



NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 24 November 2017

Time: 10.30 am

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham,
NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Corporate Director for Strategy and Resources

Governance Officer: Zena West **Direct Dial:** 0115 876 4305

- | | | |
|----------|---|---------|
| 1 | APOLOGIES | |
| 2 | DECLARATIONS OF INTEREST | |
| 3 | MINUTES | 3 - 8 |
| | Minutes of the meeting held 22 September 2017, for confirmation | |
| 4 | REVIEW OF ACCOUNTING POLICIES 2017/2018 | 9 - 26 |
| | Report of the Strategic Director of Finance | |
| 5 | OMBUDSMAN ANNUAL LETTER | 27 - 32 |
| | Report of the Corporate Director for Strategy and Resources | |
| 6 | CORPORATE RISK | |
| a | Presentation on GDPR | |
| b | Presentation on STP | |
| c | Risk Register | 33 - 42 |
| 7 | TREASURY MANAGEMENT 2017/18 HALF YEARLY UPDATE | 43 - 56 |
| | Report of the Strategic Director of Finance | |

8	INTERNAL AUDIT QUARTERLY REPORT 2017/18 (Q1 & Q2) Report of the Strategic Director of Finance	57 - 82
9	COUNTER FRAUD STRATEGY Report of the Strategic Director of Finance	83 - 134
10	AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME Report of the Strategic Director of Finance	135 - 144
11	PARTNERSHIP GOVERNANCE ANNUAL HEALTH CHECKS OF NOTTINGHAM CITY COUNCIL'S SIGNIFICANT PARTNERSHIPS Report of the Director of Strategy and Policy	145 - 164

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 22 September 2017 from 10.31 am - 11.38 am

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Leslie Ayoola
Councillor Rosemary Healy
Councillor Anne Peach
Councillor Andrew Rule
Councillor Adele Williams

Absent

Councillor Steve Young
Councillor John Hartshorne
Councillor Malcolm Wood

Colleagues, partners and others in attendance:

Tony Crawley - KPMG External Auditor
Jane O'Leary - Insurance and Risk Manager
Sue Risdall - Finance Team Leader, Technical Accounting
Shail Shah - Head of Audit and Risk
John Slater - Group Auditor
Thomas Tandy - KPMG External Auditor
Geoff Walker - Chief Financial Officer
Zena West - Governance Officer

17 APOLOGIES

Councillor John Hartshorne – other council business
Councillor Steve Young – unwell
Councillor Malcolm Wood – other council business

18 DECLARATIONS OF INTERESTS

None.

19 MINUTES

The minutes from the meeting held 14 July 2017 were agreed and signed by the Chair.

20 URGENT ITEM - EXCLUSION OF THE PUBLIC

Although it was not included on the agenda, the Chair of the Committee agreed that the exclusion of the public, Statement of Accounts 2016/17 – exempt information, and the re-admission of the public should be considered as a matter of urgency in accordance with Section 100b(4)(b) of the Local Government Act 1972. The decision could not wait until the next meeting of Audit Committee, as members of Audit Committee now required exempt information on the statement of accounts in order to make an informed decision.

RESOLVED to exclude the public from the meeting.

21 URGENT ITEM - STATEMENT OF ACCOUNTS 2016/17 - EXEMPT INFORMATION

RESOLVED to note the exempt information.

22 URGENT ITEM - RE-ADMISSION OF THE PUBLIC

RESOLVED to re-admit the public for the remaining agenda items.

23 STATEMENT OF ACCOUNTS 2016/17

Geoff Walker, Chief Financial Officer at Nottingham City Council, presented a report on the statement of accounts for 2016/17, highlighting the following points:

- (a) the external auditors have completed the audit and reported their findings in the report to committee. As part of the audit, KPMG require the Council to present a management representation letter to confirm that the Statement has been constructed accurately and on appropriate basis and that relevant and complete disclosures have been made. The Statement of Accounts was approved by Strategic Director of Finance Geoff Walker and handed over for audit from 12 June. The report to committee is to give some high level information.
- (b) there are new reporting requirements for 2016/17 which has resulted in significant presentational changes to the accounts. These are designed to make the statement more user friendly, effective and understandable. The cost of services in the Comprehensive Income and Expenditure Account (CIES) is no longer based on the standard headings in CIPFA's Service Reporting Code of Practice (SERCoP), but is now presented by portfolio to align to internal reporting.
- (c) there is some additional information contained within a new expenditure and funding analysis note. Some items have to be removed before council tax can be calculated, so the report takes out all the items which cannot be included, to arrive at the figure chargeable for council tax;
- (d) the narrative report replaces the explanatory forward on previous statements of account, and helps to set the scene;
- (e) there have been some minor amendments to the draft version of the statement of accounts, which was published on the Nottingham City Council website in June – the changes have been agreed with KPMG and incorporated into the final version. There have been no changes to the key financial statement which impact on the General Fund or Housing Revenue Account. The figures on the balance sheet between short and long term debtors have been reclassified to align them to the PFI (Private Finance Initiative) model used;

- (f) the figure showing a revaluation gain for council dwellings is now shown separately as an exceptional item, this is just an accounting entry and does not represent any available extra funds;
- (g) there have been some minor changes in the notes to provide further clarity, and the group accounts are yet to be received.

RESOLVED to delegate authority to the Chair of Audit Committee to:

- (1) formally sign off the statement of accounts 2016/17 once the information on the group accounts is complete;**
- (2) sign the draft letter of representation.**

24 KPMG - REPORT TO THOSE CHARGED WITH GOVERNANCE

Tom Tandy and Tony Crawley, from external auditors KPMG, presented their report to the Committee, highlighting the following points (page numbers refer to pages within the supplementary agenda pack):

- (a) page 176 lists those issues still outstanding, including resolution of the impact of estimated pensions data, which is further detailed on page 180. There has been a particular issue whereby estimated data being used may present too wide a margin of error. Every 3 years the pensions data is evaluated country wide. Nottingham City Council's scheme is run by Nottinghamshire County Council. Data was requested for 3 years to 15/16 and the actuary then completes a member by member analysis and updates the viability, which then sets contribution rates from 17/18 onwards. Because of an issue between Nottingham City Council and Nottinghamshire County Council systems, estimated data was used for 15/16. The actuary initially appeared to be comfortable using estimated figures, but it became apparent that there was a significant difference between estimates and actual figures. KPMG then brought in their own actuary to assess the issue, and to clarify whether the difference in the estimate will cause a material impact to the actual figure. An answer is expected in the next few days;
- (b) no issues have been raised from citizens. Electors can challenge accounts and asks questions but nobody has. A certificate can now be issued to close the audit, and an unqualified value for money conclusion produced;
- (c) page 181 sets out the risk of the significance of the subsidiaries of the group accounts, following on from discussion at the July 2017 meeting of the Audit Committee. One of the components had significantly increased, and KPMG assessed all components and group members to see if there were any other significant components. Given the significance of growth, RHE (Robin Hood Energy) will need to be monitored, and Nottingham City Council colleagues have kept KPMG informed on these developments. KPMG have liaised with BDO (auditors) and need them to confirm their procedures, which will be closed off alongside the auditors' statement;

- (d) also detailed on page 181 are 2 standard risks. KPMG look at 2 areas: fraud risk of revenue recognition, and management override of controls. These are not usually issues within the public sector, as the motivations do not exist as they do within the private sector, but these risks are an audit industry standard and so must be addressed;
- (e) page 182 details other areas of audit focus – issues which do not qualify as a significant risk but are still important. The income and expenditure account has been revamped, and as a result it looks quite different. Last year's figures have also been revamped so as to provide some comparative figures;
- (f) on page 183, further detail is provided about property valuation of Nottingham City Council housing stock. The government has applied a discount value to council tax dwelling of 42%, an increase from 34% for the previous year. This has led to a significant revaluation gain, and given the exceptional nature of this revaluation gain, KPMG agrees with Nottingham City Council that the figures should be shown separately;
- (g) on pages 184 and 185, the auditor fulfils their requirement to look at potential manipulation of the figures. Whilst it would be possible to move figures around, KPMG feels that Nottingham City Council has taken a balance approach to their accounting estimates;
- (h) on page 186, an issue is noted regarding deferred costs over the life of NET 2. This is a minor technical issue, which came to light fairly late in the process. Whilst it is below materiality, it still requires approval by Audit Committee (see recommendations);
- (i) page 187 notes that a complete set of accounts was required by 12 June 2017. Next year the deadline will be 31 May 2018. To get audited accounts by the end of July is a massive task, and next year may prove challenging. The quality of working papers has been very high, and Nottingham City Council have helped the task by having a responsive and cooperative finance department;
- (j) there are some IT issues that have been mentioned at previous meetings. The issues surrounding leavers access to Northgate has been addressed. A formal SLA (Service Level Agreement) with EMSS (East Midlands Shared Services) is also still outstanding;
- (k) page 188 shows the statement of completion. KPMG are required to declare positively that there are no objectivity issues between KPMG and Nottingham City Council, which they are able to do. This requirement is a remnant from previous decades when auditors were obstructed from completing their task in some cases, but that has not been an issue here;
- (l) pages 190-192 shows the value for money considerations, with criteria set by the National Audit Office;
- (m) pages 193-194 set out considerations for value for money risks. There has been a slight overspend but that will be ironed out next year. There have been

concerns around resourcing due to the Sustainability and Transformation Plan. Action is being taken to address these issues, and Nottingham City Council recognises that money is unlikely to come through. This will need re-visiting in 2017/18;

- (n) discussion has taken place with Audit Committee regarding Robin Hood Energy, and how the nature of some groups is quite different to most local government subsidiaries. KPMG will be following through in terms of Audit Committee's oversight;
- (o) the independence and objectivity statement on page 203 is an expansion of earlier declarations;
- (p) a report will be presented early in 2018 with the outcome of grants. All work has been done as individual tasks so they will need to be reported on separately (page 204);
- (q) page 205 details the audit fees. The additional fee for additional work in several areas will be worked out with Geoff Walker, and will then need approval by Audit Committee at a later date.

Tom Tandy, Tony Crawley and Geoff Walker then provided further information as a result of questions, comments and discussion from Audit Committee:

- (r) no breach has occurred as a result of using estimated pensions data, this was required due to the sheer number of authorities to work through – some were required to use estimated data. The actuaries are aware of our deadlines, and an outcome is expected soon, but it is more important to have correct information than rushed information;
- (s) the expectation on the group accounts would be for them to be received on time, and Nottingham City Council colleagues have been engaged early on in the process. There have been different reasons for delay from different companies, and now there are practical issues of getting them signed. The Board meetings to sign off accounts have been left very late, given the deadlines. Nottingham City Council's influence should be exerted more robustly next year to ensure compliance with the earlier deadlines, and expectations need to be made clear. There are no costs to the delay, just practical issues.

RESOLVED to:

- (1) thank Tom and Tony for the presentation, and note the contents of the report;**
- (2) revisit the non-material misstatement in relation to the classification of NET 2 disclosures for the 2017/18 statements.**

25 ANNUAL GOVERNANCE STATEMENT 2016/17

Shail Shah, Head of Audit and Risk at Nottingham City Council, presented a report on the annual governance statement 2016/17 to the Audit Committee, and circulated an updated copy signed by the Leader and Chief Executive (attached to the minutes). The interim Annual governance statement came to the Committee in July, and as a result of comments changes were made in the section about the response to the Grenfell residential tower block fire. An additional statement was added on the advice of KMPG, to explicitly state that Nottingham City Council has complied with the CIPFA guidance on the role of the Chief Finance Officer.

Tony Crawley of KPMG indicated that he had reviewed and was satisfied with the annual governance statement as part of the external audit.

RESOLVED to thank Shail for the report, and approve the annual governance statement 2016/17.

26 CORPORATE RISK REGISTER UPDATE

Jane O'Leary, Insurance and Risk Manager, presented an update to the Committee on the corporate risk register. The report shows those risks which have de-escalated from the risk register into departmental risk management at 2.5, and those which have escalated from departmental risk management onto the corporate risk register at 2.6. Work is currently taking place on the quarter 2 register, and will be reported to the next meeting of Audit Committee. This work includes discussions which took place at the July meeting about governance arrangements for wholly owned companies.

RESOLVED to:

- (1) thank Jane for the update, and note the risks identified on the corporate risk register.**
- (2) select SR13 Social Care Sustainability for review at a future committee meeting.**

27 REVIEW OF BEST PRACTICE IN COMPANY GOVERNANCE -TERMS OF REFERENCE

Shail Shah, Head of Audit and Risk for Nottingham City Council, presented a report on the terms of reference for the review of best practice in company governance. A good discussion took place at the July meeting, covering the scope of the planned review. Work has started and an update will be presented to the November Audit Committee. Governance arrangements need to be in place ahead of approving group accounts again this time next year.

RESOLVED to thank Shail for the update, and approve the proposed terms of reference for the review of best practice in company governance, as detailed in appendix 1 of the report.

AUDIT COMMITTEE – 24 November 2017

Title of paper:	Review of Accounting Policies 2017/18	
Director(s)/ Corporate Director(s):	Laura Pattman Strategic Director of Finance	Wards affected: All
Report author(s) and contact details:	Susan Risdall, Team Leader – Technical Accounting susan.risdall@nottinghamcity.gov.uk 0115 8763653	
Other colleagues who have provided input:	Sam Hawrylak, Senior Accountant – Financial Accounting Tom Straw, Senior Accountant – Capital Programmes Richard Pearson – Senior Accountant – Capital Accounting	
Recommendation(s):		
1	Review and agree the Statement of Accounting Policies for inclusion in the 2017/18 annual accounts (within appendix 1).	
2	Review and agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.
- 1.2 The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 May. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2017/18 Statement of Accounts is produced.
- 1.3 In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

2 BACKGROUND

- 2.1 The draft 2017/18 accounting policies are included in Appendix 1. The finance team review the accounting policies each year to ensure that they comply with accounting standards. Any policies which are no longer relevant or have no material effect to the Statement of Accounts for 2017/18 are removed. Following the 2017/18 review there are no significant changes to the accounting policies from 2016/17. All changes from the 2016/17 accounting policies have been marked blue.
- 2.2 **Critical Accounting Policies**
The critical accounting policies provide the fundamental bases for producing the Statement of Accounts and warrant particular consideration. The proposed 2017/18 Critical Accounting Policies are:
- 2.2.1 **Accruals of Expenditure and Income**
The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period

in which they are earned or incurred and not when money is received or paid. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

2.2.2 Government Grants and Contributions

Government Grants and contributions are credited to income in the Comprehensive Income and Expenditure Statement (CIES) only when there is reasonable assurance that any attached conditions will be met. Specific grants are credited to the relevant service line, while non-ring fenced and capital grants are credited to Taxation and Non-specific grant income. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors.

2.2.3 Charges to CIES for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

2.2.4 Valuation of Non-Current Assets

Generally non-current assets are valued initially at cost and subsequently revalued at fair value. The main exceptions are infrastructure, which are generally valued at depreciated historical cost, council dwellings, which are valued at Existing Use Value for Social Housing and heritage assets, which are valued at market value by an external valuer.

2.2.5 Interests in Companies and Other Entities

Inclusion in the Council's Group Accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as investments and valued at cost less any provision for losses.

2.3 Choices made under IFRS

For some policies the IFRS provide different options that can be used. The choices made in these instances have been applied consistently over the years, however, it would be prudent for Audit Committee to reaffirm the choices made. The key proposals are detailed below:

2.3.1 De Minimis Capital Expenditure

All assets acquired can be included in the Balance Sheet, regardless of their cost. However where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

2.3.2 **Componentisation**

Where an asset consists of significant components that have different useful lives, these components are separately identified and depreciated accordingly. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

2.3.3 **Depreciation (including amortisation of intangible assets)**

Certain Property Plant and Equipment components and Intangible Assets are written down over time and charged to revenue. International Financial Reporting Standards allow the Council to assess the asset life as well as the depreciation method. The following assets are depreciated on a straight line basis over their individually assessed useful life, unless otherwise stated:

- Buildings, vehicles, plant, furniture and equipment
- Infrastructure and Community are depreciated over 25 years
- Intangible assets are depreciated over 5 years
- Dwellings, based upon major components current price data allocated on a straight line basis over the useful life.

2.4 The draft accounting policies will also be reviewed by the external auditors, KPMG, and therefore are still subject to change. Any major changes will be highlighted to Audit Committee at a future meeting.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 Statement of Accounts 2016/17

4.2 Accounting and Audit Regulations 2015

4.3 Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

This page is intentionally left blank

Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts.

10.1 General Principles

10.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. It provides the reader with information about the Council's financial position and its stewardship of public funds. The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2015 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) which is based on approved accounting standards. In addition to compliance with the Code, the Council's accounts also comply with the Service Reporting Code of Practice 2017/18. This Code sets out proper practice for financial reporting to ensure consistency and comparability across Councils. The accounts are supported by IFRS and statutory guidance issued under Part 3 of the 2015 Act.

10.1.2 Accounting Convention

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

10.1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

A prior period adjustment will be made to the accounts as a result of a change in accounting policies. Changes in accounting estimates will be accounted for prospectively. Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

10.1.4 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue. The two types of events and the accounting treatment are given below:

- For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.
- Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

10.1.5 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period

Appendix 1 (SoA Section 10 – Accounting Policies)

in which they are earned or incurred and not when money is received or paid. Further details are given below:

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.
- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Works are charged as expenditure, once complete, prior to completion they are carried as 'works in progress' on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecasted cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.

Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.

10.2 Policies primarily affecting the CIES

10.2.1 Government Grants and Contributions

Government grants and other contributions are recognised as due to the Council when the attached conditions have been satisfied and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are

satisfied, the grant is credited to the relevant service line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

10.2.2 Business Improvement Districts (BID)

A BID scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CIES.

10.2.3 Operating Leases

Receivable (Council as lessor)

Where the Council has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

Payable (Council as lessee)

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

10.2.4 Employee Benefits

Benefits Payable During Employment

Wages and salaries, paid annual leave and paid sick leave are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of the holiday entitlements or for any form of leave, e.g. time off in lieu, which employees have earned during the year but are able to carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the [Corporate Items line or the relevant portfolio line in the CIES \(depending on reason for termination\)](#) when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

NHS Pension Scheme

Pension costs relating to the NHS Pension Scheme have been treated as defined contribution schemes and the costs are charged to [Adults and Health](#) in the CIES.

Teachers Pension Scheme

Pension costs relating to Teachers' Pension Scheme have been treated as defined contribution schemes and the costs are charged to [Business, Education and Skills](#) in the CIES.

Appendix 1 (SoA Section 10 – Accounting Policies)

Defined Benefit Schemes (Local Government Pension Scheme)

Within the CIES, service revenue accounts have been charged with their current service cost, which represents the extent to which the pension liability has increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to [Corporate Items](#) in the CIES.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

10.2.5 Charges to Service Revenue Accounts for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

10.2.6 Financing and Investment

The financing and investment line of the CIES is charged or credited for the following amounts relating to investments:

- Gain or loss on the difference between net sale proceeds and carrying value of investment properties.
- Rental income from investment properties
- Gains and losses on the repurchase or early settlement of borrowing [following the appropriate accounting treatment as per the Code](#).
- Interest costs and expected return on Defined Benefit pension schemes.

10.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government
- Gains or losses on sale and derecognition of non-current assets (excluding investment properties)
- Actuarial gains or losses and return on plan assets of Defined Benefit Pension Schemes, which are charged to the Pension Reserve

10.2.8 Overheads and Support Services

[Overheads and support services](#) are reported within portfolio lines of the CIES based on the organisational structure under which the Council operates.

10.2.9 Carbon Reduction Commitment Scheme

As energy is used and carbon dioxide is emitted, an expense is charged to services based on the current market price of allowances, together with a corresponding liability being created on the Balance Sheet. The expense is apportioned to services on the basis of energy consumption. The liability is subsequently discharged when the allowances are purchased retrospectively.

10.2.10 Council Tax and Non Domestic Rates (NDR)

As a billing authority the Council acts as agent, collecting council tax and NDR on behalf of the major preceptors and central government and, as principal, collecting rates for themselves. The Council maintains a separate Collection Fund that shows the transactions in relation to the collection from taxpayers and distribution to preceptors, the Council and the Government of council tax and NDR. The Council's share of the council tax and NDR is credited to the CIES. The transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas the Council will recognise income on a full accruals basis.

There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from the collecting council tax and NDR belong to the bodies (ie preceptors, the Council and the Government) on behalf of which the Council collects these taxes.

10.2.11 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

10.2.12 Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES, in order to give a fair presentation of the accounts. Where these items are less significant they are included within the cost of the relevant service.

10.2.13 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

10.3 Policies primarily affecting the Balance Sheet

10.3.1 Property, Plant and Equipment (PPE), Heritage Assets and Intangible Assets

PPE - Recognition

General

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Appendix 1 (SoA Section 10 – Accounting Policies)

Surplus Assets

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE ‘Surplus’, pending a decision on the future use of the asset.

Private Finance Initiative (PFI) and Similar Contracts

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). Therefore, the Council carries the assets used under the contracts, on its Balance Sheet as PPE, where they are accounted for in the same way as the other assets. The original recognition of assets is at current value with a corresponding liability for the amounts due to the scheme operator.

The amounts payable to the PFI operators is comprised of 5 elements. The Current Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are posted to the CIES. The final element is a payment towards the outstanding liability on the balance sheet.

Finance Leases - General

Leases are classified as finance leases where substantially all of the risks and rewards incidental to ownership of the PPE transfer from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases – where the Council is Lessee

The asset is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Finance Leases – the Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the carrying amount of the asset is written off and a long term debtor raised in the Balance Sheet.

Lease rentals receivable are apportioned between the principal repayment which reduces the debtor balance and interest which is credited to the Financing and Investment Income and Expenditure line in the CIES.

Heritage Assets

Acquisitions are either purchased by the City Council or donated by a third party. Purchases are initially recorded at cost while donations are held at nil value until the assets related collection is externally valued within the heritage asset valuation cycle.

Items are omitted from the Balance Sheet where the Council is unable to obtain the valuations at a cost which is commensurate with the benefits it would provide to users of the financial statements.

Intangible Assets

Intangible assets where the Council has control of the asset through either custody or legal protection for e.g. software licences are capitalised at cost.

Measurement

Assets are initially measured at cost, i.e. purchase price plus any costs incurred in bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Community and Infrastructure assets for e.g. parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman and Mitchell.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued by an external valuer, the valuation dates range from 2001 to 2014. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. **Acquisitions are held at their purchase price, adjusted annually each year (except in the year of purchase), until the next valuation.**
- All other assets are valued at current value.

Assets included in the Balance Sheet at current value are revalued, as a minimum, every 5 years. However, if there is evidence that there have been material changes in the value a further valuation will be undertaken.

Increases in valuations are credited to services within the CIES where they arise from the reversal of a revaluation or an impairment loss previously charged on the same asset. Any gains in excess of previous revaluation losses are matched by credits to the Revaluation Reserve.

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant service line of the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Appendix 1 (SoA Section 10 – Accounting Policies)

De Minimis Levels

All assets acquired can be included in the Balance Sheet, regardless of their cost. However where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet.

Description	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

Impairment

Asset values are assessed at the end of each financial year for evidence of reductions in value. If identified either as part of this review or as a result of a valuation exercise, they are accounted for as follows:

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset the impairment loss is charged against that balance until it is used up. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant service line of the CIES only.

Depreciation and Amortisation

Depreciation is provided for on all PPE assets. The annual charge to the CIES is calculated by dividing the value less any residual value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Dwellings – based upon major components current price data allocated on a straight line basis over the useful life.
- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation generally over 25 years.
- Finance leases - over the lease term. If the lease term is shorter than the asset's estimated useful life and ownership of the asset does not transfer to the authority at the end of the lease period.
- Intangible assets – amortised on a straight line basis over the economic life, which is generally assessed to be 5 years.

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Revaluation Reserve is also reduced for the depreciation relating to revaluation gains with a corresponding credit to the Capital Adjustment Account.

Componentisation

Where an asset consists of significant components that have different useful lives and / or depreciation methods to the remainder of asset, these components are separately identified and depreciated accordingly. A component value must be at least 20% of the whole asset. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the parts have been grouped to determine the depreciation charge. Componentisation only applies to enhancement and acquisition expenditure and revaluations carried out from 1st April 2010 with a de-minimis level of £3m.

Fair Value Measurement

Some non-financial and financial assets of the Council are measured at fair value at the reporting date. Fair value assumes the transaction takes place either:

- In the principal market for the asset or liability, or
- The most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques are used which maximise the use of observable inputs and minimise the use of unobservable inputs. After reviewing the inputs used the valuation is categorised within the following fair value hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets / liabilities that can be accessed at the measurement date.

Level 2 – inputs other than quoted prices within level 1, that are observable either directly or indirectly.

Level 3 – unobservable inputs

10.3.2 Investment Property

Investment properties are those used solely to earn rentals and/or for capital appreciation and does not apply to properties which are being used to deliver services for the Council.

Investment properties are measured initially at cost. They are not depreciated but are revalued annually according to market conditions.

10.3.3 Long Term Investments

Interests in Companies and Other Entities

Inclusion in the Council's Group Accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as investments and valued at cost less any provision for losses.

Available-for-sale Financial Assets

Available-for-sale assets are valued at fair value. Where available-for-sale assets are quoted in an active market, the quoted market price is taken as fair value.

Appendix 1 (SoA Section 10 – Accounting Policies)

10.3.4 PPE Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

10.3.5 Inventories and Work in Progress

Stocks are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

10.3.6 Financial Liabilities

Financial liabilities except those held for trading are recognised on the Balance Sheet initially at fair value and carried at their amortised cost. Interest payable is charged to the Financing and Investment Income and Expenditure line of the CIES. The amount shown in the Balance Sheet is the carrying amount of the loan at 31st March.

Financial liabilities held for trading are recognised at fair value through profit or loss.

10.3.7 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet, initially at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

10.3.8 Provisions

Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, for e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provisions are also set up for bad and doubtful debts, but are offset against the debtor balance on the balance sheet, rather than being included in the provisions figure.

10.3.9 Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead

disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

10.3.10 Contingent Assets

A contingent asset occurs where a possible asset may arise but is dependent upon the outcome of future events before it can be confirmed. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

10.3.11 Defined Benefit Schemes (Local Government Pension Scheme)

For defined benefit schemes, pension fund assets are accounted for at fair value.

Pension liabilities are measured on an actuarial basis, using an assessment of the future payments that will be made for retirement benefits earned to date by employees. This assessment includes assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve.

10.3.12 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Transfers to and from reserves are shown in the MIRS and not within services. Expenditure is charged to the CIES and not directly to any reserve. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Council.

10.4 Policies Affecting the Cash Flow Statement

10.4.1 Cash and Cash Equivalents

The Council's Cash Flow Statement reflects the movements in cash and cash equivalents during the year and is shown net of bank overdrafts that are repayable on demand. Cash is represented by cash in hand and deposits with the Council's own bank. Cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes Council deposits in other UK bank call accounts and Money Market Funds.

10.5 Policies used to account on a Funding Basis

In a number of areas statutory provisions require the Council to account for transactions relating to the General Fund (and subsequently the amount to be raised from Council Tax) differently from the treatment required by IFRS. In each case the adjustment required is offset by a transfer to a specific reserve. The adjustments are shown within the MIRS as adjustments between accounting basis and funding basis under statutory provisions.

10.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (at least 2% of the adjusted Capital Financing Requirement, excluding amounts attributable to

Appendix 1 (SoA Section 10 – Accounting Policies)

HRA). The difference between the two transactions is adjusted with the Capital Adjustment Account.

For the HRA, depreciation is replaced by a contribution to the Major Repairs Reserve.

10.5.2 Gains and Losses on Sale of Assets

Where sale proceeds are in excess of £10k, the gain or loss on sale or disposal (including finance leases) is removed from the CIES and adjusted with the Usable Capital Receipts Reserve (sale proceeds) and the Capital Adjustment Account (carrying value in the Balance Sheet).

A proportion of receipts relating to HRA disposals is payable to the Government and a corresponding sum is therefore transferred back from the Capital Receipts Reserve to the General Fund.

10.5.3 Capital grants

Capital Grants are reversed out of the General Fund to the Capital Grants Unapplied Account. When the grant is applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

10.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Certain items of expenditure and related grant funding charged to the CIES under IFRS may be treated as capital for funding purposes. A transfer is made between the General Fund and the Capital Adjustment Account reserve for these items.

10.5.5 Employee Benefits

Accruals made for holiday entitlements or leave are reversed out of the General Fund to the Accumulated Absences Account.

10.5.6 Termination Benefits - Pension Enhancements

Pension costs calculated according to IAS 19 are replaced by the actual pension payment for the year. The difference between the two transactions is transferred between the General Fund and the Pensions Reserve.

10.5.7 Financial Liabilities

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The gain or loss is spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between the two approaches is transferred between the General Fund and the Financial Instruments Adjustment Account.

10.5.8 Loans and Receivables

Statutory provisions allow the General Fund to be charged with the actual interest receivable for the financial year. The adjustment to the CIES for soft loans is therefore removed and adjusted with the Financial Instruments Adjustment Account.

10.5.9 Use of Reserves

The Council may make a charge against the General Fund to set aside specific amounts as reserves for future policy purposes or to cover contingencies. The Council may then also choose to use these reserves to reduce the impact on the General Fund when the expenditure is incurred.

10.6 Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included above, because the statements are not materially affected by their implementation. These policies include:

- Use of capital receipts to fund disposal proceeds
- Intangible Assets – Recognition of website development and other internally generated assets
- Derecognition or impairment of available for sale financial assets, loans and receivables
- Valuation of available for sale financial assets other than at quoted market price
- Restructuring of loan portfolios and treatment of bonds
- Treatment of soft loans
- Changes to accounting policies
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Jointly controlled assets
- Provision for backpay arising from unequal pay claims
- Treatment of foreign currency translations
- Acquired operations
- Discontinued operations

This page is intentionally left blank

AUDIT COMMITTEE – 24 November 2017

Title of paper:	Ombudsman Annual Letter	
Director(s)/ Corporate Director(s):	Candida Brudenell, Corporate Director for Strategy and Resources	Wards affected: All
Report author(s) and contact details:	Amanda Wright – Customer Experience Lead Amanda.wright@nottinghamcity.gov.uk 0115 87 63975	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the contents of this report.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 This report provides a reflection of the complaints received and the decisions made on complaints about Nottingham City Council by the Local Government Ombudsman (LGO) for the period of April 2016 to March 2017.
- 1.2 Capturing customer experience and learning from complaints is important, it enables the council to reflect on feedback about its services and facilitates service improvements and innovation. An outcome of an upheld complaint can be a recommendation for a service improvement, which is welcomed as another source of reflection and learning for the organisation.

2 BACKGROUND

- 2.1 We continue to maintain a good working relationship with the LGO teams and investigators, working in a timely manner to liaise with teams to ensure deadlines are met.
- 2.2 Nottingham City Council has a two-stage complaints process co-ordinated through the Have Your Say Team. From June 2016 a new approach to complaints management has been implemented, with a greater emphasis on quality. Complaint responses are quality monitored at stage 1 and stage 2.
- 2.3 There is a focus on quality so that the citizen receives a full and thorough complaints response that addresses all aspects of the complaint.
- 2.4 There are some exemptions not covered by the Have Your Say Process; this includes
- Appeals against refusal of planning permission or against conditions placed on a grant of planning permission
 - A complaint about social care services (children and adults)
 - A school admission or exclusion appeal
 - A complaint about a school
 - A complaint from a City Council employee about an employment matter

- An appeal against the issue of a penalty charge notice by the parking enforcement team and the recovery process which follows
- Dispute a fixed penalty for environmental crimes (including dog-fouling)
- Dispute a penalty charge notice for Bus Lane Contravention
- Any appeal against the exercise of a police power
- A complaint about the refusal of disabled badges for parking exemption
- A complaint about the independent Rent Officer
- A complaint about Anti-Social Behaviour
- A complaint about Nottingham City Homes
- Appeals regarding Resident Permits/Dispensation Access Permits

2.5 The LGO oversee some but not all of the Have Your Say exemptions such as Social Care and School Admission appeals, but they do not oversee the exemptions that have a prescribed appeal route, for example penalty charge notices.

2.6 Nationally the LGO received 16,500 complaints about councils in England (it does not cover Scotland or Wales), of those complaints on average 54% were upheld.

2.7 Complaints received by the LGO about Nottingham City Council

2.7.1 In 2016-17 the Local Government Ombudsman (LGO) received 100 complaints about Nottingham City Council services. This was less than the previous year.

Service	Number complaints received by the LGO 2016/17	Number of complaints received by the LGO 2015/16
Adult Care	13	18
Benefits and Tax	13	17
Corporate & Other Services	14	8
Education & Children's Services	22	28
Environmental Services & Public Protection & Regulation	13	12
Highways & Transport	11	13
Housing	8	3
Planning & Development	6	4
Other	0	2
TOTAL	100	105

2.7.2 The three most common services that the LGO receives complaints about are Education and Children's Services, Benefits and Tax and Adult Care Services. This reflects the national average.

2.8 Complaint decisions made by the LGO

2.8.1 In 2016-17 the LGO made decisions on 98 complaints, 23 of these complaints were investigated and 8 were upheld, this gives the council a 35% uphold rate.

- 2.8.2 This is a decrease on upheld complaints from the previous year 2015-16 where the LGO made decisions on 112 complaints about Nottingham City Council, 27 were investigated and 13 upheld, the council uphold rate last year was 48%.

Decision	2016-17	2015-16
Incomplete or Invalid complaint	5	9
Advice given	2	3
Referred back for local resolution	40	40
Closed after initial enquiries	28	33
Not upheld	15	14
Upheld	8	13

2.9 Upheld Complaints 2016/17

- 2.9.1 The National upheld rate for Ombudsman complaints is 54%, the East Midlands has the lowest upheld rate at 44%, Nottingham City Council has an upheld rate of 35%. The highest upheld rate area is London with 60%.

- 2.9.2 The table below gives a further breakdown of the percentage of upheld complaints. Of the 8 that were upheld 4 were about Adult Care Services, 3 were about Education & Children's Services (School Admissions) and 1 was about Environmental Services & Public Protection & Regulation.

Service	Not Upheld	Upheld
Adult Care Services	42.86%	57.14%
Benefits & Tax	100.00%	0.00%
Corporate & Other Services	100.00%	0.00%
Education & Children's Services	62.50%	37.50%
Environmental Services & Public Protection & Regulation	66.67%	33.33%
Highways & Transport	100.00%	0.00%
Housing	100.00%	0.00%
Planning & Development	100.00%	0.00%
Total	65.22%	34.78%

2.10 Complaint detail

- 2.10.1 4 Complaints upheld by the LGO were about Adult Care Services. In the 4 upheld complaints, the Ombudsman found maladministration leading to injustice:
- The Ombudsman found that a care home that had been commissioned by the council to provide residential care for a citizen had maintained poor records, the council took action to rectify this and paid the citizen £150.
 - The Ombudsman found the council did not take sufficient steps to ensure a daughter was able to visit her father in a care home, the Ombudsman recommended a letter of apology.
 - The Ombudsman it was found that the council took too long to arrange a citizen's direct payment, but felt that the council's actions in providing a backdated payment represented a suitable resolution to the complaint.
 - The Ombudsman found that a citizen remained in respite for longer than necessary and that this was the result of the council's delay. No

recommendation was made because the Ombudsman felt that the council's suggestion to waive two weeks' of the citizen's charges represented a reasonable resolution to the complaint.

2.10.2 2 of the 8 upheld complaints were school admission appeals. In 2016/17 there were 577 appeals heard, 8 complaints, and 2 upheld. In 2015/16 there were 447 appeals and 8 complaints with none upheld.

- The Ombudsman found that almost all the complaints about the Panel's conduct and the administration of the school place appeal were unjustified, but one aspect of the case was upheld for appeal – the child would benefit from attending a school very close to the family home, which was not sufficiently considered by Panel. The recommendation was that a fresh panel be arranged. This was carried out.
- The Ombudsman found that there was fault in the way an appeal panel conducted an appeal against the refusal of a school place, but this fault has not caused an injustice as it would not have altered the panel's decision as the year group the complainant was applying to was full. The only fault was that there were 15 teachers for 14 classes.

2.10.3 1 upheld complaint was about school transport.

- The Ombudsman found that almost all of the complaints about the Panel conduct and administration were unjustified, another new panel was arranged to re-consider providing free transport for the child. This was carried out.

2.10.4 1 upheld complaint was about Environmental Services & Public Protection & Regulation.

- This complaint was about invoicing a Landlord for works carried out to a property. The Ombudsman found that the amount detailed in the invoice was correct but there were errors in the invoices produced. This was rectified by the service, who then also reviewed and improved the administration processes in this area.

2.11 National comparisons- core cities

2.11.1 The table below shows a comparison of Nottingham City Council against the other core cities of Birmingham, Bristol, Manchester, Liverpool, Leeds, Sheffield and Newcastle.

2.11.2 The average national upheld rate for Ombudsman complaints is 54%. The geographical area, which has the lowest upheld rate, is the East Midlands at 44%; Nottingham City Council has an upheld rate of 35%. The highest upheld rate area is London with 60%.

2.11.3 The Council figures reflect the national trend with Adult Care, Benefits and Tax and Education and Children’s Services being one of the main subjects of complaints.

	Nottingham City	Birmingham	Bristol	Manchester	Leeds	Sheffield	Newcastle	Liverpool
Total LGO complaints	100	465	157	125	192	177	63	174
Total % upheld complaints	35%	62%	56%	33%	59%	49%	73%	57%
Complaints received								
Adult Care	13	44	16	16	27	33	11	29
Benefits & Tax	13	114	26	23	14	20	9	38
Corporate & other services	14	21	12	10	10	6	3	13
Education & children’s services	22	52	12	43	52	36	8	35
Environmental services	13	73	19	19	17	4	11	16
Highways & Transport	11	38	15	17	17	50	6	10
Housing	8	83	32	12	22	16	9	8
Planning & development	6	22	20	4	42	10	5	12
Other	0	5	4	0	0	0	4	2

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 Annual Letter from the LGO.

This page is intentionally left blank

AUDIT COMMITTEE – 24 November 2017

Title of paper:	CORPORATE RISK REGISTER UPDATE	
Director(s)/ Corporate Director(s):	Strategic Director for Finance Corporate Director, Strategy and Resources	Wards affected: All
Report author(s) and contact details:	Insurance and Risk Manager	
Other colleagues who have provided input:	Head of Audit and Risk	
Recommendation(s):		
1	To note the risks identified on the Q2 Corporate Risk Register and identifying particular risks for future consideration at Audit Committee.	

1 REASONS FOR RECOMMENDATIONS

1.1 The Audit Committee’s risk management role is to provide assurance on the adequacy of the Council’s Risk Management Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This includes ensuring that relevant managers undertake active risk management. This report presents the latest review of the corporate risks faced by the Council.

2 BACKGROUND

- 2.1 This is the Council’s Corporate Risk Register for Q2 2017/18.
- 2.2 Risks are identified and rated in accordance with the council’s Risk Management Framework and reviewed on a quarterly basis.
- 2.3 The Corporate Risk Register for Q2 is attached as Appendix A.
- 2.4 The Corporate Risk Register for Q1 is attached as Appendix B.
- 2.5 The Q2 Corporate Risk Register was approved at CLT on 15 November 2017.
- 2.6 Movement between the Q1 register and Q2 register is as follows:

Risk Reference	The Event
SR14	Additional risk relating to the creation and running of wholly owned trading companies that require robust governance by the parent.

2.7 The Committee is invited to select risks from the Q2 report for presentation at the next Audit Committee.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 None

This page is intentionally left blank

Appendix A

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Leading Service Area	Corporate Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR01	Financial	Children and Adults	Alison Michalska	Reduction in Government funding coupled with an increasing demand for services.	Lack of resources to support the funding of a competent workforce, to fund specialist external services and deliver proactive early intervention initiatives.	A failure to deliver the services required to citizens of Nottingham leading to an increased risk in the likelihood of harm to a citizen in need; an increase in risk of government intervention and a reduction in confidence in our services as a whole.	Alison Michalska	30-Sep-2017	4=Likely	3=Moderate	12
SR02	Citizens	Commerical and Operations	David Bishop	Statutory requirement in accordance with the Air Quality Management Guidance to monitor, report and reduce air pollution in Nottingham.	Failure to have in place sufficient resource to robustly monitor air quality and to report on areas exceeding statutory limits with relevant public exposure and report as an AQMA; failure to draw up an action plan detailing remedial action; failure to reduce levels of air pollution to below statutory limits.	Adverse affect on the health and longevity of our citizens; harmful effects on the environmental; breaching our statutory duty; impacts on the city's ability to attract tourists, businesses and economic development; increase in healthcare costs.	David Bishop	30-Sep-2017	4=Likely	4=Major	16
SR03	Project	Development	David Bishop	Greater Broadmarsh Redevelopment with the refurbishment of the Broadmarsh Shopping Centre, Car Park development, roadscape and public realm.	Failure to robustly manage the project and undertake regular gateway reviews; failure to undertake strict financial monitoring resulting in an overspend; failure to work collaboratively and effectively communicate with all stakeholders; failure to meet economic objectives.	Project is delivered over budget and over time, resulting in loss of resources and operational expenses; loss of opportunity for income and investment; adverse impact on reputation; inconvenience to citizens and loss of opportunity to fully meet economic objectives and potential benefits of regeneration of this area of this city.	David Bishop	30-Sep-2017	3=Possible	3=Moderate	9
SR04	Financial	Strategy and Resources	Laura Pattman	Changes of funding of services from national taxation to local taxation. Reliance on funding from council and business tax.	Failure to raise sufficient funds from local taxation to meet the needs of our citizens.	Services will be reduced, cut in their entirety or ineffectively delivered - adversely affecting the citizens of Nottingham; increasing the risk of harm to vulnerable citizens and resulting in the failure to deliver our statutory duties and the priorities contained within the Council Plan.	Laura Pattman	30-Sep-2017	3=Possible	4=Major	12
SR05	Citizens	Children and Adults	Alison Michalska	Lack of Secondary School Places to meet citizen educational demand with a number of primary schools already over subscribed due to increases in pupil demand and secondary Academies reducing capacity to focus on improving performance. Legislation has resulted in councils losing the power to plan and build new maintained schools and a shift to new schools being 'free schools'.	Failure to plan to accommodate pupils from now until when pressure peaks; failure to engage Academies to increase capacity; lack of power, resources and finances to build new maintained schools; free schools are opened are not opened in areas where there is most demand.	A demographic 'wave' in primary schools could exceed Secondary capacity in Years 7 & 8 by 2020; if this were to occur the reputational risk to NCC would be significant. To meet demand class sizes may grow to such an extent as to have a detrimental effect on educational attainment.	Nicholas Lee	30-Sep-2017	3=Possible	4=Major	12
SR06	Commercial	Commercial and Operations	Andy Vaughan	Growth and Delivery of Commercial Activity.	Lack of agile and commercially astute management processes resulting in inability to quickly respond to business growth opportunities. Lack of empowerment in decision making at the lowest level delays decisions and quick turnarounds.	Commercial growth opportunities are missed, delayed or implemented with inadequate management data required to make sound business decisions; the commercial agenda fails to reach expected targets affecting the delivery of core services that rely on commerical funding for delivery; financial and reputation loss resulting from unprofitable commerical activity and failure to deliver the Council Plan priorities.	Andy Vaughan	30-Sep-2017	3=Possible	3=Moderate	9

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Leading Service Area	Corporate Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR07	Workforce	Strategy and Resources	Candida Brudenell	Corporate Pay, Terms and Conditions relevant to commercial activity, and increasing demand for services.	Cannot pay at levels required to attract the talent to deliver the commercial agenda; reduced level of services delivered within wholly owned companies affecting commercial income and growth due to inability to pay overtime requirements; failure to meet statutory obligations/reduction in ability to deliver front line services due to inability to recruit and retain staff.	Commercial growth opportunities are missed, delayed or implemented poorly; potential of closure or reduction in services (such as in the Heat Station) affecting customers and impacting on supply chain; failure to meet obligations to citizens and deliver front line services such as community protection, waste management and environmental health services.	Richard Henderson	30-Sep-2017	4=Likely	3=Moderate	12
SR08	IT	Strategy and Resources	Candida Brudenell	With the progress of the Fourth Industrial Revolution brings an increasing frequency and capability of criminals to infiltrate organisational IT systems to cause harm.	IT security (tools, process and people) is insufficient to protect against the council's IT system being hacked to steal highly sensitive or confidential personal information or to steal financial data on our citizens and customers. IT security systems are insufficient to quickly detect a malware attack; processes and supervision fails to detect employee negligence or malicious behaviour. Failure to adequately train employees on IT security to raise awareness and ensure adherence to policies.	Data is sold for criminal use adversely affecting our citizens; stolen data is published affecting the council's reputation; data privacy and regulatory fines are incurred; the council suffers severe business interruption to critical services both during and after a malware attack; physical loss of data and damage to property and cost of restoration.	Simon Salmon	30-Sep-2017	3=Possible	4=Major	12
SR09	Operational	Strategy and Resources	Candida Brudenell	Loss of Services caused by catastrophic event such as flood, fire, power outage, terrorist act.	Lack of robust business continuity plans that are joined up, tested and adequate to respond to a business critical interruption; Budget cuts and rationalisation may challenge the ability of Category 1 responders to fulfil their statutory duty; Insufficiently prepared management leads to delay in the restoration of business critical activities and the control of the emergency plan.	Unable to provide critical services to vulnerable citizens; downtime is longer than necessary; reputation is adversely affected; cost escalates and the council is unable to deliver services to its citizens for longer than is acceptable.	Malcolm Townroe and Sarah Molyneux	30-Sep-2017	3=Possible	4=Major	12
SR10	Citizens	Development	David Bishop	Delivery of the Derby Nottingham Metropolitan Strategy 2030	Fail to develop and sustain relationships and formal arrangements with partners, the community, and key stakeholders. No common vision and consensus across all key partners. Failure to understand the drivers for demands and shape services accordingly.	Failure of local agreements impacting adversely on council reputation, services to citizens and wellbeing of community as a whole. Potential financial risk with increased costs and strain on council resources. Outcomes for citizens and economic development does not reach council target and aspirations.	David Bishop	30-Sep-2017	3=Possible	3=Moderate	9
SR11	Operational	Strategy and Resources	Candida Brudenell	Fit for the Future (Oracle Review)	The feasibility study and options appraisal does not adequately scope out the future needs, with a lack of understanding about the financial and HR requirements of the council as a whole. Failure to consult and understand the needs of key stakeholders; failure to procure a fit for purpose system that meets the needs of the council and can adapt to the needs of the council's commercial requirements; delay in implementation beyond acceptable term after contract expiry.	A commitment to a contract that does not meet the long term financial and human resources needs of the council; an inability to respond to change in business need; financial loss; increase in required resource and adverse impact on reputation and credibility.	Colin Monckton	30-Sep-2017	3=Possible	4=Major	12
SR12	Legal	Strategy and Resources	Candida Brudenell	Information Security and Governance	Failure to have in place processes that ensure robust information governance; to train staff and ensure all employees adhere to set policy and process. Failure to record near misses and take action to prevent actual misses. Failure to prepare and have in place policies that adhere to forthcoming GDPR regulations. Failure to contract manage the data of others whilst remaining the data owner.	Loss of sensitive and confidential data that adversely impacts on citizens. Fines for breaches of DPA. Loss of public confidence in the council. Potential of litigation and financial impact.	Malcolm Townroe	30-Sep-2017	3=Possible	3=Moderate	9

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Leading Service Area	Corporate Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR13	Citizens	Strategy and Resources	Candida Brudenell	Social Care Sustainability (STP)	The Plan is not financially viable with funding gap moving to provider from commissioner; failure to properly integrate and collaborate with all partners; failure to maintain a sustained joint effort by the council and NHS counterparts on a shared focus and objectives; failure to align policies and have joint governance arrangements and a failure to deliver on the objectives set as an Accelerator Site.	Not achieving the desired social, health and wellbeing targets for our citizens; increase in financial cost; loss of confidence in our ability to meet the needs of our citizens; adverse impact on reputation.	Colin Monckton	30-Sep-2017	3=Possible	3=Moderate	9
SR14	Financial	Strategy and Resources	Candida Brudenell	The creation and running of wholly owned trading companies that requires robust governance by the parent	Governance arrangements are not comprehensive, not resourced, not implemented and not managed. Failure to have in place a transparent and trusted relationship between the wholly owned company and the council.	The objectives of the council are not met; practices within the company are not aligned to council values and regulation; guarantees provided by the council are breached; financial loss to the council; adverse impact on reputation and credibility in the market place.	Malcolm Townroe/Ceri Walters	30-Sep-2017	4=Likely	4=Major	16

This page is intentionally left blank

Appendix B

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Service Area	Service Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR01	Financial	Children and Adults	Alison Michalska	Reduction in Government funding coupled with an increasing demand for services.	Lack of resources to support the funding of a competent workforce, to fund specialist external services and deliver proactive early intervention initiatives.	A failure to deliver the services required to citizens of Nottingham leading to an increased risk in the likelihood of harm to a citizen in need; an increase in risk of government intervention and a reduction in confidence in our services as a whole.	Alison Michalska	30-Jun-2017	4=Likely	3=Moderate	12
SR02	Workforce	All	Environmental Health	Statutory requirement in accordance with the Air Quality Management Guidance to monitor, report and reduce air pollution in Nottingham.	Failure to have in place sufficient resource to robustly monitor air quality and to report on areas exceeding statutory limits with relevant public exposure and report as an AQMA; failure to draw up an action plan detailing remedial action; failure to reduce levels of air pollution to below statutory limits.	Adverse affect on the health and longevity of our citizens; harmful effects on the environmental; breaching our statutory duty; impacts on the city's ability to attract tourists, businesses and economic development; increase in healthcare costs.	Andy Vaughan	30-Jun-2017	4=Likely	4=Major	16
SR03	Project	Development	David Bishop	Greater Broadmarsh Redevelopment with the refurbishment of the Broadmarsh Shopping Centre, Car Park development, roadscape and public realm	Failure to robustly manage the project and undertake regular gateway reviews; failure to undertake strict financial monitoring resulting in an overspend; failure to work collaboratively and effectively communicate with all stakeholders; failure to meet economic objectives.	Project is delivered over budget and over time, resulting in loss of resources and operational expenses; loss of opportunity for income and investment; adverse impact on reputation; inconvenience to citizens and loss of opportunity to fully meet economic objectives and potential benefits of regeneration of this area of this city.	David Bishop	30-Jun-2017	3=Possible	3=Moderate	9
SR04	Financial	All	Geoff Walker	Changes of funding of services from national taxation to local taxation. Reliance on funding from council and business tax.	Failure to raise sufficient funds from local taxation to meet the needs of our citizens.	Services will be reduced, cut in their entirety or ineffectively delivered - adversely affecting the citizens of Nottingham; increasing the risk of harm to vulnerable citizens and resulting in the failure to deliver our statutory duties and the priorities contained within the Council Plan.	Geoff Walker	30-Jun-2017	3=Possible	4=Major	12
SR05	Citizens	Children and Adults	Alison Michalska	Lack of Secondary School Places to meet citizen educational demand with a number of primary schools already over subscribed due to increases in pupil demand and secondary Academies reducing capacity to focus on improving performance. Legislation has resulted in councils losing the power to plan and build new maintained schools and a shift to new schools being 'free schools'.	Failure to plan to accommodate pupils from now until when pressure peaks; failure to engage Academies to increase capacity; lack of power, resources and finances to build new maintained schools; free schools are opened are not opened in areas where there is most demand.	A demographic 'wave' in primary schools could exceed Secondary capacity in Years 7 & 8 by 2020; if this were to occur the reputational risk to NCC would be significant. To meet demand class sizes may grow to such an extent as to have a detrimental effect on educational attainment.	Pat and Sarah Fielding	30-Jun-2017	3=Possible	4=Major	12
SR06	Commercial	Commercial and Operations	Andy Vaughan	Growth and Delivery of Commercial Activity.	Lack of agile and commercially astute management processes resulting in inability to quickly respond to business growth opportunities. Lack of empowerment in decision making at the lowest level delays decisions and quick turnarounds.	Commercial growth opportunities are missed, delayed or implemented with inadequate management data required to make sound business decisions; the commercial agenda fails to reach expected targets affecting the delivery of core services that rely on commercial funding for delivery; financial and reputation loss resulting from unprofitable commercial activity and failure to deliver the Council Plan priorities.	Andy Vaughan	30-Jun-2017	3=Possible	3=Moderate	9

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Service Area	Service Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR07	Workforce	All	All	Corporate Pay, Terms and Conditions relevant to commercial activity, and increasing demand for services.	Cannot pay at levels required to attract the talent to deliver the commercial agenda; reduced level of services delivered within wholly owned companies affecting commercial income and growth due to inability to pay overtime requirements; failure to meet statutory obligations/reduction in ability to deliver front line services due to inability to recruit and retain staff.	Commercial growth opportunities are missed, delayed or implemented poorly; potential of closure or reduction in services (such as in the Heat Station) affecting customers and impacting on supply chain; failure to meet obligations to citizens and deliver front line services such as community protection, waste management and environmental health services.	Richard Henderson	30-Jun-2017	4=Likely	3=Moderate	12
SR08	IT	Strategy and Resources	Candida Brudenell	With the progress of the Fourth Industrial Revolution brings an increasing frequency and capability of criminals to infiltrate organisational IT systems to cause harm.	IT security (tools, process and people) is insufficient to protect against the council's IT system being hacked to steal highly sensitive or confidential personal information or to steal financial data on our citizens and customers. IT security systems are insufficient to quickly detect a malware attack; processes and supervision fails to detect employee negligence or malicious behaviour. Failure to adequately train employees on IT security to raise awareness and ensure adherence to policies.	Data is sold for criminal use adversely affecting our citizens; stolen data is published affecting the councils reputation; data privacy and regulatory fines are incurred; the council suffers severe business interruption to critical services both during and after a malware attack; physical loss of data and damage to property and cost of restoration.	Simon Salmon	30-Jun-2017	3=Possible	4=Major	12
SR09	Operational	Strategy and Resources	Candida Brudenell	Loss of Services caused by catastrophic event such as flood, fire, power outage, terrorist act.	Lack of robust business continuity plans that are joined up, tested and adequate to respond to a business critical interruption; Budget cuts and rationalisation may challenge the ability of Category 1 responders to fulfil their statutory duty; Insufficiently prepared management leads to delay in the restoration of business critical activities and the control of the emergency plan.	Unable to provide critical services to vulnerable citizens; downtime is longer than necessary; reputation is adversely affected; cost escalates and the council is unable to deliver services to its citizens for longer than is acceptable.	Malcolm Townroe and Sarah Molyneux	30-Jun-2017	3=Possible	4=Major	12
SR10	Citizens	All	All	Delivery of the Derby Nottingham Metropolitan Strategy 2030	Fail to develop and sustain relationships and formal arrangements with partners, the community, and key stakeholders. No common vision and consensus across all key partners. Failure to understand the drivers for demands and shape services accordingly.	Failure of local agreements impacting adversely on council reputation, services to citizens and wellbeing of community as a whole. Potential financial risk with increased costs and strain on council resources. Outcomes for citizens and economic development does not reach council target and aspirations.	David Bishop	30-Jun-2017	3=Possible	3=Moderate	9
SR11	Operational	Strategy and Resources	Geoff Walker	Fit for the Future (Oracle Review)	The feasibility study and options appraisal does not adequately scope out the future needs, with a lack of understanding about the financial and HR requirements of the council as a whole. Failure to consult and understand the needs of key stakeholders; failure to meet the financial needs of the council's commercial requirements; delay in implementation beyond acceptable term after contract expiry.	A commitment to a contract that does not meet the long term financial and human resources needs of the council; an inability to respond to change in business need; financial loss and adverse impact on reputation and credibility.	Geoff Walker	30-Jun-2017	3=Possible	4=Major	12
SR12	Legal	Strategy and Resources	Candida Brudenell	Information Security and Governance	Failure to have in place robust processes that manage data in accordance with DPA requirement; to train staff and ensure all employees adhere to the policy. Failure to record near misses and take action to prevent actual misses. Failure to prepare and have in place policies that adhere to forthcoming GDPR regulations. Failure to contract manage the data of others whilst remaining the data owner.	Loss of sensitive and confidential data that adversely impacts on citizens. Fines for breaches of DPA. Loss of public confidence in the council. Potential of litigation and financial impact.	Colin Monckton	30-Jun-2017	3=Possible	3=Moderate	9

REFERENCE				THE RISK			THE RISK EVALUATION				
Risk Reference	Risk Type	Service Area	Service Lead	The Event	Risk Description	The Impact	Owner	Date of Assessment	Likelihood Score	Impact Score	Risk Score
SR13	Citizens	All	Alison Michalska	Social Care Sustainability (STP)	The Plan is not financially viable with funding gap moving to provider from commissioner; failure to properly integrate and collaborate with all partners; failure to maintain a sustained joint effort by the council and NHS counterparts on a shared focus and objectives; failure to align policies and have joint governance arrangements and a failure to deliver on the objectives set as an Accelerator Site.	Not achieving the desired social, health and wellbeing targets for our citizens; increase in financial cost; loss of confidence in our ability to meet the needs of our citizens; adverse impact on reputation.	TBC	30-Jun-2017	3=Possible	3=Moderate	9

This page is intentionally left blank

AUDIT COMMITTEE – 24 NOVEMBER 2017

Title of paper:	Treasury Management 2017/18 Half Yearly Update	
Director(s)/ Corporate Director(s):	Laura Pattman, Strategic Director of Finance	Wards affected: All
Report author(s) and contact details:	Glyn Daykin, Senior Accountant - Treasury Management Tel: 0115 8763724	
Other colleagues who have provided input:	Members of Treasury Management Panel: Laura Pattman, Strategic Director of Finance Theresa Channell, Head of Corporate Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader	
Recommendation(s):		
1	To note the treasury management actions taken in 2017/18 to 30 September 2017.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 To ensure that Councillors are kept informed of the actions taken by the Chief Finance Officer (CFO) under delegated authority. The currently adopted Treasury Management Code of Practice requires the CFO to submit at least three reports on treasury management each year; a policy and strategy statement for the ensuing financial year, a 6-monthly progress report and an outturn report after the end of the financial year.
- 1.2 The CIPFA Prudential Code requires local authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council's Audit Committee is the most appropriate body for this function. In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices.

2 BACKGROUND

- 2.1 Treasury management is the management of a local authority's cash flows, borrowings and investments, together with the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks. Since 1 April 2004 councils have been required to have regard to the Prudential Code. The Code requires treasury management to be carried out in accordance with good professional practice. The City Council retains external advisors to assist with this activity.
- 2.2 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
- 2.3 The half yearly update report is scheduled to be considered by Executive Board on 19 December 2017.

3 TREASURY MANAGEMENT ACTIVITY TO 30 SEPTEMBER 2017

- 3.1 Summary. This report sets out the 2017/18 performance in the 6 months to 30 September 2017 in respect of the management of the Council's external debt and investments. The key points are:
- 3.1.1 the balance of external debt increased by £3.030m and the average rate of interest payable on the debt portfolio increased from 3.3% at 31 March 2017 to 3.4% at 30 September 2017 (see section 3.3.2);
 - 3.1.2 the average rate of interest earned on short-term investments was 0.250%. This is benchmarked against the 7 day London Inter-bank (LIBID) rate provided by the Bank of England, which averaged 0.20% for the same period (see section 3.9.3);
 - 3.1.3 the 2017/18 budget for General Fund Treasury Management was £46.837m (see section 3.15);
 - 3.1.4 there were no breaches of the Prudential Indicators set for 2017/18 (see section 3.11).
- 3.2 The Economy and Interest rates during 2017/18
- 3.2.1 Growth and Inflation:
After the UK economy surprised with strong growth in 2016, growth in 2017 has been disappointingly weak with quarters 1 & 2 year on year growth of 1.7% & 1.5% respectively which was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. Inflation (CPI) is forecast to peak at 3% in 2017 before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August.
 - 3.2.2 UK Monetary Policy:
The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017 so the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action.
 - 3.2.3 At the MPC meeting on 2nd November 2017 the MPC increased Bank Rate from 0.25% to 0.50% and gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This forward guidance on Bank Rate is in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

3.2.4 Forecast Interest rates

The Council's treasury advisor, Capita Asset Services, has provided the following forecast as at 7 November 2017:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%
5yr PWLB rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%
10yr PWLB rate	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%
25yr PWLB rate	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
50yr PWLB rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%

3.2.5 Appendix B shows the money market interest rates and the PWLB borrowing rates for the half-year to 30 September 2017.

3.3 Local Context

At 31/03/2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,280.5m. The forecast CFR at 31/03/2018 is now expected to be £1,371.8m. The increase in CFR is mainly due to additional capital schemes being approved within the capital programme since the original estimate.

3.3.1 Table 1 below shows the original and expected financing arrangements of the capital programme. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

TABLE 1: CAPITAL EXPENDITURE	2017/18	2017/18
	Original	Revised
	Estimate	Estimate
	£m	£m
Total capital expenditure	209.091	279.538
Financed by:		
Capital receipts	42.783	25.906
Capital grants & Contributions	51.708	63.416
Internal Funds / Revenue (inc. Major Repairs Reserve)	34.619	57.405
Total financing	129.11	146.727
Borrowing requirement	79.981	132.811

- 3.3.2 Table 2 summarises the Council's outstanding external debt at 30 September 2017 showing the value of debt and the average interest rate payable on the debt:

TABLE 2: DEBT PORTFOLIO				
	01-Apr-17		30-Sep-17	
DEBT	£m	%	£m	%
PWLB borrowing	623.6	3.7	656.1	3.7
Market loans	49.0	4.3	49.0	4.3
Local bonds & Stock	0.6	3.0	0.6	3.0
Temporary borrowing	115.7	0.3	86.2	0.4
TOTAL DEBT	788.9	3.3	791.9	3.4

- 3.3.3 At 30/09/2017, the Council had £1,014.6m of external borrowing including £222.7m of Private Finance Initiative (PFI) Debt and £28.8m of investments. The Council has continued to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of around £30m. The difference between the CFR and the total external borrowings was £265.6m at 1 April 2017 which is utilised cash flow funds in lieu of borrowing (internal borrowing). This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

3.4 Borrowing strategy

At 30/9/2017 the Council has increased the balance of external loans by £3.030m on the 31/3/2017 balance, as part of its strategy for funding previous years' capital programmes. The Council expects to borrow a further £60m in 2017/18.

- 3.4.1 The chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the long-term plans change being a secondary objective.
- 3.4.2 Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Council determined it was more cost effective in the short-term to maintain the use of internal resources / borrow short-term loans for some of its borrowing requirement this year. This approach is prudent and cost effective in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.
- 3.4.3 The expected path for the interest rates on new fixed rate long term loans is a very gradual increase over the coming years, but with this time frame there will be some volatility and therefore opportunities to fix new loans at low rates when in periods where the UK Gilt yields fall.
- 3.4.4 The Council borrowed two tranches of £20m from the Public Works Loans Board (PWLB) on fixed rates of 2.30% & 2.32% respectively, both on a 50 year maturity loan basis to fund capital expenditure and maturing loans. The PWLB was the Authority's

preferred source of long term borrowing given the transparency and control that its facilities continue to provide.

3.4.5 Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has also remained affordable and attractive. In the 6 months to 30 September £231m of such loans were borrowed at an average rate of 0.390% and an average life of 3 months which includes the replacement of maturing loans. The balance at 30 September 2017 is £86.2m.

3.4.6 Overall the debt portfolio has seen an increase in fixed rate debt and reduction in the balance of short term loans in 2017/18 meaning the average rate on the debt portfolio has risen slightly, but has reduced the exposure to variable interest rates and has continued to minimising the exposure to credit risk by holding a liquidity balance only of unsecured investments.

3.5 Debt rescheduling

The penalties (premia) for the early repayment of Public Works Loan Board (PWLB) debt, which constitutes over 90% of the Council's existing long-term borrowing, have remained prohibitively high. Therefore, no opportunities for debt rescheduling arose in the first half of 2017/18

3.6 PWLB Certainty Rate and Project Rate Update

The Council qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2016. In April the Council submitted its application to the DCLG along with the 2017/18 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2017.

3.7 Lender's Option Borrower's Options (LOBO) Loans

The Council holds £34.000m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £14.000m of these LOBO loans have options during the year, none have been exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

3.8 Housing Revenue Account (HRA) Treasury Management Strategy

From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. As a result of existing debt maturing, and not being replaced, the HRA accumulates an internal borrowing position. The interest payable in 2017/18 is expected to be £12.137m at an average rate of 4.33%. This includes £37.161m of fixed rate internal borrowing maturing 01 October 2044.

3.9 Investments

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

3.9.1 As shown by the Money Market rates data in Appendix B, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and have been in line with the 0.25% Bank Rate.

- 3.9.2 The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.
- 3.9.3 The Council held £28.8m of investments as at 30 September 2017 (£27.0m at 31 March 2017) and the investment portfolio yield for the first 6 months of the year is 0.25% against a benchmark (Average 7-day LIBID) of 0.20%.
- 3.9.4 Appendix A provides details of the Council's external investments at 30 September 2017, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.
- 3.9.5 As the Council has maintained a reduced level of investments it remains insulated from the low interest rates on short-dated money market instruments.
- 3.9.6 The relatively low investment balance is a reflection of the overall strategy to reduce credit risk exposure by reducing investment balances to fund the capital programme and the repaying of maturing debt.
- 3.9.7 Table 3 below summarises investment activity in 2017/18.

TABLE 3 - Investment Activity in 2017/18

Investments	Balance on 01/04/2017 £m	Balance on 30/09/2017 £m	Avg Rate/Yield (%) Avg days to maturity
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- or higher	5.0	10.0	0.32% / 32
- Local Authorities	10.0	10.0	0.22% / 2
Long term Investments	0.0	0.0	N/A
Money Market Funds	12.0	8.8	0.21% / 1
TOTAL INVESTMENTS *	27.0	28.8	0.25% / 12
- Increase/ (Decrease) in Investments £m		1.8	

Note: * excludes remaining balance held in Icelandic ISK Escrow account

- 3.9.8 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2017/18.
- 3.9.9 The Council's budgeted investment return for 2017/18 is £0.120m, and performance for the year to date is £0.013m below budget.
- 3.9.10 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

3.10 Icelandic Bank deposits – update

The administrators for the recovery of Glitnir Bank deposits (£11m) have made repayment to all priority creditors, including the City Council, in full settlement of the accepted claims. However, approximately 21% (£2.3m) of this sum had been paid in ISK and due to currency restrictions in Iceland, this sum had been retained in an interest-bearing account with the Central Bank of Iceland. On 27 June 2017 the Council received £3.2m as proceeds from the sale of the restricted ISK balance including accrued interest as the Central Bank of Iceland starts to remove the currency controls and normalise their economy.

3.10.1 The council has now received 100% of the principal balance deposited with Glitnir Bank.

3.11 Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2017/18 set on 6 March 2017 as part of the Council's Treasury Management Strategy Statement.

3.11.1 The Council measures and manages its exposures to treasury management risks using the following additional indicators.

3.11.2 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The limits on net fixed and variable rate interest rate exposures are:

	2017/18 £m	2018/19 £m	2019/20 £m
Upper limit on fixed interest rate exposure	900	900	900
Actual	622		
Upper limit on variable interest rate exposure	300	300	300
Actual	142		

3.11.3 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	12%
12 months and within 24 months	0%	25%	4%
24 months and within 5 years	0%	25%	12%
5 years and within 10 years	0%	50%	16%
10 years and within 25 years	0%	50%	23%
25 years and within 40 years	0%	25%	21%
40 years and above	0%	75%	11%

3.11.4 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking

early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2017/18 £m	2018/19 £m	2019/20 £m
Limit on principal invested beyond year end	20	20	20
Actual	0		

3.11.5 **Operational Boundary and Authorised Limit for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

3.11.6 The table below shows the expected debt position during 2017/18.

	2017/18		2017/18
	Original	Current	Revised
	Estimate	Position	Estimate
	£m	£m	£m
Borrowing	831.5	791.9	851.9
Other long term liabilities*	215.8	222.7	215.8
Total debt (year end position)	1047.3	1014.6	1067.7
Operational Boundary for external debt	1107.2	1107.2	1107.2
Authorised limit for external debt	1147.2	1147.2	1147.2

* On balance sheet PFI schemes and finance leases etc.

3.11.7 The Director of Finance reports that no difficulties are envisaged in the current year in complying with this indicator. Any revision to these limits requires Full Council approval as part of an amendment to the 2017/18 Treasury Strategy.

3.12 Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2012.

3.13 Revised CIPFA Codes

The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

3.13.1 A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments.

Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

3.14 MIFID II

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from for cash deposits with banks and building societies.

3.15 General Fund Revenue Implications

Treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the City Council's debt relates to capital expenditure on council housing and this is charged to the HRA. The remaining costs are included within the treasury management section of the General Fund budget. The General Fund Treasury Management budget is £46.837m for 2017/18.

3.15.1 An estimated outturn for 2017/18 is included in the Quarter 2 Budget Monitoring report on the 19 December 2017 Executive Board agenda. The budget for 2018/19 will be submitted with the 2018/19 treasury management strategy in February 2018.

3.16 Risk management

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is prepared for the treasury function.

3.16.1 The treasury management risk register's overall risk rating at 30 September 2017 was Likelihood = unlikely, Impact = moderate which represents the same risk assessment as at 31 March 2017. The Treasury Management working group continue to manage this risk and take appropriate actions as required.

4 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

4.1 None.

5 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

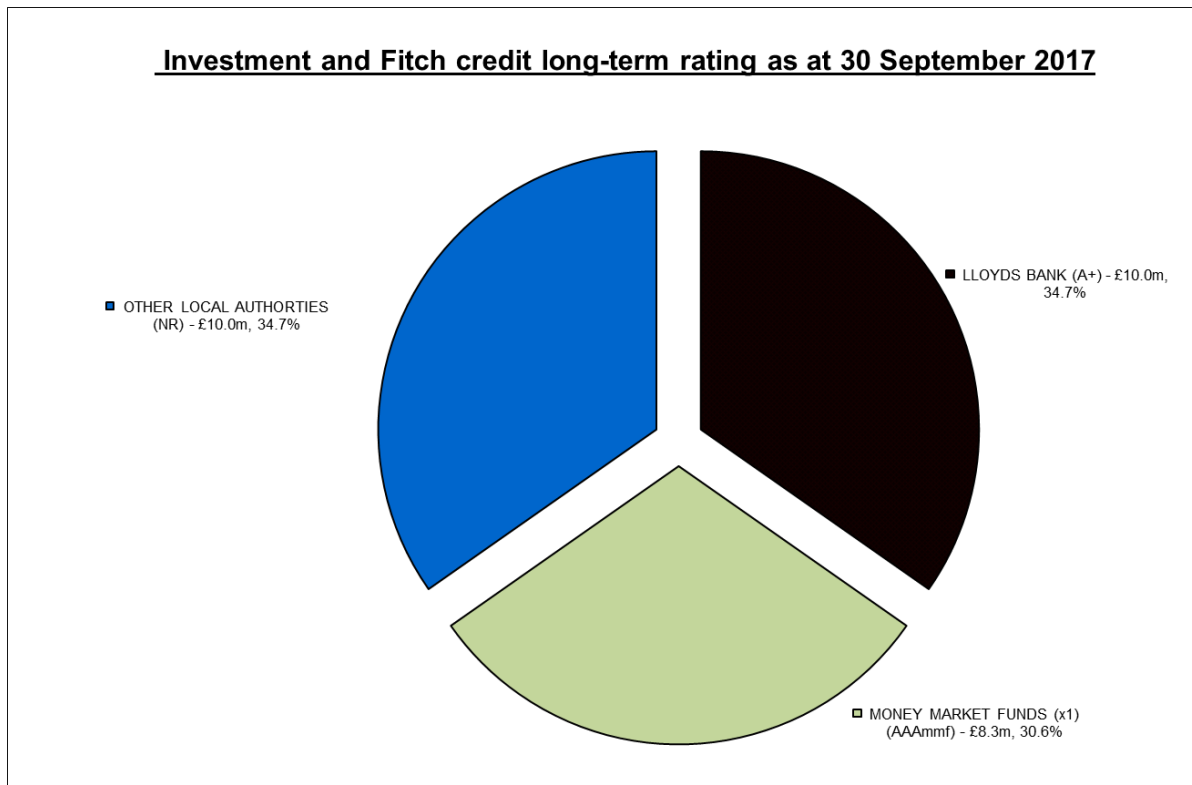
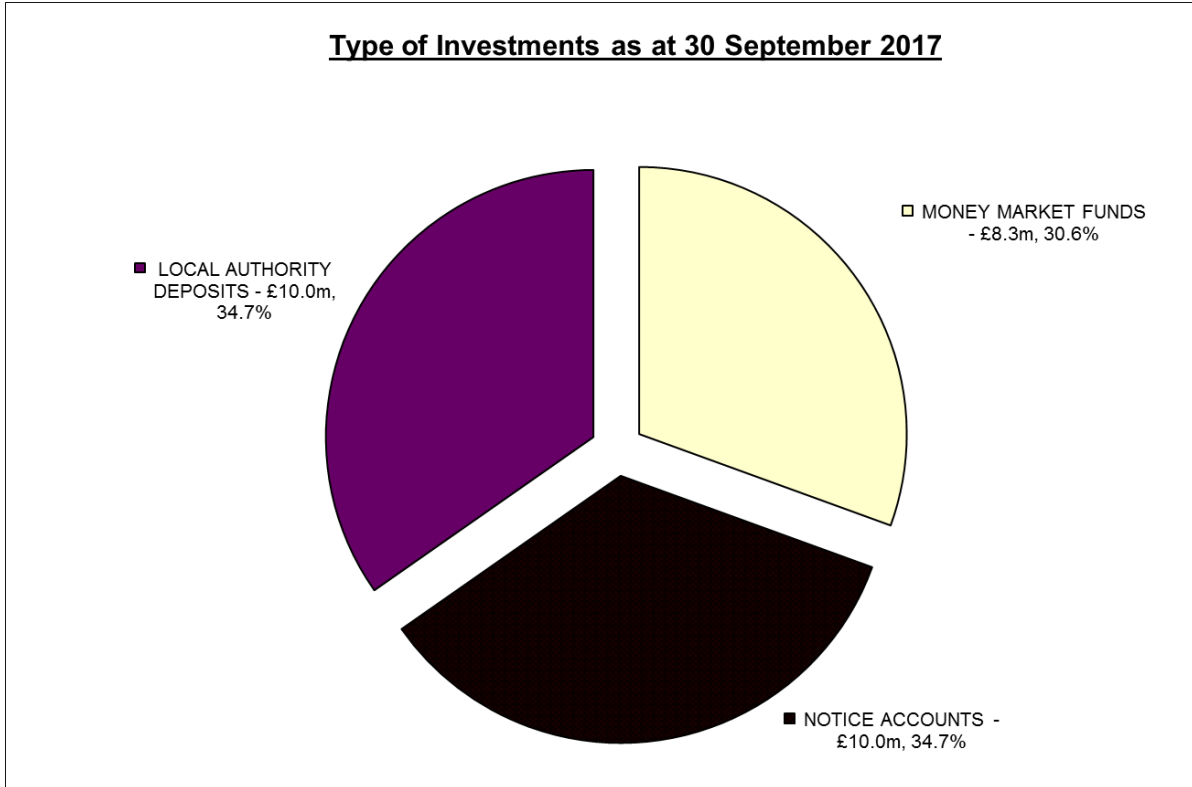
5.1 Treasury Management in the Public Services, Code of Practice 2011 – CIPFA

5.2 CIPFA statistics, Bloomberg sourced Money Market rates and PWLB loan rates 2017/18.

This page is intentionally left blank

APPENDIX A

The charts below provide details of the Council's external investments at 30 September 2017, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.

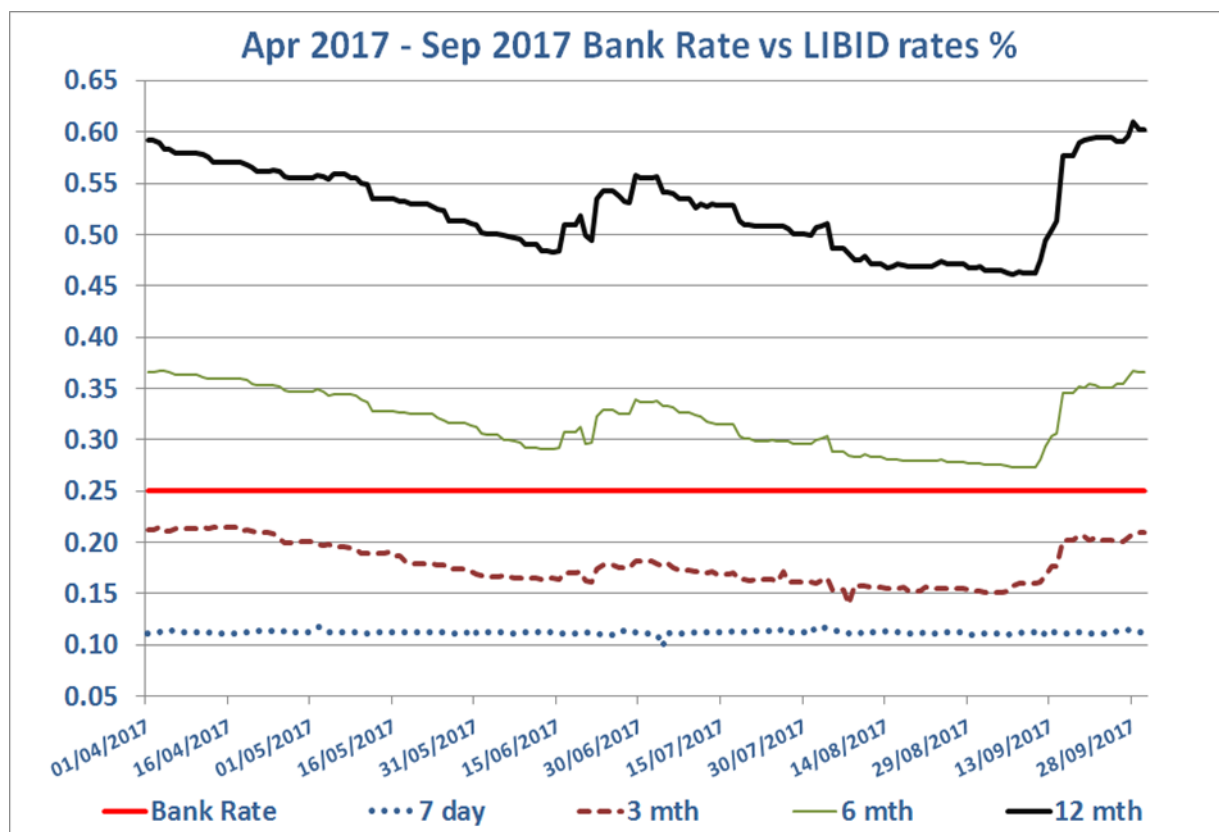


This page is intentionally left blank

Money Market Data and PWLB Rates

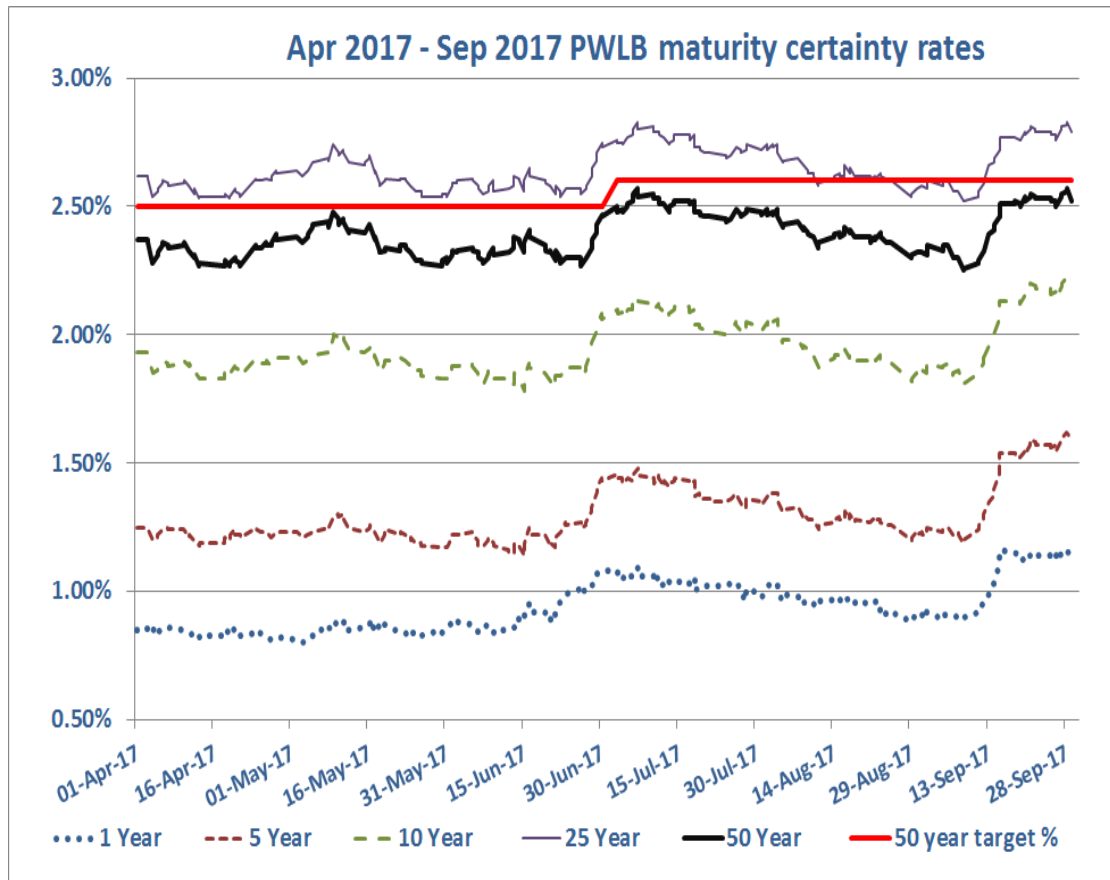
The table and graph below shows the UK Bank of England Bank Rate and benchmark rates within the short term money markets for the last 6 months.

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.25	0.12	0.13	0.21	0.37	0.61
High Date	01/04/2017	02/08/2017	19/04/2017	11/04/2017	28/09/2017	28/09/2017
Low	0.25	0.10	0.12	0.14	0.27	0.46
Low Date	01/04/2017	04/07/2017	10/08/2017	07/08/2017	07/09/2017	06/09/2017
Average	0.25	0.11	0.13	0.18	0.32	0.53
Spread	0.00	0.02	0.01	0.08	0.09	0.15



The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:

PWLB certainty rates 1 April 2017 to 30 September 2017



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.8	1.14	1.78	2.52	2.25
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.16	1.62	2.22	2.83	2.57
Date	15/09/2017	28/09/2017	28/09/2017	07/07/2017	07/07/2017
Average	0.9408	1.2981	1.9470	2.6475	2.3917

AUDIT COMMITTEE - 24 November 2017

Title of paper:	INTERNAL AUDIT QUARTERLY REPORT (2nd QUARTER 2017/18)	
Director(s)/ Corporate Director(s):	Strategic Director of Finance	Wards affected: ALL
Report author(s) and contact details:	Head of Audit and Risk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the performance of Internal Audit during the period.	

1 REASONS FOR RECOMMENDATIONS

1.1 This report outlines the work of the Internal Audit service (IA) for the 1st and 2nd quarters of 2017/18.

- Appendix 1 – Executive Summaries from all Final Audit Reports issued in the period
- Appendix 2 - List of final audit reports issued in the period with analysis of recommendations and level of assurance
- Appendix 3 - Summary of position against updated Internal Audit Plan 2017/18

1.2 **Standards**

The service works to a Charter endorsed by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. In the last assessment in March 2017 the service was found to substantially comply with the principles contained in the Public Sector Internal Audit Standards (PSIAS), which is a requirement of the Account and Audit Regulations 2015, and associated regulations, in respect of the provision of an IA service. The service has internal quality procedures and is ISO9001:2008 accredited.

1.3 **Local Performance Indicators (PIs)**

Performance against PIs is illustrated in Table 1.

Table 1 : Performance v PI Targets					
Indicator		Target	Period	Actual Year	Comments
1	% of all recommendations accepted.	95%	98%	99%	Above Target
2	% of high recommendations accepted.	100%	100%	100%	On Target

Table 1 : Performance v PI Targets					
Indicator		Target	Period	Actual Year	Comments
3	Average number of working days from draft agreed to the issue of the final report	8 days	1	4	Above Target
4	% of staff receiving at least three days training per year.	100%	cumulative	cumulative	On Target
5	% of customer feedback indicating good or excellent service.	85%	cumulative	97%	Above Target
6	Number of key / high risk systems reviewed	11	-	Complete in Qtr3 & Qtr4	See Below

1.4 **Activity**

Appendix 3 summarises the internal audit plan for 2017/18. NCC Internal Audit also provides an internal audit service for other organisations. The IA Plan is produced annually and allocates audit resources throughout the year to review risks to the Council's vision, values and strategic priorities, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The construction of the plan is informed by consideration of a range of factors including the Council Plan, the Council's Risk Register, previous internal and external audit activity, emerging themes and priorities, professional networks, the Council's transformation and improvement activity, and changes to national, local and regional policy. It is also informed by consultation with stakeholders. The Plan is regularly reviewed and adapted as risks and priorities change and develop through the year.

1.5 **Summary of Activity**

A summary of reports issued within the last 6 months is included in Appendix 2. The following sections highlight any key issues and outcomes.

1.5.1 Key Financial Systems

Work on the 2017/18 systems commenced during quarter 2 and will continue during quarter 3. Typically this work is planned to commence at a point in the year where there is sufficient data available to test.

1.5.2 Schools

This year we are planning themed audits across City schools as an alternative to individual schools audits. The themes to be covered will include procurement and recruitment. We will perform the responsible officer role at three academies during this last quarter.

1.5.3 Compliance and Risk-Based Audits

We complete compliance and risk based audits across the organisation and have to date reported on Meals at Home, EU Funded Projects, Corporate Maintenance, Procurement Card and Right to Buy which was an audit that spanned both NCC and NCH. We have completed a review in Parking Services in the first part of the year which produced good results and we are about to report on the management of specific capital schemes, recruitment and retention and also the application of the City's new terms and conditions.

1.5.4 Governance and Ethics

We have undertaken a process to update the Annual Governance Statement for 2016/17. We provide advice to departmental colleagues, which supports them in making good decisions and setting up procedures, which comply with the organisation's values, policies and processes. We are currently planning audit assignments to include organisational culture and behavioural insights in 2017/18.

1.5.6 Fraud and Investigations

1.5.6.1 The Internal Audit section incorporated the Corporate Counter Fraud Team during 2015/16 with a view to identifying additional income and savings for the Council. This new approach has been successful to date with the agreed income target for 2017/18 of £400,000 exceeded in the first six months.

1.5.6.2 We have implemented a Corporate Counter Fraud plan that projects the scope of our activities over the next 2 years. This year we have concentrated efforts on Council Tax and Non-Domestic Rates. We continue to assist in identifying and investigating fraud in Right To Buy and tenancies, and work with colleagues in Nottingham City Homes. We support the Monitoring Officer in respect of Whistleblowing reports, most of which are received by Internal Audit. We advise on or carry out investigations in relation to suspected fraud and irregularities up to and including attendance in court as witness. We have continued to provide an e-learning tool on fraud awareness – which is available to departmental and school-based colleagues, and councillors. This year we have been coordinating and supporting the investigation of returned data matches from National Fraud Initiative (NFI). We coordinated the provision of data for the NFI to use in this matching exercise during 2016/17.

1.5.7 Information and Technology

We carry out a range of information and technology audits during the year that supports management in understanding and addressing the related governance, risk and control issues. This year we have reported upon the City's change management arrangements, IT Asset Management and IT Security. We have recently concluded on the management of mobile devices and are currently reviewing the Cyber Security arrangements. As part of audits completed earlier in the year, recommendations were put forward to bring an annual IT Governance report to this committee.

1.5.8 Other / Consultancy

Following on from a previous audit of the Council's Works Perks scheme, we have agreed to provide some ongoing monitoring of the scheme with the aim of ensuring that all employee benefits provided via the scheme are promptly recovered from salaries.

- 1.5.9 Table 2 shows that actual days achieved are slightly less than expected at this point in the year due to difficulties in filling vacancies.

TABLE 2: ACTUAL v PLANNED AUDIT DAYS		
Total Planned Days	Actual to date	Comments
2157	927	The benefits of recent recruitment should help us to increase output in Q3 and Q4

- 1.5.10 Table 3 shows that in the year to date, acceptance of recommendations is above the target of 95% for all recommendations and is meeting the 100% target for high recommendations.

TABLE 3: RECOMMENDATIONS ACCEPTED				
	To Date		Period	
	All	High	All	High
Total recommendations made	93	26	93	26
Rejected	1	0	1	0
Total recommendations accepted	92	26	92	26
% accepted	99%	100%	99%	100%

2 BACKGROUND

- 2.1 The Audit Committee's terms of reference include responsibility for receiving reports on the work undertaken by IA and for monitoring its performance. The Public Sector Internal Audit Standards (PSIAS) set the responsibility for the management of Internal Audit with the Board. In practical terms, this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council. This report is one of the regular updates on work planned and undertaken by the service.


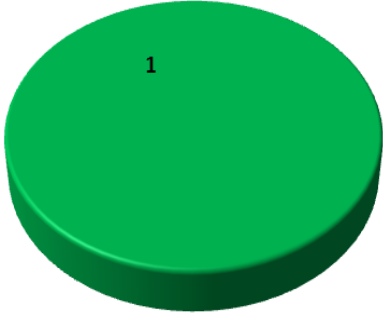
3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

- 3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT


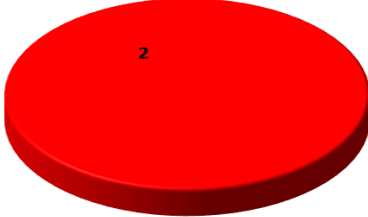
- 4.1 Accounts and Audit Regulations 2015
- 4.2 Internal Audit Plan 2017/18
- 4.3 Public Sector Internal Audit Standards (2016 update)

Hempshill Hall Primary Executive Summary

<p>Company : Hempshill Hall Primary & Nursery School</p> <p>Date of Review: 15 March 2017</p> <p>Summary: We consider that the arrangements in place within the school are satisfactory and provide sound systems of control. Only one low recommendation has been made in this report and it can be noted that overall the School has very good financial management in place.</p>	<p>Overall Opinion High Assurance</p> <p>Direction of Travel: Previous Audit Report 11 March 2014 Significant Assurance</p>	
<p>Scope and Approach: The scope of this review was limited to;</p> <p>Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Single Status, School Website. School Meals</p>		
<p>High Priority Recommendations:</p> <p>None to report</p>	<p>A summary of the recommendation priority is shown below:</p> <div data-bbox="1503 834 2096 1382"> <p style="text-align: center;">Summary of the recommendations by priority</p>  <p style="text-align: center;">1</p> <p style="text-align: center;">■ High ■ Medium ■ Low</p> </div>	

Nottingham Nursery School

Executive Summary

<p>Company : Nottingham Nursery School</p> <p>Date of Review: 14 March 2017</p> <p>Summary: We consider that the arrangements in place within the school are satisfactory and provide sound systems of control. Whilst two recommendations have been made in this report, it was noted that overall the School has very good procedures in place.</p>	<p>Overall Opinion Significant Assurance</p> <p>Direction of Travel: Previous Audit Report 24 April 2014 Significant Assurance</p>	
<p>Scope and Approach: The scope of this review was limited to;</p> <p style="padding-left: 40px;">Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, Income, Single Status, Website</p>		
<p>High Priority Recommendations:</p> <p>R1 The Financial Administration and Control Policy should be presented to Governors annually to be reaffirmed and this should be recorded in the minutes of the Governor's meeting.</p> <p>R2 All affected staff should record the number of hours worked. These should be regularly checked by an independent person</p>	<p>A summary of the recommendation priority is shown below:</p> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>Summary of the recommendations by priority</p>  <p>2</p> <p>■ High ■ Medium ■ Low</p> </div>	

Westglade Primary

Executive Summary

Company : Westglade Primary & Nursery School

Date of Review: 23 March 2017

Summary: We consider that the arrangements in place within the school are satisfactory and provide sound systems of control. Whilst five recommendations have been made in this report, it was noted that some of the recommendations made are of minor points and that overall the School has very good financial management in place.

Overall Opinion

Significant Assurance

Direction of Travel:

Previous Audit Report 29 April 2014
Significant Assurance



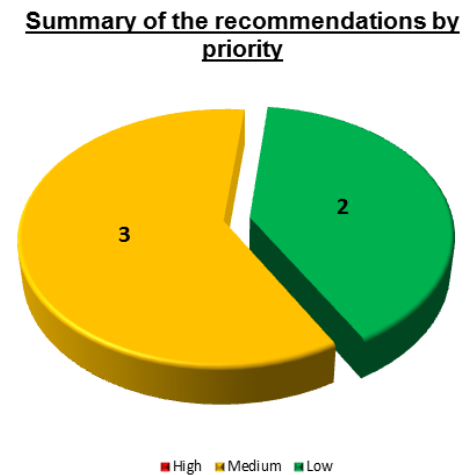
Scope and Approach: The scope of this review was limited to;

Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Single Status, Website

High Priority Recommendations:



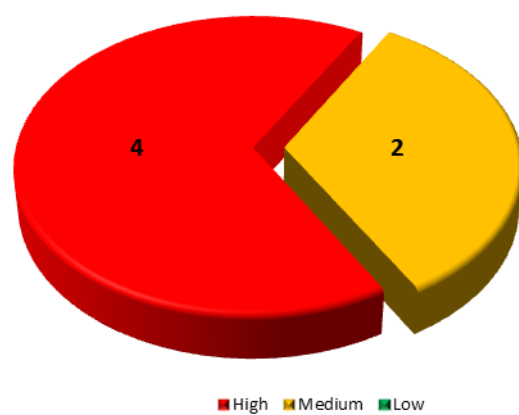
None to report

A summary of the recommendation priority is shown below:





Catering – School Meals

Executive Summary

<p>Organisation: Nottingham City Council Directorate: Commercial and Operations</p>	<p>Overall Opinion: Limited Assurance </p>									
<p>Previous review: This area has not been subject to a previous review.</p>	<p><u>Scope and Approach:</u> The scope of this audit covered the following :- Income collection in respect of school meals.</p>									
<p>High Priority Recommendations</p>										
<p>R2 A periodic reconciliation should be carried out to ensure that all income due to the service is being received.</p>	<div data-bbox="1456 542 2172 1133"> <p style="text-align: center;"><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>4</td> </tr> <tr> <td>Medium</td> <td>2</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table> </div>		Priority	Count	High	4	Medium	2	Low	0
Priority			Count							
High			4							
Medium			2							
Low	0									
<p>R3a The Service should implement a process for recharging of schools that ensures that accurate and prompt charging takes place.</p>										
<p>R3b Work should be undertaken to calculate the exact value of the undercharges and make appropriate charges to the schools concerned.</p>										
<p>R4 An exercise should be undertaken to estimate the number / value of meals that would attract VAT and this VAT should be accounted for appropriately. Evidence should be retained to provide to HMRC should justification for this method be required.</p>										

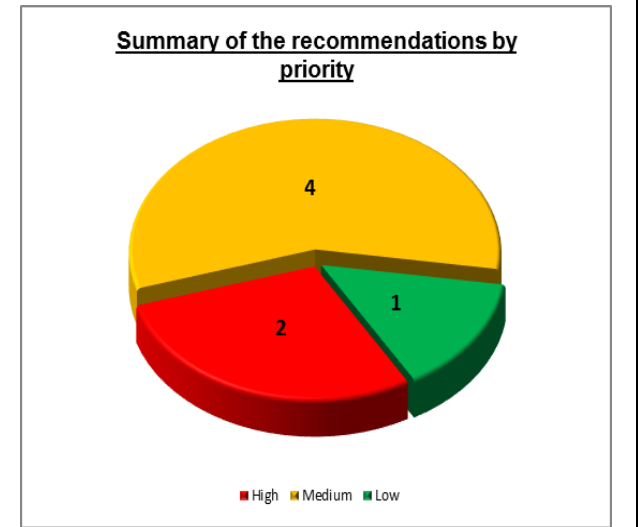
Parking Services 2017/18

Executive Summary

<p>Organisation: Nottingham City Council Directorate: Neighbourhood Services</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: </p>
<p>Previous reviews: Parking Services 9 July 2012 Limited Assurance</p>	<p><u>Scope and Approach:</u> The scope for this audit review was as follows:-</p> <ul style="list-style-type: none"> • Reconciliation procedures for off-street and on-street parking income • Management of vehicles using the car parks including barrier control • Control over the pay stations • Contract parking • Follow up of previous recommendations • Reporting arrangements 	


High Priority Recommendations:

- R1 Regular spot checks should be undertaken to reconcile system reports with manual records for the following, Blue Badge validations, Cinema, NTU and other ticket validations, ANPR malfunctions, contractor, bulk ticket exchange and other 'free exits', manual barrier raises, lost and unreadable tickets and 'no funds'. Reports should be presented to management for review.
- R4 Another member of staff should accompany the Senior Officer when refilling pay machines and signing the daily log book to confirm the amount.



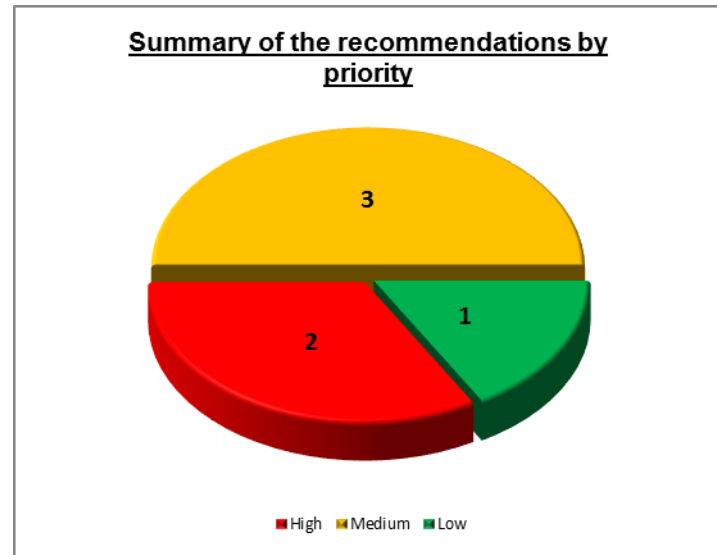
Meals at Home 2017/18

Executive Summary



<p>Directorate: Neighbourhood Services</p> <p>Previous review: There has not been a review in this area for some time.</p>	<p>Overall Opinion: </p> <p>Significant Assurance</p>	<p>Direction of Travel:</p> <p>N/A</p>
<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Review processes and written guidance relating to income • Review records of meals provided and income received/invoiced • Review reconciliations of income received to meals provided and receipt into bank • Review income received into the General Ledger • Review debt management records 		

High Priority Recommendations:

- R2 Financial roles and responsibilities within the Meals at Homes service and Parking Services should be finalised as soon as possible ensuring there is overview of all financial processes by an appropriate staff member.
- R6 The process manual should include clear instructions for all financial tasks including E>Returns, debt management and invoicing. The manual should be finalised before the Project Officer leaves.




**Growth Point 2016/17
Executive Summary**

<p>Organisation: Nottingham City Council Directorate: Development</p> <p>Previous reviews: 24th May 2016</p>	<p>Overall Opinion: High Assurance</p>		<p>Direction of Travel: Overall, there has been no change to the level of controls that are in operation.</p> 
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> ❖ Contracts being signed between Nottingham City Council and Leicester City Council ❖ Approval of schemes submitted by Nottinghamshire County Council and the District Councils who form part of the Nottingham Core HMA. ❖ Income and expenditure being appropriately recorded within the Account of Nottingham City Council ❖ Evidence to support an opinion on the appropriateness and compliance with the conditions 			
<p>High Priority Recommendations</p> <p>None</p>			

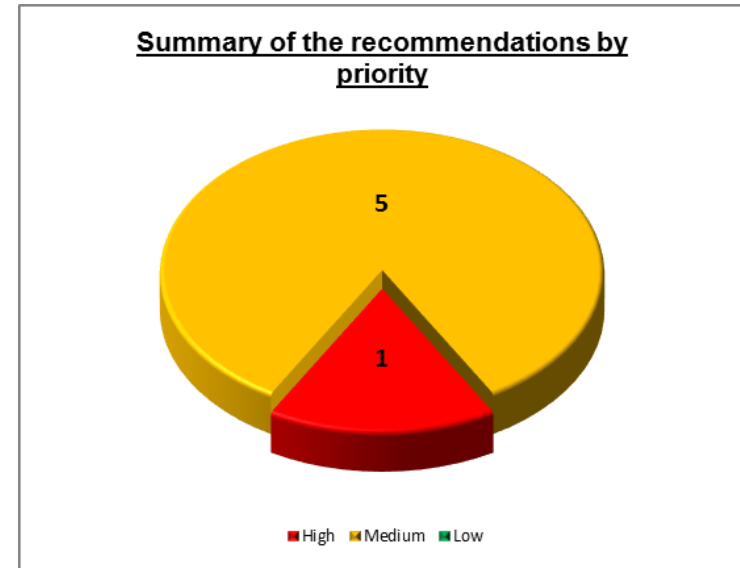
European Funding 2017/18

Executive Summary

<p>Department: Economic Policy and Partnerships</p> <p>Previous review: This area has not previously been reviewed.</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel:</p> <p>N/A</p>
	<p><u>Scope and Approach:</u> This review considered the following aspects of a sample of projects:</p> <ul style="list-style-type: none"> ❖ The necessary approvals are in place. ❖ There is regular monitoring of the project. ❖ Budget monitoring is adequate. ❖ Claims are in accordance with the rules and are adequately supported by evidence. ❖ Expected outcomes are being met/are on target ❖ Regular reviews are in place of the partners involved. 	



High Priority Recommendations:

R5 Project folders should be reviewed and access to sensitive or personal information should be restricted by password or restricted folders.



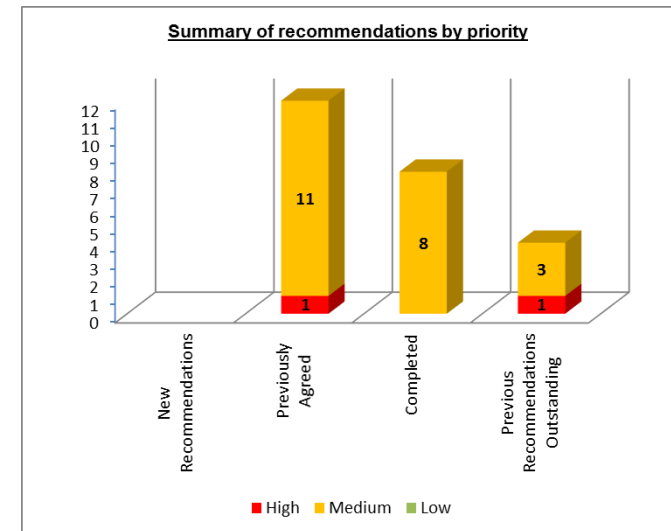
Repairs & Maintenance 2016/17 – Follow-up

Executive Summary



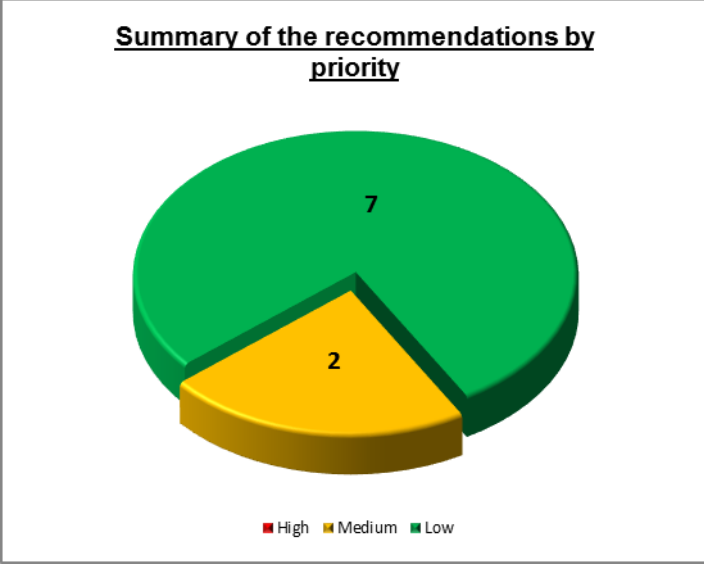
<p>Organisation: Nottingham City Council Directorate: Neighbourhood Services</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: </p>
<p>Previous reviews: Repairs & Maintenance 2016/17 - 4th November 2016</p>	<p><u>Scope and Approach:</u> The scope was limited to a review of outstanding recommendations from the 2016 report.</p>	

High Priority Recommendations:

R5b Those suppliers failing to achieve the required response and completion times should be contacted and the necessary action taken.



Change Management Executive Summary

<p>Organisation: Nottingham City Council Directorate: Strategy and Resources Previous reviews: None</p>	<p>Overall Opinion: Significant Assurance</p>		<p>Direction of Travel: This is the first review of this area</p> 								
<p><u>Scope and Approach:</u> The scope of this review covered: The scope of this review covers the systems in place to manage the change process including the resilience of the existing processes and the suitability of existing systems that support the process.</p>											
<p>High Priority Recommendations There are no high priority recommendations as a result of this review.</p>		<p><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>2</td> </tr> <tr> <td>Low</td> <td>7</td> </tr> </tbody> </table>		Priority	Count	High	0	Medium	2	Low	7
Priority	Count										
High	0										
Medium	2										
Low	7										

IT Asset Management Executive Summary

Organisation: Nottingham City Council
Directorate: Strategy and Resources

Previous reviews: IT Asset Management 2014/15

Overall Opinion:
Limited Assurance



Direction of Travel:
There has been some improvement since the last review, however issues still exist around management and control of assets

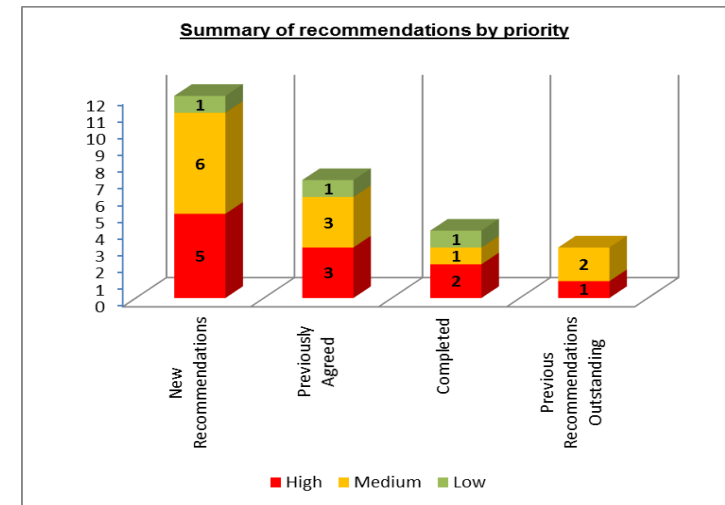


Scope and Approach: The scope of this review covered:
review will look at the following aspects of the systems and procedures currently in place:



- Systems in place to control assets;
- Management information provided in relation to;
 - Equipment;
 - Replenishment;

High Priority Recommendations

- R4 IT Deployment have investigated these records and found these records have been duplicated within the asset register.
Steps should be taken to review the Hardware Assets Register and to correct any duplicated records within the system
- R5 There should be routine monitoring of all assets and where the assets have not been used for over 120 days access suspended in order that the network remains secure.
- R7 All procurement of IT Assets should be centrally processed as agreed with the procurement service. Any non-normative procurement should be formally challenged.
- R10 All Directors and Heads of Service should be reminded of the requirement to:
 - Maintain an inventory of IT equipment including, laptops, tablets and phones
 - Reclaim IT assets from colleagues leaving the City Councils employment
 - Return all unused equipment to the IT Service desk in order that they may be redistributed etc.
- R11 The IT Asset register should clearly demonstrate ownership of an asset or any transfer/sale where that occurs.



IT Security Executive Summary

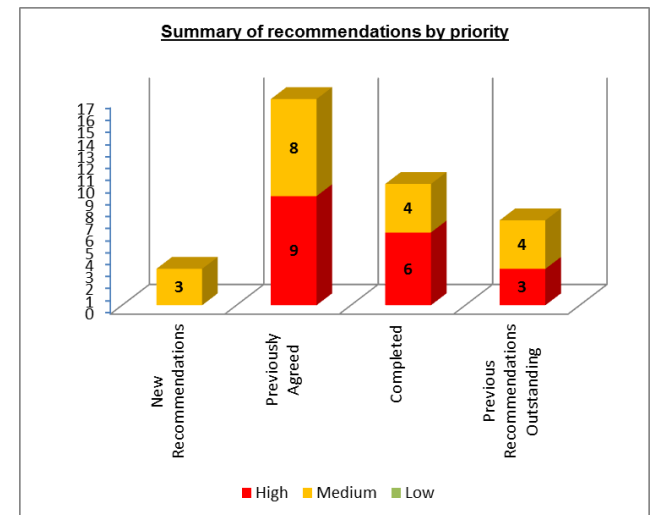
<p>Organisation: Nottingham City Council Directorate: Strategy & Resources</p>	<p>Overall Opinion: Limited Assurance </p>	<p>Direction of Travel: </p> <p>Though improvements have been made and the level of control has improved, some key issues remain to be addressed.</p>
<p>Previous reviews: IT Access Controls 2014-15 IT Security Review 2016-17</p>	<p><u>Scope and Approach:</u> The scope of this review will look at:</p> <ul style="list-style-type: none"> • Follow-up 2015-16 Audit Report • Access controls relating to partner organisations and 3rd parties. 	

High Priority Recommendations

- 2015-16 R1 The Information Security Policy should be reviewed, in conjunction with Information Management Services and submitted to the Audit Committee as part of the City Councils Governance and Risk Management arrangements.
- 2015-16 R3 All colleagues, including contractors, temporary staff and casuals, should undergo the Information Security and Data Protection training in line with the requirements of the Financial Regulations.



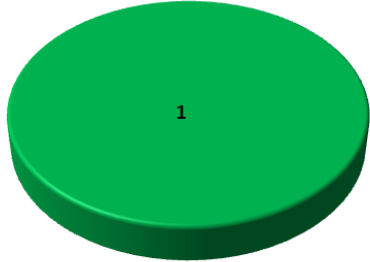
In addition, Corporate Directors should establish monitoring and reporting arrangements to ensure that the training is successfully completed. This information should form part of an annual report to Audit Committee on IT governance.
- 2015-16 R4 All colleagues should be required to undergo the Information Security Awareness Training and Data Protection Training prior to having formal access to the IT network.

In addition, Managers should be informed where either colleagues fail to complete the course or fail to achieve a pass in order that they may be offered additional support and training to ensure that appropriate standards may be achieved and maintained.





Budgetary Control

Executive Summary

<p>Organisation: Nottingham City Council Directorate: Strategy and Resources</p> <p>Previous reviews: Budgetary Control 2015 3 November 2015</p>	<p>Overall Opinion: High Assurance</p>		<p>Direction of Travel: </p> <p>There has been no material changes in the level of control since our last review</p>
<p><u>Scope and Approach:</u> The scope for this audit review was as follows:-</p> <ul style="list-style-type: none"> • Budget approval from Full Council prior to the commencement of the financial year. • Loading of the approved budget onto the Oracle financial system; to be used for monitoring against the actual spend as the financial year progresses. • Existence of budget monitoring procedures with clear timetable and responsibilities in place. • Treatment of budget virements, including authorisation and compliance with the requirements of Financial Regulations. 			
<p>High Priority Recommendations:</p> <p>None to report</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>Legend: High (Red), Medium (Yellow), Low (Green)</p>	

Accounts Receivable

Executive Summary

<p>Organisation: Nottingham City Council Directorate: Resources</p> <p>Previous reviews: Accounts Receivable follow up, 2015-16</p>	<p>Overall Opinion: Limited Assurance</p>		<p>Direction of Travel: Whilst a number of improvements have been made, a number of key issues remain outstanding.</p> 
	<p><u>Scope</u></p> <p>The scope of this review considered the following aspects of the system:</p> <ul style="list-style-type: none"> Contract monitoring arrangements concerning debt collection Departmental debt management arrangements Write-off and debt referral processes to NCC Legal Services Sample checks across all internal departments to ensure that the debt raised has been raised promptly and is accurate and complete Follow-up on outstanding recommendations from the 2015-16 audit 		

High Priority Recommendations

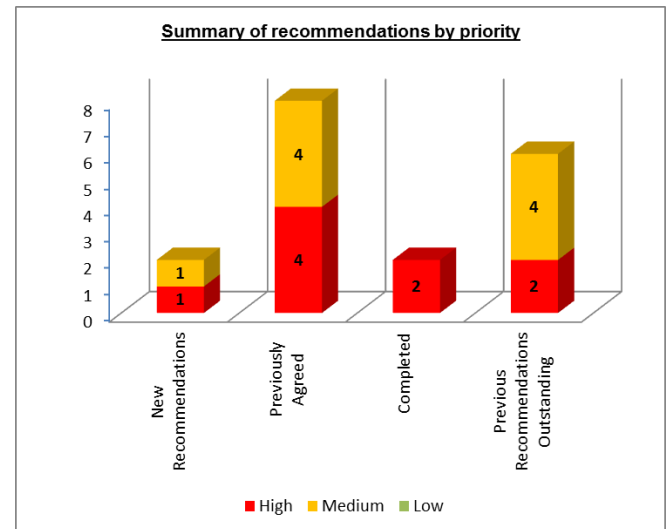
2016/17 R2 - Management should:

- Review the use of the existing Consolidated Debt system and ascertain if there is a need to replace it.
- Review the usage made of the existing system and if appropriate take steps to decommission the system to ensure that the City Council remains compliant with the Data Protection Act.

2014/15 R1 - Financial Regulations should be re-drafted to take account of third parties being involved within the debt collection process.

2014/15 R14 - Those areas raising bulk invoices should be reviewed in order that the process may be streamlined and become more efficient with the possibility of introducing feeder systems from source records.

2014/15 R15 - An urgent review is required to clear these items to ensure that customer accounts are accurate and complete.



Treasury Management Executive Summary

Organisation: Nottingham City Council
 Directorate: Strategic Finance

Overall Opinion:



High Assurance

Direction of Travel:

Overall, there has been no change to the level of controls that are in operation.



Previous review:

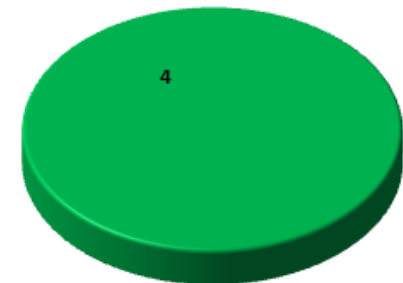
12th May 2016

Scope and Approach:

- The existence of an agreed Treasury Management strategy for 2016/17 that follows CIPFA treasury management code
- A review of Treasury Management activities to ensure that are correctly recorded in the accounts
- A review of the Investment Strategy, prudential indicators and limits and strategy for debt repayment.
- A review of borrowing and lending activities to ensure compliance with CIPFA
- A review of controls in place to ensure that investment opportunities are appropriately identified and a sound authorisation process is applied.
- The existence and coverage of fidelity guarantees for all appropriate staff.



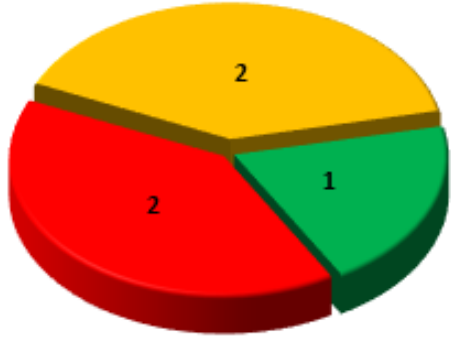
No High Priority Recommendations were identified.

Summary of the recommendations by priority



■ High ■ Medium ■ Low

Procurement Card Executive Summary

<p>Organisation: Nottingham City Council Directorate: Strategic Finance</p> <p>Previous review: 23rd April 2015</p>	<p>Overall Opinion: Limited Assurance</p> 	<p>Direction of Travel: Deteriorates</p> 
<p><u>Scope and Approach:</u> The objective of this review is to identify and assess the controls in place within the system and to provide management with an independent opinion of the effectiveness of these controls and as part of this review we will cover:</p> <ul style="list-style-type: none"> ❖ responsibilities and training ❖ new card process; card housekeeping, security arrangements ❖ cards and transactions limits ❖ transaction and approval processes; monthly reconciliation process 		
<p>Two High Risk recommendations were identified:</p> <p>R1 Cardholders and Approvers should be reminded of their responsibilities.</p> <p>Cardholders and Approvers should review and reconcile all cardholders' transactions on the RBS system on a monthly basis to ensure that they are valid.</p> <p>Purchase to Pay should introduce more effective ways of enforcement. This may ultimately mean suspension of users purchase card.</p> <p>This recommendation was previously raised during the 2015/16 Internal Audit Review.</p> <p>R5 Management should ensure that cardholders identify all purchase card transactions with VAT and update the RBS system to properly reclaim the VAT.</p> <p>Management should ensure that a valid VAT invoice/receipt is retained for all VAT reclaimed on purchases.</p>		
<p style="text-align: center;">Summary of the recommendations by priority</p>  <p style="text-align: center;">■ High ■ Medium ■ Low</p>		

Right to Buy Executive Summary

Department:
NCC – Strategy and Resources
NCH – Housing and Customer Services

Previous review:
NCH Right to Buy (Cost Floor) 2015/16
NCH Right to Buy (Cost Floor) Follow Up 2016/17

Overall Opinion:

Significant Assurance



Direction of Travel:



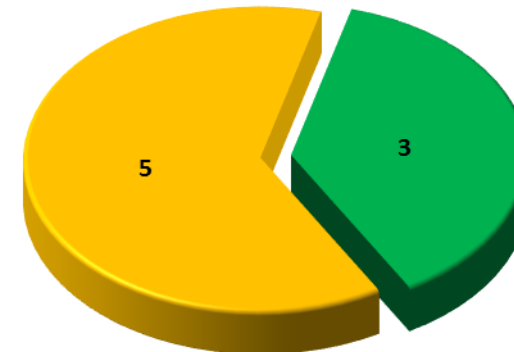
Scope and Approach: This review considered the following aspects of the Right to Buy (RTB) process:

- A review of the RTB process within the Council and Nottingham City Homes.
- Ensuring properties are only sold to those eligible to purchase under RTB.
- Applications are processed promptly and in accordance with legislation.
- Valuations are undertaken in a timely manner.
- A review of the process to establish cost floor values and that they are accurately recorded
- Discounts are reclaimed if a property is resold.

High Priority Recommendations

There are no High Priority recommendations.

Summary of the recommendations by priority



■ High ■ Medium ■ Low

This page is intentionally left blank

APPENDIX 2

Final Audit Reports issued 1 April to 30 September 2017

Department	Division	Activity	Level of assurance	No of Recommendations accepted		
				High	Medium	Low
Children and Adults	Education	Hemphill Hall Primary School	High	0	0	1
	Education	Nottingham Nursery School	Significant	2	0	0
	Education	Westglade Primary School	Significant	0	3	2
Children and Adults Total				2	3	3
Commercial and Operations	Neighbourhood Services	Income Collection – School Meals	Limited	4	2	0
	Neighbourhood Services	Parking Services	Significant	2	4	1
	Neighbourhood Services	Meals at Home	Significant	2	3	1
Commercial and Operations Total				8	9	2
Development & Growth	Planning & Transport	Growth Point 2016-17 Audit	High	0	0	0
	Economic Development	EU Projects	Significant	1	5	0
	Strategic Asset & Property Mgt	Corporate Maintenance Follow-Up	Significant	1	3	0
Development & Growth Total				2	8	0
Strategy and Resources	Information Technology	Change Management 2017	Significant	0	2	7
	Information Technology	IT Asset Management	Limited	6	8	1
	Information Technology	IT Security	Limited	3	7	0
	Strategic Finance	Budgetary Control	High	0	0	1
	Strategic Finance	Accounts Receivable	Limited	3	5	0
	Strategic Finance	Treasury Management	High	0	0	4
	Strategic Finance	Procurement Card	Limited	2	2	1
	Legal & Democratic Services	Right to Buy	Significant	0	3	1
Strategy and Resources Total				14	27	15
Grand Total				26	47	20

This page is intentionally left blank

APPENDIX 3

SUMMARY OF POSITION AGAINST UPDATED INTERNAL AUDIT PLAN 2017/18 – QUARTER 2

Audit Category	Planned Days	Actual Days
Governance	160	64
Organisation	110	50
Key Financial Systems	121	1
Procurement & Projects	125	63
Risk Based Service Reviews	155	48
Compliance	160	35
ICT and Information Governance	95	11
Fraud / Counter Fraud	530	291
Corporate Fraud Strategy	90	37
Companies / Other Bodies	286	161
Consultancy, Advice and Support	210	126
Development , Redesign & Quality	115	40
Total Days	2157	927

This page is intentionally left blank

AUDIT COMMITTEE – 24 NOVEMBER 2017

Title of paper:	COUNTER FRAUD STRATEGY	
Director(s)/ Corporate Director(s):	Strategic Director of Finance	Wards affected: ALL
Report author(s) and contact details:	Head of Audit and Risk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To endorse the City Council's Counter Fraud Strategy (CFS) set out at Appendix 1	
2	To endorse the Counter Fraud Strategy for Schools (SCFS) set out at Appendix 2	

1 REASONS FOR RECOMMENDATIONS

- 1.1 To seek endorsement of the City Council's updated Counter Fraud Strategy (CFS) and the Counter Fraud Strategy for Schools (SCFS).

2 BACKGROUND

- 2.1 Good governance policies and procedures are essential when allocating and controlling Council resources and supporting effective delivery of the Council's strategic and operational objectives.
- 2.2 A cornerstone of the Council's governance policies is the CFS, which brings together the key strands of governance into an overarching strategy document. The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity.
- 2.3 An effective CFS provides the basis for developing a counter fraud culture in the Council and, as part of the Council's control system, the elements of the CFS contribute positively to the assurance received by the Committee in respect of the effectiveness of the control environment.
- 2.4 The CFS is the main strategy statement geared towards protecting public funds and assets by requiring compliance with regulations, rules, procedures and guidelines designed to promote the highest standards of conduct and behaviour.
- 2.5 The main updates to the strategy and response plans are in respect of:
 - The NCC response to cyber crime
 - Reflecting updates to established procedures
- 2.6 The CFS will continue to evolve and develop to reflect changes in legislation and best governance practice. The strategy was last approved by the Committee in November 2015.
- 2.7 Once approved, the CFS will be publicised on the intranet.

- 2.8 We are currently working with HR colleagues to refresh the City's Whistle Blowing Code.
- 2.9 As part of our counter fraud activity, an on-line fraud awareness e-learning module which takes approximately 30 minutes has been in use since 2015 with all councillors and colleagues are encouraged to participate.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

- 3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 4.1 Counter Fraud Strategy – Audit Committee 27 November 2015

Nottingham City Council - Counter Fraud Strategy

1. BACKGROUND

- 1.1 The Council aims to operate and maintain a clear system of integrated policies and procedures to assist in preventing fraud and hence minimise losses to the public purse. An overview of these arrangements will be maintained and good practice promoted through the use of regulation and various colleague and Councillor Codes.
- 1.2 The Council will put procedures in place to enable citizens and colleagues to raise concerns in the knowledge that these concerns will be properly and thoroughly investigated. These procedures will be continuously developed to improve the Council's response to fraud. Incidents of fraud will be published, sanctions will be imposed and redress will be sought where appropriate.
- 1.3 The Counter Fraud Strategy will continue to evolve and develop as circumstances change. Such circumstances will include changes in legislation, procedure, accountability within services and the Council's requirements. Substantive changes to the Strategy will be reported to Councillors for endorsement.

2. COUNTER FRAUD IN CONTEXT

- 2.1 Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering offences, offences under the Identity Cards Act 2006, possession, making or supplying of articles for use in fraud or obtaining services dishonestly. The term is also used in respect of civil offences where claims can be made under the torts of deceit or negligence, breach of trust, or where a fidelity insurance claim may be made.
- 2.2 Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the City Council has developed this Strategy to deter fraud whether it is attempted from outside or within the Council.
- 2.3 This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that Council resources are not diverted away from delivery of the priorities within the Council Plan.

2.4 This Strategy is based on:

- the seven Nolan Principles for Public Life;
- three additional principles in the Relevant Authorities Order 2001;
- best practice as previously defined by professional bodies;
- legal requirements including that incorporated in the, Public Interest Disclosure Act 1998, Competition Act 1998, Money Laundering Regulations 2007, Fraud Act 2006, Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013, Public Contracts Regulations 2006, Local Government Act 1972, Prevention of Social Housing Fraud Act 2013, Serious Crime Act 2007 and the Bribery Act 2010.

2.5 This Strategy is based on a series of inter-related procedures designed to frustrate any act of fraud. These cover:

Culture	Section 3
Prevention	Section 4
Detection and Investigation	Section 5
Training	Section 6

3. CULTURE

3.1 The City Council expects the culture of the Council to be one of honesty and opposition to fraud. Councillors and colleagues at all levels are expected to lead by example by personally complying with and ensuring wider and comprehensive adherence to rules, procedures and practices which should feature straightforward, effective, well documented controls that are legally sound and honest.

3.2 There is a requirement, because of the use of public monies, that all individuals and organisations associated in any way with the Authority will act with integrity, without thought to or actions involving fraud. Any allegation of fraud will be dealt with in accordance with the Council's Fraud Response Plan (**Appendix A**) (see Financial Regulation (FR) C12. Fraud is likely to be considered as a serious issue if proven in disciplinary, standards or other inquiries.

3.3 Bribery is a criminal offence. The Council has a zero-tolerance towards bribery and does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council will not accept bribes or improper inducements, or use a third party to channel bribes to others and is committed to the prevention, deterrence and detection of bribery.

3.4 All individuals (irrespective of their formal employment status) working for or with the Council are an important element in the Authority's stance on bribery and fraud. They are encouraged through established procedures detailed in [Financial Regulations](#) , the [People Management Handbook](#), [Code of Conduct for Employees](#) and the Code of Conduct for Councillors (Part 6 of the [Council's Constitution](#)) and the [Confidential Reporting Code](#) to raise any concerns that they may have on fraud issues where they are associated with

the Authority's activities. The Council will support Councillors and colleagues in bringing such issues to its attention.

- 3.5 Councillors and colleagues can raise such issues in the knowledge that they will be treated in confidence and properly investigated. The "How to raise a concern" section of the Confidential Reporting Code details the reporting options available to colleagues.
- 3.6 If Councillors or colleagues are not satisfied with the Council's response to concerns they have raised, they have the right to refer the issue to external agencies. Possible contact points are listed in the "How the matter can be taken further" section of the Confidential Reporting Code.
- 3.7 Citizens are also encouraged to report concerns through any of the routes included in the Confidential Reporting Code. Alternatively they can use the Council's complaints procedure or the dedicated fraud lines advertised in the Council's entries in relevant telephone directories.
- 3.8 The Council will respond to all allegations as outlined in the "How the Council will respond" section of the Confidential Reporting Code and in accordance with the requirements of CFP C4.
- 3.9 However, it is important that colleagues avoid possible abuse of this process. If allegations are unfounded and malicious this is likely to be considered to be a serious disciplinary matter.

4. PREVENTION

4.1 Colleagues

- 4.1.1 The Council recognises that a key measure in preventing fraud is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential colleagues in terms of their propriety and integrity. In this regard, temporary and contract colleagues should be treated in the same manner as permanent colleagues.
- 4.1.2 Procedures for the recruitment of colleagues are detailed in the Code of Practice for Recruitment and Selection, which is included in the People Management Handbook. Only colleagues who have attended an in-house recruitment and selection training course should be involved in recruitment.
- 4.1.3 Where references are requested, the candidate's suitability for the post needs to be in accordance with the person specification. Honesty and integrity is recognised in law as a duty owed by the employee to the employer, and the Council requires all prospective and current employees to deal with the Council honestly.
- 4.1.4 Dishonest applications will be referred for criminal investigation and prosecution if the evidence is considered to be sufficient.

- 4.1.5 Colleagues of the Council are also expected to abide by the Council's Code of Conduct for Employees which is included in the People Management Handbook. The requirement to observe the Code of Conduct is contained within the disciplinary procedure that forms part of the contract for all colleagues. The consequences of breaching the Code of Conduct are contained within the Council's disciplinary procedures. In addition, if colleagues are members of a professional body they are also expected to follow the Code of Conduct relating to their professional qualifications.
- 4.1.6 The Code of Conduct includes the requirement for colleagues to formally declare any pecuniary interest in contracts or service provided as prescribed in Section 117 of the Local Government Act 1972.

4.2 Suppliers

- 4.2.1 The City Council is under a mandatory obligation to remove from its select lists any supplier of work, goods, materials or services that has been found to infringe “the Chapter 1 prohibition” of the Competition Act 1998 as it relates to anti-competitive agreements, decisions and concerted practices.
- 4.2.2 The City Council is also under a mandatory obligation to exclude suppliers of work, goods, materials or services, from bidding for public sector contracts under the EU public procurement regime where they have been convicted of certain offences as detailed in the Public Contracts Regulations 2006.
- 4.2.3 The City Council must enforce the obligations set out in 4.2.1 and 4.2.2 above when involved with the procurement of work, goods, materials or services. Guidance on enforcement is available at [Mandatory Exclusion from Bidding and Collusive Tendering](#).

4.3 Association with other organisations

- 4.3.1 When dealing with external organisations and/or partners, the City Council expects the highest level of integrity. Where this is not the case the Council will re-examine the relationship it has with these organisations and take any action deemed necessary to protect the public resources and demonstrate its intolerance to fraud.

4.4 Councillors

- 4.4.1 Councillors are required to operate within:
- The Council's Standing Orders
 - The Code of Conduct adopted by the Council on 12 September 2011
 - The Council's Councillor/Colleague protocol
 - National Standards for Councillors, England & Wales
- 4.4.2 These documents are in both the Year Book and the [Council's Constitution](#). They include requirements for Councillors to:

- register interests, including employment, business and property interests
- ensure they are not involved in matters or decisions where they have a conflict of interest.

Breaches of these requirements may be referred to the appropriate standards body.

4.4.3 Councillors should raise any concerns about fraud through the avenues detailed in the Strategy but must avoid raising unfounded malicious allegations which would breach the Code.

4.5 Systems

4.5.1 The Council's Chief Finance Officer (CFO) has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs and has developed FRs and CFPs to assist in discharging this responsibility. In addition, there is a requirement to comply with the Accounts and Audit Regulations 2015, the Audit Commission Act 1998 and the Local Government Act 2003 relating to accounting records, control systems and audit.

4.5.2 The FRs and CFPs require colleagues, when dealing with the Council's financial affairs, to act in accordance with sound practices and outlines systems, procedures and responsibilities of colleagues. Colleagues involved in finance are required to attend relevant and effective departmental training programmes which promote and endorse the requirements of FRs. This programme of training will be developed to include a formal accreditation process to ensure that only appropriately trained colleagues can access main financial systems unsupervised.

4.5.3 Corporate Directors are responsible for the financial systems in their departments and are required to comply with FRs, which establish the rules through which they must operate. This responsibility includes considering the risk of fraud as defined by this strategy when making changes to financial systems and processes and when making changes to their department structures.

4.5.4 The Council has developed and is committed to continuing with systems and procedures that incorporate efficient and effective internal controls that include adequate separation of duties. Their existence and effectiveness is independently monitored and assessed by Internal Audit, who carry out a comprehensive programme of audits targeted at key risk areas.

4.5.5 The City Council has appointed the Director of Strategic Finance to act in compliance with the Money Laundering Regulations and has imposed a maximum level for cash transactions CFP D2.12.

4.5.6 Corporate Directors are responsible for ensuring that colleagues handling cash transactions have been recruited appropriately and are aware of their responsibilities as detailed in the relevant legislation.

4.5.7 In relation to Cyber Crime, emerging IT fraud threats will be monitored by the NCC IT Service to ensure our systems are able to robustly deflect and detect external cyber crime attempts. Examples include, but are not limited to ;

- Hacking, to access the data held in our systems.
- Phishing, where external parties attempt to obtain passwords, bank account details, etc.
- Whaling, where an external party pretends to be an NCC employee, requesting another NCC employees makes a financial transaction
- Ransomware, where hackers access and ‘freeze’ an organisation’s systems, expecting payment for the systems to be unlocked.

4.6 Combining with Others

4.6.1 Arrangements are in place and continue to develop, to encourage the exchange of information between the Council and other agencies on national and local fraud activity in relation to Local Authorities. These include but are not limited to:

- The Police
- The Cabinet Office (National Fraud Initiative) or its equivalent
- National Counter Fraud Network
- DWP – Job Centre Plus
- The European Institute for Combatting Corruption and Fraud (TEICCAF)
- UCAS (Student Awards)
- Auditors’ networks, locally and nationally

4.6.2 The National Fraud Initiative (NFI) is part of the statutory audit process currently undertaken by the Cabinet Office. Local government, health and other public bodies are required to provide data from key systems which is cross matched to identify inaccuracies or potential fraud. The City Council will continue to actively participate in the NFI or similar exercises and will provide all mandatory data sets and all optional data sets where practical and effective. The Council will allocate appropriate resources for the investigation of the data matches returned and to respond promptly to queries from other participating bodies. The data sets provided or to be provided in the latest exercise are:

- Payroll, Housing Benefits, Creditor Payments, Housing Tenants and Right to Buy, Council Tax, Electoral Register, Insurance Claims, Blue Badge Holders, Private Residential Care Home Residents, Market Traders, Taxi Drivers, Concessionary Travel Passes, Residents Parking and Personal Alcohol Licenses.

4.6.3 These arrangements provide a valuable means of combating potential criminal activity of a fraudulent nature against the Council and other public

sector bodies. Such collaboration has been very successful in reducing the risk of external fraud.

5. Detection and Investigation

- 5.1 The number and extent of preventative measures, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 5.2 As part of its proactive programme of work, the Council will undertake data matching exercises to assist in the detection of fraudulent activity. Using resources and information available, this work will be carried out in accordance with the Data Matching Strategy and Policy of the Council (**Appendix B**). Once these exercises are complete, the Council will allocate sufficient resources to provide a prompt resolution to any queries or apparent fraudulent activity.
- 5.3 It is often the alertness of colleagues and citizens to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud may be in progress.
- 5.4 Despite the best efforts of managers and auditors, many internal frauds are discovered by chance or third party information, and the Council has in place arrangements to ensure that such information is properly dealt with as set out in Section 3 of this Strategy.
- 5.5 The investigation of suspected internal irregularities such as fraud is normally carried out or directed by Internal Audit on behalf of the CFO and the Council's Monitoring Officer. The investigation of irregularities should be in accordance with Financial Regulation C12. The CFO has a responsibility for deciding on the course of the investigation. If the CFO, Head of Internal Audit or responsible Corporate Director considers that a loss may have occurred as a result of irregular expenditure or fraud, they may refer it to the Corporate Counter Fraud Team (CCFT) for criminal investigation.
- 5.6 Requesting, agreeing to receive or accepting an advantage, whether or not it is actually received, linked to improper performance of a function or activity and requesting, acquiescing to, or assenting to improper performance of a function or activity in anticipation of an advantage are serious criminal offences. The Code of Conduct for Employees will reflect and incorporate this. It is normal practice for any such allegation to be referred for criminal investigation.
- 5.7 Corporate Directors will arrange for all instances of suspected fraud to be reported to the Head of Internal Audit who will maintain a central register in line with expected best practice and monitor the progress of each case.

Investigations will be carried out under the management of the appropriate Corporate Director as directed by the Head of Internal Audit in consultation with the CFO and the Council's Monitoring Officer.

5.8 This reporting procedure is essential as it ensures:

- Consistent treatment of information regarding any suspected fraud.
- An effective investigation by an experienced colleague and/or appropriate direction provided by Internal Audit/CCFT.
- The proper implementation of a structured response to any suspected act of fraud including improvements to identified weaknesses in internal controls

5.9 The Head of Internal Audit will report at least quarterly to the CFO with a summary of all fraud cases recorded over the period.

5.10 Dependent upon the nature and anticipated extent of the allegations, auditors and investigators will normally work closely with management and other agencies such as Nottinghamshire Police to ensure that all allegations and evidence are properly investigated and reported upon. Where a criminal investigation is running concurrently with an internal investigation, the requirements of the criminal investigation will take precedence over the internal investigation. This is necessary to minimise any impact the internal investigation has on the criminal investigation and the integrity of the evidence collected.

5.11 Within the context of 5.10, the Council will normally undertake a criminal investigation after review by its Corporate Counter Fraud Team whenever it considers that it has discovered strong evidence of fraud.

5.12 The Council's Disciplinary Procedures will be used where the outcome of an investigation indicates improper behaviour, whether or not the matter has been criminally investigated.

5.13 Sometimes the Council's external auditors may also carry out investigation into suspected fraud and will do so in accordance with their established procedures.

5.14 The City Council will seek the strongest available sanctions against any individual or organisation who commits fraud against the Council. The full range of sanctions will be applied consistently and fairly, taking a cost effective approach, making robust and transparent decisions. Actions may include prosecution, civil proceedings, disciplinary action and publication of investigation outcomes. The City Council expects contractors and partners to take similarly robust action.

6. Training

- 6.1 It is recognised that the success of this Strategy and the organisation's general credibility will depend largely on the effectiveness of communication, programmed training, and responsiveness of colleagues throughout the Authority.
- 6.2 The Council supports management in the provision of ongoing financial awareness training at both corporate and departmental level, and the mandatory training of colleagues dealing with finance, as required by Financial Regulations. Colleagues are also expected to participate in fraud awareness and related training as prescribed from time to time by the CFO.
- 6.3 These training requirements should be incorporated into colleague induction training, the personal assessment process and any formal accreditation for colleagues involved in financial processes. Accreditation will require colleagues to acknowledge an understanding of their responsibilities within the procedures.
- 6.4 Appropriate training will be provided to auditors and other investigators regarding the investigation of suspected fraud, and this will be reflected in their individual training plans.

This page is intentionally left blank

Counter Fraud Strategy for Schools

1. Background

This Strategy identifies Nottingham City Council's overall arrangements relating to its responsibilities on fraud and corruption. The Governing Body, through the Head Teacher, has a responsibility to bring the policy to the attention of employees and employees are expected to be aware of the requirements of the policy and at all times to comply with it.

It describes the school's policy for notification, investigation and reporting upon circumstances which may involve fraud, corruption and irregularities.

It is intended to supplement the Scheme for the Financing of Schools, Financial Regulations, Code of Conduct for Employees, Manual of Financial Guidance and the Financial Administration and Control Policy.

Any investigations carried out in relation to irregularities are entirely separate from, and do not form part of, the schools disciplinary procedures. However, the timing of the commencement of any disciplinary procedures needs to be taken into account where an investigation into an irregularity is taking place, so as not to prejudice the irregularity investigation.

Following the completion of an irregularity investigation and subsequent report, it is possible that the Head Teacher or Chair of Governors may initiate action, in accordance with the school's disciplinary procedures or referral to the Police.

2. Counter Fraud in Context

Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering, offences under the Identity Cards Act 2006, possession and making or supplying of articles for use in fraud or obtaining services dishonestly.

Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the School has developed this Strategy to deter fraud whether it is attempted from outside or within the School. In essence the main areas of concern are:-

- Fraud – the intentional distortion of financial statements or other records by persons internal and external to the school, which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Bribery and corruption – the offering or the acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement.

This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that School resources are not diverted away from delivery of school objectives.

Irregularities, and circumstances which may involve irregularities, are a difficult area and pose a number of problems. Where there is doubt about whether a matter is an irregularity or not, clarification must be sought from the Head of Internal Audit.

Similarly, if there is concern or doubt about any aspect of a matter which involves an irregularity, or an ongoing investigation into a suspected irregularity, the best approach is to seek advice/guidance from the Head of Internal Audit.

3. Culture

The Governing Body is determined that the culture and tone of the school is one of honesty and opposition to fraud and corruption. This Strategy is a clear message from the Governing Body that it will endeavour to take all possible steps to prevent and eliminate fraud and corruption. It identifies a clear path for both Governors and employees to report any suspicions of fraud and corruption without any fear of discrimination.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the school will act with integrity, and the school employees at all levels will lead by example in these areas. The Governing Body also demands that individuals and organisations that it comes into contact with will act toward the school with integrity and without thought or actions involving fraud or corruption.

The school's Counter Fraud Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act.

The School is also aware of the high degree of external scrutiny of its affairs by a variety of bodies' including:-

- Parents
- Local tax payers;
- Service Users;
- External Auditor;
- Examination Boards
- Parliamentary Committees;
- Government department and Inspectorates;
- HMRC
- OFSTED

The school's employees are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with the school's activity.

This they can do in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route other than through the Head Teacher may be used to raise such issues. Such routes are set out in the Confidential Reporting Policy (Whistle Blowing) and include:-

- Immediate Supervisor
- Chair of Governors
- HR Business Partner
- Corporate Director, Children & Families
- Director of Resources
- Head of Internal Audit

If you feel unable to contact any of the above for your disclosure you can contact an independent “prescribed” person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the School since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

Citizens are also encouraged to report concerns through the Councils Comments, Compliments, Complaints (Feedback) Procedure or the Councils Report a Concern facility, details of which are available from the City Council’s web site. Citizens may also report concerns using the Corporate Fraud Hotline by dialling 0115 62005

The Governing Body and the Head Teacher are responsible for following up any allegation of fraud or corruption received and will do so through clearly defined procedures:-

- dealing promptly with the matter;
- recording all evidence received;
- ensuring that evidence is sound and adequately supported;
- ensuring security of all evidence collected;
- notifying the Director of Children and Families, Director of Resources and Head of Internal Audit and
- implementing school disciplinary procedures where appropriate and informing the Police.

Any abuse of this process by raising unfounded malicious allegations is a serious disciplinary matter.

The school can be expected to deal swiftly and thoroughly with any member of staff who attempts to defraud the school or who is corrupt. The Governing Body should be considered as robust in dealing with financial malpractice.

4. Methods of Preventing and Detecting Fraud

Generally there is an expectation by the Council that the Governing Body and colleagues will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. It is also expected that individuals and organisations that the school comes into contact with, will act with integrity and not take part in any fraudulent or corrupt activity.

The Governing Body recognise that a key preventative measure in the fight against fraud and corruption is to take steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Staff recruitment is therefore required to be in accordance with the Recruitment and Selection Guidance and in particular to obtain written references regarding known honesty and integrity of potential employees before employment offers are made.

School employees are expected to follow the Code of Conduct related to their personal professional qualifications and also abide by the National Code of Conduct. The role that colleagues are expected to play in the school's framework of internal control, should be featured in employees induction procedures.

All Governors and employees of the school are required to declare in a public register any interests or offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the school.

Governors and employees must comply with Council's Regulations. These standing orders and financial regulations place a duty on all employees to act in accordance with best practice when dealing with the affairs of the school and notify the Director of Children & Families and the Head of Internal Audit immediately, of all suspected irregularities affecting the well-being, finances or property of the school and council.

Significant emphasis is placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. Internal Audit appraises the adequacy and appropriateness of the school's financial systems. The Governing Body place great weight on being responsive to audit recommendations.

In addition to the above, the school will participate fully in other controls / mechanisms the City Council has in place to detect and prevent fraud including National Fraud Initiative

5. Detecting and Investigating

The array of preventative systems, particularly internal control systems, within the school has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.

Despite the best efforts of Governing Bodies, Head Teachers and Auditors, many frauds are discovered by chance or 'tip-off', and the school has in place arrangements to enable such information to be properly dealt with.

Notification should be given to the Head of Internal Audit (Telephone 0115 8764245) or fraud hotline (Telephone 0115 8762005), who will provide the appropriate advice regarding the conduct of any investigation. Any concerns should be reported immediately in the knowledge that such concerns will be treated in confidence and properly investigated. **Appendix A** to this Strategy outlines the decision process involved.

No investigation / action should be taken by the Head Teacher or Governing Body before the Director of Children and Families has been informed, and the Head of Internal Audit has been advised of the situation. Head of Internal Audit will take such steps as it considers necessary after taking into account the views of the Director of Children and Families.

Depending on the nature and anticipated extent of the allegations, the Head of Internal Audit will normally work closely with the Head Teacher or Governing Body, Human Resources and other agencies (such as the Police), to ensure that all allegations are properly investigated and reported upon and, where appropriate, maximum recoveries are made for the school and Council. The Head Teacher, Governing Body, Director of Children and Families, Director of Strategy & Resources, Head of Internal Audit and the Chief Executive will be kept briefed as the investigation continues.

If the investigation is into a significant or sensitive manner, the Chief Executive, in conjunction with the Director of Resources, will inform the appropriate persons, subject to the investigation not being prejudiced. The information given at this stage will normally be restricted to the fact that an investigation has commenced into a particular school.

Where allegations are sustained, the employee will be subject to the school's disciplinary procedures.

Where financial impropriety is discovered, it will be referred to the Police and prosecution pursued. Formal referral to the police is a matter for the Director of Resources. Any exception to this clause may only be made by the Director of Resources in consultation with the Chief Executive, Director of Children and Families and Head of Legal Services.

6. Training

The Governing Body recognises that the continuing success of the Counter Fraud Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the school.

To facilitate this, the Governing Body supports the concept of induction and training particularly for employees involved in internal control system, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

Links with Other Policies

The Governing Body is committed to preventing fraud and corruption. To help achieve this objective there is a clear network of systems and procedures in place for the prevention, detection and investigation of fraud and corruption. This Counter Fraud Strategy attempts to consolidate those in one document and should be read in conjunction with the following School and Council policies, which may be obtained from the Head of Internal Audit or the Schools Finance Section, or following the hyperlink where available

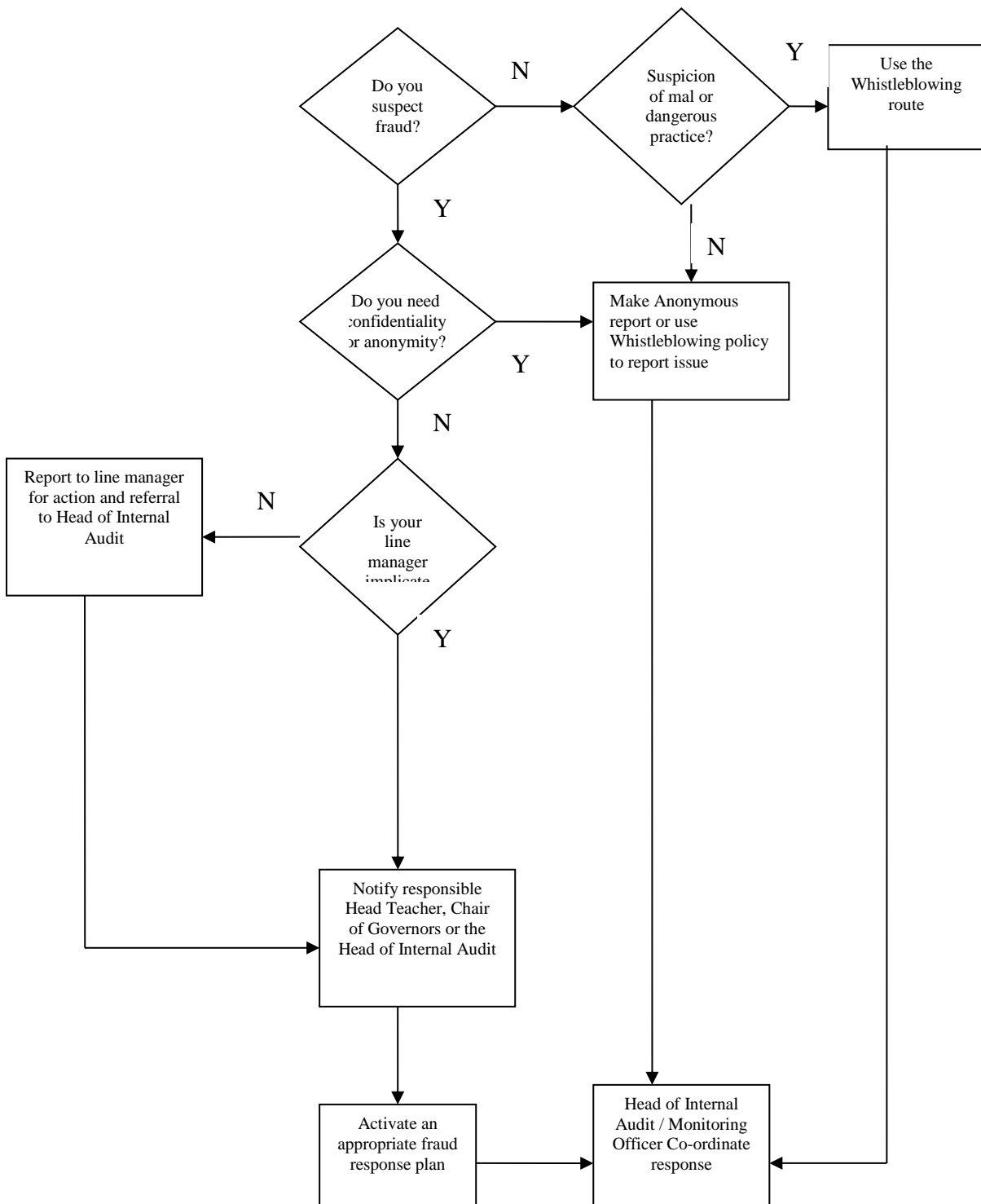
Useful Policies and Guidance

- Confidential Reporting Policy (Whistle-Blowing)
[Whistleblowing](#)
- Fair Funding Scheme and Financial Regulations

[Fair Funding](#)

- Code of Conduct
[Code of Conduct](#)
- Financial Administration and Control Policy
[Financial Administration and Control](#)
- Manual of Financial Guidance
[Financial Guidance](#)

Decision tree where a Potential Fraud or Whistleblowing issue is suspected



This page is intentionally left blank

Nottingham City Council

Fraud Response Plan

Nottingham City Council October 2011, updated November 2015 and November 2017

Contents

1	Introduction and Objective	3
2	Reporting fraud suspicions	4
2.1	Initial guidance if you suspect a fraud	4
2.2	Reporting your suspicions	4
2.3	Guidance for line managers on receiving a report of fraud	5
2.4	Decision Tree – Fraud or Whistleblowing	6
3	Fraud Response Plan	7
3.1	Introduction	7
3.2	Immediate action	7
3.3	Head of Internal Audit - Fraud Response	7
3.4	The Lead Investigator's plan	8
3.5	Communications during and after the investigation	9
3.6	Securing evidence	9
3.7	Colleagues under suspicion	10
3.8	Interviews/statements	11
3.9	Police involvement	12
3.10	Prevention of Further Losses	12
3.11	Recovery of Losses	13
3.12	Administration	14
3.13	Reporting	15
3.14	Review, communication and action on Findings	15
3.15	Closure	16

Appendices

Appendix 1	Examples of fraud	17
Appendix 2	Terrorist Financing (Terrorism Act 2000)	19
Appendix 3	Examples of controls to prevent and detect fraud	20
Appendix 4	Warning signs for fraud	21
Appendix 5	Fraud / Whistleblowing Register	23

1 Introduction and Objective

Nottingham City Council is committed to protecting public funds. Minimising the losses to fraud and corruption is an essential part of ensuring that all of our resources are used for the purpose for which they are intended - the provision of high quality services to citizens. We have a range of policies and procedures that facilitate the 'zero tolerance' approach adopted. These include the:

- The City Council constitution
- Accounting procedures
- Financial regulations and Standing Orders
- Colleague Code of Conduct
- Fraud Awareness Training
- Counter Fraud Strategy
- Prosecution Policies
- Confidential Reporting (Whistleblowing) Policy

The public is entitled to expect the City Council to conduct its affairs with integrity, accountability, honesty and openness, and demand the highest standards of conduct from those working for it and with it. Therefore one of the Council's main objectives, to combat fraud and corruption, is to identify and maintain good practices, address weaknesses in current processes and introduce improved systems for the management of those processes. This will ensure that the potential for fraud is kept to an absolute minimum. It applies to all Councillors and all personnel whether direct employees of Nottingham City Council, agency staff or contractors.

NCC Financial Regulations require that matters involving any suspected financial irregularities are referred to the Head of Internal Audit. The decision as to whether or not the irregularity should be investigated will be taken at his direction. All referrals are taken seriously and the action to be taken guided by an assessment of the risk. Where fraud is found, appropriate criminal investigation, disciplinary action and police involvement will be pursued. Losses will be recovered wherever possible and incidents of successful prosecution publicised.

Management and colleagues are likely to have little experience in dealing with fraud and, when suspected cases arise, may be unsure of the appropriate action to take. This document is intended to provide direction and help to colleagues in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern.

The objective is to safeguard the proper use of the City Council's finances and resources.

2 Reporting fraud suspicions

2.1 Initial guidance if you suspect a fraud.

A fraud may be uncovered in a variety of ways, from your own observations, someone from inside or outside blowing the whistle, ongoing controls throwing up a discrepancy, internal or external audit discovering a problem, or external regulators and inspectors finding something. It is important for you to know how to deal with your suspicions.

Things to Note

- Stay calm – remember you are a witness not a complainant. Write down your concerns immediately – make a note of all relevant details such as what was said in phone or other conversations, the date, the time, the names and contact details of anyone involved. Consider the possible risks and outcomes of any action you take. Make sure your suspicion is supported by facts, don't just allege.
- Do not become a private detective and personally conduct an investigation or interviews. Do not approach the person involved (this may lead to him/her destroying evidence). Do not discuss your suspicions or case facts with anyone other than those persons referred to below unless specifically asked to do so by them. Do not use the process to pursue a personal grievance.
- You may be mistaken or there may be an innocent or good explanation – this will come out in the investigation. The process may be complex and you may not be thanked immediately and the situation may lead to a period of disquiet or distrust in the organisation despite your having acted in good faith.
- Where there is clear evidence of a theft of physical assets or cash, the police should be notified immediately.

2.2 Reporting your suspicions

The following reporting lines are to be used regardless of the potential magnitude of the fraud, which it would be difficult to quantify at an early stage. 2.4 overleaf illustrates the thought processes to be considered in determining the most appropriate reporting route. The following points may be useful

- **Your line manager**
Generally this is your first port of call. Fraud prevention is their responsibility in particular. They will know the systems, the people, what is at risk. They should know whom to bring in.
- **A more senior manager or your Director**
If you think your manager might be involved in the fraud or if you feel they have wrongly dismissed your concerns, then you should go to a more senior manager or your Director.

- **Fraud reporting email / internet**

If you do not wish to make the report directly to your line manager the Council has in place electronic methods of reporting your concerns. If you want to be assured of absolute confidentiality or wish to remain anonymous, you can report to the Head of Internal Audit or his Corporate Counter Fraud Team. You may do this directly or by using fraud@nottinghamcity.gov.uk, or the reporting buttons available on the Council's websites.

- **Whistleblowing**

The Whistleblowing Policy on the intranet provides advice on reporting criminal acts (such as fraud). You should acquaint yourself with this policy before deciding to report the incident under the policy or as a fraud. If you wish to make a report under this policy you should contact the appropriate person identified in the policy who will then liaise with the Monitoring Officer or Head of Internal Audit. You may of course access the Monitoring Officer or the Head of Internal Audit direct or use the appropriate electronic mechanism on the Council's websites. Provided reports are made in good faith, you are protected by the Council and the law against retribution, harassment or victimisation and your confidentiality will be preserved.

If you feel unable to use Council's procedure for your disclosure you can contact an independent "prescribed" person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the Council, since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

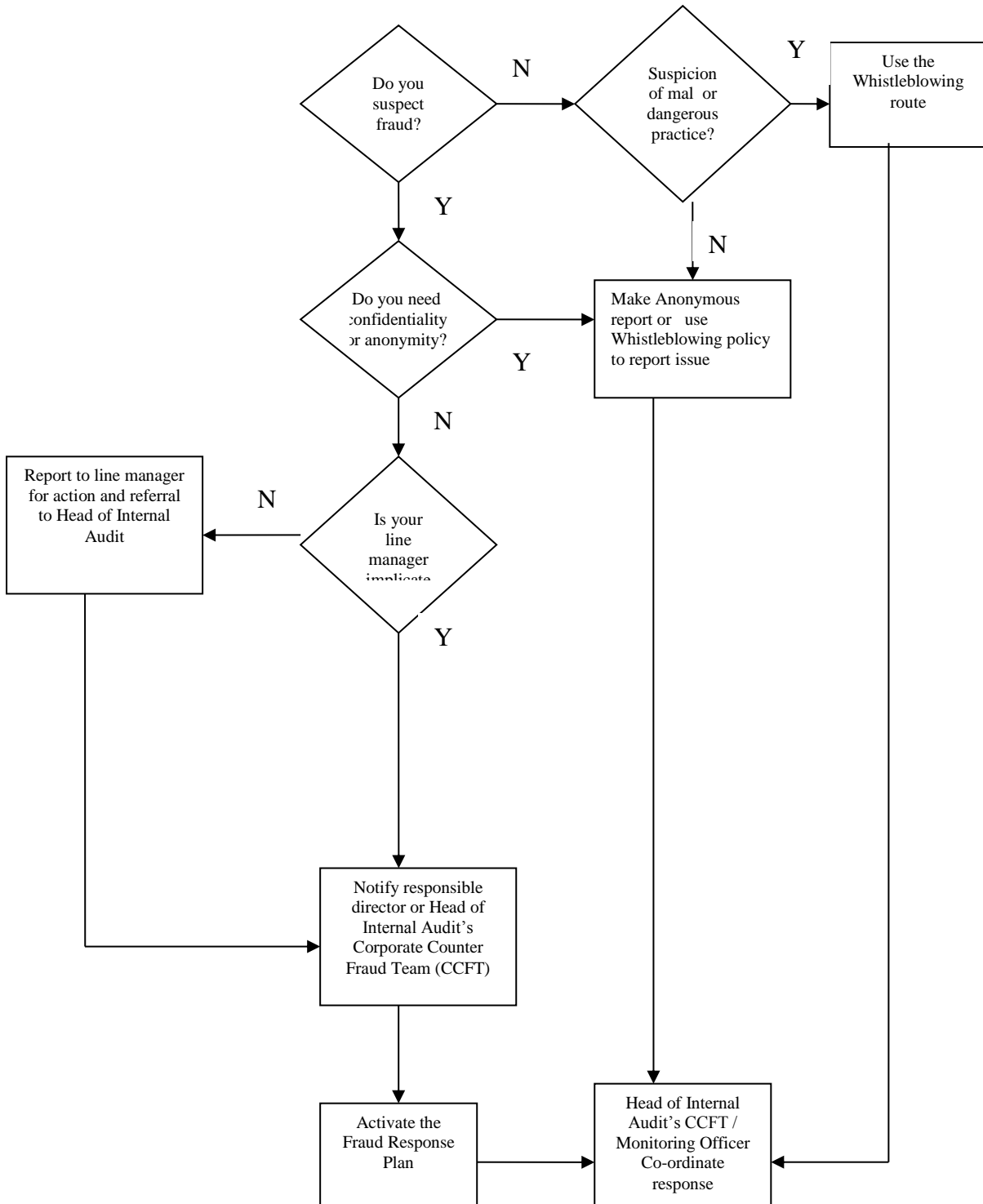
2.3 Guidance for line managers on receiving a report of fraud:

- Listen to the concerns of your colleagues and treat every report you receive seriously and sensitively. Make sure that all colleagues concerned are given a fair hearing.
- You should reassure your colleagues that they will not suffer because they have told you of their suspicions.
- Obtain as much information as possible from the colleague. Do not interfere with any evidence and make sure it is kept in a safe place.
- Request the colleague to keep the matter fully confidential in order that senior management are given time to investigate the matter without alerting the suspected/alleged perpetrator.
- Report the matter immediately to the Head of Internal Audit who will arrange a full investigation of the matter and ensure an appropriate response is made.

2.4 Decision Tree and Actions

Identified a Potential Fraud or Whistleblowing issue?

Refer to Financial Regulations and Whistleblowing Policy



3 Fraud Response Plan

3.1 Introduction

It is important that managers and others know what to do in the event of a fraud so that they can act without delay. The Fraud Response Plan covers the action required when fraud is suspected and to whom the fraud or suspicion should be reported. The Fraud Response Plan is a guide to how and by whom the fraud suspicion will then be investigated, reported and closed.

The Fraud Response Plan provides an outline of many of the areas that will need to be considered when investigating a large and complex fraud. For smaller less complex frauds, there will be parts of the plan that will not be applicable. It is however important to keep an open mind and consider whether a small fraud is concealing a much larger fraud.

3.2 Immediate Action

All cases must be notified to the Head of Internal Audit and may also be reported to the Director or Line Manager

The Head of Internal Audit will ensure that all suspected fraud is recorded in the Fraud / Whistleblowing Register and updated as the investigation progresses (see appendix 5).

3.3 Head of Internal Audit - Fraud Response

The Head of Internal Audit will arrange for the most appropriate response, including the provision of investigative resources from the department and where required from the Corporate Counter Fraud Team (CCFT) and the Legal Service. For small or less complex frauds, a large investigative resource may not be required, but the Head of Internal Audit should always be kept informed of progress at all stages of the investigation.

- Investigative Resources should be established as part of agreeing and signing off the Fraud Response Plan.
- Investigators should quickly determine the following:
 - whether an investigation is necessary
 - who will lead the investigation (the person chosen to lead the investigation should be appropriately experienced and independent of the activity affected by the alleged fraud).
 - any necessary additional resource to support the investigation
 - any immediate need for police involvement
 - any additional support requirements (eg IT facilities, a secure room, secure fax and phone facilities, administrative support etc)
 - any immediate need for legal advice
 - any immediate need for external, technical advice or support (eg forensics)
 - any immediate need to establish a PR/media strategy for dealing with the case (both internally and externally)
 - any immediate need to suspend colleagues; conduct searches and remove access (eg to files, buildings, computers/systems etc)
 - any immediate need to report the potential fraud externally (eg external auditors, tax authorities etc)
 - whether insurers need to be informed

- whether the chair of the Audit Committee should be informed
 - a timetable for the lead investigator to report back progress on the investigation.
- The objectives of the investigation should be documented and approved by the Head of Internal Audit at the outset. Likely objectives would be to:
 - establish if a fraud has taken place
 - identify the culprit(s)
 - establish the facts surrounding the fraud and ascertain total losses
 - remove the threat of further losses. (Note: in some exceptional cases it may be necessary to allow further losses, in order to gain additional evidence and increase the chances of successful criminal, civil, or disciplinary action. This should normally only be allowed under police guidance).
 - obtain sufficient evidence for successful disciplinary, criminal, or civil action
 - Certain action may need to take place immediately to prevent further losses.
 - The Director/Head of Human Resources should be involved on any decisions and action regarding suspensions and removal of access to files, systems and offices.
 - The date of the next meeting and review of the first investigation progress report should be agreed.
 - The Head of Internal Audit should be updated on a regular basis, to oversee progress of the investigation and to take major decisions relating to the case.

3.4 The Lead Investigator's Plan

- The lead investigator should prepare an investigation plan, which should be submitted to the Head of Internal Audit for approval.
- The Plan should be fairly short term, as developments in the investigation will invariably result in changes. It should clearly show what work/tasks need to be completed, why they are necessary, by whom and by when.
- The Plan may cover some or all of the following:
 - identification and recording of the persons involved and facts of the case
 - handling internal and external communications
 - actions to prevent further losses
 - actions to secure evidence. Normally, evidence should be secured in a way that will be least likely to alert the suspect(s) or others
 - liaison with Human Resources and dealing with colleagues under suspicion
 - interviews to be conducted
 - timetables for involving the police or other external experts
 - analysis of evidence
 - internal reporting (eg to Management Team, Audit Committee, etc)
 - reporting to regulatory/government bodies and or the Police
 - target dates for reporting back to the Head of Internal Audit

3.5 Communications during and after the investigation

The effectiveness of the Plan depends on good quality communication at all stages.

Internal communications

- Investigators need to ensure that everyone with a need to know is kept suitably briefed throughout the investigation and at the reporting, acting on findings and debriefing stages. Communication with any person(s) about whom concerns are raised needs to be conducted in accordance with the Council's HR policies. The person who raised concerns should be kept up to date, with due regard to confidentiality.
- There will always be a balance to be struck between communication and confidentiality therefore those persons or categories of persons who need to know should be clearly identified at each stage of the Plan, so that assurances on confidentiality can be given where required

External communications

- Third parties who may need to be alerted or informed might include the Police, regulatory authorities, insurers, legal advisors and external auditors. The Plan should make clear who is mandated to communicate with these third parties, and under what circumstances.
- The Council is prepared for the fact that frauds may attract media attention and the Plan should identify which colleague is mandated to deal with the press and what action any other colleagues contacted by the press should take. The current media communication channels and procedures should be used where possible

Inappropriate communication

The Plan should make clear any form of communication that is considered inappropriate, for example:

- discussing the case outside the Council
- confrontation between the person reporting the fraud and the suspected perpetrator(s). (Note that the Whistleblowing Policy provides assurances for the safety and confidentiality of the person making the report.)

3.6 Securing evidence

- In securing and handling evidence it should be assumed that all evidence may need to be examined forensically and presented in court and should therefore be treated accordingly. (Even if criminal or civil action is not planned, it is sensible to adopt this approach.)
- Normally, all evidence should be kept securely under lock and key, with access limited to those working on the investigation. If necessary, locks to secure rooms should be changed. Evidence should be handled appropriately and a record should be maintained of anyone handling it.
- Evidence such as computer data, transferable media, videotape etc, should only be handled by suitably trained and skilled personnel. Where there is any doubt, professional/Police advice should be sought.

- Where evidence, or other relevant information, is to be shared with another body, careful consideration should be given to any data protection (confidentiality) requirements. Where there is any doubt, expert advice should be sought from the Council's Legal Services or Information Governance team.
- Evidence can take different forms and will need to be handled in different ways, for example:

Original Documents

- handle as little as possible
- put in protective folder and label the folder
- do not mark in any way
- assign responsibility to one person for keeping the documents
- keep a clear record of how and where the documents were obtained
- keep a record of anyone who subsequently handles the documents

Computer Held Data/Transferable Media

- keep secured in an appropriate environment
- data should only be retrieved from computers by those who are technically qualified

Photocopied Documents

- in some cases it may be preferable or necessary to leave original documents in situ and take photocopies for further analysis and investigation
- photocopies should be clearly marked as such
- photocopies should be signed and dated, and certified as a true copy of the original

Other physical evidence (including Video/DVD/CD Rom)

- keep secured in an appropriate environment (eg protective bag)
- videos should not be viewed until technical and legal advice is sought in order that they can be treated in accordance with the rules of evidence

External evidence

- There are potential external sources from which evidence or information to support an investigation can be obtained, such as the tax authorities, supplier records, government registers of companies, donor records etc.

3.7 Colleagues under suspicion

- It should always be remembered that an allegation of fraud may be unfounded and in order to respect the colleague and ensure good working relations after an investigation, any action taken, such as suspension, and interviewing should be handled very carefully.
- Suspension from work is an opportunity to protect both the employer and colleague, providing the necessary space and opportunity to plan the investigation, investigate the facts and speak to other colleagues without the colleague being present. It should be made clear that suspension is not a judgement.

- The key factors in deciding to suspend colleagues will normally be prevention of further losses and removal or destruction of evidence. In some cases, it may be preferable to not suspend even at the risk of further losses (eg to gather further evidence).
- Any colleagues under suspicion who are allowed to remain at work should be closely monitored. This may include: physical surveillance of movements, monitoring of IT usage, monitoring of telephone, email and internet usage etc. (Note: it is advisable to seek legal advice regarding the use of surveillance techniques, to ensure compliance with local laws such as the Regulation of Investigatory Powers Act in the UK).
- Where a suspect offers to resign during the investigative process the consequences must be considered and a decision to reject or accept the resignation made only after consultation with HR, Legal Services and the Head of Internal Audit. By accepting the resignation the Council's ability to investigate the incident and gain proper redress may be limited.
- Other matters to consider include:
 - A review of HR records (eg to check references, employment history, qualifications etc, but with due regard to any data confidentiality / protection requirements)
 - Searching the suspect's work area; desk, cabinets, files, computer etc
 - Restricting access by the suspect to files, computers etc.

3.8 Interviews/statements

- When interviewing colleagues under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that you have no pre-set view, the suspicion should be outlined and the colleague given adequate time to respond.
- If it is decided that formal questioning is needed because involvement in a criminal offence is suspected, then the CCFT should be consulted to consider whether the interview should be conducted in accordance with the principles of the UK Police and Criminal Evidence Act (PACE). Guidelines can be found on the Home Office Website.
- Interviews should only be carried out with the approval of senior management/the Head of Internal Audit.
- Early consideration should be given to Police involvement, or consultation.
- There are strict rules relating to tape recorded interviews and investigators must be suitably skilled and experienced, where these are used.
- Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record – the witness can be given a copy of the statement if desired.
- It is very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal, disciplinary hearing). Such notes

should always show: date of interview; time started; time finished; and be signed and dated by the interviewer.

3.9 Police involvement

- Discussions should take place with the Head of Internal Audit regarding the best course of action in each case. A decision will need to be made as to whether the case is reported to the Police but other alternatives should be considered, for example a private prosecution. For large-scale / serious frauds, it may be appropriate to inform the Chief Executive and ask the Police to attend meetings with the investigators, Head of Internal Audit and legal advisors.
- Where a decision is taken to pass the matter to the police, the lead investigator should prepare an evidence pack that can be handed to the police at the time the fraud is reported. The pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and including photocopies of key supporting documents and contact details of the person leading the investigation.
- Where practical a record of everything that is handed to the Police should be kept
- All contact with the police should be channelled through one person (ie the person leading the investigation). A record should be maintained of all contacts with the Police, the details of the officers, and the crime reference number.
- The Police have knowledge of similar cases of fraud and their advice should be sought regarding measures to prevent further losses or future incidents.

3.10 Prevention of Further Losses

- Once actual or potential losses have been identified it is important that effective and timely action is taken to prevent further losses. It may however be decided that a better standard of evidence can be obtained by allowing limited further losses.
- The person in charge of the investigation should, at an early stage in the process, complete a preliminary assessment of the potential for further losses and how best to prevent them. He should make recommendations to senior management as to what if any immediate actions are necessary.
- Actions taken at an early stage may have to be circumspect so as not to alert suspects who have yet to be suspended or cautioned. It may also be important not to lose or compromise the forensic value of data by precipitate action. It may nevertheless be necessary to act quickly e.g. to stop payments to suspects who are being investigated.
- As the investigation continues, and more information emerges, further recommendations for action may be needed. At the end of the investigation, Internal Audit should review all the actions taken to prevent further losses and to report on this in the Review of Findings.

3.11 Recovery of Losses

Once the identity of the perpetrator(s) and the size of the fraud has been determined, management must consider whether or not any of the loss can be recovered and take any further action that is necessary. This may require advice from the Insurers.

Reimbursement offered during the investigation

- An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The person in charge of the investigation should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). The lead investigator should record any offer made and refer the individual to the Head of Internal Audit who in turn will consult with the Chief Finance Officer and Director of Human Resources.

Reimbursement offered during disciplinary or legal proceedings

- If an offer of restitution is made while disciplinary or legal proceedings are still under way, management must seek legal advice before such an offer is accepted.

Reimbursement after completion of disciplinary proceedings

- Where a colleague is to be dismissed, the manager should consider recovery of amounts due from any outstanding salary or expense payments. It will be necessary to take legal advice about the right to do this, as it is unlikely to be clear in the colleague's contract of employment.

Recovery of loss

- Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible for fraud.
- Where a colleague is a member of Nottinghamshire County Council's Pension scheme, and is convicted of fraud, NCC may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme, which are then reduced as advised by the actuary.

Court Order

- Where a criminal case is taken against an individual a formal claim for restitution (where the court orders the defendant to give up gains) or alternatively a compensation claim made within a proceeds of crime claim should be made through the Police. Seek advice from Legal to determine the appropriate claim. Any monies due will be recovered via a Court Order.

Civil Action

- Funds lost due to fraud can be recovered from the perpetrator by suing them for damages in a civil court. The level of proof required in civil cases is lower than that required in criminal cases and management may regard a civil action as a more effective use of their time than trying to persuade the Police to investigate and the courts to prosecute. If this approach is successful, the perpetrator will also have to pay the Council's legal costs. Seek advice from Legal to determine the appropriateness of the claim.

- A civil action can still be brought even if a criminal prosecution has failed. If a criminal prosecution is successful a civil action may be necessary to force the person convicted to repay the sums stolen.
- It is important to remember that the person being sued may be unable to make the repayment. In situations in which repayment is unlikely senior management approval should be obtained before additional legal costs are incurred.

Commercial Negotiation

- Where the fraud has been committed by the employee of a contractor or supplier, all or part of the loss may be recoverable from the business concerned. It may be possible to reach an agreement that the loss can be deducted from any outstanding debts or that additional goods/services will be supplied free of charge.
- Third parties may want to agree a negotiated settlement in order to retain the goodwill of their customer and/or to avoid damaging publicity and legal costs. They may subsequently be able to recover these costs from their employees or their insurers

Insurance

- The insurers should be informed as soon as a suspicion is raised. In certain circumstances it may be possible to make a claim against the insurers. The person who led the investigation should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

3.12 Administration

- Careful administration of the investigation is of vital importance. A disordered investigation, without clear records and logs of events, communications, key dates etc, will cause problems at any court hearing, employment tribunal, or disciplinary panel.
- Maintain a chronological record of all events on a main file. This should include all correspondence, telephone calls and emails sent/made and received, interviews, visits, tests/checks undertaken etc.
- Maintain a list of all contacts (eg internal, Police, lawyer, donors/funders, peer organisations, government bodies, and technical advisers).
- Maintain a list of emergency contact numbers and ensure that this is shared with all those on the list.
- Maintain a log of anyone who handles evidence obtained, including the Police.
- Consider whether there is a need for dedicated administrative support; dedicated phone and email address; secure fax machine; secure room etc.
- Do not keep any unnecessary records or copies. Carefully shred any papers that are not needed (e.g. extra copies of progress reports).

- Establish internal and external communication protocols. Discourage the use of email to communicate sensitive information; avoid internal mail and hand deliver highly confidential information, opting for double-enveloped post for less sensitive information. Where email is used for communication, consider entering subject names that have no direct link to the investigation.
- Provide update reports as appropriate to the Head of Internal Audit

3.13 Reporting

- Every investigation of suspected fraud or financial irregularity should result in a report written by the person who led the investigation. This should be done regardless of whether any colleagues are dismissed or prosecutions made and details entered in the fraud register.
- The register will record the scale of the fraud, when and how it was perpetrated and by whom. In addition the report will record; what action has been taken against the perpetrator, the actions to prevent further similar losses and to recover what has been lost. It will also usually be pertinent to note how the fraud was detected and whether or not existing controls were effective.
- Since the report may be used internally for disciplinary hearings or externally for civil or criminal proceedings, conclusions and opinions should be substantiated by evidence.
- It is important to strictly limit the distribution of the report. Copies will not be provided automatically to suspects or their representatives. If a disciplinary hearing takes place the individual and their representative may be entitled to receive a copy subject to obtaining legal advice.

3.14 Review, communication and action on Findings

Review of findings

- The findings reported by the person in charge of the investigation should be reviewed by relevant managers and in particular the lessons learned to avoid future frauds.
- Senior Managers should satisfy themselves that, so far as is practically possible, a similar fraud could not occur again and /or the amount of potential loss has been minimised, the perpetrators have been properly dealt with and recovery has been pursued robustly.
- Managers and supervisors should be disciplined if they have not properly enforced existing controls and procedures.

Communicating outcomes

- Responsibility for communicating findings and actions to those involved and others who need to know should be set out in the Plan. The Council will hold a debriefing once outcomes have been finalised, to ensure that proper closure has been achieved.

- It may be necessary to manage the expectations of the person who raised concerns. The Whistleblowing Policy provides guidance on what may be communicated.

Action on Findings

- Any actions arising from the final report should be allocated to named individuals with appropriate due dates for completion.
- The final details of the fraud should be added to the entry in the Fraud Register.

3.15 Closure

Communication that the case has been closed

- It is important that any decision to close the case is clearly documented and communicated to those involved.
- The case may be closed for a number of reasons, including:
 - All action points that arose from the final report have been completed.
 - The Head of Internal Audit decides there is insufficient evidence to support the allegations.
 - The Council does not wish to incur further costs investigating the case.
 - The decision to close the case and the reason for doing so should be documented by the person leading the investigation and should be added to the investigation file and the fraud register.

Learning from experience

- Following completion of the case, the Head of Internal Audit will prepare a summary report on the outcome and lessons learned, circulating it to all other relevant parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud or theft.

Archiving

- All documents associated with the investigation should be archived in a secure location with adequately restricted access, and be retained in line with the document retention guidelines.
- Any redundant documents and papers, or duplicate copies, should be carefully shredded.

Appendix 1 - Examples of fraud

Theft: the illegal taking of someone else's property without that person's freely-given consent. Apart from the obvious theft of Council physical assets such as computers, shop stock and money, it includes:

- Misappropriation of funds
- Misuse of assets, including cash, stock and other assets, for example “borrowing” petty cash, use of photocopiers for private purposes
- Theft from a client or supplier
- Theft of intellectual property (eg unauthorised use of the Council name/logo, theft of product/software designs and client data)

Bribery: this implies a sum or gift given or sought that alters the behaviour of the person in ways not consistent with the duties of that person. It includes offering, giving, receiving or soliciting any item of value in order to influence an action.

Corruption: this is a general concept describing any organised, interdependent system in which part of the system is either not performing duties it was originally intended to, or performing them in an improper way, to the detriment of the system's original purpose.

Deception: to intentionally distort the truth in order to mislead others. It would include obtaining property, services or pecuniary advantage by deception or evading liability. Deceptions include:

- misrepresentation of qualifications to obtain employment
- obtaining services dishonestly via technology eg where a credit card that has been improperly obtained is used to obtain services from the internet, or any other situation where false information is provided to a machine
- possessing, making and supplying articles for use in fraud via technology eg computer programs designed to generate credit card details that are then used to commit or facilitate fraud
- undeclared and unauthorised private and consultative work
- failure to properly declare interests that may materially affect the carrying out of their role
- failure to observe, or breaches of, established Council / Service policies, procedures, or practices can in some circumstances constitute an irregularity
- money laundering (see below)
- providing misleading information in order to obtain funds, such as overstating activity

Forgery: this is the making or adapting objects or documents with the desire to deceive.

Extortion: this occurs when a person obtains money or property from another through coercion or intimidation.

Embezzlement: this is the fraudulent appropriation by a person to their own use of property or money entrusted to that person's care but owned by someone else.

False Accounting: this is dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive. It includes:

- Manipulation or misreporting of financial information
- Fraudulent completion of official documents (eg VAT receipts)

Conspiracy: this is an agreement between two or more persons to break the law at some time in the future. It includes breaches of regulations.

Collusion: the term “collusion” covers any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes of fraud.

Money laundering: this is the term used to describe the ways in which criminals process illegal or ‘dirty’ money derived from the proceeds of any illegal activity (eg the proceeds of drug dealing, human trafficking, fraud, theft, tax evasion) through a succession of transactions and deals until the original source of such funds has been obscured and the money take on an appearance of legitimate or ‘clean’ funds.

There are three internationally accepted phases to money laundering:

Placement – this involves the first stage at which funds from the proceeds of crime are introduced into the financial system or used to purchase goods. This is the time at which the funds are most easily detected as being from a criminal source. Such ‘dirty money’ will often be in the form of cash or negotiable instruments such as travellers cheques.

Layering – this is where the funds pass through a number of transactions in order to obscure the origin of the proceeds. These transactions may involve entities such as companies and trusts (often offshore).

Integration – this is when the funds are available via a legitimate source and allow the criminal to enjoy access to the funds again, with little fear of the funds being detected as being from a fraudulent source.

Appendix 2 - Terrorist Financing (Terrorism Act 2000)

Under the Terrorism Act 2000 the assets of charities can be frozen if they are shown to have funded terrorists. Colleagues should therefore be aware of terrorist organisations posing as legitimate entities which can conceal the diversion of funds to terrorist organisations.

Example 1:

An employee working for a charity used his occupation to support the on-going activities of a known terrorist organisation. The employee had secretly made contact with those involved in terrorist activity and used his position to hide weapons and bomb making equipment.

Example 2:

An employee working for a charity obtained surplus funds from the Council to fund terrorism by padding the number of children it had claimed to care for by providing the names of children who were either dead or did not exist. Funds were then diverted to local terrorist organisations. The charity also employed members of the terrorist organisations and facilitated their travel.

Appendix 3 - Examples of controls to prevent and detect fraud

- Thorough recruitment procedures.
- Physical security of assets.
- Clear organisation of responsibilities and reporting lines.
- IT access controls over data
- Adequate staffing levels.
- Supervision and checking of output.
- Separation of duties to ensure that key functions and controls are not performed by the same colleague.
- Rotation of colleagues.
- Random spot checks by managers.
- Regular activity by auditors.
- Complete and secure audit trails.
- Performance monitoring by management.
- Budgetary and other financial reports.
- Reviews by independent bodies such as the the external auditor and Internal Audit.
- Data matching.

Appendix 4 - Warning signs for fraud

There are warning signs that can indicate a fraud may be taking place eg:

- Colleagues under stress without a high workload.
- Reluctance to take annual leave.
- Being first to arrive in the morning and last to leave in the evening.
- Refusal of promotion.
- Unexplained wealth.
- Sudden change of lifestyle.
- Suppliers/contractors who insist on only dealing with one colleague.
- A risk taker or rule breaker.
- Disgruntled at work/not supportive of organisations mission.
- Colleagues with serious financial problems.
- Colleagues whose lifestyle is disproportionate to their income.
- Unusual concerns about visits made by senior managers or auditors.
- Colleagues who often break the rules or fail to comply with procedures.
- Managers/colleagues who cut corners.
- Complaints about colleagues from customers or other colleagues.
- The lack of effective internal controls in an area.
- Unexplained falls in income levels or increases in expenses.
- Deliveries of stocks or orders to other buildings or non-Council buildings.
- Increases in the number of insurance claims.
- A general disregard by management and colleagues towards security.

Fraud Indicators can include:

- Colleagues exhibiting unusual behaviour (see list above).
- False entries in attendance records such as flexi sheets.
- Missing key documents (invoices/contracts).
- Inadequate or no segregation of duties.
- Documentation which is photocopied or missing key information.
- Missing expenditure vouchers.
- Excessive variations to budgets/contracts.
- Bank and ledger reconciliations not regularly performed and balanced.
- Unexplained or unreasonable balancing items in reconciliations
- Numerous adjustments or exceptions.
- Overdue pay or expense advances.
- Duplicate payments.
- Ghost colleagues on payroll.
- Large payments to individuals.
- Crisis management coupled with a pressured work environment.
- Lowest tenders or quotes passed over without adequate explanation.
- Single vendors.
- Climate of fear/low colleague morale.
- Consistent failure to implement key controls.
- Management frequently overriding controls.

Appendix 5 - Fraud / Whistleblowing Register

The Fraud Register contains the following headings:

- Logged By
- Reference Number
- Referred By
- Date Referred
- Details of Referral (Brief)
- Contact Details
- Reported to Monitoring Officer
- Date Acknowledgement letter sent
- Agreed By
- Date Agreed
- Investigating Officer
- Stage / Status of Investigation Outcome
- Date Outcome Reported to Monitoring Officer
- Date Outcome reported to the Whistleblower
- Type of Whistleblowing Date action taken after case finished
- Type of fraud
- Value (£)
- Brief details of the fraud / corruption
- Fraud or Corruption
- Did the case involve an employee or a Councillor?
- Was the person prosecuted?
- Guilty Outcome?
- Outcome
- Perpetrator
- Type of Fraud

Nottingham City Council

Data Matching Strategy and Policy

Nottingham City Council October 2015

Contents

Data Matching Strategy

Introduction	3
Key objectives of the Data Matching Strategy	3
Scope of Data Matching	4
Legal Basis for Data Matching	5
Approach to Data Matching	5
Retention of Data	6
Storage of Data	6
Links to Audit Controls and Risk Registers	6
Management Action	7

Data Matching Policy

Page

Introduction & Scope	8
Definitions	8
Purpose of Policy	9
Principles of Data Matching	9
Approval	9
Compliance	10
Data Retention & Disposal	10
Policy Review	10
Contact Officer	10

DATA MATCHING STRATEGY

1. Introduction

- 1.1 Nottingham City Council is committed to providing the best possible service to its citizens by continually making improvements and utilising resources efficiently and effectively. The Council has access to vast amounts of information and, by making better use of this information across the Council it can enhance services, increase income and work efficiently.
- 1.2 The ability to match data across the many Council databases can highlight gaps in service provision, identify possible fraudulent activity or streamline processes. The Cabinet Office under its statutory powers has collected data from many public bodies to carry out data matching exercises for the prevention of fraud. This National Fraud Initiative (NFI) has already proved successful by identifying frauds of £1.17 billion since its inception in 1996. Such has been the success of the initiative that many private sector clients now use the service.
- 1.3 Within the Council, Internal Audit uses data matching techniques in the course of some of its audit investigations. Following the success of data matching exercises it is appropriate that its use be expanded to support the enhanced use of information in the most efficient and effective way to improve the delivery of the service. It is a key objective of Internal Audit to enhance the Council's ability to proactively seek out fraud and error through rigorous, programmed data matching exercises and data mining on areas identified as high risk. Internal Audit will also be seeking a more targeted approach through the better use of intelligence.
- 1.4 Looking forward, Internal Audit's vision is to expand the use of data matching techniques to include activity on data from other relevant public sector bodies.

2. The key objectives of the Data Matching Strategy

The key objectives of the strategy are:

- Nottingham City Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. Continuous use of data matching in conjunction with auditing will be a pro-active approach to identifying and where possible preventing fraud and corruption. It will:
 - Provide an effective internal control and a means of helping to prevent or identify fraudulent or corrupt activities.
 - Develop an internal tool to help identify errors, inconsistencies, irregularities and risk to financial resources within the Council.
 - Ensure that the Council fully utilises the data held within its systems to best possible effect.
 - Aid the audit planning process and other audit projects.
 - Improve the control environment within the Council.
 - Identify potential weaknesses in design and operation of internal controls that may be creating the risk of fraud or irregularities occurring.
 - Identify potential weaknesses in the design of Information Systems that currently may not provide adequate assurances that they will prevent error or fraud.

- The Council is committed to ensuring its citizens have access to all services they are entitled to. The interrogation of data can highlight areas where there are gaps in service.
- Act in accordance with legislative obligations under the National Fraud Initiative.
- The audit process should be enhanced by:
 - improving the audit planning process and deployment of Audit colleagues
 - using the matching and interrogation of data to highlight areas for further investigation
 - highlighting errors, inconsistencies, irregularities and/or financial risk
- The Council will work within the relevant legislative framework including the Data Protection Act, and Nottingham City Council Information Security policies.

3. Scope of Data Matching

- 3.1 Data matching and analysis may be performed on any City Council data system.
- 3.2 Data matching and analysis may be performed on data received from other public bodies by agreement and within relevant legislation.
- 3.3 In exceptional circumstances data matching and analysis may be performed on data received from other external systems where deemed appropriate to the furtherance of the City Council's anti-fraud objectives and where relevant legislation permits.
- 3.4 Data matching will be performed routinely as part of our data matching plan, and also on an ad-hoc basis;

Routine Data matching – scheduled data matches may take place on a daily, weekly, monthly or quarterly basis. Datasets will be collected from core systems in accordance with the annual data matching plan.

Ad-hoc data matching – data matches may be required for work of a special nature when routine data matching activities would not be appropriate. Also, data collected for routine data matching activities may also be used as a by-product to drive and support the audit of large information systems.

4. Legal Basis for Data Matching

- 4.1 In order for the City Council to undertake data matching it must operate within the legislative framework. Internal Audit will work with colleagues in Information Governance and Legal Services to keep abreast of new or amended legislation and ensure the correct procedures are in place to drive improvement.

- 4.2 Data is currently matched under the following Legislation:
- National Fraud Initiative - Audit Commission Act 1998
 - Local Audit and Accountability Act 2014,
 - Benefit Counter Fraud – Social Security Act.
- 4.3 To support internal pro-active anti-Fraud activities, data matching takes place to assist the Section 151 Officer achieve their responsibilities. These are outlined in the Local Government Act 1972 and supported by the internal audit right of access stated in the Accounts and Audit Regulations 2015.
- 4.4 The City Council will adhere to the Data Protection Act by ensuring there are the relevant fair processing notices in place to inform the data subjects that data matching may take place to help detect and identify fraud.

5. Approach to data matching

- 5.1 Based upon information obtained from risk analysis work and audit work, an annual data matching strategy will be developed. The strategy will include routine data matching events and leave appropriate contingency to process ad-hoc data matches as their requirement occurs. Risk analysis will be performed from historical information, data trends and other sources of information. Areas with a high fraud risk profile will be targeted.
- 5.2 The balance of work carried out between routine and non-routine data matching will integrate with existing Nottingham Internal Audit planning objectives.
- 5.3 Routine data matching will be subject to one time approval. The approval will be reviewed on an annual basis to verify that it remains valid and appropriate. All approvals will require a justification to be produced, outlining the data requirements and data field definitions.
- 5.4 The overall approach to data matching consists of an extraction of data from any system or data warehouse held by the Council, and then subsequently cross matching or exception testing this data to another data set to help identify potential errors, irregularities or suspect matches.
- 5.5 Non-routine (ad-hoc) data matches will require approval from the Head of Internal Audit each time a data match is carried out. This will be done prior to approaching the data owner.

6. Retention of data

- 6.1 The City Council will ensure that data is not held for longer than is necessary for the purpose it was obtained. In establishing retention and archiving periods we will consider both the possibility of complaints and the legal requirements.
- 6.2 All successful data matches that result in a fraud referral will be documented and retained in line with normal operating procedures.
- 6.3 Datasets used to carry out data matches will be retained for a maximum of six months after their planned use, subject to the need to conserve evidence.

- 6.4 All data refreshes will take place on a regular basis ie daily, weekly, monthly or quarterly as relevant to operational needs. Consequently, as the existing dataset will be overwritten, data will only be retained until the following scheduled refresh occurs.

7. Storage of data

- 7.1 Data is held in secure computer files, which have restricted access.
- 7.2 Manual records will be held securely in locked filing cabinets.
- 7.3 Output reports and files that do not highlight a match will be securely destroyed.
- 7.4 Once the data matching exercise has been completed the extracted source data file will be deleted. Matches which do not identify fraudulent activity will also be deleted. Matches which subsequently highlight fraudulent activity will be maintained for analytical review.

8. Links to Audit Controls and Risk Registers

- 8.1 Where significant fraudulent activities have occurred through poor system controls, the details will be fed to both the directorate and team responsible, and into the relevant risk register.
- 8.2 Details will be recorded by Internal Audit to help assess the implications on the annual assurance statement and for future trend analysis.

9. Management Action

- 9.1 The Head of Internal Audit will make arrangements for follow-up of all positive data matches where a fraud has occurred but no action has yet been taken against the perpetrator(s) of the fraud.
- 9.2 If no action is taken by a line manager when a fraud or irregularity is proven, the Head of Internal Audit reserves the right to review the fraud circumstances and refer the matter to the City Council's Audit Committee.

DATA MATCHING POLICY

1. Introduction

- 1.1 Nottingham City Council is committed to quality service provision, reducing the number and value of errors, and reducing the level of financial risk and is continually looking to introduce more efficient and effective techniques to combat fraud. Processes within Internal Audit are designed, where practicable, to add value through techniques including data matching.
- 1.2 The benefits of data matching are well documented through government initiatives such as the National Fraud Initiative (NFI) run by the Cabinet Office. The NFI forms part of the statutory external audit process for councils, Police and fire authorities in England and Wales. Data matching under the NFI is a legal requirement and audited bodies and other participating organisations supply data for cross-matching between systems to identify cases where fraud may be occurring. Data matching has also been used to identify inconsistencies, for example, where similar information is stored in two different systems and errors resulting from data input.
- 1.3 Investing in improvement is a key priority for the Council to help it to manage resources economically, efficiently, effectively, flexibly and responsively. Consequently, errors or fraud identified via the data matching route will also help the Council to improve services and the internal control environment, supporting the Council's aspiration to be one of the best run Local Authorities in England.
- 1.4 Performing data matching and data analysis internally and informing suppliers, partners, colleagues and citizens that it is being carried out may act as a deterrent and create an anti-fraud and corruption culture within the City Council.

2. Definitions

- 2.1 Data Matching – The computerised comparison of two or more data sets which relate to the same or similar individuals or elements to identify similarities or differences.
- 2.2 Data Analysis – The process of examining data with the aim of extracting some useful information and identifying anomalies.
- 2.3 Continuous Auditing – The method that is used to perform control and risk assessments in an automated manner on a more frequent schedule.

3. Purpose of Policy

- 3.1 To ensure that a consistent data matching approach is adopted across Nottingham Internal Audit by making effective use of a clearly defined strategy and procedures.
- 3.2 To establish procedures that ensure data matching and analysis is conducted in a controlled, robust and approved manner.

4. Principles of data matching

- 4.1 The Council will only match and analyse data where relevant legislation permits, in order to avoid unlawful processing of data.
- 4.2 Data extracted will be obtained in accordance with the Data Protection Act (1998) and, where required, with the consent of the data owner.
- 4.3 To support the Council's determination to reduce fraud and error it will be Council policy to include a standard declaration in forms or input screens concerning the potential use of data provided to the Council in data matching exercises.
- 4.4 Only data actually needed to perform the data matching exercise is collected and processed.
- 4.5 Data matches will be fed into a structured and prioritised programme of activity.
- 4.6 Source and matched data is only seen by colleagues who need it in the course of their duties.
- 4.7 The results of a matching exercise do not automatically imply that fraudulent activity has taken place. It highlights areas for further investigation. The investigation team will conduct a thorough review of all results and ensure the accuracy of the data.
- 4.8 Data found to be inaccurate will be corrected in an appropriate manner so that decisions affecting individuals highlighted in the data matching routine are made on the basis of reliable and up to date data.
- 4.9 Data matching processes will be refined for future use where indicated by a review of results.
- 4.10 Data matching outputs are fed, where relevant and appropriate, into the Internal Audit planning process.
- 4.11 Source data and matched data outputs are protected from unauthorised or accidental disclosure.
- 4.12 Data is retained only for as long as it is required.

5. Approval

- 5.1 This policy forms part of the Council's Counter Fraud Strategy which is approved by the Council's Audit Committee.
- 5.2 The Head of Internal Audit will maintain the policy and review mechanisms set in place to ensure its principles are delivered.

6. Compliance

6.1 Compliance with the policy will be required as part of the Council's Counter Fraud Strategy.

6.2 All relevant colleagues should receive appropriate training to provide an assurance that this policy is understood and followed effectively.

7. Data Retention and Disposal

7.1 Data retention/disposal standards will be in line with Council Information Security Policies.

7.2 Personal information will be safeguarded from accidental and deliberate threats to confidentiality and integrity

8. Policy Review

This policy will be reviewed by the Head of Internal Audit periodically and when relevant legislative changes are enacted.

9. Contact Officer / Guidance

For clarification or guidance in connection with this policy, please use the following contact details

Shail Shah - Head of Internal Audit
Tel: (0115) 8764245
[email:shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)

2 November 2017

This page is intentionally left blank

AUDIT COMMITTEE - 24 November 2017

Title of paper:	AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME	
Director(s)/ Corporate Director(s):	Director of Strategic Finance	Wards affected:
Report author(s) and contact details:	Head of Audit and Risk 0115-8764245 shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note the role and functions of the Audit Committee including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS) and the benefits arising from its existence	
2	Endorse the outline work programme at Appendix 1 including the Assurance Plan and the terms of reference at Appendices 2 and 3.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 Although an Audit Committee is not a legal requirement it is necessary for a sound management and has a role in satisfying section 151 of the Local Government Act 1972 which requires every local authority to 'make arrangements for the proper administration of its financial affairs', and the Accounts & Audit Regulations 2015 which require that the authority ensures that it has a sound system of internal control which:
- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensures that the financial and operational management of the authority is effective; and
 - includes effective arrangements for the management of risk.
- 1.2 An Audit Committee also reinforces the importance of probity, and performance and risk management. This report outlines the core functions of the Audit Committee, the benefits that will arise for the City Council and an outline annual work programme.
- 1.3 **Role of the Audit Committee**
The overarching purpose of an Audit Committee is to provide independent assurance on the adequacy and integrity of the governance and control environment, the Risk Management Framework, and the annual financial reporting process. As part of this role the proposed work programme this year includes agreeing the council's Assurance Framework.
- 1.4 **Benefits of the Audit Committee**
The benefits to be gained from operating an effective Audit Committee are that it:
- Raises greater awareness of the need for effective internal control and the implementation of audit recommendations;
 - Increases public confidence in the objectivity and fairness of financial and other reporting;

- Reinforces the importance and independence of internal and external audit and any other similar review process, for example by providing a view on the annual governance statement;
- Provides additional assurance through a process of independent and objective review.

1.5 **Constitutional Role**

The Audit Committee aims to improve corporate focus on governance by:

- Providing assurance on the adequacy of the Risk Management Framework and the associated control environment;
- Scrutinising the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment;
- Overseeing the financial reporting process
- Approving the Council's Statement of Accounts;
- Commenting on the scope and nature of external audit;
- Overseeing proposed and actual changes to the Council's policies and procedures pertaining to governance

1.6 **Functions of the Committee**

The Audit Committee fulfils the following functions

- functions listed in Appendix 2 under delegations from Executive Board as noted in the Constitution – Responsibilities for Functions and Terms of Reference
- functions listed in Appendix 3 under PSIAS as a consequence of the Accounts and Audit Regulations 2015.

2 **BACKGROUND**

- 2.1 An Audit Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also helps to deliver improved services and maintains and increases public confidence in the objectivity and fairness of financial and other reporting. It is important that local authorities have independent assurance about the mechanisms underpinning governance.
- 2.2 It is recognised that high performing councils develop effective financial and non-financial control mechanisms. The development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, and with Terms of Reference focussed on the key audit, control and risk management areas critical to the Council's performance is a key part of these mechanisms.
- 2.3 The Committee's outline work programme is attached as Appendix 1. The work programme supports the Council's aim to improve its efficiency and effectiveness. It has been developed to address
- the Terms of Reference for the Committee approved by the City Council which are included within Appendix 2 and
 - the requirements of PSIAS which are shown in Appendix 3.
- 2.4 In accordance with CIPFA guidance, the Committee is politically balanced and will not have Executive membership. Membership will continue to be reviewed in accordance with guidance from the Department of Communities & Local Government (DCLG).

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Advice note from CIPFA Technical Audit Committees – Practical Guidance for Local Authorities (CIPFA)

This page is intentionally left blank

REPORT TITLE	Provisional DATE ▷ LEAD ▽	02/18	05/18	07/18	09/18	11/18
Annual Governance Statement Mid-Year Update	FD/IA	Reviewing performance				
Annual Governance Statement Interim Report	FD/IA		Reviewing performance			
Annual Governance Statement	FD/IA			Reviewing performance		
Internal Audit Plan	FD/IA		Reviewing performance			
Internal Audit Annual Report & Audit Charter	FD/IA		Reviewing performance			
Internal Audit Performance	FD/IA	Reviewing performance				Reviewing performance
Internal Audit Reports Selected for Examination	FD/IA	As required	As required	As required	As required	As required
Assurance Framework	FD/IA	Reviewing performance				
Audit Committee Annual Report	Chair		Reviewing performance			
Audit Committee Role & Annual Work Programme	FD/IA	Reviewing performance			Reviewing performance	
Audit Committee Training Activity	FD/IA	As required	As required	As required	As required	As required
Counter Fraud Strategy	FD/IA		Reviewing performance			Reviewing performance
EMSS Update	FD/IA		Reviewing performance			
Performance Management Framework	CP	Reviewing performance				
KPMG – Annual Audit Letter	EA			Reviewing performance		
KPMG – Certification of Claims & Returns Annual Report	EA	Reviewing performance		Reviewing performance	Reviewing performance	
KPMG – Report to Those Charged with Governance	EA			Reviewing performance		
KPMG – Regular update/statement progress	EA	As required	As required	As required	As required	As required
KPMG – External Audit Plan	EA	Reviewing performance				
LGO Annual Report	CS					Reviewing performance
Partnership Governance Framework	PP	As required				Reviewing performance
Risk Management Annual Report	FD/FR		Reviewing performance			
Risk Management Quarterly Report	FD/FR	Reviewing performance	Reviewing performance		Reviewing performance	Reviewing performance
Risk Management Strategy/Framework	FD/FR	Reviewing performance				
Risk Management Training	FD/FR	As required	As required	As required	As required	As required
Statements of Accounts	FD/CA		As required	Reviewing performance		
Accounting Policies	FD/CA					Reviewing performance
Treasury Management Annual Report	FD/FT			Reviewing performance		
Treasury Management Strategy & Key Issues Update	FD/FT	Reviewing performance				Reviewing performance
Information Governance Reports	IG	Reviewing performance				

KEY : PEOPLE

Chair of Audit Committee
 FD Strategic Director of Finance
 PP Corporate Policy
 CP Corporate Performance
 EA External Auditor
 CS Customer Services
 FT Finance Technical

FR Risk & Insurance
 IA Head of Audit & Risk
 CA Chief Accountant
 IG Heads of IT / IMS / DPO

KEY : PURPOSE

As required
 For approval
 Reviewing performance

This page is intentionally left blank

Audit Committee Terms of Reference

TITLE	AUDIT COMMITTEE
POWERS / REMIT	
<p>(a) Main Purposes:</p> <ol style="list-style-type: none"> 1. Provide assurance of the adequacy of the risk management framework and the associated control environment; 2. Scrutinise the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment; 3. Oversee the financial reporting process; 4. Approve the Council's Statement of Accounts; 5. Comment on the scope and nature of external audit; 6. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance. <p>(B) Main Functions:</p> <ol style="list-style-type: none"> 1. Reviewing the mechanisms for the assessment and management of risk; 2. Approving the council's statement of accounts; 3. Receiving the council's reports on the Statement on the Annual Governance Statement and recommending their adoption; 4. Approving Internal Audit's strategy, planning and monitoring performance; 5. Receiving the Annual Report and other reports on the work of Internal Audit; 6. Considering the external auditor's annual letter, relevant reports and the report to those charged with governance and the council's responses to them; 7. Considering arrangements for and the merits of operating quality assurance and performance management processes; 8. Considering the exercise of officers' statutory responsibilities and of functions delegated to officers; 9. To recommend external audit arrangements for the council; 10. To receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers; 11. Overseeing the Partnership Governance Framework, including annual health checks and the Register of Significant Partnerships. 	
ACCOUNTABLE TO: Council	
MEETINGS: Normally six per annum plus specials where required	
MEMBERSHIP: 9 non-executive members (politically balanced) plus 1 independent member.	
ESTABLISHED SUB COMMITTEES: None.	

This page is intentionally left blank

TABLE 2: DUTIES OF THE BOARD (AUDIT COMMITTEE) MANDATED BY PSIAS		
PSIAS ref	Duty of the Board	Compliance or Explanation
1000	Approve the Internal Audit charter	Comply
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant* changes	Comply (budget and resources to be approved by S151 officer)
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive	This role is fulfilled by S151 officer but NCC recruitment process allows the Chair to be a stakeholder representative on recruitment panel. The Chair would also be consulted on any decision to remove the CAE.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Comply
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Comply
1110	The chair to provide feedback for the Chief Audit Executive's performance appraisal	Comply
1130	Approve significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	Comply
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Comply
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Comply
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Comply

*Significant is taken to mean 5% of the audit plan in days.

This page is intentionally left blank

AUDIT COMMITTEE – 24 November 2017

Title of paper:	Partnership Governance Annual Health Checks of Nottingham City Council's Significant Partnerships	
Director(s)/ Corporate Director(s):	Colin Monckton, Director of Strategy and Policy	Wards affected: All
Report author(s) and contact details:	Elaine Fox, Corporate Policy Team, 0115 8764540 / elaine.fox@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Steve Hales, Internal Audit	
Recommendation(s):		
1	To note the key findings from the Partnership Governance Health Checks and Register of Significant Partnerships.	
2	To note the findings and recommendations following verification of governance documentation of four of the partnerships.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 It is recommended that Audit Committee note Section 2.5 and 2.6 detailing the key findings of the annual partnership governance Health Checks. The majority of partnerships scored 'good/excellent' in all areas. A sample of three of these Health Checks has been verified by colleagues from Corporate Policy and Internal Audit. Additionally the governance documents of the Green Nottingham Partnership were verified again this year due to the partnership being refreshed. The findings of all verifications can be found in Appendix 4.
- 1.2 Audit Committee is asked to note the addition of the Midlands Engine to the Register of Significant Partnerships. This is a significant partnership which will have far-reaching implications for Nottingham City Council and Nottingham businesses, so was deemed appropriate for inclusion on the register. An updated register is included in Appendix 1.

2 BACKGROUND

- 2.1 The Council has a long and successful history of working in partnership across the public, private, voluntary and third sectors. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.
- 2.2 The Partnership Governance Framework includes an annual 'Health Check' of each partnership which is significant to the City Council in terms of strategic, reputational or financial importance. This Health Check is designed to identify any risks to the Council from its involvement in any of the partnerships. The results of these Health Checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk.

- 2.3 The partnerships that are deemed significant to the Council in terms of their strategic, reputational or financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported to Audit Committee annually.
- 2.4 **Health Checks**
Each partnership on the Register of Significant Partnerships is asked to complete an annual self-assessment of the 'health' of the partnership's governance, giving a score as to how well they meet the criteria. The scores from the Health Checks undertaken in 2017 are provided in Appendix 2.
- 2.5 As Appendix 2 shows, the majority of partnerships scored themselves 'Excellent' or 'Good' (1 or 2) in all areas. We reviewed the supporting information and agreed with the majority of scores. Where any scores were disputed for partnerships subject to verification this year, an explanation is detailed in Appendix 4. For partnerships which were not verified this year, an explanation of any disputed scores is below.
- 2.5.1 The N2 Skills and Employment Board (SEB) scored itself 2 again this year for Partnership Risk Management. The comment this year noted "funding for the SEB ends March 2018 – Nottingham City Council, Nottinghamshire County Council and the LEP are looking at agreeing next steps for post March 2018". We could not accept the risk to the partnership was not increased if funding has not yet been agreed for six months' time as this leaves little opportunity for planning if current funding levels are not met. We recommend Audit Committee agree to the change of score from 2 to 3 (some key areas for improvement).
- 2.6 This report draws Audit Committee's attention to partnerships with a rating of 3 (some key areas for improvement) or 4 (many key weaknesses) in one or more areas. In 2017 the following partnerships scored themselves 3 or 4:
- 2.6.1 D2N2 LEP scored itself 3 for Partnership Risk Management
- Partnership Risk Management**
- a) Partnership risk management still needs to be developed by the LEP and its partners, particularly those partners who hold Accountable Body status for D2N2 activities and funding. Risk assessments are in place for individual programmes and projects. There is not an overall risk register for the D2N2 LEP which partnership management can be incorporated into as a separate risk, at present. This is currently being addressed through the review of the Local Assurance Framework.
- b) Whilst conflicts of interest are addressed at the appropriate level and time, partners are inherently directly involved in, and beneficiaries of, LEP decision making, particularly in cases where they operate as Accountable Body for activities and funding. This partnership risk remains unresolved but is currently being addressed through the review of the Local Assurance Framework; additionally none of the LEP partners is responsible for making decisions in isolation. We are content that this issue is being addressed and expect to see progress in next year's Health Check. If these risks remain, we will advise Audit Committee so that remedial action may be taken.

- 2.6.2 The Safeguarding Children Board scored itself 3 for Finance due to pressure on the proposed budget for both of the Safeguarding Boards for 2017/18 which will be the case again for 2018/19. The partnership notes, however, that its partners have set a budget that has enabled the Board to deliver on its Business Plan. The majority of partnerships, alongside local authorities themselves, will be affected by pressure on budgets; this fact could therefore result in a similar score across the majority of the Council's partnerships. The partnership has identified this potential risk and has satisfied us that it is aware of future challenges and can look to adapt and influence accordingly. In addition, it was noted in the Health Check that the budget for the Board will enable it to deliver on its Business Plan so we feel a score of 3 is not warranted at this time. We therefore recommend that Audit Committee accept a score of 2 for Finance for the Safeguarding Children Board.
- 2.6.3 The Midlands Engine scored itself 3 for Equalities. Equalities are being fully embedded into the business case and plan, and into the governance. The score of 3 was given as it is not yet fully visible or evident. As this partnership has been added to the register this year we recommend Midlands Engine is included in the verification process in 2018, when we hope to see an improvement to this score.
- 2.6.4 As above, comments on the self-assessment scores of those partnerships whose documents were verified this year can be found in Appendix 4.
- 2.7 Each year the Health Checks of three of the partnerships are verified on a rolling programme. Officers from Corporate Policy and Internal Audit evaluate the three partnerships' governance documents and other documentation noted in their Health Check. The recommendations from the verification process can be found in Appendix 4. This year the partnerships which were verified are:
- Safeguarding Adults Board (SAB)
 - Health and Wellbeing Board (HWB)
 - One Nottingham
- 2.8 When Audit Committee last received a report on the verification of partnership governance, concerns were expressed relating to the governance documents in place for the Green Nottingham Partnership and it was requested that they should be re-verified this time. Recommendations regarding their governance documents are also included in Appendix 4.
- 2.9 The previous schedule for verifying partnerships has been amended this year due to the addition of the Midlands Engine. A new schedule for verification is available to view in Appendix 5.

2.10 **Register of Significant Partnerships**

Midlands Engine is the only partnership that has been added to the Register of Significant Partnerships in 2017, which Audit Committee agreed to last year. No partnerships have been removed. An updated register of significant partnerships is available in Appendix 1.

2.11 **Additions for next year**

We have no recommendations for partnerships which should be added to the register for next year. If a partnership is found to meet the criteria for addition to the register before the process begins next year, a request will be sent to the Chair of Audit Committee.

2.12 **Looking Ahead**

With the potential changes which may occur as a result of the further development of the Metro Strategy, the work of the Midlands Engine and the UK's exit from the European Union, combined with the funding challenges facing local authorities, it is likely the partnership landscape will change significantly over the next few years. Any new and emerging partnerships will be considered for inclusion on the register of significant partnerships and the validity of partnerships currently on the register will be evaluated on an annual basis.

2.12.1 As requested by Audit Committee a meeting was held with the Council's Data Protection and Information Governance Team Leaders to discuss the introduction of the General Data Protection Regulation (GDPR) in 2018. An email has been sent to the NCC contacts for all partnerships on the register informing them of the change, with a link to the Information Commissioner's Office (ICO) website where they can access further details. As the Data Protection and Information Governance Team Leaders are leading on the Council's preparedness for the new regulations, their details were included in the email. The contact person for each partnership has confirmed that they have engaged with the Data Protection Team and will undertake any action necessary to ensure they are prepared for the introduction of GDPR.

2.12.2 We request Audit Committee agrees to the inclusion of an additional question in next year's Health Check template relating to the General Data Protection Regulation to ensure all of the Council's significant partnerships are complying with the new requirements.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 Partnership Governance Framework, approved by the Executive Board Commissioning Sub Committee on 13 May 2009.

Appendix 1
Register of Significant Partnerships 2017

Number	Name of Partnership	Chair's name	NCC contact name
1	One Nottingham	Jane Todd	Lorel Manders
2	Children's Partnership Board	Cllr Mellen, Cllr Webster	Emily Humphreys
3	Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership (D2N2 LEP)	Peter Richardson	Peter Davies-Bright
4	Green Nottingham Partnership	Richard Barlow	Jane Lumb
5	Health and Wellbeing Board	Cllr Nick McDonald	Jane Garrard
6	N2 Skills and Employment Board	Martin Rigley	Owen Harvey
7	Nottingham Crime and Drugs Partnership	Cllr Jon Collins	Sarah Wells
8	Education Improvement Board	Professor Sir David Greenaway	Jennifer Hardy
9	Nottingham City Safeguarding Children Board	Chris Cook	John Matravers
10	Nottingham City Safeguarding Adults Board	Malcolm Dillion	Chair
11	Midlands Engine (NEW)	Sir John Peace	Kamala Atwal

This page is intentionally left blank

Appendix 2 - Health Check scores 2017

	Partnerships	Aims and objectives	Membership and structure	Decision making and accountability	Performance management	Evaluation and review	Equalities	Finance	Partnership Risk Management
1.	One Nottingham	1	1	1	2	1	2	2	2
2.	Children's Partnership Board	1-2	1-2	1-2	1-2	1-2	1-2	No score***	2
3.	D2N2 Local Enterprise Partnership	2	1	2	2	2	2	2	3
4.	Green Nottingham Partnership	2	2	2	1*	1*	1*	No score***	No score
5.	Health & Wellbeing Board	1	1	1	2	1/2	2	2	2
6.	N2 Skills and Employment Board	2	2	2	2	2	2	2	2**
7.	Crime and Drugs Partnership	2	1	2	1	2	1	1	1
8.	Education Improvement Board	2	2	2	2	2	1	2	2
9.	Safeguarding Children Board	2	2	2	2	2	2	3	2
10.	Safeguarding Adults Board	1	1	2	1	1	2	2	1
11.	Midlands Engine	2	1/2	2	2	2	3	2	2

*denotes scores which were not agreed with for partnerships being verified - explanation of the reason for disagreement in Appendix 4

**denotes scores which were not agreed with for partnerships not being verified - explanation in main report paragraph 2.6

***partnerships which receive no funding, therefore responses of 'No score' were accepted.

This page is intentionally left blank

Appendix 3
Partnership governance Health Check guidance
PARTNERSHIP GOVERNANCE HEALTH CHECK GUIDANCE

The Health Check is a guide for an annual assessment of a partnership’s governance and capacity. The aim is to make an overall assessment of the effectiveness of the partnership; identify whether there is any strategic, reputational or financial risk to the Council through its membership of the partnership; and lead to proposals for changes/improvements.

Some of the detailed definitions and examples may not be directly applicable. There may be some additional definitions of good governance that the nominated lead officer will need to apply given the specific circumstances or arrangements for a partnership. Evidence to support the findings of the Health Check will be held by the nominated lead officer.

This Health Check does not substitute for the partnership itself reviewing its governance and performance. The Council’s nominated lead officer and chief officer have a responsibility to support and advise the partnership to carry out its own review and take any action required to improve its governance.

The Health Check has 4 categories:

Score	Category	Description
1	Excellent	There is an excellent system of governance designed to achieve the partnership’s and the council’s objectives; any potential financial risks for the council are noted and well managed; performance is on track.
2	Good	There is a basically sound system of governance, but some weaknesses that may threaten some of the partnership’s and the council’s objectives; any concerns regarding management of potential financial risks to the council are minor; performance is mainly on track
3	Some key areas for improvement	There are some significant weaknesses that could threaten some of the partnership’s and the council’s objectives; there are some significant concerns about potential financial risks to the council and their management; performance is not on track in some areas
4	Many key weaknesses	Governance and controls are generally weak leaving the partnership’s system open to significant error or abuse; the partnership’s and council’s objectives are unlikely to be met; there are many significant concerns about financial risks to the council and their management; performance is not on track in most areas

NOTTINGHAM CITY COUNCIL
SIGNIFICANT PARTNERSHIPS GOVERNANCE HEALTH CHECK 2017

In consultation with your partnership please complete the tables below. Once the details have been agreed by the partnership please return them to elaine.fox@nottinghamcity.gov.uk. If you require any assistance please contact Elaine Fox, Policy Officer, Nottingham City Council, on 0115 87 64540.

Name of Partnership:	
NCC Lead Councillor:	Does a Cllr attend partnership meetings? Yes / No
NCC Corporate Director (to identify which department is responsible):	
NCC Lead Officer:	
Partnership Chief Executive/Manager (if appropriate):	
Accountable body (if the partnership isn't a legal entity; if 'don't know' please state):	

We have identified 8 areas of good governance. In each area we have provided a number of clear statements to illustrate what 'excellent' looks like for that area of governance. Using the criteria where 1 is 'excellent' and 4 is 'many key weaknesses' (page 1), please record a score (1-4) for each area of good governance for your significant partnership, making relevant notes on how the score could be improved.

Page 154

Good governance	Health assessment (score 1-4)	Notes and further explanation
1. Aims and objectives 1. The partnership has clear aims and SMART objectives. 2. The partnership has clearly allocated responsibility for achieving its objectives, and has gathered assurance that the objectives will be achieved. 3. The partnership ensures that it uses its allocated resources to achieve its objectives. 4. Do the aims and objectives link with relevant parts of the Council Plan / Nottingham Plan?		•
2. Membership and structure 1. The NCC lead officer is actively engaged. 2. The structure is clear, is set out in Terms of Reference, a Memorandum of Agreement or other governing documents and is regularly reviewed, to ensure roles, responsibilities and		•

<p>contributions are defined for all partners. Also set out in the governing documents are whistle-blowing protocols, how to respond to compliments and complaints, risk assessments, personnel and financial management and financial and performance reporting.</p> <ol style="list-style-type: none"> 3. Key partners provide effective leadership. Their leadership roles and responsibilities are understood and fulfilled. 4. The membership provides the necessary knowledge, skills and experience to do the job. Partners ensure that the right people are in the right place at the right time. 5. Changes to membership, dispute resolution and exit strategies are considered and the governing documents say what will happen if/when a partner wishes to leave. 		
<p>3. Decision making and accountability</p> <ol style="list-style-type: none"> 1. Decision making is clear and transparent. Authority and delegations are set out in governing documents including <ol style="list-style-type: none"> a. Who can make what decisions b. Delegated responsibilities 2. The partnership has a clear procedure for dealing with conflicts of interest. 3. The role of the partnership in relation to finance and the extent of its powers to make financial decisions and approvals are stated and understood. 4. Decisions are: <ol style="list-style-type: none"> a. properly recorded b. notified promptly to those who are affected by them 5. The partnership has: <ol style="list-style-type: none"> a. A communication plan to inform service users, members and the public about the partnership, its decisions, its achievements and successes, who is 		<ul style="list-style-type: none"> •

<p>accountable and responsible for what. It provides routes for people to comment/contribute to the partnership's work</p> <p>b. Clear lines of accountability and arrangements for the timely reporting of performance and achievements to Council officers and Councillors.</p> <p>c. Processes in place for scrutiny of decisions and activities at the appropriate level</p>		
<p>4. Performance management</p> <p>1. The partnership reviews its progress and delivery against clear outcomes, outputs and milestones and takes prompt corrective action if necessary.</p> <p>2. Delivery contracts and agreements are monitored and poor performance is tackled.</p>		•
<p>5. Evaluation and review</p> <p>1. The partnership regularly reviews its policies, strategies, membership and use of resources against its objectives and targets.</p> <p>2. The partnership reviews its progress and delivery against clear outcomes, outputs and milestones and takes prompt corrective action if necessary.</p>		•
<p>6. Equalities</p> <p>1. The partnership assesses its policies and programmes for their impact on equalities and considers impact on inequality and deprivation as part of its performance management.</p>		•
<p>7. Finance</p> <p>1. The partnership has a financial and /or procurement plan that identifies how it proposes to use these funding to achieve its objectives.</p> <p>2. The partnership has effective arrangements for financial monitoring and reporting, uses its resources well and demonstrates how it uses</p>		•

<p>them to add value and ensure value for money.</p> <p>3. Where applicable, for the most recent financial year the partnership has had “unqualified audit opinion” (i.e. it has passed audit without any qualifications) and any recommendations raised by auditors have been actioned.</p>		
<p>8. Partnership Risk Management</p> <p>1. The partnership has an agreed mechanism for identifying, assessing and managing risks.</p>		•
<p>9. Additional information</p> <p>1. Is there anything else relating to the partnership and its governance you wish to highlight?</p>		•

This page is intentionally left blank

Appendix 4

Recommendations for improvement from verification of partnership governance Health Checks

All partnerships

- Whilst many of the Terms of Reference were comprehensive and recent, we would recommend each partnership considers including on the document a 'revision date', as is often included on policies, to prompt a timely review.

One Nottingham

- One Nottingham confirmed that they are drafting a complaints procedure, which we hope to see finalised soon. In their Health Check return the partnership confirms the intended process for dealing with complaints and disputes, which we feel is comprehensive. We recommend this procedure is formalised and included in the terms of reference as soon as possible.
- One Nottingham confirms in their Health Check that the Corporate Policy Team is responsible for monitoring the Nottingham Plan performance and providing information for an annual report. The Health Check also confirms that action is taken to improve performance if needed, but does not elaborate on who is responsible for either highlighting missed targets or undertaking remedial action. Whatever the process we would recommend this is clarified in documentation, for example Terms of Reference or a Ways of Working paper.
- The Health Check confirms a Funding Sub Group of ON Board members has been established, but this is not included in the Terms of Reference or other formal documentation. We would recommend, especially given the concerns about diminishing funding, that this group's remit, membership and targets are formally recorded, for example in an updated Terms of Reference document or similar.
- One Nottingham did not share with us a formal risk register or risk assessment. If one does not exist, we recommend one is developed to include consideration of the risk to the partnership's existence and to the Nottingham Plan targets if sufficient future funding is not secured.

Health and Wellbeing Board

- The role of the Executive Steering Group is included in the Board's Ways of Working document, however it was not completely clear what powers they have over the Board and what impact they have on the Board's decisions. We recommend this process is more explicitly laid out in the Ways of Working document.
- The Health Check return confirmed that the Executive Steering Group "helps to identify and manage risks associated with effective operation of the Board". It was not clear whether this is minuted or how these risks and any mitigations are recorded. We would recommend the process for formal noting of risks and the mitigations/feedback which comes from the Executive Steering Group is confirmed, perhaps by including in the Ways of Working document.
- The Health and Wellbeing Board Commissioning Sub-Committee's (HWBCSC) report template is comprehensive and thorough, and includes questions on identifying risks and equalities. These enquiries are not included on the Health and Wellbeing Board's report template. Whilst we understand that the HWBCSC makes financial decisions and so more information about budget and associated matters is required on their reports, we would recommend questions on identifying risks and equalities could be included on the Health and Wellbeing Board's report template as well.

- For both 'Equalities' and 'Finance' the Board scored itself as 2. Based on the documentation we saw we would suggest these scores are at least approaching 1, if not already achieving that level.

Nottingham City Safeguarding Adults Board

- We were provided with information in the form of a link to the relevant website page for any documents in the public domain, which was up-to-date. On searching the Council's intranet pages for 'Safeguarding Adults' however, there was out-of-date information and the page had not been updated since 2016. We would recommend the partnership ensures their intranet pages are also up-to-date or, if the documents will be the same, it links to their outward-facing website to ensure colleagues do not access old information. A link to their Board's website could also save time in uploading and maintaining two sites.
- On the Board's website there is an 'Annual Business Plan' for 2017-18. The document includes a RAG rating key at the beginning, but there are no RAG ratings in the document itself as the plan is current. We would recommend that underneath the key, it is made clear that this has not yet been applied to the document as it is still being implemented and that the key is there to show how the document will be reviewed when this takes place.
- Under 'Decision Making and Accountability', the Board scored itself as 2; given the documentation we have seen we would suggest a score of 1 would be acceptable.
- Under 'Equalities' the Board responded that business is managed "in accordance with the individual partner policies". If this is not already in place, we would recommend this is confirmed in one of the governance documents, and that an occasional review of partner policies is undertaken to ensure they comply with the Council's own.
- We were informed that there was no written record of the partnership's budget, but that it is overseen by the Board's Business Management Group. As the budget is amalgamated from contributions from three key partners, we would recommend formal recording of the budget is kept somewhere, whether in notes from a meeting or a separate document.

Green Nottingham Partnership (being re-verified)

- We received an updated Terms of Reference from the one we had last year and it is much improved on the previous version. In the minutes of the partnership's meeting for April 2017 it was confirmed that revisions to the Terms of Reference would be made to the Terms of Reference as follows:
 - NCH to be added to the list of membership. Nottingham Primary Care Trust/ NHS has changed to CCG; HR to confirm and email JL. Nottingham Development Enterprise is no longer functioning so can be removed from the membership list.
 These amendments have not yet taken place, and as there was no 'due by' date for the action, we recommend a revision date is made for the Terms of Reference to ensure the above action is not lost. Additionally, the Greater Nottingham Transport Partnership is included on the Terms of Reference as a member, however we understand the partnership has ceased to exist.
- The Green Nottingham Partnership confirmed they were working to ensure improved attendance from business. We recommend consideration is given to naming substitutes who can attend in place of regular board members.
- There was no consideration given to membership changes, dispute resolution and exit strategies. We recommend the Green Partnership look to including these in their next Terms of Reference.

- The Green Nottingham Partnership scored themselves 2 for Membership and Structure, we would accept this score on the understanding that the recommendations above are taken into consideration.
- An action log was referenced in the Terms of Reference but we did not see a copy so we are unable to comment on this.
- We were unable to find the Green Nottingham Partnership pages on the intranet, which we were informed house minutes of board meetings. There are also some documents available for the partnership via One Nottingham's website, however these are out of date (the Terms of Reference is from 2012). We would recommend the Green Nottingham Partnership establishes its intranet/internet presence and ensures documents available online are kept up to date.
- The partnership scored themselves 1 for 'Performance Management', and the comments given as further explanation referred back to the explanation given for the first question, relating to 'Aims and Objectives'. As the Green Nottingham Partnership scored themselves 2 for 'Aims and Objectives' we would recommend a score of 2 for 'Performance Management' as well.
- For 'Evaluation and Review' the partnership scored themselves 1, and referred again to the 'Aims and Objectives' section, adding this is underway. As the work is underway we feel we cannot accept a score of 1 although we acknowledge much progress has been made, therefore we recommend 'Evaluation and Review' is also scored as a 2.
- For 'Equalities', again the work is ongoing so we recommend a score of 2 would be more appropriate than the score of 1 which the partnership has given themselves.
- The partnership did not answer the question about 'Partnership Risk Management' or give themselves a score. We recommend risk assessment takes place alongside the development of the Sustainable Development Action Plan. Even if there is no financial risk there may be a reputational risk to the Council if targets, including those in the Council Plan or Nottingham Plan, are not met.
- The Green Nottingham Partnership did not enter a score for Finance, which was accepted as the partnership receives no funding.
- The partnership did not enter a score for Partnership Risk Management, we would recommend a score is considered next time.
- As the partnership has shown vast improvements to its partnership governance arrangements, and is working on the Sustainable Development Action Plan (SDAP) with limited capacity, we recommend the partnership is not re-verified until 2019. This will allow the partnership time to embed any further improvements once the SDAP is in place.

This page is intentionally left blank

Appendix 5

Schedule for Verifying Health Checks to 2021

No.	Name of Partnership	2014	2015	2016	2017	2018	2019	2020	2021
1.	One Nottingham				Scheduled			Scheduled	
2.	Children's Partnership Board		Completed				Scheduled		
3.	D2N2 LEP			Completed			Scheduled		
4.	Green Theme Partnership		Completed	Repeat verification completed	Repeat verification		Suggest verified again now		
5.	Health and Wellbeing Board	Completed			Scheduled				Scheduled
6.	N2 Skills and Employment Board		Completed			Scheduled			
7.	Nottingham Crime and Drugs Partnership	Completed				Scheduled			
8.	Education Improvement Board	Not on register		Completed				Scheduled	
9.	Safeguarding Children Board	Not on register		Completed				Scheduled	
10.	Safeguarding Adults Board	Not on register			Scheduled				Scheduled
11.	Midlands Engine	Not on register	Not on register	Not on register		Scheduled			Scheduled

This page is intentionally left blank