

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB31 Loxley House, Station Street, Nottingham, NG2 3NG on 27 November 2015 from 10.30 - 12.17

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Steve Young (Vice Chair)
Councillor Michael Edwards
Councillor John Hartshorne
Councillor Toby Neal
Councillor Andrew Rule
Councillor Malcolm Wood

Absent

Councillor Anne Peach

Colleagues, partners and others in attendance:

Tony Crawley)	KPMG External Auditors
Tom Tandy)	
Shail Shah	-	Head of Audit and Risk
Glyn Daykin	-	Treasury Management Finance Analyst
Lynne North	-	Senior Customer Services Officer
Jane O'Leary	-	Insurance and Risk Manager
Barry Dryden	-	Senior Finance Manager
Theresa Channell	-	Head of Strategic Finance
Catherine Ziane-Pryor	-	Governance Officer

28 APOLOGIES FOR ABSENCE

Councillor Anne Peach (Personal)

29 DECLARATIONS OF INTERESTS

None.

30 MINUTES

The Committee confirmed the minutes of the meeting held on 18 September 2015 as a correct record and they were signed by the Chair.

31 OMBUDSMAN ANNUAL LETTER

Lynne North, Senior Customer Services Officer, presented the report which informs the Committee of the number and nature of complaints lodged with the Ombudsman Service against the City Council, the outcome of those complaints, and the Local Government Ombudsman's Annual Review Letter 2015, and a comparative chart of similar local authority's complaints, and a copy of the 'Handling Complaints For

Service Improvement' councillor workbook issued by the Local Government Ombudsman.

The following points were highlighted:

- (a) 110 complaints were received and only 6 have been upheld;
- (b) it is noted that a Public Sector Ombudsman is predicted to be announced in the Queen's speech;
- (c) the reduction in complaints can partially be attributed to improvements in ensuring staff are aware of operating processes and that policies are clear and transparent;
- (d) Members are encouraged to read the councillor workbook 'Handling Complaints For Service Improvement' which they may find interesting and useful.

The Chair welcomed the detailed information contained within the report.

RESOLVED

- (1) to note the report and the Ombudsman Annual Letter;**
- (2) for the electronic version of the 'Handling Complaints For Service Improvement' councillor workbook to be sent to all City Councillors.**

32 PROGRESS REPORT AND TECHNICAL UPDATE

Tom Tandy and Tony Crawley of KPMG External Auditors were in attendance to present the report.

Tony presented the report which provides an overview of KPMG's progress in delivering the external auditor's responsibilities, along with highlighting the main technical issues which are currently impacting on Local Government.

The technical update identified three areas of medium level impact, which include:

- the new Local Audit Framework;
- CIPFA survey on infrastructure and assessments;
- and reporting developments: infrastructure assets;

Low level impacts areas included:

- NAO report - care act first - phase reforms;
- local audit and accountability act 2014 - provisions affecting auditor's work from 1 April 2015;

No high level impact issues were identified.

It is noted that further, more detailed information, will be provided to the next meeting.

Member's questions were responded to both by KPMG representatives and Finance colleagues as follows:

- (a) the cost of providing this report is minimal as KPMG cater to over 100 Local Government clients, for which much of the required information is similar;
- (b) completing the CIPFA Survey on Infrastructure Assets during 2016/17, which is required to identifying and assess the current value and replacement cost of highways infrastructure assets, will have a cost impact on the City Council;
- (c) the National Audit Office (NAO) is requiring that the infrastructure survey is undertaken across the country, including infrastructure, are accounted for in a meaningful way to provide a complete and up-to-date account of assets;
- (d) infrastructure land, although an asset, cannot be used to generate income but the cost of replacing it needs to be known by Central Government as this will be taken into consideration with regard to allocation of future resources.

RESOLVED

- (1) to note report;**
- (2) for Barry Dryden, Senior Finance Manager, to provide members of the committee with confirmation of which required infrastructure information can be retrieved via Geographic Information System (GIS).**

33 ANNUAL AUDIT LETTER

Tony Crawley, Senior Auditor for KPMG External Auditors presented the report which confirms the outcomes of KPMG audits during 2014/15, including the financial statements and the 2014 value for money conclusion.

Members were assured by colleagues that the issues originally identified regarding potential weaknesses within the Service Level Agreement for East Midlands Shared Services have now been addressed and that processes, should any further partnerships be proposed, including expectations and responsibilities, will be precisely defined.

RESOLVED

- (1) to note the report, including the identified key issues and resulting recommendations;**
- (2) for the Head of Internal Audit to alert the Audit Committee of any pending or new partnership agreements as and when he is informed.**

34 TREASURY MANAGEMENT 2015/16 HALF YEARLY UPDATE

Glyn Daykin, Treasury Management Finance Analyst, presented the report which, prior to the update being submitted to Executive Board, informs the Committee of the Treasury Management actions taken so far during 2015/16.

In referring to the report the following points were highlighted:

- (a) up to 30 September 2015, no new long-term borrowing has taken place as it has not been necessary;
- (b) no debt rescheduling has taken place and no prepayment opportunities were identified;
- (c) the average return on investments exceeded the benchmark average, and is predicted to do so for the remainder of the year;
- (d) the services of Arlingclose, Investment Benchmarking, ensure that a broader view of financial markets and trends is available when making decisions;
- (e) when committing to new loans, the duration of those loans are considered alongside the remaining period of existing loans, none of which are tied to individual assets;
- (f) it is predicted that when borrowing for large projects such as the redevelopment of the Broadmarsh area, there will be a cost impact of approximately 4% interest on new debt financing until the revenue stream kicks in (assuming no Minimum Revenue Provision due to asset under construction rule being applied);
- (g) the stability of the economy is reflected in risk assessments and the investment strategy which includes instruction to reduce investments. This is happening and will continue to do so with any additional investments very carefully considered i.e. with other local authorities.

RESOLVED

- (1) to note the Treasury Management actions taken in 2015/16 to date;**
- (2) for Glyn Daykin, Treasury Management Finance Analyst to provide Audit Committee Members (on a confidential basis) with an economic update and interest rate forecast provided by Arlingclose.**

35 INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION

Shail Shah, Head of Internal Audit, introduced the report which informs the Committee of the internal audits undertaken with regard to foster caring and adoption, and budgetary control.

Foster Caring and Adoption

Steve Comb, Head of Children in Care, was in attendance and informed the Committee of the following:

- (a) with regard to issues concerning payments, within fostering and adoption a range of payments are made. Primarily an area of concern from previous

audits related to the historic practice of providing car loans available to Foster Carers to enable them to transport the children within their care. This facility is no longer routinely available with only rare exceptions made in very exceptional circumstances, such as when a couple adopted a sibling group of six children;

- (b) Steve had met with Internal Audit colleagues and requested that specific areas of payments were further considered such as foster caring 'connected payments';
- (c) concerns regarding foster care and adoption IT systems have been addressed with further work planned. However, Central Government is currently considering implementing regionalised administration, which would include a revision of IT systems. If this proposal is progressed, regionalised administration could be in place by 2020;
- (d) it is noted that there are currently more children in care now than there have been within the last 30 years;
- (e) overall internal audit conclusions are viewed as positive.

Some members of the Committee expressed concern that the new IT system was not performing as expected and there are concerns with regard to data protection issues, to which Steve responded that Fostering And Adoption is a high-risk area of work, but one of the most important undertaken by the Council. Spot checks and monitoring are ongoing, and Internal Audit comments regarding management processes and procedures have been considered in detail.

Budgetary Control

The Committee were assured by Theresa Channell, Head of Strategic Finance, that since the Budgetary Control Audit, 60% of managers and directors were now able to access self-service facilities, and within their remit, were able to directly make financial decisions. The facility will be rolled out as part of the wider Financial Management Improvement Programme which also enables managers to access and retrieve data for themselves.

Committee members commented that while they had seen the dashboard, they wish to see how the self-service facility operated in practice.

RESOLVED that having critically appraised the internal audit reports, to agree that:

- (1) the response of the fostering and adoption service and the financial services Section, the responses to the internal audit reports, were sufficiently proportionate robust and prompt;**
- (2) with regard to the financial services budgetary control report, for a demonstration of the Oracle self-service facility for managers, to be demonstrated to the audit committee, at the next meeting.**

36 CAPITAL PROGRAMME 2015/16 TO 2019/20

Barry Dryden, Senior Finance Manager, and Theresa Channell, Head of Strategic Finance, presented a report on the Capital Programme 2015/16 to 2019/20, and delivered a presentation which was submitted to the agenda following the meeting.

The following information was outlined within the presentation:

- (a) the 4 key principles which underpin the application and ongoing development of the Capital Strategy: Accountable, Affordable, Prudent, Realistic and Deliverable;
- (b) Capital Programme Principles;
- (c) Capital Programme Summary;
- (d) Programmes and Individual Schemes.

In response to a Member's question Theresa stated that for some individual schemes which require funding of thousands of pounds, but which are reliant on other factors, specialist panels are convened to consider in detail the risks and overall procedures.

RESOLVED for the following areas to be considered in more detail, either during a formal meeting or during a member training session, with further discussion to be held at the next meeting:

- (i) **the arrangements, financial risk analysis and implications to the City Council regarding the transformation of the Broadmarsh area , Daykin Street, Nottingham Castle Transformation, and the Eastcroft Incinerator third line;**
- (ii) **the lessons learnt and new measures in place as a result of issues around the latest tram project.**

37 COUNCIL TAX DISCOUNTS

Barry Dryden, Senior Finance Manager, presented the report which outlines the reasons why council tax discounts have been issued.

It is noted that the Fraud Team are currently investigating some aspects of discounts and exemption applications. Council tax band 'H' properties include student halls of residence.

RESOLVED to note the report.

38 REVIEW AND IMPROVEMENT OF THE DELIVERY OF STRATEGIC RISK MANAGEMENT

Jane O'Leary, Insurance and Risk Manager, presented the report which requests that the Committee approved a review of the current policy, strategy and process for the

delivery of strategic risk management to ensure that City Council Risk Management it is fit for purpose and can achieve the required objectives.

The following points were made in response to member's questions:

- (a) the City Council needs to understand risk appetite and properly define it depending on the focus, and manage the risk accordingly;
- (b) it is not intended that the current Risk Management Framework will be completely revised, only that it will be refreshed and updated as some aspects work well, but new areas of risk are emerging so the Risk Management Framework must be fit for purpose with evidence of mitigation;
- (c) revisions of the framework will include;
 - (i) opportunity management alongside risk management;
 - (ii) notional value to be recognised;
 - (iii) error management;
 - (iv) proper cost and price calculations based on risk.

Members of the Committee are invited to suggest any specific additional areas and actions which they would want to see included within a revised risk management plan.

Contingency management is suggested and any further suggestions should be communicated to Jane.

RESOLVED

- (1) to approve a review of the current policy, strategy and process for the delivery of strategic risk management;**
- (2) to agree to an update and improved policy, strategy and process to be presented to the audit committee on 26 February 2016 and 6 May 2016.**

39 INTERNAL AUDIT QUARTERLY REPORT (SECOND QUARTER)

Shail Shah, Head of Internal Audit, presented the report which outlines the work of the Internal Audit Service for the second Quarter of 2015/16.

RESOLVED to note the report.

40 COUNTER FRAUD STRATEGY

Shail Shah, Head of Internal Audit, presented the report which includes the City Council's Counter Fraud Strategy and Fraud Response Plan.

It is noted that the revised counter fraud arrangements are now more extensive than ever with a refreshed focus on developing and strengthening a counter fraud culture within the Council.

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A bespoke Counter Fraud Policy for Schools has been developed and will be promoted for adoption by school governing bodies.

RESOLVED

- (1) to endorse the City Council's Counter Fraud Strategy as set out in Appendix 1 to the report;**
- (2) to endorse the Counter Fraud Strategy for Schools as set out in Appendix 2 to the report.**

41 AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME

Shail Shah, Head of Internal Audit, presented the report which provides the Audit Committee Terms of Reference and the Committee's Annual Work Programme to the end of the municipal year.

RESOLVED

- (1) to note the functions of Audit Committee and the benefits arising from its existence;**
- (2) to endorse the outline work Programme at Appendix 1 to the report and the Terms of Reference at Appendix 2 to the report.**