NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 13 May 2016 from 10.32 - 11.46

Membership

Present	Absent
Councillor Sarah Piper (Chair)	Councillor Toby Neal
Councillor Steve Young (Vice Chair)	Councillor Leslie Ayoola
Councillor John Hartshorne	Councillor Dave Liversidge
Councillor Anne Peach	
Councillor Andrew Rule	
Councillor Malcolm Wood	

Colleagues, partners and others in attendance:

Shail Shah	- Head of Audit and Risk
Paul Clarke	- Finance System Development Team Leader
Elaine Fox	- Policy Officer
Kerry Ferguson	- Policy Development Manager
Jane O'Leary	- Insurance Risk Manager
Sue Risdall	- Finance Analyst
Richard Walton	) KPMG External Auditors
Tony Crawley	)
Catherine Ziane-Pryor	- Governance Officer

1   APPOINTMENT OF VICE CHAIR

RESOLVED that Councillor Steve Young is appointed Vice-Chair for the 2016-17 municipal year.

2   APOLOGIES FOR ABSENCE

Councillor Toby Neal
Councillor Dave Liversidge (other Council business)

3   MINUTES

The minutes of the meeting held on 26 February 2016 were confirmed as a true record and signed by the Chair.

4   DECLARATIONS OF INTERESTS

None.

5   ORACLE DASHBOARD

Paul Clarke, Finance System Development Team Leader, delivered a presentation which provided an overview of the Oracle Dashboard and highlighted the following points:

(a)   Oracle is a Corporate integrated system used by the Payroll, Finance and Human Resources sections of the City Council, within the East Midlands Shared Services partnership, and replaces the former system which was not sustainable;

(b)   Oracle gives managers the tools to take responsibility for and ownership of their own budgets and, with initial support, move away from finance control from other sections;

(c)   information entered directly in the system removes process duplication and increases visibility of the information;

(d)   the focus on accuracy of ledgers continues;

(e)   the new proposed structure works with an increased emphasis on self-service and is predicted to be implemented during September 2016;

(f)   the new structure focuses on 5 key functions of Transactional, Commercial, Strategic, Technical, and System Developments;

(g)   risk arrangements are plotted against forecasts and the system identifies the extent of any differences with colour coded alerts. If any information is over written, this is highlighted, displaying the details of the changes made;

(h)   different service areas will have differing numbers of budgets depending on the services provided;

(i)   Budget Managers are able to nominate Team Leaders to manage budgets, but will still able to monitor the information;

(j)   Forecasts provide detailed mapping of planned spend against what has actually been spent;

(k)   Seeking and identifying improvements to the system is on-going;

(l)   Oracle is in use across the Council with the exception of Social Care and Property colleagues who are to acquire their own systems which will eventually link into Oracle;

(m)   Strategic managers will be able to access broader range of information to ensure an overview of service activity.

Paul responded to Councillor's questions as follows:

(n)   the system enables tracking of how and if budget forecasts have been met abut does not provide analysis of management techniques beyond budget compliance although detail of transactions, including what may be outstanding, and the reasons input for over and underspend against the budget can be retrieved;

(o)   if a trend in overspend emerges, this will trigger notification that corrective action needs to be taken, but this is dependent on the type of service and whether peaks and troughs of activity are to be expected.

RESOLVED

(1)   to record the thanks if the Committee to Paul Clarke for his attendance and demonstration of the Oracle dashboard;

(2)   for Paul Clarke to be invited to demonstrate the HR dashboard to the Committee at a future meeting.

6   PARTNERSHIP GOVERNANCE VERIFICATION OF HEALTH CHECKS

Elaine Fox, Policy Officer, presented the report and highlighted the following points:

(a)   the partnerships selected for verification on this cycle where;

(i) Children's Partnership Board;
(ii) Green Nottingham Partnership;
(iii) N2 Skills and Employment Board;

(b)   no significant concerns have been raised about any of the partnerships but recommendations had been made with regard to keeping information up-to-date. All three partnerships have accepted these recommendations;

(c)   with regard to the Green Nottingham Partnership Board, they were unable to retrieve some of the requested documents, and the terms of reference had not been refreshed in four years. Significant improvements are expected now that a new Head of Energy and Sustainability is in post. It is noted that this partnership does not receive any City Council funding or formal administrative support, but alternative resources are being sought to support the partnership. There was a minor reputational risk concern if the Local Authority were to completely withdraw from the partnership. It is proposed that the partnership will be re-verified in November 2016 and then again in two years' time;

(d)   the Corporate Policy Team will provide a document checklist to enable organisations to appreciate what is required by City Council;

(e)   partnerships undertake a self-assessment annually with three selected each year for verification of documents on a rolling programme; each partnership will be verified at least every four years.

Members commented as follows:

(f)   reputational risk to the City Council should be taken into consideration when verifying partnerships; It is requested that the membership of Green Nottingham Partnership is circulated to Committee members;

(g)   it's not clear why some of the more affluent organisations within the Green Nottingham Partnership were not contributing to its administration;

(h)   the objectives of the Partnership, available on their website, appeared to be confused as they do not purely focus on the green agenda and do not mention air quality which is currently an issue of concern;

(i)   the Green Nottingham Partnership would benefit from member involvement, if it does not already have this, to ensure that the work of the Partnership does not duplicate that of the City Council;

(j)   all partnerships need a forward plan with proper consideration to objectives and methods of measuring the extent to which those objectives have been achieved;

(k)   whilst finance is important, value for money and effectiveness of all partnerships should also be considered;

(l)   all partnerships could be advised on methods to help them 'work smarter'.

RESOLVED

(1)   to note is the key findings from the verification of the health checks of three partnerships on the register of significant partnerships;

(2) **for the concerns raised by Committee members regarding partnerships' objectives and potential associated reputational risk, to be referred to the Overview and Scrutiny Committee for consideration as part of their work programme;**

(3) **in addition to the verification, for further in-depth committee consideration of individual partnerships to take place on annual basis with leading officers of those organisations invited to the meeting to respond to the committee's questions which should include seeking assurance that:**

    (i) **value for money is achieved for Council officer time and resources spent on the partnership;**
    (ii) **the City Council's reputation will not be damaged by participating in the partnership.**

7   <u>KPMG EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE</u>

Richard Walton and Tony Crawley of KPMG External Auditors presented the report which updates the Committee on the progress in delivering their responsibilities as external auditors, and identified key technical issues which are impacting on Local Government.

Updates on the following areas of work are provided within the report:

    (a) Financial statements;
    (b) Value for money;
    (c) Certification of claims and returns;
    (d) Other more specific work including:
        (i) assessing risk associated with Robin Hood Energy;
        (ii) the results of the Local Government Budget Holder Survey;
        (iii) Local Government Early Close Workshop hosted by KPMG.

Technical updates were assessed as low impact for capital receipts flexibility and better care fund policy framework 2016/17.

Shail Shah suggested that if members were concerned, the Committee could consider in more detail City Council controlled companies, such as Robin Hood Energy, to seek assurance on business objectives and monitoring of achievements as part of the Committee's work plan.

Councillor's questions were responded to as follows:

(a)   political direction is taken into account when comparing Nottingham City Council with other similar Local Authorities;
(b)   KPMG have audited Sheffield Regional Combined Authority, where some functions are devolved and found that in effect there were no changes to the risk/impact concerns as a result of this specific circumstance, particularly as many such local authorities attract funding from Central Government.

RESOLVED to note the report.

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

Jane O'Leary, Insurance Risk Manager, verbally updated the Committee on the review and improvement of the delivery of Strategic Risk Management, highlighting the following points:

(a)   the benchmarking exercise has provided a very diverse image of different levels of process and effectiveness, some good, some not;

(b)   consideration is being given as to how issues have been escalated to the Corporate Leadership Team (CLT) without informing the Corporate Risk Register. A lot of work is being done to create a strategy which ensures better identification of risk and escalation to CLT. This will include extensive training;

(c)   the draft strategy will be presented to the Committee at the July meeting with a draft implementation timetable and will look very different to the current strategy and listings.

Councillor's questions and comments were responded to as follows:

(d)   there is a lot of good risk management already taking place within the Council but some is not necessarily reported within reasonable timeframes, if at all, so implementing the new strategy is a matter of urgency.

RESOLVED

(1)   to note the progress of the Risk management Strategy;

(2)   for Councillor Steve Young to meet with Jane O'Leary to discuss the draft strategy in advance of the July Audit Committee.

9   INTERNAL AUDIT PLAN 2016-17

Shail Shah, Head of Internal Audit, presented the report which outlines the Internal Audit Work Plan for 2016/17. A more detailed plan is available to members of the Committee on request.

Changes are proposed nationally on how External Auditors are appointed. There may be an option for a sector led appointment, Local Authorities may be able to appoint their own External Auditors, or join with other bodies to do so. If available, further details will be provided at the July meeting but appointments must be made by the end of 2017.

Shail Shah responded to Councillor's questions, that fraud and counter fraud continued to be allocated a large proportion of audit time and resources as this was an important area of work. In previous years some of this work was not shown on the main audit plan and was undertaken by the Benefits Investigation Team. The focus has shifted to a proactive fraud prevention approach such as undertaking fraud checks at the early stages of processes such as 'right to buy' of council houses. It is noted that 18 properties were found to be the subject of tenancy fraud in the past year.

RESOLVED to endorse the Internal Audit Plan 2016/17.

10 **FUTURE MEETING DATES**

RESOLVED for the Committee to meet at 10.30am, in Loxley House, on the following dates:

2016	**2017**
1 July	**24 February**
16 September	**28 April**
25 November	