

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 24 February 2017 from 10.31 - 11.32

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Leslie Ayoola
Councillor John Hartshorne
Councillor Anne Peach
Councillor Andrew Rule

Absent

Councillor Dave Liversidge
Councillor Toby Neal
Councillor Malcolm Wood
Councillor Steve Young

Colleagues, partners and others in attendance:

Tony Crawley	- KPMG, External Auditor
Glyn Daykin	- Audit Section
Kate Morris	- Governance Officer
Jane O'Leary	- Insurance and Risk Manager
Shail Shah	- Head of Audit and Risk
Thomas Straw	- Senior Accountant Capital Programmes
Thomas Tandy	- KPMG, External Auditor

46 APOLOGIES FOR ABSENCE

Councillor Dave Liversidge - Personal
Councillor Malcolm Wood - Personal
Councillor Steve Young - Personal

47 DECLARATIONS OF INTEREST

None.

48 MINUTES

The Committee agreed the minutes of the meeting held on 25 November 2016 as a correct record and they were signed by the Chair.

49 TREASURY MANAGEMENT 2017/2018 STRATEGY

Glyn Daykin, Senior Accountant for Treasury Management presented a report on the Treasury Management 2017/18 Strategy. He highlighted the following points:

- (a) the proposed Treasury Management strategy is due to be considered before Council on 6 March 2017;
- (b) 3 year financial forecasts indicate a continued shift to borrowing along with the expected continuation of low interest rates of 0.25%. The proposed Treasury

Management Strategy reflects this and plans to take advantage of the current climate;

- (c) there is a level of uncertainty in the financial markets and the main driver behind this is the uncertainty surrounding Britain's exit from the European Union;
- (d) in 2017/18 the Council expects to comply with the Chartered Institute of Public Finance and Accountancy's recommendation that the total debt should be lower than its highest forecast Capital Finance Requirement over the next three years;
- (e) the strategy takes a careful approach to capital projects, which are rigorously assessed before they are entered into to mitigate unnecessary risk;

Following questions from the committee the following further points were highlighted:

- (f) borrowing is set to go up over the forecast period as a result of an increasing Capital Programme Requirement, and it is predicted that 18/19 will see a large increase;

RESOLVED to note the proposed Treasury Management Strategy for 2017/18, and in particular:

- the strategy for debt repayment (Minimum Revenue Provision) in 2017/18;
- the Investment and Borrowing Strategies for 2017/18;
- the Prudential Indicators and limits for 2015/16 to 2019/20;
- the current Treasury Management Policy Statement;

50 CHANGES TO ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS

Shail Shah, Head of Audit and Risk, introduced the report on the Changes to Arrangements for the Appointment of External Auditors. He outlined the three options to the Committee along with the associated financial implications as set out in the report. It was pointed out that 76% of local authorities in the UK have already opted into the national scheme for audit appointments led by PSAA Ltd.

RESOLVED to note the contents of the report and to recommend option 3, opting into the national scheme for Auditor appointments led by PSAA Ltd, to full Council.

51 EXTERNAL AUDIT - AUDIT COMMITTEE PROGRESS REPORT

Tony Crawley, Audit Manager at KPMG introduced the Audit Committee Progress Report updating the Committee on the progress of delivering their responsibilities as external auditors, disruptive trends and technical developments. He highlighted the following points:

- (a) the external audit plan has been finalised and the Annual Report on Grants and Returns for 2015/16 has also been completed;

- (b) external audit risk assessment and wider planning has taken place with the Council teams responsible for producing financial statements and overseeing the capital programme;
- (c) disruptive trends seen are centred around technology: data protection, social engineering, cyber insurance, auditing of third parties and remediation procedures being the main threads alongside assuring technological expertise being accessible to the Committee

Following questions from the Committee the following information was given:

- (d) the PSAA's Value for Money tool can be well used as a prompt and for self-assessment to ensure areas progress is where they are expected to be;

RESOLVED to note the contents of the Audit Committee Progress Report and the updates provided.

52 ANNUAL GRANTS REPORT 2015/16

Thomas Tandy, Audit Manager, KPMG delivered the Annual Report on Grants and Returns 2015/16. He highlighted the following points:

- (a) Overall work was completed on 5 grants, 2 were unqualified and required no amendments, 2 were unqualified and required minor amendments, 1 required a qualification to the audit certificate and a minor adjustment;
- (b) Housing benefit required a qualification letter and a minor amendment to be issued;
- (c) When looking at the period between August and November a number of errors were found which resulted in over 600 further cases being sampled. Errors were found in just over 100 of those cases sampled which was an increase from last year;

Following questions and comments from the committee the following points were made:

- (d) individual errors were minor, some as low as £1.00, and not inconsistent with other local authorities where Universal credits are being rolled out;
- (e) it is predicted that the further roll out of universal credit will help to simplify the benefits system, although it is acknowledged that the housing benefit system is complex and can be unwieldy;
- (f) investment in permanent staff, rigorous training, implementation of a quality assurance team would address the issue and a focus on receiving the right information from claimants would help to reduce errors;

RESOLVED

- (1) to note the content of the Annual Report on Grants and Returns 2015/16;**
- (2) invite Officers the meeting in April to update the Committee on the actions being taken to improve quality in housing benefit claims;**

53 EXTERNAL AUDIT PLAN 2016/17

Tony Crawley, Audit Director, introduced the External Audit Plan for Nottingham City Council 2016/17. He highlighted the following points:

- (a) there are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17 which provides stability;
- (b) the framework for the Value for Money audit, as set by the National Audit Office remains unchanged;
- (c) there is some uncertainty around business rates and clarity is required on the relief that the Government has suggested may be available to certain businesses;
- (d) financial sustainability, including medium term financial planning will be reassessed taking into consideration the Sustainability Transformation Plans and their impact on the delivery of savings plans, the focus will be on 2016/17
- (e) there have been significant changes in the pension liability due to the Local Government Pension Scheme Triennial valuation and specific attention will be paid to this issue to identify likelihood of material financial statement error;
- (f) group accounts are currently stable and have had no significant impact. There has been assurance work with partners audit firms which confirms this;
- (g) Attention was drawn to the independence and objectivity requirements in appendix 3 as required by APB Ethical Standards;

RESOLVED to note the content of the External Audit Plan for Nottingham City Council 2016/17.

54 CORPORATE RISK REGISTER

Jane O'Leary presented the Corporate Risk Register to the Committee and updated them on recent work. She distributed copies of the register (as appended to these minutes) and highlighted the following points:

- (a) there has been positive engagement with Corporate Directors and some issues have been upgraded from departmental registers to the Corporate register;

- (b) most risks relate to the Council's ability to deliver services to citizens and individual teams are working on mitigation within the challenging financial environment;
- (c) the current capital programme identifies risky investments and puts plans in place to mitigate that risk. The programme regularly uses self-scrutiny and risk assessment tools and relies on having officers with the correct skills set for identification and mitigation planning;
- (d) if members of the Committee have any questions about specific risks on the register there are departmental contacts who will respond in detail;

RESOLVED to

- (1) select for discussion at a future meeting the audits of:**
 - **Changes of funding of services from national taxation. Reliance on funding from council and business tax, and**
 - **Growth and Delivery of Commercial Activity**
- (2) invite a written response and update on:**
 - **Citizens and the Heart Agenda and increasing partnership working/reliance on communities and partners to deliver services.**
- (3) table the Corporate Risk register in 6 months for a further update and selection of further risks for discussion;**

55 ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2015/16 AND PROGRESS FOR PRODUCING 2016/17 STATEMENT

Shail Shah, Head of Audit and Risk introduced the Annual Governance Statement updating the committee on progress made to date on issues reported 2015/16 and the process for producing the 2016/17 statement. He highlighted the following points

- (a) the draft Annual Governance Statement 2016/17 is due to come to the Audit Committee again in June as the committee responsible for monitoring compliance with the local code. It will come back to the Committee in September as a finalised document along with the statement of accounts;

Following questions from the Committee the following answers were given:

- (b) when an issue is identified the process can vary depending on the issue identified. For Resource related issues a robust action plan is put into place and reported as part of the budget and a transformation plan drafted. For a Partnership issues there would be regular updates to this committee from the team involved and updates from the Partner;

RESOLVED to:

- (1) adopt the principles of good governance included in the CIPFA/SOLACE – Delivering Good Governance in Local Government Framework, 2016 as the City Council's Local Code of Corporate Governance;**

- (2) note the progress made to date in addressing the issues reported in the 2015/16 Annual Governance Statement as detailed in the report;**
- (3) note the process and timetable for compiling and completing the 2016/17 Annual Governance Statement as detailed in appendix 1 of the report.**

56 INTERNAL AUDIT QUARTERLY REPORT (3RD QUARTER 2016/17)

Shail Shah, Head of Audit and Risk introduced the Internal Audit Quarterly report (3rd Quarter 2016/17) summarising and outlining the work undertaken by the Internal Audit service between October and December 2016 highlighting that most indicators are either on target or above target.

RESOLVED to note the work undertaken by and the performance of the Internal Audit service during the 3rd Quarter 2016/17, including the information and analysis set out within the appendices.