

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES

of meeting held on **2 MARCH 2012** at

Loxley House from 10.32 am to 12.40 pm

- ✓ Councillor K Williams (Chair)
- ✓ Councillor Piper (Vice-Chair)
- ✓ Councillor Aslam (minute 46 to 57 inclusive)
- ✓ Councillor Fox
- Councillor Hartshorne
- ✓ Councillor Heaton
- ✓ Councillor Molife
- ✓ Councillor Parton
- ✓ Councillor Steel

✓ indicates present at meeting

Also in attendance

Paul Hutchings	- Audit Manager)	Audit Commission
Sue Sunderland	- District Auditor)	
Simon Burton	- Corporate Risk Specialist)	
Barry Dryden	- Senior Finance Manager)	
Pete Guest	- Treasury Manager)	
Carole Mills-Evans	- Deputy Chief Executive/Corporate Director for Resources)	Resources
Rachel Mottram	- Constitutional Services Officer)	
Laurie Ritchie	- I.T Security and Governance Officer)	
Simon Salmon	- Head of Service, Strategy and I.T Security)	
Shail Shah	- Head of Internal Audit)	
Malcolm Townroe	- Legal Services Manager)	
Liz Jones	- Nottingham Plan Performance Manager	-	Chief Executives Group

43 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Hartshorne.

44 DECLARATIONS OF INTERESTS

No declarations of interests were made.

45 MINUTES

RESOLVED that the minutes of the last meeting held on 6 January 2012, copies of which had been circulated, be confirmed and signed by the Chair.

46 STRATEGIC RISK REGISTER (SRR) QUARTER 3 2011/12 UPDATE

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Simon Burton, Corporate Risk Specialist, introduced the report that presented the progress made in reducing the threat level for each strategic risk from their original position.

The report also identified the three risks selected for more detailed scrutiny as outlined below.

SR8a – Failure to implement and embed effective information management structures, policies, procedures, processes

Simon Salmon, Head of Service Strategy and IT Security and Laurie Ritchie, I.T Security and Governance Officer attended the meeting to provide information and respond to questions.

The following key information was provided:

- the service had been assessed three times over the last fourteen months and it had been recognised how much internal controls had improved;
- the perimeter of the councils network was well protected;
- of the ten risks in this area, most of them had reduced in the last quarter.

SR11 – Failure to address medium term financial pressures in a sustainable way

Carole Mills-Evans, Deputy Chief Executive/Corporate Director for Resources, was at the meeting to provide information and respond to questions.

The main points were as follows:

- the overall risk level was 12;
- the resources from central government had reduced significantly;
- there was a very detailed and robust budget process.

SR26 – Failure to support Nottingham citizens and communities to cope with welfare reforms results in increased economic hardship and long term risks to the economy

Liz Jones, Nottingham Plan Performance Manager, was at the meeting to provide information and respond to questions.

The main points were as follows:

- the risks associated with welfare reform to be introduced from 2013 had been assessed;
- work was ongoing with other local authorities on how universal credit would be accessed;

- Nottingham had a high level of exposure because of the large numbers of citizens who claimed benefits;
- One Nottingham had commissioned work to understand the likely impacts on citizens, communities and services, as claimants would have to navigate complex, cumulative changes to the benefit system that over time would reduce the value of benefits and erode disposal household income.

During discussion of this item the following additional information/comments were made:

- data sharing between the different agencies needed to be comprehensive and delivered in a timely manner;
- Nottingham City Homes were in discussion with Nottingham City Council about housing benefit changes;
- under occupancy needed to be looked at carefully;
- work was ongoing with the communications team to provide a toolkit for Councillors to provide them with information on welfare reform that would include examples of different scenarios;
- it was expected that additional resources could be required to provide advice to citizens but it was very difficult to predict the queries once the changes started to take effect.

RESOLVED

- (1) that the information provided on the three selected risks for consideration at this meeting be noted and additional information be provided to a future meeting of the Audit Committee on the work being carried out to inform and advise citizens about the welfare reform changes:**
- (2) that the progress made on reducing the seriousness of the Council's strategic risks as reflected by their threat levels and Direction of Travel for Quarter 3 2011/12 (table 1, page 2 and appendix 4, page 26 to the report) be noted;**
- (3) that the results of the review of the SRR by Corporate Leadership Team be noted;**
- (4) that the following risks be selected for specific scrutiny for the SRR Quarter 4 2011/12 update:**
 - (i) SR11 – Failure to address medium term financial pressures in a sustainable way;**
 - (ii) SR2 – the reputation of the City.**

47 REVIEW OF ACCOUNTING POLICIES

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Barry Dryden, Senior Finance Manager introduced the report that provided a set of International Financial Reporting Standards compliant accounting policies for Nottingham City Council's 2011/12 Statement of Accounts.

The main changes to the policies related to accounting for heritage assets as detailed at 4.1.10 in the report.

RESOLVED that the accounting policies for inclusion in the 2011/12 annual accounts be noted.

48 TREASURY MANAGEMENT STRATEGY 2012/13

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Pete Guest, Treasury Manager, introduced the report and provided the following information:

The main changes to the proposed strategy were outlined as follows:

- an addition to the policy for the revenue provision for repayment of debt in respect of the Housing Revenue Account (HRA);
- the introduction of a separate treasury management strategy for the Council's HRA;
- changes to the investment strategy, reflecting ongoing economic problems within the Euro-zone, and the implications for financial institutions.

The following additional information was provided in response to questions/comments from the committee:

- investment in all European banks had been suspended;
- £70m was currently invested in Money Market Funds (MMF);
- money in MMFs was readily accessible;
- if the UK lost its triple-A credit rating status, it was unlikely to have a significant effect on future interest rates;
- as the Council's own bank, the Co-Operative bank was on the counterparty list, but had a relatively low credit rating and would only be used for overnight deposits;
- where to invest money at a good rate of return was under constant review.

RESOLVED

- (1) that the proposed Treasury Management and Investment Strategies attached as Annex 1 be noted;**
- (2) that a copy of the external advisors recommendations be circulated to the committee;**
- (3) that a report on PFI related debt be submitted to a future meeting of the committee;**
- (4) that a report on the external advisers be provided to a future meeting of the committee.**

49 AUDIT COMMITTEE UPDATE

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated.

Paul Hutchings, Audit Manager introduced the report and provided the following information:

- the detailed planning and risk assessment update work for the audit of the 2011/12 financial statements was complete;
- the current audit work was progressing as planned;
- there was an emphasis of doing audit work early;
- discussions with Nottingham City PCT were ongoing in relation to the Bulwell Joint Service Centre and that being brought onto the accounts.

The following additional information was provided in response to questions/comments from the committee:

- page 97 of the report set out the chronological order for the externalisation of the audit process, the winning bidder for the East Midlands would be known in the next week;
- the only way the authority would be taken out of the contract would be if there was already a connection between the successful bidder and the authority;
- Sue Sunderland had been appointed as interim auditor between 1 April and 31 August;
- reports published by the Audit Commission were merely brought to the attention of the committee, they were not looked at in any detail by the District Auditor.

RESOLVED that the Audit Committee update be noted.

50 CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated.

Paul Hutchings, Audit Manager introduced the report and provided the following information:

- the annual report provided a summary of the nine standard claims audited as part of the agreement between government departments and the Audit Commission;
- the value of claims and returns certified was over £300m;
- the errors found were relatively small and very small in some cases;
- four claims were issued with a qualification letter;
- the Sure Start claim was certified without qualification for the first time.

RESOLVED that the Certification of Claims and Returns – Annual Report be noted.

51 AUDIT PLAN

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated.

Paul Hutchings, Audit Manager introduced the report and provided the following information:

- three significant risks were identified that required special audit attention as follows:
 - Heritage Assets;
 - Nottingham Express Transit (NET) Phase 2;
 - Housing Revenue Account reform;
- progress on accounts payable needed to be looked at to see if that was sufficient;
- progress was being made on the recommendations on the Future Jobs Fund report.

The following additional information was provided in response to questions/comments from the committee:

- although no changes were expected to the audit team, if changes were made, there would be an opportunity for hand over and access to the existing auditors documents;
- meetings had already taken place between auditors for the East Midlands Shared Services project and this would continue.

RESOLVED that the Audit Plan update be noted.

52 ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2010/11 AND PROCESS FOR PRODUCING 2011/12 STATEMENT

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Carole Mills-Evans, Deputy Chief Executive/Corporate Director for Resources introduced the report and provided the following information:

- single status was on target with the focus now on implementation for non-teaching school based colleagues which was planned for spring 2013, subject to approval at the Appointments and Conditions of Service Committee;
- good progress was being made on accounts payable;
- the proportion of Council's funds returned to date from Icelandic banks was around 50%.

The following additional information was provided in response to questions/comments from the committee:

- the figures on the amount originally invested with Icelandic Banks should be included in future reports;
- a tremendous amount of effort was being placed on reducing the number of children in care with a focus on early intervention and prevention.

RESOLVED that the progress made to date in addressing issues reported in the 2010/11 AGS, as detailed in Appendix 1 to the report and the process for compiling and timetable for completion of the 2010/11 AGS, as detailed in Appendix 2 be noted.

53 INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Shail Shah, Head of Internal Audit introduced the report and Tony Vardy, Head of Business Transformation to the committee. Mr Vardy then provided the following information in relation to the Direct Payments:

- a new I.T system had been implemented to try and address some of the concerns raised in the report;

- around 3500 residents of the City were in receipt of direct payments at any one time;
- direct payments would increase because of the increase in personal budgets.

RESOLVED that the information provided be noted.

54 INTERNAL AUDIT QUARTERLY REPORT 2011/12 – THIRD QUARTER

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

RESOLVED

- (1) **that the performance of Internal Audit during the period be noted;**
- (2) **that the following audits be selected for examination at the next meeting:**
 - (i) **Property Management;**
 - (ii) **Recruitment.**

55 AUDIT COMMITTEE PROVISIONAL WORK PROGRAMME FOR 2012/13

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

RESOLVED that the provisional 2012/13 work programme as set out at Appendix 1 to the report be noted.

56 AUDIT COMMISSION – JOBS PLAN REVIEW ACTION PLAN

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

Carole Mills-Evans, Deputy Chief Executive/Corporate Director for Resources introduced the report and provided the following information:

- the recommendations from the Audit Commissions report had been entered into an action plan with most actions complete or in progress;
- accountability letters would be expanded to include additional information on general governance responsibilities;
- the process for complaints reporting was being revised as part of the Citizen First Programme.

Malcolm Townroe, Legal Services Manager advised that in relation to recommendation 3, the matter was still in the local determination process and a decision was not available at the present time.

RESOLVED that the Council's response to the Audit Commission's recommendations as attached at Appendix 1 to the report be endorsed.

57 DATES OF FUTURE MEETINGS

RESOLVED that the meeting scheduled for 27 April 2012 be cancelled and 2012/13 meetings be agreed to meet at 10.30 am on the following Fridays:

2012

**1 June
27 July
21 September
30 November**

2013

**4 January
22 February
26 April**