

## NOTTINGHAM CITY COUNCIL

### AUDIT COMMITTEE

**MINUTES of the meeting held at LB31 - Loxley House, Station Street, Nottingham, NG2 3NG on 19 September 2014 from 10.30am – 11.46am**

#### Membership

##### Present

Councillor Mohammad Aslam  
Councillor Michael Edwards  
Councillor Thulani Molife (Vice Chair)  
Councillor Sarah Piper (Chair)  
Councillor Roger Steel  
Councillor Malcolm Wood

##### Absent

Councillor Georgina Culley  
Councillor John Hartshorne  
Councillor Toby Neal

#### Colleagues, partners and others in attendance:

Sue Sunderland ) KPMG (External Auditors)  
Richard Walton )  
Shail Shah - Head of Internal Audit  
Barry Dryden - Senior Finance Manager  
Catherine Ziane-Pryor - Governance Officer

#### **16 APOLOGIES FOR ABSENCE**

Councillor Georgina Culley  
Councillor John Hartshorne  
Councillor Toby Neal

#### **17 DECLARATIONS OF INTERESTS**

None.

#### **18 MINUTES**

The minutes of the meeting held on 25 July 2014 were confirmed and signed by the Chair.

#### **19 STATEMENT OF ACCOUNTS 2013/14**

Barry Dryden, Senior Finance Manager, presented the Statement of Accounts report and circulated a revision at the meeting relating to 'prior year restatements' (paragraph 2.2.8), and 'Comprehensive Income And Expenditure Statements' (paragraph 3.1).

Sue Sunderland and Richard Watkin, KPMG Auditors, commented and responded to the Committee's questions as follows;

- (a) KPMG is confident that an un-qualified opinion will be given;

- (b) the audit has gone well and there have been further improvements in the production of accounts;
- (c) key issues relate to the transition to the Oracle system which had not gone as smoothly as planned but Internal Audit had examined the system and, having identified some issues, mitigating controls were put in place. Actions required by Internal Audit had been quickly implemented and some permanent controls are now in place to ensure that processes are working more efficiently;
- (d) KPMG has undertaken additional testing on the mitigating controls and are sufficiently assured that these controls are adequate;
- (e) there will be an additional fee attached to the extra work but the final figure is not yet available and all such charges require examination and approval by the Audit Commission although the final charge can be challenged by the City Council;
- (f) with regard to the comment 'variable quality of paperwork', all requirements were met and ongoing improvements continue to be made.

KPMG suggested that the Internal Audit reports referred to by them are presented to this Committee. The Head of Internal Audit explained that following an uncertain period, an Interim Head of East Midlands Shared Services (EMSS) is now in post and fully engaged in addressing the issues identified and reviewing the whole organisation. An EMSS update is already planned for presentation at the next meeting on progress against the Internal Audit report produced last year.

With regard to the Icelandic Banks and the 'net cash loss', Barry Dryden explained that this is the simplest method to present the information as it would become incredibly complex and time consuming if possible rates of interest, including rise and falls during different timescales, were calculated to assess the potential interest which could have been achieved if funds had been placed with other organisations. Due to the number of variables, any figure calculated in this way could be challenged as misleading. Local Authorities are now far more risk adverse, it is highly unlikely that a similar situation would ever arise again, so there is little value in undertaking such work. It is noted that the external auditors have not expressed concern on this issue.

For valuations of heritage assets, such as the castle, expert opinion is sought and professional valuation assessments are required to be undertaken every 5 years.

There has been a change in the way that business rates are collected. Previously they were collected by the City Council as an agent and paid over in full to Central Government to be redistributed. Now the City Council accounts for the rates and a proportion is sent to Central Government. As a result a provision is now required bad debt on business rates where previously this was accounted for by Central Government.

## **RESOLVED**

- (1) to note the external auditors' 'Report To Those Charged With Governance';**
- (2) for the Statement Of Accounts, as updated at the meeting, to be approved and signed by the Chair of the Audit Committee;**

- (3) for the Draft Management Representation Letter to be approved and signed by the Chair of the Audit Committee;
- (4) for the Internal Audit report referred to by KPMG to be presented to this Committee with an update by EMSS officers on the recommendations;
- (5) for the Lead Financial Officer to attend the meeting to answer the Committee's questions on the Oracle system;
- (6) for the Senior Finance Manager to meet with Councillor Mike Edwards and Councillor Roger Steel, to discuss the Icelandic Banks investments in more detail.

## **20 AUDIT AND ACCOUNTABILITY ACT 2014**

Barry Dryden, Senior Finance Manager, presented the report which outlines the Department for Local Governments' proposals for a new local audit framework, including significant changes in the process for future appointments of Local Government Auditors, and a reduction in the timescales for the approval of the accounts and for public inspection and objections to the accounts.

**Resolved to note the Government's proposals for appointing auditors and changes to the Accounts and Audit Regulations 2011.**

## **21 URGENT ITEM - ANNUAL GOVERNANCE STATEMENT 2013/14**

The Chair of the Committee is of the opinion that this item, although not included on the agenda, should be considered as a matter of urgency in accordance with section 100 B (4) (b) of the Local Government Act 1972, as the publication of an Annual Governance Statement alongside the Statement of Accounts is required by the Accounts and Audit Regulations 2011.

Shail Shah, Head of Internal Audit, presented the report which remained unchanged since the Interim Annual Governance Statement 2013/14 report was submitted to the 25 July 2014 meeting the Committee. No new significant items of concern have been identified. It is noted that this report is a summary and a more detailed treasury management report will be presented to this Committee at a future meeting.

In response to the Committee's query regarding 'Single Status' listed under 'Issues Worthy of Noting', the Head of Internal Audit explained that Single Status has been a massive process and it was appropriate for provision to be made. Although the Single Status initiative has now been completed, the Committee's approval will be required before the issue, which was previously considered a potential concern, can be formally 'closed off'.

**RESOLVED to approve the Annual Governance Statement (AGS) 2013/14 as set out in Appendix 1 to the report.**