

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 24 June 2024

Present:

Members: Councillor R Lakha (Chair)
Councillor B Singh (Deputy Chair)
Councillor M Ali
Councillor J Blundell
Councillor A Hopkins
Councillor A Jobbar
Councillor P Male

Employees
(by Service Area):

Childrens Services and
Education N MacDonald (Interim Director of Childrens Services and
Education)

Finance and Resources K Tyler

Law and Governance J Newman (Director of Law and Governance), M Salmon

Regeneration and
Economy A Williams (Director of Regeneration and Economy),
K Mawby

Public Business

1. **Declarations of Interest**

There were no disclosable pecuniary interests.

2. **Minutes of Previous Meeting**

The minutes of the meeting on 3rd June 2024 were agreed and signed as a true record. There were no matters arising.

3. **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 Minutes 10 and 11 below both headed 'Consideration of Approval of Severance Packages', on the grounds that the items involve the likely disclosure of information defined in Paragraphs 1, 2, 3 and 4 of Schedule 12A of the Act, as they contain information relating to individuals, the financial and business affairs of a particular person (including the authority holding that information) and information relating to labour relations matters and that, in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. **Local Code of Corporate Governance 2024/25**

The Audit and Procurement Committee considered a report of the Director of Law and Governance, which would also be considered at the meeting of the Ethics Committee on 27th June 2024, that sought their consideration of the Local Code of Corporate Governance 2024/25 and confirmation of its satisfaction that the Code accurately represents the Council's governance arrangements.

The Local Code of Corporate Governance set out Coventry City Council's arrangements for meeting the seven principles of good governance as defined in the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. The Framework recommended that Local Authorities developed and maintained a Local Code of governance as it provided a structure to help individual authorities with their approach to governance.

The Council adopted a Local Code of Corporate Governance in 2017. The Code had recently been reviewed in the light of best practice and updated to reflect the current governance arrangements in place within the Council. An up to date and robust Local Code provided clarity over an authority's governance and supported the legal requirement to undertake an annual review of effectiveness of the Council's governance arrangements and produce an Annual Governance Statement.

The CIPFA / Solace Framework defined governance as "the arrangements put in place to ensure that the intended outcomes for stakeholders were defined and achieved." Coventry City Council had a range of measures in place to ensure that governance in the organisation was managed effectively and worked hard to ensure that those arrangements were robust and met best practice. This was achieved through a range of policies, plans, and procedures such as the Constitution (including codes of conduct for Members and employees), the One Coventry Plan, the Medium-Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption, and managing risk.

The Local Code of Corporate Governance, attached as an Appendix to the report, was a refresh of the previous code with work undertaken with internal stakeholders to ensure it reflected the current position of the organisation and the Authority's One Coventry approach. The Local Code set out the Council's specific arrangements for putting the principles of good governance into practice. It drew on examples provided in the Framework but also reflected systems and processes which were specific to the Council.

The Committee noted the legal requirement to undertake an annual review that the governance arrangements set out in the Local Code were effective and/or complied with and to produce an Annual Governance Statement, with any identified areas for improvement included in the Annual Governance Statement action plan.

RESOLVED that the Audit and Procurement Committee confirms its satisfaction that the Code of Corporate Governance accurately represents the Council's governance arrangements.

5. **Internal Audit Annual Report 2023/2024**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that summarised the Council's Internal Audit activity for the period April 2023 to March 2024 against the agreed Audit Plan for that year and the Public Sector Internal Audit Standards. It provided the Chief Internal Auditor's opinion on overall adequacy and effectiveness of the Council's risk management, internal control, and governance arrangements for the financial year 2023-24, as set out in section 2.4 of the report. Appendices to the report provided details of the audits completed in 2023-24 and a summary of findings from key audit reports.

The key target for the Internal Audit Service was to complete 90% of its agreed work plan by 31st March 2024. Whilst the plan was originally developed on the basis of an estimate of 480 available audit days, this was subsequently amended to 400 days following long term unplanned absence in the Service. The change was reported to the Audit and Procurement Committee in March 2024 (minute 56/23 referred) and the performance of the Service assessed against the revised audit plan of 400 days. The Service delivered 82% of the plan, which was slightly below target but not viewed that it materially impacted on the ability to provide an annual audit opinion. Of the nine audits which formed part of the 2023-24 audit plan, and which were not completed by the end of March 2024, two had now been finalised, one was at draft report stage and the remaining six were ongoing / had been rescheduled.

The Service had a number of other key performance indicators (KPIs) which underpinned its delivery and were aimed at ensuring that the audit process was completed on a timely basis. The report detailed the performance of Internal Audit for 2023-24 compared with 2022-23, indicating that there were three areas where performance was below expectations for which there were a number of reasons, for example the audit area was more complex than originally envisaged and had taken longer to complete than the original time estimated. Ongoing monitoring of internal audit work and identifying opportunities for improvement remained a key focus for management, in line with the Public Sector Internal Audit Standards which were based on the Global Internal Audit Standards. Following a review of the Global Standards by the Institute of Internal Auditors, a new set of standards would come into force in January 2025. The Internal Audit Service would be looking developing a revised set of performance indicators aligned to the new standards and work was currently ongoing to assess what measures would be required with further updates on this provided to the Audit and Procurement Committee.

The Public Sector Internal Audit Standards required that the Internal Audit Service developed and maintained a quality assurance and improvement programme that covered all aspects of internal audit activity, details of activities included in the Programme for 2023-24 were set out in the report together with details of the specific improvement actions which had been delivered against the improvement plan. In considering the results of the quality assurance and improvement programme, it had been concluded that the Internal Audit Service conformed with the Public Sector Internal Audit Standards, with no key areas of non-compliance.

Where improvements had been identified, it was not considered that this materially impacted on the overall scope or operation of the internal audit activity. The report detailed the current improvement plan for Internal Audit and indicated that progress against the actions would be included in the next annual report to the Audit and Procurement Committee.

An Appendix to the report provided details of the audit reviews that had been carried out in the financial year 2023-24 along with the level of assurance provided, with the definitions to support the level of assurance applied to audit reviews carried out by the Service, set out in the report.

A summary of the findings of key audits that had not already been reported to the Committee during municipal year 2023-24 were included in a further Appendix to the report. In all cases, relevant managers would address the issues raised in line with the timescale stated with the reviews followed up and the outcome reported to the Audit and Procurement Committee.

In the Chief Internal Auditor's view, sufficient assurance had 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 took account of the internal audit work performed during 2023-24 and other sources of assurance, specifically: the work of the Corporate Governance Steering Board of which the Chief Internal Auditor was a member; the Corporate Risk Register; and the findings of the Local Government Association's Corporate Peer Challenge, undertaken in January 2024.

It was the Chief Internal Auditor's opinion that reasonable assurance could be provided that there was generally an effective and adequate framework of governance, risk management and internal control in place designed to meet the Council's objectives. This meant that there was generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level. Through Internal Audit work, actions were agreed to improve the governance, risk management and the internal control environment and assist the Council in achieving its objectives. A defined process existed within the Service to gain assurance that all actions agreed had been implemented on a timely basis. In giving this opinion, assurance could never be absolute and could not eliminate all risk and provide absolute assurance of effectiveness.

In undertaking the assessment of the Council's arrangements, the Chief Internal Auditor had reviewed whether, in her opinion, there were any areas that needed to be considered when the Council produced its Annual Governance Statement for 2023-24. Whilst any audit where 'limited' or 'no' assurance was provided required attention, an assessment was also made as to whether the review had a significant corporate impact and consequently needed to be considered in the producing the Annual Governance Statement, or whether the review was limited to specific working practices in service areas which did not have a wider bearing on the Council's control environment. Issues that had been identified for consideration in preparation of the Annual Governance Statement for 2023-24 were detailed in the report.

The Committee requested that the half-year monitoring report, scheduled on the Work Programme to be submitted to the Committee in November 2024, included an update on progress against the Internal Audit Improvement Plan, and also that improvement action 7 be updated to include reference to the resourcing issue.

RESOLVED that Audit and Procurement Committee notes:

- 1) The performance of Internal Audit against the Audit Plan for 2023-24.**
- 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 2023-24 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.**

6. Internal Audit External Quality Assessment

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that provided the results of the External Quality Assessment of the Internal Audit Service and the updated Internal Audit Charter.

The Public Sector Internal Audit Standards required that a Quality Assurance and Improvement Programme (QAIP) must be developed and maintained. The Programme was designed to enable an evaluation of internal audit activity's conformance with the Standards and an evaluation of whether internal auditors applied the Code of Ethics. It also assessed the efficiency and effectiveness of internal audit activity and identified opportunities for improvement. The QAIP must include both internal and external assessments. External Assessments must be completed at least once every five years and an assessment for the Internal Audit Service at Coventry City Council had now been undertaken, with the final report issued in May 2024. The Standards required that the results of the assessment were discussed with the Audit and Procurement Committee.

There were two options available for conducting external assessments; a full external assessment; or a self-assessment with independent external validation. The preferred option to use a self-assessment approach was approved by the Audit and Procurement Committee at its meeting on 26th June 2023 (minute 6/23 referred) and consequently, a tri-party arrangement was entered into with Solihull MBC and Sandwell MBC with each Council acting as the assessor for another. The assessment for Coventry City Council was undertaken by the Head of Audit at Sandwell MBC who had over 30 years internal audit experience.

The independent external validation was based on the review a self-assessment checklist completed by the Internal Audit Service, along with interviews and a review of a number of key documents. The overall conclusion reached by the assessor was that “from the evidence reviewed as part of the independent validation of the self-assessment Coventry City Council’s Internal Audit Service conformed to the requirements of the Public Sector Internal Audit Standards and the requirements of the Local Government Application Note, with no key areas of non-compliance with the standards identified.”

Notwithstanding the overall conclusion of the assessment, a number of improvement actions to further build on conformance were identified, both by the Chief Internal Auditor in completing the self-assessment and by the assessor. These were detailed in the full report attached as an Appendix to the report. The assessor had recommended that these were included in an action plan, with completion monitored by the Audit and Procurement Committee. This action plan had been included in the Internal Audit Annual Report and was also detailed in the report. Progress in completing the action plan would be included in future reports to the Audit and Procurement Committee.

One of the improvement actions highlighted in the report, action plan reference 1, was to “Identify Internal Audit’s contribution to the review of effectiveness of the control environment within the Internal Audit Charter.” As such, the Charter had been updated to reflect this, Section 7 referred, and was included in a further Appendix to the report. The Public Sector Internal Audit Standards required that the Charter was approved by the Audit and Procurement Committee and this report provided an opportunity to do this.

RESOLVED that the Audit and Procurement Committee:

- 1) Notes the results of the External Quality Assessment, including the improvement action plan.**
- 2) Approves the updated Internal Audit Charter.**

7. Outstanding Issues

The Audit and Procurement Committee considered a report of the Director of Law and Governance that 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 an issue where a report had been requested to a meeting along with the anticipated date for consideration of the matter.

Appendix 2 of the report provided details of an item where information had been requested outside the formal meeting.

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

8. **Work Programme 2024/2025**

The Audit and Procurement Committee considered a report of the Director of Law and Governance that detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2024/2025.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2024/2025.

9. **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.

10. **Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a private report of the Director of Regeneration and Economy that sought approval of a severance package for an employee's retirement which had occurred due to changes in the Employment and Skills Service that has had to review the way in which the service operated in response to a significant reduction in grant funding and changes to the funding landscape for employment support.

Part 21 of the Council's constitution required that any severance package for an employee of the Council which exceeds £100,000 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.

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

11. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Consideration of Approval of Severance Packages

The Audit and Procurement Committee considered a report of the Interim Director of Childrens Services and Education that sought approval of severance packages for employees' retirements which had occurred due to a review in the way in which the Family Group Conferencing Service operated in response to a reduction in grant funding.

Part 21 of the Council's constitution required that any severance package for an employee of the Council which exceeds £100,000 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.

With the agreement of the Chair, Councillor Lakha, the report had been circulated as urgent business, the reason for urgency being the need to consider the report prior to the next meeting of the Committee, due to the timescales involved.

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

(Meeting closed at 3.45 pm)