



Audit and Procurement Committee Annual Report to Council 2023-24

To be considered at the City Council meeting
on the 3rd September 2024

Audit and Procurement Committee Annual Report 2023-24

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 2023-24.

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 progress towards 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 2023-24 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2024-25 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 financial pressures caused by inflation, increasing service demands and difficult conditions within social care markets.
- Matters relating to the publication of the Council's Statements of Accounts are resolved as soon as practicable, with an objective that outstanding years accounts are published in line with the expectations of the Governments consultation once the outcome of that is known.

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 2023-24, the Council's Audit and Procurement Committee met on six occasions. Meetings were held in June, July, October and December 2023, as well as in January and March 2024.

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 2023-24 are expanded upon below.

1.1 **Governance** – The Committee received the following reports linked to the Council's governance arrangements:

- The Council's Local Code of Governance was considered by the Committee in June 2023. The Local Code sets out the Council's specific arrangements for putting the principles of good governance into practice. It draws on examples provided in the "Delivering Good Governance in Local Government Framework" published by CIPFA / Solace but also reflect systems and processes which are specific to the Council. The Committee satisfied itself that the Local Code accurately represents the Council's governance arrangements and noted the legal requirement to produce an Annual Governance Statement.
- As part of the Annual Accounts process for 2022-23, 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 2024. 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; raising awareness around requirements to declare gifts and hospitality, implementing the ethical leadership action plan, managing the risk of un-regulated provision in Children's Services, developing an assurance framework for the Council's group of companies, introducing arrangements for publishing decisions delegated to officers, strengthening arrangements to ensure compliance with the Transparency Code, and implementing the action plan linked to the Statement of Accounts.

1.2 **Financial Management and Accounting** – In October 2023, the Committee received the final statement of accounts for 2019-2020, alongside the External Auditor's Audit Findings report. As a result of the

audit findings a number of changes were made to the draft accounts, including an increase in net assets, changes to the group accounts and changes relating to land and property valuations. The Committee sought assurances in relation to the delay in approving the accounts and also re-approved the Annual Governance Statement for 2019-20 which set out an action plan to complete subsequent year's accounts as soon as practicable. 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 2022-23 was considered in July 2023. 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 October 2023, December 2023 and March 2024.
- A treasury management activity update was considered in December 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 2023-24:

- External Auditor's Annual Report 2021-22 - This report was considered in January 2024. Its purpose was to provide assurance that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Whilst the report concluded that there were no significant weaknesses in arrangements to secure financial stability at the Council and improving economy, efficiency and effectiveness, a key recommendation was made in relation to addressing the weaknesses identified in the preparation of the financial statements.
- Interim External Auditor's Annual Report 2022-23. This report was considered in March 2024. The report concluded that at this stage, there were no significant weaknesses in arrangements to secure financial stability and improving economy and effectiveness, although as the accounts preparation and audit cycle remained delayed at the time of writing, the key recommendation relating to the preparation of the financial statements was repeated. The report also noted the Council were taking active steps to mitigate cost pressures.

1.4 **Internal Audit** – In June 2023, 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 2022 to March 2023, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 89% of the agreed work plan by 31st March 2023, 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 2022-23, 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 2023-24 – 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 the scope and coverage outlined in the plan.
- Progress reports on Internal Audit work – Monitoring reports were received in December 2023 and March 2024. 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 External Quality Assessment – This report set out the planned approach for the External Quality Assessment of the Internal Audit Service. The Public Sector Internal Audit Standards require that a Quality Assurance and Improvement Programme is maintained. This includes the requirement for an external assessment to be undertaken every five years to evaluate the internal audit activity's conformance with the Standards and Code of Ethics. The Committee approved the approach outlined with Sandwell MBC acting as the assessor for the Council.
- Recommendation Tracking Report – In March 2024, 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 2023-24:

- Annual Fraud and Error Report - This report was considered by the Committee in July 2023 and summarised the Council's response to anti-fraud and error activity for the financial year 2022-23. 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. Work in 2022-23 focused on collating and submitting the datasets for the next exercise.
 - A summary of the work undertaken in relation to corporate fraud investigations, including one significant fraud which was concluded during 2022-23.
- Half Yearly Fraud and Error Update - A report was received in December 2023 which provided an up-date on anti-fraud and error activity in 2023-24. This included work to follow up matches from the National Fraud Initiative which highlighted that an estimated £117k of forward savings had been made as a result of action taken.

1.6 **Procurement** – Reports relating to procurement were received in October 2023 and March 2024. 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 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2023-24, this included the following:

- Whistleblowing Annual Report 2022-23 – 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 one case the matter was dealt with under the Council’s disciplinary process. In three cases, management action was taken to make improvements and in the other two cases, the disclosure did not satisfy the grounds for whistleblowing.
- Complaints to the Local Government and Social Care Ombudsman 2022-23 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2022-23 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 73 complaints, 20 were investigated and 17 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 also agreeing with the External Auditor’s recommendation that the Committee review the Corporate Risk Register on a six-monthly basis moving forward.
- Information Governance Annual Report 2022-23 – 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 77% of Subject Access Requests. Twelve Information Commissioners Office complaints were received during the year, which were appropriately dealt with. No security incidents were reported to the Information Commissioners Office during the year.
- Coventry Municipal Holdings Group Accounts – This report set out the accounts for Coventry Municipal Holdings limited for the year ending 31st March 2022 and where available to the year ending 31st March 2023 and also confirmed that each of the trading entities adhered to the requirements under the Group Governance Agreement.