

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB31 - Loxley House, Station Street, Nottingham, NG2 3NG on 28 November 2014 from Time Not Specified - Time Not Specified

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Thulani Molife (Vice Chair) (from minute 26)
Councillor Mohammad Aslam
Councillor Michael Edwards
Councillor John Hartshorne
Councillor Toby Neal
Councillor Malcolm Wood

Absent

Councillor Georgina Culley
Councillor Roger Steel

Colleagues, partners and others in attendance:

Richard Walton	- KPMG Auditors (External Auditors)
Jeff Abbott	- Head of Strategic Finance
Laura Catchpole	- Policy Officer
Chris Common	- Organisational Planning and Performance Manager
Glyn Daykin	- Finance Analyst, Treasury Management
Barry Dryden	- Senior Finance Manager (Financial Reporting)
Mark Gannon	- Director of Customer Access
Lynne North	- Customer Liaison Officer, Have Your Say
Shail Shah	- Head of Internal Audit
Catherine Ziane-Pryor	- Governance Officer

22 APOLOGIES FOR ABSENCE

Councillor Georgina Culley (Health Issues)
Councillor Roger Steel (Other Council Business)

23 DECLARATIONS OF INTERESTS

None.

24 MINUTES

The minutes of the meeting held on 19 September 2014 were confirmed and signed by the Chair.

25 ANNUAL AUDIT LETTER

Further to the 'Statement of Accounts 2013/14' which was considered at the last meeting, Richard Walton, Audit Manager of KPMG, introduced the external auditors'

report which summarised the key findings from the 2013/14 audit of the Council, including the financial statements and Value for Money conclusion.

The predicted rating of an 'Unqualified Opinion' is awarded.

RESOLVED to note the Annual Audit Letter 2013/14.

26 LOCAL GOVERNMENT OMBUDSMAN ANNUAL REPORT

Lynne North, Customer Liaison Officer, was accompanied by Mark Gannon, Director of Customer Access, in presenting the report which sets out the number of complaints dealt with on behalf of the Authority for the year ending 31 March 2014. A breakdown of the complaints made to Service Areas and the decisions on those complaints, is contained within the Appendix to the report.

The following points were discussed:

- (a) from now on, the LGO will send a copy of each annual review letter to the Leader of the Council as well as to the Chief Executive of the Authority. It is hoped that this will help to support greater democratic scrutiny of local complaint handling and ensure effective local accountability of public services;
- (b) Nottingham is the second best performing Core City. This excludes Glasgow which has become a Core City but isn't regulated by LGO. Nottingham City received 115 complaints/enquiries during the year and only 14 complaints were upheld. Maladministration was found in 4 cases;
- (c) the Authority continues to perform well and turn around enquiries/complaints in good time with an improvement year on year;
- (d) the volume of complaints regarding School Admission Appeals is a national issue resulting from the national situation of there being more school aged children than school places;
- (e) the 'Have Your Say' corporate system for recording compliments, comments and complaints has increased feedback from Nottingham's citizens and is giving invaluable information of how to improve services and responses to citizens

RESOLVED to note the report and the Ombudsman Annual Letter.

27 PERFORMANCE MANAGEMENT FRAMEWORK

Chris Common, Organisational Planning and Performance Manager, presented the report of the Strategic Director Organisational Transformation, setting out progress made during the past 6 months in implementing the Performance Management Framework (PMF) which was approved for adoption by the Audit Committee on 28 February 2014.

The PMF was revised to reinforce a strong performance culture which is an integral part of the day-to-day activity of the Council. To date, nearly 100 managers have attended one of the performance management training workshops with nearly 2/3rds of attendees reporting their skills in performance management had improved by attending the course. Three months later, 63% said they have been able to use their skills to positively influence the performance culture of their service

Councillor's questions were responded to as follows:

- (a) to gauge the success of the promotional and support work, managers were directly consulted and overall there were good levels of the awareness and implementation of the PMF;
- (b) there were some departments, such as Children and Adults where further work in key areas is necessary, including their use of 'Covalent' – the Council's performance management software system;
- (c) some of the points raised through the consultation have been addressed, including improving the PMF prominence on the intranet, but generally most colleagues how their activity links to the Council Plan objectives ('the Golden Thread');
- (d) every Council Team should have a Service Plan as this, along with Performance Appraisals, identifies links from the service to the priorities of the Council Plan;
- (e) by working with managers, who are organised and disciplined, the 'ripple effect' is relied upon for information to be progressed downwards. There is not the capacity within the Organisational Planning and Performance Team to check that this is the case in each team so their work focussed on developing the high directorate and departmental level plans;
- (f) further work to maintain and accelerate progress will take place with regular workshops, targeted support and advice, improved access to the intranet and there will be further revisions to the business planning process to embed the PMF principles.

RESOLVED to note the progress made since the Performance Management Framework (PMF) was adopted in April 2014.

28 PARTNERSHIP GOVERNANCE HEALTH CHECKS AND UPDATE OF SIGNIFICANT PARTNERSHIPS

Laura Catchpole, Policy Officer, introduced the Strategic Director of Early Interventions' report setting out the key findings from the Partnership Governance Health Checks and the updated Register of Significant Partnerships.

The Register of Significant Partnerships, as of November 2014 includes:

Children's Partnership Board;
Crime and Drugs Partnership;
D2N2 Local Enterprise Partnership;
Economic Prosperity Committee;
N2 Skills and Employment Board;
Experience Nottinghamshire;

Greater Nottingham Transport Partnership;
Green Nottingham;
Health & Wellbeing Board;
Housing Strategic Partnership;
Nottingham Regeneration Ltd;
One Nottingham;

Greater Nottingham Growth Point Partnership; Strategic Cultural Partnership;

The following areas were highlighted;

- (a) the majority of partnerships scored good/excellent in all areas;
- (b) the Economic Prosperity Committee is to be included in the Register of Significant partnerships;
- (c) no partnerships have been removed from the Register this year.

RESOLVED to note the key findings from the Partnership Governance Health Checks and Register of Significant Partnerships.

29 TREASURY MANAGEMENT 2014/15 HALF YEARLY UPDATE

Glyn Daykin, Finance Analyst, introduced the Acting Corporate Director for Resources' report which set out Treasury Management actions and performance to 30 September 2014.

The following key points were drawn to the Committee's attention;

- (a) the new borrowing strategy for 2-14/15 is to raise up to £24.6m to finance new capital expenditure and replace maturing long-term debt. To 30 September no new long term borrowing has taken place;
- (b) the debt rescheduling strategy for 2014/15 is to consider any debt rescheduling or repayment opportunities which enable revenue savings to be generated in the year. To 30 September, no debt rescheduling had taken place;
- (c) the investment strategy for 2014/15 is to ensure the security of funds invested through the application of restricted counterparty list and the imposition of limits on the period and levels of individual investments and within those confines to maximise the return on investments;
- (d) the average return on investments from 1 April to 30 September was 0.64%. The 2014/15 budget assumed an average return of 0.68% for the period.
- (e) a rise in interest rates is predicted during the first half of 2015.

Councillor's questions were responded to as follows by Finance Colleagues:

- (f) debt rescheduling did not take place as although opportunities are monitored, none were identified as being suitable, especially when the cost of moving debt is taken into consideration;
- (g) if interest rates were to change, the tools are in place, within the Treasury Management Strategy, to cope with this;
- (h) it would be more appropriate for Geoff Walker, as Acting Director of Strategic Finance, to respond to the concern that other Local Authorities are predicting that they will experience significant financial issues within the next 2 or 3 years and how similar influences may affect Nottingham City Council although it must be noted that there has been no wholly reliable analysis to suggest that the Councils in question will become bankrupt. Medium Term Financial Planning helps to ensure long term stability, added to which reserves are

reassuring and KPMG do not have any particular concerns regarding the current strategy and future of the City Council;

- (i) while some other Local Authorities, including Newcastle to which Nottingham is often compared, are predicting potential financial difficulties regarding some single issues, such as implementing safeguarding requirements for children and adults, which may demand more resources than those Councils are able to provide, this is potential risk for all Local Authorities and will be tacked if the issue arises in Nottingham;
- (j) the Section 151 Officer for Finance is fully informed and endorses all financial strategies and statements prior to Committee consideration. Added to which, the constant monitoring of 'health indicators' ensures processes are monitored and compliant;
- (k) Nottingham City does consider benchmarking against investment offers but as risk appetite varies, long term investments can skew the status of benchmarks.

RESOLVED

- (1) to note the treasury management actions taken in 2014/15 to date;**
- (2) for the Acting Director of Strategic Finance, to respond directly to Members of the Audit Committee regarding the concern that other Local Authorities are predicting that they will experience significant financial issues within the next 2 or 3 years, and how Nottingham City Council may be affected;**
- (3) for the Head of Strategic Finance to provide Committee Members with a 'daily list' of responsibilities of the financial Section 151 Officer, and details of the limit of their responsibilities;**
- (4) for 'Performance Management' to be included within the future Member training schedule.**

30 EAST MIDLANDS SHARED SERVICES (EMSS) UPDATE

Shail Shah, Head of Internal Audit, outlined the background to, and outturn against the Internal Audit of EMSS, the full details of which are contained in the report of the Acting Director of Strategic Finance.

Jeff Abbott, Head of Strategic Finance, informed the Committee of actions and progress against the recommendations of the audit.

Jeff Abbott highlighted the following points:

- (a) Internal Audit had expressed concerns that the Oracle system was extremely complex and that the differences between Nottingham City and Leicestershire Councils had proved more significant than predicted;
- (b) improvements are progressing and many control issues have been resolved but there are some areas of concern where in resolving some issues, inefficiencies have been built into the system which now need to be resolved;

- (c) detailed plans are in place to improve EMSS, including slicker use of the Oracle system, improved staff training, and increasing the use of the self service portal;
- (d) there is still work to be done around configuration on work flow for debt and accounts receivable.

Councillor's questions were responded to as follows:

- (a) the partnership between the two authorities is reasonably balanced although each has very different needs and Leicestershire has initially contributed more resources than Nottingham;
- (b) Leicestershire County Council has been using Oracle since the 1990s and so it is well embedded in the culture of the authority. Oracle is fairly new to Nottingham and although the initial indications were that Nottingham would experience little change to operations, this was not the case and by the time the partnership model of the Oracle system 'went live' was not ready for Nottingham and Nottingham was not ready for it. As a result, some aspects were not fit for use at that point;
- (c) Nottingham has benefited from the experience of Leicestershire's officers who have always been helpful, but it appears that they had not realised the extent of pressure that they would be put under and it was difficult to progress the system due to the arrangements of the initial business case;
- (d) while performance continues to improve, the Leicestershire Team are seeking further investment but funds are not available from Nottingham so an internal IT body is required to advise on alternative options;
- (e) lessons have been learnt from the partnership and any further joint ventures must be with an Authority which is more similar to Nottingham. Partnerships of this sort can be very successful, as is seen in some areas of London where up to 5 boroughs have joined together.

RESOLVED;

- (1) to note the outcome from 2013/14 audit work planned and completed to date;**
- (2) to note the updated EMSS 2014/15 Audit Plan.**

31 INTERNAL AUDIT WORK PLAN FOR EAST MIDLANDS SHARED SERVICES

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- (j) lessons have been learnt from the partnership and any further joint ventures must be with an Authority which is more similar to Nottingham. Partnerships of this sort can be very successful, as is seen in some areas of London where up to 5 boroughs have joined together.

RESOLVED;

- (3) to note the outcome from 2013/14 audit work planned and completed to date;**
- (4) to note the updated EMSS 2014/15 Audit Plan.**

33 COUNTER FRAUD POLICY

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report which detailed the Counter Fraud Strategy and the Counter Fraud Strategy for Schools.

Richard Walton of KPMG assured the Committee that KPMG did not have any concerns regarding the policy and that other Local Authorities are likely follow Nottingham's example.

RESOLVED to endorse the City Council's Counter Fraud Strategy, as detailed in Appendix 1 of the report, and the Counter Fraud Strategy for Schools, as detailed in Appendix 2 of the report.

34 INTERNAL AUDIT QUARTERLY REPORT 2014/15 - QUARTER 2

Shail Shah, Head of Internal Audit, presented the report which outlines the work of Internal Audit Service during the 2nd Quarter of 2014/15.

It is noted that while some Councillors requested further information on the sustainability of Local Authority schools which transfer to Academy status, it was not possible for the Internal Audit Team to investigate this issue as once a school has transferred, the overall responsibility including financial records, processes and liabilities, also transfers to the Academy.

RESOLVED:

- (1) to note the performance of Internal Audit during Quarter 2;**
- (2) for the Audit of 'Bank Reconciliation' to be considered at the February 2015 meeting of the Audit Committee.**
- (3) to invite the Head of IT to a future meeting of this Committee to present, when completed, the external consultant's review of IT services.**

35 AUDIT COMMITTEE ANNUAL WORK PROGRAMME UPDATE

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report which outlined the core functions of the Committee, the benefits that will arise for the City Council and an outline annual work programme.

Councillors requested that that the Chief Finance Officer be invited to attend at least one Audit Committee meeting in a municipal year as this had been a practice many years ago which had proved very informative.

RESOLVED

- (1) to note the functions of the Audit Committee and the benefits arising from its existence;**
- (2) to endorse the outline work programme at Appendix 1;**
- (3) for the Head of Internal Audit to invite the Chief Finance Officer to attend a future meeting of the Audit Committee.**