

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at Loxley House, Nottingham on 26 February 2016 from 10.32 - 12.11

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Steve Young (Vice Chair)
Councillor Michael Edwards
Councillor John Hartshorne
Councillor Anne Peach
Councillor Andrew Rule (Items 42-48a)

Absent

Councillor Toby Neal
Councillor Malcolm Wood

Colleagues, partners and others in attendance:

Nigel Cook	- Head of One Nottingham
Tony Crawley	- KPMG External Auditor
Glyn Daykin	- Treasury Management Finance Analyst
Ken Lyon	- Acting Head of Transformation
Jane O'Leary	- Insurance and Risk Manager
Shail Shah	- Head of Audit and Risk
Thomas Straw	- Finance Manager - Capital
Geoff Walker	- Director of Strategic Finance
Richard Walton	- KPMG External Auditor
Phil Wye	- Constitutional Services Officer

42 APOLOGIES FOR ABSENCE

Councillor Toby Neal – Council business
Councillor Malcolm Wood – Council business

43 DECLARATIONS OF INTERESTS

None.

44 MINUTES

The Committee confirmed the minutes of the meeting held on 27 November 2015 as a correct record and they were signed by the Chair.

45 RESILIENCE OF CITY COUNCIL IT SYSTEMS

Simon Salmon, Head of IT, gave a verbal update and assurance of the resilience of the council's IT systems following a cyber-attack at Lincolnshire County Council, highlighting the following:

- (a) in 2013 nearly all of the council's IT systems needed replacing, and 10% of data could have been potentially lost in a major outage. There were also a high number of

incidents affecting the council's integrity;

- (b) over the past 2 years most devices have been replaced, including mobile devices and laptops. IT systems are now 42% faster;
- (c) an information security management system has been introduced and the council gained accreditations for first time ever. Penetration testers failed to gain access to the network, whereas in 2014 this took only 10 minutes;
- (d) a tightened service level agreement has been introduced. User deletion now takes a maximum of 8 hours, and compliance has increased by 82%. IT colleagues have been trained regionally and nationally and are now unusually advanced with 25 accredited trainers. User training in IT safety has only had 35% take-up but there is reluctance to enforce colleagues to do this;
- (e) the virus in Lincolnshire failed to be recognised by 3 of 5 virus checkers, so Nottingham's antivirus checker has been replaced to be better at recognising ransomware. The IT Team is also proactively working to block spam emails, and a new email system will be introduced by December which run all emails through virus scanners;
- (f) the Disaster Recovery site will be relocated away from Woodthorpe Grange as this has been deemed unsuitable.

RESOLVED to note the verbal update

46 PERFORMANCE MANAGEMENT FRAMEWORK

Ken Lyon, Portfolio and Performance Manager, gave a presentation highlighting the following:

- (a) the Council Plan has 10 key themes led by an Executive councillor. Each theme has 10-15 deliverables. There will be quarterly reporting to Corporate Leadership Team, Portfolio Holders and Executive Panel, and annual reporting to Executive Board and Audit Committee;
- (b) in addition, there are four new equality objectives that cover all themes:
 - make sure that our workforce will reflect the citizens we serve;
 - create economic growth for the benefit of all communities;
 - provide inclusive and accessible services for our citizens;
 - lead the City in tackling discrimination and promoting equality;
- (c) performance monitoring aligns with the council's Performance Management Framework, as well as transformation programmes such as the Good to Great programme.

RESOLVED to approve the approach to performance management

47 PARTNERSHIP GOVERNANCE HEALTH CHECKS AND UPDATE TO REGISTER OF SIGNIFICANT PARTNERS

Nigel Cooke, Head of One Nottingham, introduced the report giving an overview of the findings of the annual partnership governance checks and recommending the inclusion of three partnerships and the removal of six partnerships from the Register of Significant Partnerships. Nigel highlighted the following:

- (a) the Register of Significant Partnerships has been in place for a number of years, and is a useful tool to monitoring important partnerships of the council;
- (b) each partnership on the Register is asked to complete an annual self-assessment of the health of the partnership's governance. The majority of partnerships scored good or excellent. Health checks for three of the partnerships, Children's Partnership Board, Green Nottingham Partnership and N2 Skills and Employment Board, will be considered and verified and brought back to a future meeting;
- (c) some of the partnerships are to be removed from the register as they will be governed by a contract going forward. Contracts will be rigorously managed by the Performance Management service.

RESOLVED to

- (1) note the key findings from the Partnership Governance Health Checks and Register of Significant Partnerships;**
- (2) approve the inclusion of the Education Improvement Board, the Safeguarding Children Board and the Safeguarding Adults Board in the Register of Significant Partnerships;**
- (3) approve the removal of the following partnerships from the Register of Significant Partnerships:**
 - **Economic Prosperity Committee;**
 - **Experience Nottinghamshire;**
 - **Greater Nottingham Growth Point Partnership;**
 - **Housing Strategic Partnership;**
 - **Nottingham Regeneration Ltd;**
 - **Strategic Cultural Partnership.**

48 KPMG

a EXTERNAL AUDIT PLAN 2015/16 (Agenda Item 8a)

Tony Crawley, KPMG, presented the External Audit Plan for Nottingham City Council 2015/16, highlighting the following:

- (a) although there are new regulators, the Plan is broadly similar to the previous year;
- (b) the significant audit risks in the report are higher risks to KPMG than Nottingham City Council;

- (c) the Council has a responsibility to advertise audits for a period of 30 days, with the final objection date being the end of this period;
- (d) the planned audit fee for Nottingham City Council in 2015/16 is a reduction of 25%

RESOLVED to note the External Audit Plan 2015/16

**b EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE
(Agenda Item 8b)**

Richard Walton, KPMG, introduced the report, providing the Committee with an overview on progress in delivering as external auditors, and highlighting the main technical issues which are currently having an impact in local government.

KPMG recently met with the council finance team following a recent restructure, to give updates and look at future audit plans.

The following answers were given in response to questions from the Committee:

- (a) this report is produced for Audit Committee members as a summary of helpful information and updates to add value to the Committee's work;
- (b) the council's pension scheme will be pooled with other pension schemes in the Midlands. Auditors of the different councils will write formally to the pension fund auditor.

RESOLVED to note the report and technical update

49 REVIEW OF ACCOUNTING POLICIES

Tom Straw, Finance Manager Capital, introduced the report, highlighting the following:

- (a) there have been no significant changes to the accounting policies from 2014/15 other than a new accounting policy called 'Fair Value Measurement' due to the introduction of International Finance Reporting Standard (IFRS) 13;
- (b) with the introduction of IFRS13, Nottingham has looked at how other councils have adopted the policy. It has been made compact and understandable but still covering the major points;
- (c) IFRS13 changes the way in which fixed assets are measured and valued, in that all possible usages of the asset must now be taken into account rather than just the present usage.

RESOLVED to

- (1) agree the Statement of Accounting Policies for inclusion in the 2015/16 annual accounts;**
- (2) agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice.**

50 STATEMENT OF ACCOUNTS AND CHANGES TO PUBLIC INSPECTION

Tom Straw, Finance Manager Capital, introduced the report. The period for public inspection of Nottingham City Council's statement of accounts has increased from 20 to 30 days, and must include the first 10 working days in June.

RESOLVED to note the report

51 TREASURY MANAGEMENT 2016/17 STRATEGY

Geoff Walker, Director of Strategic Finance, introduced the report, asking for the Committee's consideration and comments of the Treasury Management Strategy before it is put to Full Council in July for approval. Geoff highlighted the following:

- (a) the proposed Treasury Management Strategy for 2016/17 is to be considered at the meeting of full Council on 7 March 2016;
- (b) the main elements of the strategy have not changed since last year, with the economic context being broadly the same;
- (c) focus of the strategy is likely to move to the borrowing strategy, and opportunities in the borrowing sector.

The following answers were given in response to questions from the Committee:

- (d) the strategy takes a prudent approach to borrowing, and business cases for capital projects must be robust before they are financed, to avoid risk;
- (e) there is currently robust domestic growth in the financial sector, though this may not be sustainable. The majority of the council's current debt is on fixed contracts to minimise risk, and prudent decisions will always be taken when investigating future loans;
- (f) councils are currently encouraged by the government to take financial risks in order to grow.

RESOLVED to note the proposed Treasury Management Strategy for 2016/17, in particular:

- (i) the strategy for debt repayment (Minimum Revenue Provision) in 2016/17;**
- (ii) the investment strategy for 2016/17;**
- (iii) the prudential indicators and limits for 2015/16 to 2018/19;**
- (iv) the current Treasury Management Policy Statement.**

52 ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2014/15 AND PROCESS FOR PRODUCING 2015/16 STATEMENT

Shail Shah, Head of Audit and Risk, introduced the report providing a mid-year progress update on issues reported in the 2014/15 Annual Governance Statement (AGS), as well as an overview of the process for compiling the 2015/16 AGS.

The 2015/16 AGS process will be discussed with corporate directors soon, before production of a draft in July and a final report in September.

Shail confirmed that City Council controlled companies will be considered as part of the 2015/16 AGS process.

RESOLVED to

- (1) note the progress made to date in addressing the issues reported in the 2014/15 AGS;**
- (2) note the process and timetable for compiling and completing the 2015/16 AGS.**

53 UPDATE ON THE REVIEW AND IMPROVEMENT OF THE DELIVERY OF STRATEGIC RISK MANAGEMENT

Jane O'Leary, Insurance and Risk Manager, introduced the report providing a progress report on the Review and Improvement of the delivery of Strategic Risk Management project.

The ambition is for the Strategy to be complete over the next 2 months, but may be finalised towards the end of summer. An updated Strategy will be brought to the Audit Committee meeting in April.

RESOLVED to note the update report

54 INTERNAL AUDIT QUARTERLY REPORT 2015/16 (THIRD QUARTER)

Shail Shah, Head of Internal Audit, introduced the report outlining the work of the Internal Audit Service for the third quarter of 2015/16. Performance against all Local Performance Indicator targets is on track for year-end completion.

Some audits have opinions of limited assurance but this is expected in certain areas. Updates and progress on these areas will be monitored via future reports.

RESOLVED to note the performance of Internal Audit during the period

55 AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME

Shail Shah, Head of Internal Audit, presented the report which provides the Committee Terms of Reference and the Committee's Annual Work Programme for the 2016/17 municipal year.

RESOLVED to

- (1) note the functions of the Audit Committee and the benefits arising from its existence;**
- (2) endorse the outline work programme and the terms of reference.**