

# **NOTTINGHAM CITY COUNCIL**

## **AUDIT COMMITTEE**

### **MINUTES**

of meeting held on **1 JUNE 2012** at

Loxley House from 10.30 am to 12.05 pm

- ✓ Councillor K Williams (Chair)
- ✓ Councillor Aslam
- ✓ Councillor Fox
- ✓ Councillor Hartshorne
- ✓ Councillor Heaton
- ✓ Councillor Molife
- ✓ Councillor Parton
- ✓ Councillor Piper
- Councillor Steel

✓ indicates present at meeting

### **Also in attendance**

Barry Dryden	- Senior Finance Manager	)	
Angela Probert	- Acting Corporate Director for Resources	)	Resources
Nick Quinsey	- Acting Head of Estates	)	
Catherine Ziane-Pryor	- Constitutional Services Officer	)	
Simon Burton	- Corporate Risk Specialist	)	
Shail Shah	- Head of Internal Audit	)	
Ann Ross	- Internal Audit	)	

### **1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Steel and Tony Kirkham.

### **2 DECLARATIONS OF INTERESTS**

No declarations of interests were made.

### **3 APPOINTMENT OF VICE CHAIR**

**RESOLVED** that Councillor Piper be appointed Vice-Chair.

### **4 MINUTES**

**RESOLVED** that the minutes of the last meeting held on 2 March 2012, copies of which had been circulated, be confirmed and signed by the Chair.

## **5 THE ROLE OF THE AUDIT COMMITTEE AND ANNUAL WORK PROGRAMME**

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated.

Shail Shah presented the report which outlined the core functions of the Audit Committee and proposed an annual work programme.

It was noted that Audit Committee training was available for all Councillors.

### **RESOLVED**

- 1) that the functions of the Audit Committee and the benefits arising from its existence be noted;**
- 2) that the outline work programme at Appendix 1 to the report be endorsed;**
- 3) that the Membership of the Committee and Terms of Reference be noted.**

## **6 STRATEGIC RISK REGISTER (SRR) QUARTER 3 2011/12 UPDATE**

Further to minute 46 dated 2 March 2012, consideration was given to a report of the Acting 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.

At the meeting of the Committee on 2 March 2012, two strategic risks were identified for detailed consideration, SR2 - Of the reputation of the City, and SR11 - Failure to address medium term financial pressures in a sustainable way.

It was noted that the Risk Management Action Plan (RMAP) for SR2 was not available as it was the subject of a review which would be presented to the Committee once completed. SR7- Failure of Nottingham City Council's contribution to reduce crime and the fear of crime was also under internal review.

With regard to SR11- Failure to address medium term financial pressures, the comments made by the Committee included:

- the latest threat levels of 16 for risk reference 2 (inflation increases are higher than anticipated in MTFP) and risk reference 6 (interest rates impact adversely on borrowing and investment), were often impacted on by factors such as fluctuating oil prices which could not be internally controlled;
- the financial strategy would build in levels of assumptions relating to external influences such as inflation;
- the MDFD took into account the Governments' estimates, including growth and inflation and interest rates, which were formulated by Treasury Management Advisors.

With reference to SR 26 - Failure to support Nottingham's citizens and communities to cope with welfare reforms, a further briefing from Lisa Black, Head of Revenues Benefits and Welfare Rights on the benefits reform was requested. Councillors were very concerned that affected citizens be informed of, and prepared for, the forthcoming changes, which demanded significant behavioural changes for citizens and potentially a substantial financial risk to the City Council with an estimated shortfall of £6.2 million of Council Tax income once the £85,000 of funding from Central Government had been received.

Following the national and local instances of civil unrest last summer, it was suggested that SR12a - Failure to provide the best education outcome for children and young people, and SR7 - Failure of Nottingham City Council's contribution to reduce crime and the fear of crime, receive further consideration.

## **RESOLVED**

- 1) that, as above, the Committee's consideration of strategic risk SR11- Failure to address medium term financial pressures in a sustainable way, be noted and further information be provided to Councillor Piper regarding constituent risk dealing with inflationary pressures;**
- 2) that the Committee's consideration and critical appraisal of 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 4 2011/12, be noted;**
- 3) that the results of the Strategic Risk Register review by the Corporate Leadership Team be noted;**
- 4) that the following strategic risks be scrutinised as part of the SRR Quarter 1 2012/13, Simon Burton provide further information at the next meeting regarding:**
  - a) the risk of having more children than school places in some areas of the City;**
  - b) SR3 - Failure to mitigate the impact of the economic climate on Nottingham City and its citizens, and how the risk had been considered to have fallen;**
- 5) that, with regard to SR26 - failure to support Nottingham's citizens and communities to cope with welfare reforms, following the completion and analysis of the current pilot scheme, Lisa Black, Head of Revenues Benefits and Welfare Rights, be invited to update the Committee on the pilot results and conclusions.**

## **7 INTERNAL AUDIT REPORTS SELECTED FOR EXAMINATION**

Further to minute 54 dated 2 March 2012, consideration was given to the report of the Acting Chief Executive, copies of which had been circulated, providing the Internal Audit reports regarding Property Management and Recruitment.

Angela Probert, Acting Corporate Director of Resources and former Director of Human Resources (HR) and Organisational Transformation, was in attendance to respond to the internal report regarding recruitment.

The following information was provided and questions responded to as follows:

- HR had requested that Internal Audit undertake a review to identify what measures were needed to be included in the recruitment action plan;
- previously it had been for Angela Probert to approve vacancies each week but it had now been delegated to the individual departments to determine if a post needed to be opened up for redeployment, apprenticeships or advertised. This had reduced the time taken for vacancies to be filled;
- with the move to East Midland's Shared Services in the Autumn, (with a two month transition period) there was to be an oracle system which would provide automated responses for vacancies which would also record performance information regarding time scales which would reduce time on preparation of performance data. Colleagues were confident that quality would be maintained under this new system;
- it had previously been easier to engage agency staff than to recruit, but where vacancies could be anticipated, such as maternity leave, the recruitment process should start as soon as notice was given;
- HR colleagues were to be based in Leicester, and Finance colleagues were to remain based at Loxley House with all parties attending fortnightly joint meetings;
- any agency staff engagement was to be done by a 'neutral vend' arrangement which acted like a funnel with all requests passing through one agency. It was anticipated that this would drive down the cost of agency staff engagement;
- the majority of assessments were arranged by HR and it was only high level post vacancies where assessments were delivered by external providers.

Nick Quinsey, Acting Head of Estates and Asset Management, was in attendance to respond to the Internal Audit report which had examined the operation of the Estates and Property team as part of the 2010/11 Audit Plan.

The following information was provided and questions responded to as follows;

- Nick Quinsey acknowledged that the Asset Management Team had been through a state of flux but was now fully functional;
- with regard to the value of property, it was difficult to make long-term predictions. In instances such as the Bulwell LIFT project which took 4 years to complete, the initial estimated value of property had changed and two of the 4 buildings which had not sold at auction were now to be considered for sale by private treaty. Current property value estimates would be reassessed as the market improved;
- monthly condition monitoring was undertaken on all void properties to address and prevent deterioration. This along with an overview of estates and assets was reported to Councillor Chapman, as Portfolio Holder for Development, Resources and Regeneration, at a monthly update meeting;

- there was an improving trend on the letting of commercial properties in the higher value sector;
- although there were risks attached, there was potential to purchase property while prices were relatively low. This was to be considered in relation to the Bridge Estate by the members of the Trusts and Charity Committee;
- there had not been any loss of rental income due the delay in updating the register of void properties. This delay had been partly due to staff turnover but had now been resolved and the register was promptly amended;
- the average of void properties varied between 4 and 7 % which was considered average;
- where commercial property was standing vacant, depending on the proposed strategy, the drop in monetary value could be off-set against the value to the community if it were temporarily used for community use;
- progression of businesses to larger premises was monitored and wherever possible was catered for within City Council premises ;
- the City owned very few retail properties in the City Centre, but owned several in the outlying areas.

**RESOLVED that the Committee's consideration of the information provided be noted.**

## **8 CONSULTATION ON APPOINTMENT OF EXTERNAL AUDITORS**

Consideration as given to the report of the Acting Chief Finance Officer, copies of which had been circulated, outlining the reasons why the Council could object to the appointment of KPMG in place of the Audit Commission as the Council's external auditors from November 2012, as a result of the Government's plan to abolish the Audit Commission.

**RESOLVED that the decision not to make an objection to the appointment of KPMG as External Auditors for 2012/13 to 2016/17 be noted.**

## **9 INTERNAL AUDIT ANNUAL REPORT 2011/12 AND INTERNAL AUDIT CHARTER**

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated. The report outlined the work of the Internal Audit service at the end of the fourth quarter, introduced the Internal Audit Charter, and the Head of Internal Audit's annual opinion on the effectiveness of the internal control systems operating within the City Council.

Councillors were concerned that with regard to Housing Rental and the recommendation of the audit to produce and follow a plan to achieve target rents over a limited number of years, that a plan did not appear to be in place.

**RESOLVED**

- 1) that the audit work completed during the year be noted;
- 2) that the Head of Internal Audit's Annual Opinion be noted;
- 3) that the Foster Care and Adoption audit be examined at the November meeting of this Committee;
- 4) that the Internal Audit Charter be endorsed;
- 5) that Shail Shah arrange for Councillors of the Committee to be updated on the progress against the recommendations of Housing Rents 11/12 Audit.

**10 INTERNAL AUDIT ANNUAL WORK PLAN 2012/13 AND STRATEGIC PLAN 2013-2016**

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated, informing the Committee of the work planned by the Internal Audit Service to support the City Council's Governance and Control Framework.

Some Councillors expressed concern that Academies, as independent bodies, were not under any legal duty to undertake internal audit and yet, if for any reason an academy failed, it would become the responsibility of the City Council.

**RESOLVED**

- (1) that the Internal Audit Plan for 2012/13 and the Internal Audit Strategic Plan for 2013/14 to 2015/15 be endorsed;
- (2) that Shail Shah provide Committee Councillors with a briefing note on frauds reported publicly regarding Academies nationally.

**11 DATES OF FUTURE MEETINGS**

**RESOLVED** that the Committee meet on the following Fridays at 10.30am at Loxley House:

<u>2012</u>	<u>2013</u>
27 July	4 January
21 September	15 February
30 November	26 April