement Committee that coverage is sufficient and aligned to the right areas. This activity also formed part of the Quality Assurance and Improvement Programme for Internal Audit.

A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.

A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources were directed in accordance with their priorities.

A flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

Other areas of planned work included:

- a) Corporate Risks – the focus of audit coverage in 2022-23 regarding the corporate risk register, was aligned to those areas where it was clear Internal Audit could make a contribution to the management of the risks, including emerging issues linked to activities. This included reviews of

equality and diversity in recruitment, public health funding and housing benefit subsidy.

- b) ICT – The programme of work of IT audit work was established through an IT audit needs assessment which identified areas of focus over a three-year period (subject to annual review.) In 2022-23, the areas which had been agreed were Service Desk (assessment of the new system for raising IT issues and associated processes), Software Asset Management and IT Operations.
- c) Council / Audit priorities – this incorporated audit work linked to specific priorities which had a corporate impact such as pre-employment checks, IR35 compliance and Coventry Municipal Holdings.
- d) Regularity – this included work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- e) Directorate risks – this audit area included those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2021-23 identified areas include buildings statutory compliance and the transfer of the Emergency Services Unit to Whitley Depot.

As a result, it is believed that the draft Audit Plan for 2022-23 was sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare our annual opinion and report.

In considering the report, the Committee highlighted the effectiveness of consultation as an area for review, particularly in relation to One Coventry. In discussion it was felt this would be more appropriate for the Finance and Corporate Services Scrutiny Board (1) to consider this matter. It was agreed that Scrutiny Board (1) be requested to consider this as part of their work programme for the year.

RESOLVED that the Audit and Procurement Committee

- 1) Notes the content and scope of the draft Internal Audit Plan for 2022-23, attached as Appendix 1 to the report, and approves the Plan.**
- 2) Requests that the Finance and Corporate Services Scrutiny Board (1) consider a review of the effectiveness of the consultation on One Coventry as part of their work programme for 2022-23.**

12. 2019-20 and 2020-21 Accounts Update

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which provided an update on the delayed 2019-20 and 2020-21 accounts, including matters that have arisen since the last update to the Committee. It was noted that Grant Thornton would provide their own official update on any outstanding issues at the conclusion of the 2020-21 audit.

Grant Thornton had presented two draft Audit Findings Reports to the Committee, in November 2020 and November 2021. These reports highlighted a higher than normal number of issues within the Council's accounts. Where the auditors have required these to be adjusted for within the accounts, these have been accepted and implemented by the Council. However, because the accounts remain unfinalised, further audit work has identified additional issues which need to be resolved before the accounts can be approved.

The additional issues to be resolved are the finalisation of accounting statements for the Council's Group Accounts (including the accounts of the Council's Key Group companies) and accounting for highways infrastructure assets.

The group accounting statements are those that combine the Council's own accounts with those of its company interests to present analysis across the whole Council 'group'. Grant Thornton have challenged why funding of the grouped elements has previously only reflected unusable reserves. Upon analysis, the Council recognises the approach is not consistent with the accounting guidance published by CIPFA and that it would be reasonable to expect company interests in the group accounts to be represented by both unusable and usable reserves. The Council is now re-analysing this position and is in dialogue with the auditors over a revised presentation.

Accounting for highways infrastructure had been a topic of debate for several years within local government and recent challenges in other councils has caused further sector-wide discussions. The issue relates to highways infrastructure assets (essentially roads and pavements) and specifically whether local authorities should be assessing if there is any residual value remaining in replaced components that needs to be de-recognised when the new expenditure is made. While this is standard practice for many fixed assets, it may not generally be being implemented for infrastructure assets because there are significant practical difficulties in applying a standard approach for such assets. Auditors across the sector have paused completion of council accounts across the country with Grant Thornton awaiting further guidance through CIPFA before they can sign off the Council's 2019-20 accounts. A CIPFA consultation on changes to the Accounting Code of Practice in relation to infrastructure assets is due to finish in June 2022 which should then enable a way forward to be agreed with the auditors.

The Committee noted that, as reported previously, the 2019-20 delays were concerned solely with technical accounting matters, largely around the valuation of assets on the balance sheet and consolidation of financial results into summary accounting statements. If more serious concerns had arisen, the auditors would have brought these to the Council's attention. In addition, the Council had already addressed one of the concerns of Grant Thornton that there was insufficient capacity and expertise to manage the Council's accounting requirements both by appointing expert external support for the key valuation processes and internal capacity specifically targeted at some of the more complex areas of accounting. Together these are already helping the Council to tackle the backlog of issues and put in place robust foundations for compiling future accounts.

RESOLVED that the Audit and Procurement Committee note the progress made since the last report on these matters, the current status of the 2019-

20 and 2020-21 accounting process and the issues outstanding to be resolved for 2019-20.

13. **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.

(Meeting closed at 4.15 pm)