

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 22 July 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
Councillor B Singh

Employees
(by service area):

Finance and Resources B Hastie (Director of Finance and Resources), T Pinks,
K Tyler

Law and Governance M Salmon

Apologies: There were no apologies

Public Business

12. Declarations of Interest

There were no disclosable pecuniary interests.

13. Minutes of Previous Meeting

The minutes of the meeting on 24th June 2024 were agreed and signed as a true record. There were no matters arising.

14. Revenue and Capital Outturn 2023/2024

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that outlined the final revenue and capital outturn position for 2023/24 and reviewed treasury management activity and 2023/24 Prudential Indicators reported under the Prudential Code for Capital Finance. Appendices to the report provided a detailed breakdown of Directorate Revenue Variations, Capital Programme Changes and Analysis of Rescheduling, and Prudential Indicators.

The report had also been considered by Cabinet (their Minute 8/24 referred) and Council (their Minute 23/24 referred).

The overall financial position included the following headline items:

- An overspend of £1.8m, balanced by a contribution from unearmarked reserves.
- Capital Programme expenditure of £115.3m
- A reduction in the level of available Council revenue reserves from £128m to £118m

Further detail within the overall position included:

- An overspend of £4.9m in Adults' Social Care reflecting an increased number of high-cost complex cases.
- An overspend of £4.7m within Streetscene and Regulatory Services representing a reduction in income generation in several areas such as planning applications, car parking in parks and bereavement services as well as pressures within urban forestry due to remedial works on trees. A significant proportion of this pressure was within Waste & Fleet services relating to implementation of HSE recommendations, costs of increased tonnages and increased gate fees, and deficits on planned income in both Commercial Waste and Passenger Transport.
- An overspend of £2.8m within Childrens' Services reflecting high placement costs and staffing pressures in Help & Protection (Area Teams) due to high levels of cases which required additional workers and agency staff.
- An overspend of £2.5m on Housing & Homelessness due to an increase in people seeking support and being placed in temporary accommodation (TA), combined with an increase in TA fees.
- An underspend of £1.8m in Education & Skills due to management of vacancies within Customer Services, alongside other efficiencies and the utilisation of grant income and earmarked reserves.
- An overspend of £1.4m on Business, Investment & Culture represented underachievement of sponsorship income and reduced grant from ERDF as well as holding costs for the City Centre Cultural Gateway due to slipped project implementation timescales.
- An overspend of £1.4m on Transport & Highways relates to increased costs in highways maintenance to address highways defects, as well as continuing high costs of energy for street lighting.
- The service had experienced pressures in highways maintenance due to the cost of addressing highways defects and income pressures resulting from sickness and recruitment challenges. In addition, the continuing high cost of energy had resulted in pressures in street lighting. These pressures had been partially offset by a recovery in car park income.
- A net underspend of £12.4m within central budgets, included higher dividend income from Council owned companies, interest income from loans, higher than budgeted investment income, and distribution of Business rates Levy Account Surplus.

The underlying revenue position had improved by £6.7m since Quarter 3 when an overspend of £8.5m was forecast. The majority of the improved position related to increased one-off income within Contingency and Central budgets which were set out in the report.

The prudent management of the Councils financial position throughout the Covid crisis enabled the Council to retain some resources to manage any legacy issues. £1.8m of this had been used to balance the position at the end of 2023/24. Although the Covid crisis was no longer a significant threat to the Councils service delivery and financial position, the cost-of-living crisis and high levels of inflation had had tangible impacts on demand for both Childrens, Adults and Housing services. The complexity of need, support required and sufficiency of the external market to provide for this had directly impacted the Councils financial outturn reported up to 31st March 2024 and would be an ongoing financial challenge in 2024/25.

Members asked questions and received assurances at the meeting from officers on matters that included dividends from investments, favourable movement in Childrens Services, staff budgeting, and use of reserves. Further to paragraph 2.1.3 of the report headed 'Movement from quarter 3 forecast' relating to Streetscene and Regulatory Services, Members requested that the names of the sites listed as the two major planning applications, be circulated to them

RESOLVED that the Audit and Procurement Committee notes the content of the report.

15. Audit and Procurement Committee Annual Report to Council 2023/24

The Audit and Procurement Committee considered their Annual Report to Council that provided an overview of its activity during 2023/2024. The report would be submitted to the City Council at their meeting on 3rd September 2024.

The report included an introduction by the Chair, Councillor R Lakha, and indicated that the Audit and Procurement Committee was a key component of the Council's governance framework, supporting good governance and strong public financial management. Over the last year, the Committee had 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 report demonstrated the vital role carried out by the Committee and the contribution that it made to the Council's overall governance arrangements.

The Committee received a range of routine reports based on the clearly defined expectations of services / functions that reported to it, e.g. internal / external audit and financial management. It also received ad-hoc reports which focussed on either a specific concern or developments that impacted directly on the Committee.

The report detailed the Committee's activity in 2023/24 in the following areas: Governance; Financial Management and Accounting; External Audit; Internal Audit; Fraud and Error; and Procurement. Reports considered during this period which were linked to risk management, internal control and governance, included: Whistleblowing Annual Report 2022/23; Complaints to the Local Government and Social Care Ombudsman 2022/23; Corporate Risk Register; Information

Governance Annual Report 2022/23; and Coventry Municipal Holdings Group Accounts.

The report also detailed priorities for the Committee for 2024/25 which included:

- 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 were resolved as soon as practicable, with an objective that outstanding years accounts were published in line with the expectations of the Governments consultation once the outcome of that was known.

The Committee agreed to recommend that Council consider the Annual Report for 2023/2024 at their meeting on 3rd September 2024.

RESOLVED that the Audit and Procurement Committee recommends that Council considers the Audit and Procurement Committee Annual Report 2023/2024 at their meeting on 3rd September 2024.

16. **Internal Audit Plan 2024/25**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that submitted the draft Internal Audit Plan for 2024/25, attached as an appendix to the report, to enable 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 2024/25. The report set out the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility and also enable it to support delivery of the Internal Audit Charter by approving the Internal Audit plan.

The report indicated that the draft plan was based on an allocation of priorities against the current level of audit resources available. For 2024/25, it had been assessed that the resources available were 650 days for audit and corporate fraud work. This was an increase of approximately 250 days when compared with 2023/24 and reflected that as the two trainee posts had now completed their level four Internal Audit Apprenticeship and successfully obtained a professional Internal Audit qualification, they had been included within the assessment of resources. The structure of the Internal Audit Service was currently being reviewed and in the event that there was a significant change in the available audit days over the course of the year, flexibility would be retained in how these resources were utilised. Updates on the resource position and any resulting change to the Plan would be provided in future reports to the Committee.

In focusing the available resources to develop a plan which met the needs of the Council and added value, the following approach had been taken:

- An initial risk assessment had 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 had been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level had been included in the Appendix to the report. Where the risk had been assessed as medium rather than high, this generally reflected the findings of previous audit reviews in the respective area / an initial assessment of the control environment.

- Where appropriate to do so, the audits of key financial systems were undertaken on a bi-annual basis, e.g. where there was a history of the system being well controlled.
- Given that the number of local authority-maintained schools had reduced over recent times, a cyclical programme of school audits had been re-introduced, with the strategy that all schools were now audited every five years.
- 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.
- Where appropriate, planned days for individual audits had taken account of the individual auditor's level of experience and supervision required.

Areas of planned work included:

- Corporate Risks – the focus in respect of the corporate risk register would align to those areas where a clear Internal Audit could contribute to the management of the risks, including emerging issues linked to the activities. This included reviews of near miss reporting, homelessness, equal pay working practices, public health funding outcomes and assurance over the governance of the Council's group of companies.
- ICT – the programme was established through an IT audit needs assessment which identified areas of focus. The areas agreed were artificial intelligence, governance and IT disaster recovery.
- Council / Audit priorities – this incorporates audit work linked to specific priorities which had a corporate impact such as equality impact assessments, payment kiosks, and emergency planning / business continuity.
- 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. For grant funding, the required audit work represented less than 10% of the overall audit plan and consequently did not significantly impact on the Service's ability to undertake its core assurance related work.
- Directorate risks – this included those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. Identified areas included management of plant and equipment, property disposals, energy billing, building control, and the Health Visitors contract.

The report concluded that it was believed that the draft Internal Audit Plan for 2024/25 was sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare the annual opinion and report.

Members asked questions and received assurances at the meeting from officers on matters that included the recent Microsoft outage, ICT action plans and engagement of a third party, and apprenticeship level posts.

RESOLVED that the Audit and Procurement Committee approves the draft Internal Audit Plan for 2024/25, as appended to the report.

17. **Annual Fraud and Error Report 2023/2024**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service for the financial year 2023/24.

The report documented the Council's response to fraud and error during the year and was presented to the Committee in order to discharge its responsibility in its terms of reference 'to monitor Council policies on Whistleblowing and the Fraud and Corruption Strategy'.

The work of the team had focused on four main areas:

- Business Support Grants
- National Fraud Initiative
- Referrals and investigations considered through the Council's Fraud and Corruption Strategy
- Fraud awareness

A summary of the key activity that had taken place in the four main areas, including the cases that had been identified and their outcomes, was set out in the report, together with a breakdown of National Fraud Initiative results from April 2023 to March 2024, and the number of referrals by source in 2023/24 which included figures for the previous three financial years.

The Committee noted that the Local Government Transparency Code required local authorities to publish information in relation to fraud on an annual basis, and in 2023/24: the number of occasions powers under the Prevention of Social Housing Fraud Regulations 2014 (or similar) had been used was nil as the Council did not own its own housing stock; the total number of employees undertaking investigations and prosecutions of fraud was 2 (estimated FTE 0.25); the total number of professionally accredited counter fraud specialists was 1 member of the Internal Audit Service held the CIPFA Certificate in Investigatory Practice; the total amount spent by the authority on the investigation and prosecution of fraud was £1,650 (direct costs only, not including salary costs); and the total number of fraud cases investigated was 8 (this only included corporate fraud investigations, not investigations linked to the NFI or business grants).

The Committee also noted that in the period April 2023 to March 2024, no significant frauds had been concluded.

RESOLVED that having considered the Annual Fraud and Error Report 2023/24, the Audit and Procurement Committee notes the report.

18. **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.

19. **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.

20. **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 3.15 pm)