



Audit and Procurement Committee Annual Report to Council 2022-23

To be considered at the City Council meeting
on the 5th September 2023

Audit and Procurement Committee Annual Report 2022-23

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 2022-23.

The Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. 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.

I am looking forward to building on the good work done in 2022-23 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2023-24 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 inflationary pressures facing the country.
- Matters relating to the publication of the Council's Statements of Accounts are resolved, with an expectation that the 2019-20 accounts are published before the end of 2023.

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 2022-23, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in June, July, August and September 2022, as well as in January, February and March 2023.

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 2022-23 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2021-22, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in January 2023. 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. 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; updating the Local Code of Governance, mandatory training for Waste Services employees returning to work, raising awareness of the Employees Code of Conduct, approval of the Council's draft Sustainability and Climate Change Strategy and improving the process for raising concerns under the Council's Whistleblowing Policy.

1.2 **Financial Management and Accounting** – The Committee received a report in June 2022, which provided an update on the audit and publication of the 2019-20 and 2020-21 Statement of Accounts. It was highlighted that additional issues identified by the Council's external auditors needed to be resolved before the accounts could be approved. These related to the following technical accounting matters; finalisation of accounting statements for the Council's Group Accounts and accounting for highways infrastructure assets. In addition, it was highlighted that the Council had appointed expert external support for the key valuation processes and internal capacity specifically targeted at some of the more complex areas of accounting. The Committee has continued to receive updates on this during the year, including the impact on subsequent years accounts. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2021-22 was considered in July 2022. 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 2022-23 were considered in September 2022, January 2023 and March 2023.
- A treasury management activity update was considered in January 2023. 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** - External audit activity undertaken to enable the Council's Statement of Accounts for 2019-20 and subsequent years to be finalised has also impacted on the normal timetable of reports that the Committee receives from the external auditors. However, the following reports were received from the Council's external auditors, Grant Thornton in 2022-23:

- Interim External Auditor's Annual Report 2020-21 - This report was considered in July 2022. Its purpose was to provide assurance that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The report concluded that there were no significant weaknesses in the Council's arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness although recommendations for improvement were made.
- External Auditor's Value for Money Report 2020-21 on Company Governance - This report was also considered in July 2022 and provided an assessment of the Council's governance arrangements for its wholly owned and joint venture companies. This included the Council's arrangements for group governance and the individual company's performance and operational governance. The report concluded that the revised governance structure through establishing a single parent company "Coventry Municipal Holdings" was appropriate and would enable the Council to have appropriate oversight of its companies and investments. A number of opportunities for further improvements were also identified in the report.

1.4 **Internal Audit** – In June 2022, 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 2021 to March 2022, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 87% of the agreed work plan by the 31st March 2022, 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 2021-22, 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 2022-23 – 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 January 2023 and March 2023. 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.

- Internal Audit Charter – This report set out the Internal Audit Charter which had been reviewed and updated. The Charter defines the purpose, authority, responsibility and position of internal audit activity with the Council. The Committee approved the adoption of the new Internal Audit Charter.
- Recommendation Tracking Report – In January 2023, a report on action taken by service areas in implementing agreed audit recommendations was presented. This highlighted the levels of compliance with the implementation of agreed actions and the approach undertaken by Internal Audit to follow up recommendations.

1.5 **Fraud and Error**- The following fraud reports were considered in 2022-23

- Annual Fraud and Error Report - This report was considered by the Committee in September 2022 and summarised the Council's response to anti-fraud and error activity for the financial year 2021-22. 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 pre and post-payment assurance checks and assisting in the administration of the debt recovery process.
 - A summary of the work undertaken in relation to the National Fraud Initiative, a data matching exercise led by the Cabinet Office. It was highlighted that £87k of overpayments had been identified which were subject to recovery action.
 - A summary of the work undertaken in relation to corporate fraud investigations, including one significant fraud which was concluded during 2021-22.
- Half Yearly Fraud and Error Update - A report was received in March 2023 which provided an up-date on anti-fraud and error activity in 2022-23. This included the ongoing work in respect of business support grants which highlighted that £367k of business support grants which had been recovered by the Council had been returned to the Department of Business, Energy and Industrial Strategy.

1.6 **Procurement** – Report relating to procurement was received in September 2022 and March 2023. 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 details of savings made. 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 June 2022, August 2022 and February 2023 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 2022-23, this included the following:

- Whistleblowing Annual Report 2021-22 – 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 three whistleblowing disclosures received, in one case management action was taken to make improvements. In the other two cases, the disclosure was not substantiated / did not satisfy the grounds for whistleblowing.
- Complaints to the Local Government and Social Care Ombudsman 2021-22 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2021-22 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 93 complaints, 14 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 taken appropriate action in response.
- Corporate Risk Register– This report set out the current Corporate Risk Register with an overview of the changes since the last Register was considered and details of the controls in place to address identified risks. The Committee noted the Risk Register having satisfied themselves that risks are being identified and managed, whilst asking for consideration to be given to the inclusion of three additional risks onto the Register.
- Information Governance Annual Report 2021-22 – 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 86% of FOI requests on time and 79% of Subject Access Requests. Twelve 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 and no reported instances of the Council having misused its powers under the Act.