

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 9 October 2023

Present:

Members: Councillor R Lakha (Chair)
Councillor M Ali
Councillor G Ridley
Councillor B Singh

Other Member Present (by invitation) Councillor R Brown - Cabinet Member for Strategic Finance and Resources

Employees (by Service Area):

Finance: B Hastie (Chief Operating Officer (Section 151 Officer)),
P Baggott, P Helm, P Jennings, T Pinks, K Tyler

Law and Governance: R Amor, S Bennett

Others present: M Stocks, External Auditors (Grant Thornton)

Apologies: Councillor S Agboola
Councillor J Blundell

Public Business

18. Declarations of Interest

There were no disclosable pecuniary interests.

19. Minutes of Previous Meeting

The Minutes of the meeting held on 24 July 2023 were agreed and signed as a true record.

Further to Minute 14/23, the Committee noted that the Chair, Councillor R Lakha, had referred to the process of appointing an Independent Member to the Audit and Procurement Committee as part of the Committee's Annual Report to Council on 5 September 2023.

20. Exclusion of Press and Public

RESOLVED that the Audit and Procurement Committee agrees to exclude the press and public under Sections 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 as defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial

affairs of a particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

21. Audited 2019/20 Statement of Accounts and Audit Findings Report

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) which sought approval for the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Report provided alongside the accounting statements. The Audit & Procurement Committee was approving these accounts on the Council's behalf. This follows a very significant period of delay resulting in these accounts being brought much later than the original regulatory deadline of 30th November 2020.

The report indicated that responsibility for approving the Council's Statements rests with the Audit & Procurement Committee, which is the key body in respect of understanding, analysing, and discussing the content of these statements. The Committee's attention was drawn to the appended Audit Findings Report as the key document detailing the changes to previous versions and key issues which need to be addressed by the Council.

Audit and Procurement Committee had been informed previously of the regulations requiring local authority 2019/20 Accounts to be audited and published by 30th November 2020. Although the Council sought to meet this requirement, further work and challenges from the Council's auditors, Grant Thornton, led to delays which have become very significant and have led to an extremely protracted audit of the accounts. Formal updates on this position were provided to the Committee on 28th June 2021, 29th November 2021 and Grant Thornton provided a further verbal update to Committee on 20th March 2023.

The Committee had been informed previously of some of the factors responsible for the delay including: practical issues with undertaking audit work in a 'virtual' way; additional work required of the auditors including that insisted upon by the Financial Reporting Council in relation to the valuation of Property, Plant and Equipment; well publicised pressure on the auditing sector which were outlined in the Redmond Review; delays elsewhere in the process, for instance in the completion of the accounts of the Council's companies; and national issues in relation to accounting for highways infrastructure assets. Despite these mitigating factors, in the final analysis it is reasonable to conclude that the majority of the lapsed time in completing the Council's accounts is as a result of errors relating to the Council's Group Accounts and property valuations.

Although a previous report obtained delegated approval for the final Statement of Accounts to be approved by the Section 151 Officer in consultation with the Chair of Audit and Procurement Committee, the extent of the changes made since the previous draft notified to Committee had led to the conclusion that it is more appropriate for these changes to be considered formerly by a full meeting of Committee.

The report and the Statement of Accounts were presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details the significant changes to the draft accounts published in November 2020.

These changes have been agreed between Grant Thornton and the Chief Operating Officer (Section 151 Officer). The Committee was recommended to approve the Statement of Accounts and endorse the Audit Findings Report. A marginal change (in relation to the delay in completing the accounts) had also been made to the Annual Governance Statement (AGS) approved previously by Audit and Procurement Committee, which was now being asked to re-approve the AGS with these marginal amendments.

The Committee noted that once approved, the final Statement of Accounts will be published on the Council's website with almost immediate effect.

The Committee asked questions and sought assurances at the meeting from officers and the external auditor, Grant Thornton, who attended the meeting, particularly in relation to the delay in approving the accounts. The Committee noted that this was a national issue, experienced by Local Authorities across the country. It was also noted that the issue had been recognised by the Government and a letter from the Department for Levelling Up, Housing and Communities regarding the future of local audits had been sent to all Local Authorities.

RESOLVED that the Audit and Procurement Committee:

- 1) Following consideration, approves the final 2019/20 Statement of Accounts.**
- 2) Following consideration, accepts Grant Thornton's Audit Findings Report provided alongside the accounting statements.**
- 3) Following consideration, approves the Annual Governance Statement as amended and incorporated within the 2019-20 Statement of Accounts.**
- 4) Requests that a copy of the letter from the Department for Levelling Up, Housing and Communities to all Local Authorities regarding the future of local audits be circulated to the Committee for their information.**

22. 2023/24 First Quarter Financial Monitoring Report (to June 2023)

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which had also been considered at the meetings of Cabinet on 29 August 2023 (Minute 22/23 refers) and Council on 5 September 2023 (Minute 52/23 refers) and which advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2023. The net revenue forecast position after management action was for spend in 2023/24 of £12.1m over budget. At the same point in 2022/23 there was a projected overspend of £9.5m.

The Council continued to face budget pressures within both Adults and Children's Social Care which together accounted for £11m of the underlying overspend. The overwhelming majority of this was caused by the continuing high level of inflation

within the economy and difficult conditions within social care markets. Other smaller but still significant overspends were also being reported in Business Investment and Culture, Transportation, Highways and Sustainability, and Streetscene and Regulatory Services.

Recent weeks have seen a number of Councils with social care responsibilities report large in-year budgetary difficulties and it was clear that there were systemic problems for the whole sector which represented a serious threat to its financial sustainability. The Council's position above reflected a number of largely one-off actions that had already been taken to reduce the overspend. As the underlying position was significantly higher than had been experienced in recent years, further urgent action was proposed to address the pressure in order to prevent the 2024/25 position increasing to unmanageable levels.

The Council's capital spending was projected to be £163.6m and included major schemes progressing across the city. 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. Inflationary pressures were also affecting capital projects. The assumption was that stand-alone projects that were already in-progress would be delivered as planned but that future projects that had not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, had renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This would be a priority across all services as the Council developed its future budget plans in the coming months.

RESOLVED that the Audit and Procurement Committee notes the proposals in the report.

23. Whistleblowing Annual Report 2022-23

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) which provided the Audit and Procurement Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

The report indicated that 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 (including agency workers) 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 grounds listed above are considered by the Council's Monitoring Officer.

The report provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues and was presented to the Audit and Procurement 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".

In order to protect the confidentiality of whistleblowers and other parties involved, no information is included in this report that could lead to the identification of a whistleblower or the subject of the whistleblowing or compromise the confidentiality of an on-going investigation.

During 2022-23, the Council received six whistleblowing disclosures. Of these, two were made by a third party and as such, the legal protection afforded to employees who raise 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.

Action had also been taken during the year to introduce a digital reporting form which can be used to raise concerns alongside other routes and is available on the Council's website.

A summary of the disclosures made by type and service area was provided in a Table in the report. Whilst all concerns are taken seriously, the responses will differ on a case-by-case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2022-23 were provided in a further table.

The report detailed management action taken as a result of the disclosures and indicated that was recognised that the Council's Whistleblowing Policy should be promoted and easily accessible to employees. To support this aim, action is currently being taken to review the Council's "I Have A Concern" intranet page, following which, it will be promoted across the Council.

RESOLVED that the Audit and Procurement Committee considers and notes the summary of whistleblowing concerns raised during 2022-23 and confirms its satisfaction with the actions taken to respond to the issues raised.

24. **Outstanding Issues**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which identified issues on which a further report/information had been requested or was outstanding so that the Committee were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report had been requested to a meeting along with the anticipated date for consideration of the issue. The Committee noted that there were no issues in Appendix 1.

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. The Committee received an oral update at the meeting regarding the action taken in relation to the three items the Committee had requested be added to the Corporate Risk Register (Minute 65/22), which discharged this matter.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report and the action taken to discharge matters, which can now be removed from the report.

25. **Work Programme 2023/2024**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2023/2024.

RESOLVED that the Work Programme be noted.

26. **Any Other Items of Urgent Public Business**

There were no other items of urgent public business.

27. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 20 March 2023. 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 indicated that since the last Committee when the procurement report had been presented, the Procurement Panel had received 38 reports and the Procurement Board 27 reports.

In addition, there have been a total of 69 exceptions. An exception to the Contract Procedure Rules may be granted subject to conditions, such as urgency, single source availability, technical nature etc. An exception cannot be granted where a breach of any UK legislation would be incurred.

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.**

28. Any Other Items of Urgent Private Business

There were no other items of urgent private business.

(Meeting closed at 3.15pm)