

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 32 - Loxley House, Station Street, Nottingham, NG2 3NG on 14 July 2017 from 10.30 am - 12.42 pm

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Leslie Ayoola
Councillor John Hartshorne
Councillor Rosemary Healy
Councillor Andrew Rule
Councillor Adele Williams
Councillor Malcolm Wood (Vice Chair)

Absent

Councillor Anne Peach
Councillor Steve Young

Colleagues, partners and others in attendance:

Chris Common - Senior Corporate Performance Specialist
Tony Crawley - KPMG
Glyn Daykin - Audit Section
Kate Morris - Governance Officer
Shail Shah - Head of Audit and Risk
Simon Salmon - Head of IT
John Slater - Group Auditor
Thomas Tandy - KPMG External Auditor
Geoff Walker - Strategic Director of Finance

1 MEMBERSHIP

RESOLVED to note that Councillor Toby Neal will be replaced by Councillor Adele Williams as a member of the Committee.

2 APPOINTMENT OF VICE CHAIR

RESOLVED to appoint Councillor Malcolm Wood as Vice-Chair for the municipal year 2017/18

3 APOLOGIES

Councillor Anne Peach – Council Business
Councillor Steve Young – Unwell

4 DECLARATIONS OF INTERESTS

None

5 MINUTES

Subject to the following amendment the minutes of the meeting held on 28 April 2017 were confirmed as a true record and signed by the chair.

Minute 55 should record Councillor Malcom Wood's apologies as other council business rather than as personal.

6 CORPORATE PERFORMANCE MANAGEMENT FRAMEWORK - UPDATE 2016/17

Chris Common, Senior Corporate Performance Specialist presented the report on the Corporate Performance Management Framework – Update 2016/17. He highlighted the following information:

- (a) the Performance Management Framework (PMF) allows colleagues to be clear on what needs to be achieved, by when and who is responsible. It focuses resources, highlights successes and areas for improvement and signposts colleagues to support;
- (b) the PMF allows a consistent joined up approach and is the framework to monitoring progress toward key strategic objectives such as the Council Plan;
- (c) the Framework is reviewed annually to ensure that it is fit for purpose;
- (d) Covalent is the software that is used to manage performance information and extract statistical comparisons to other core cities and comparators. It has been developed over the last few years to give a visual understanding of performance data;
- (e) the national framework for data collection no longer exists and as such different cities collect data differently making comparisons problematic in some circumstances;
- (f) citizens have generally report a high level of satisfaction with services which is indicative of a well organised and well performing authority. It can be inferred that this is as a result of strong performance management;
- (g) within the Council plan there are 177 objectives split into 10 themes. The progress to achieving these objectives is measured using Performance indicators and Covalent and is reported back to the Corporate Leadership Team (CLT) at quarterly briefings;
- (h) currently there are 122 objectives classed as green, or on target to be achieved, 54 are either Amber, requiring more work to achieve, or Red, requiring significantly more work to achieve;

Following questions and discussion from the Committee the following information was highlighted:

- (i) Nottingham City's demographics are significantly different to some of the other Core Cities and so direct comparison is often not possible or provides poor data. Comparisons to demographically similar Local Authorities are possible and provide better data;

- (j) customer feedback has come from the Citizen Survey which is reflective of the demographics of the City, capturing some of the frustrations reported to Councillors and Officers is sometimes difficult;
- (k) trading companies also feed into the Performance Management Framework;
- (l) environmental issues and Social Care issues are not themes in the performance framework as part of the Council Plan, however they are embedded within many existing objectives;

RESOLVED to

- (1) note the progress made since the Performance Management Framework (PMF) was adopted in April 2014;**
- (2) recommend that Corporate Leadership Team consider whether the Environment and Social Care should be given more profile in the assessment of performance towards the Council Plan;**

7 TREASURY MANAGEMENT 2016/17 ANNUAL REPORT

Glyn Daykin introduced the Treasury Management 2016/17 Annual Report to the Committee and highlighted the following information:

- (a) the average rate of interest payable on external debt has decreased from 3.791% to 3.270% (at 31 March 2017);
- (b) total borrowing has increased by £98.5m to £788.9m (at 31 March 2017). Of the £98.5m increase £3.7m is long term and £94.8 is short term with interest rates of 0.33%;
- (c) the short term loans, usually from other Local Authorities minimise cost. The market is very liquid and expiring loans can be replaced with similar products;
- (d) in the last 12 months the Council has formally invested £654.6m earning £0.447m in interest at a rate of 0.691%;
- (e) administrators for Glitnir Bank have made payments to all priority creditors, including the Council. Of the £11m repaid £2.3m has been paid in Icelandic Krona and has been placed in an Escrow account awaiting final resolution of currency controls;

Following questions and discussions from the Committee the following points were made:

- (f) the advice received by the Council on Treasury Management is advice only and there is no course of action if the advice followed proves to not be sound. The advice received is through a company that uses a variety of different sources and included assessment from a range of experts and professionals. This work prompts challenge and questions within the Council and an internal panel then assess the advice given before deciding what action to take;

RESOLVED to

- (1) note the performance in relation to Treasury Management for 2016/17;**
- (2) invite a Strategic Property Colleague to present 2 or 3 worked examples of investments to allow the Committee to see risk management working within the investment strategy;**
- (3) invite Glyn Daykin to arrange a training session, with external advisors contributing, on Treasury Management for the Committee and to open this invitation to other Councillors;**

8 EXTERNAL AUDIT PROGRESS REPORT - KPMG

Tony Crawley Director of Audit, KPMG, introduced the External Audit Progress Report. He highlighted the following points:

- (a) the report outlines work to be done and that has begun which will be reported back in full at the September Committee;
- (b) work has already started on the Housing Benefits claim due to the significant amount of work that must be completed. It is expected that around 900 cases will be reviewed;
- (c) following the election there is uncertainty around business rates. The Government continues to consult and any further updates will be brought to a future committee;
- (d) the Council has until May 2018 to become compliant with the European Union General Data Protection Regulations (GDPR) adopted in April 2016;

RESOLVED to

- (1) note the contents of the External Audit Progress Report and thank KPMG for their attendance today;**
- (2) request that Shail Shah circulate details of the briefing Webinar on the GDPR changes to Committee members;**

9 AUDIT COMMITTEE ANNUAL REPORT 2016/2017

Councillor Sarah Piper, Chair of the Audit Committee introduced the Audit Committee Annual Report 2016/2017. She outlined the work undertaken by the Audit Committee, the Terms of Reference and highlighted the key reports relied upon. She concluded by confirming that since her last annual report that, by her assessment, the Audit Committee has carried out its roles effectively during 2016/17.

RESOLVED to

- (1) note the work undertaken and approve the report at Appendix 1 of the agenda.**
- (2) welcome the two new members, Councillor Rosemary Healy and Councillor Adele Williams to the Committee.**
- (3) thank Shail Shah, Head of Audit and Risk for the work completed during 2016/17 to support the work of the Audit Committee.**

10 INTERNAL AUDIT ANNUAL REPORT 2016/17

Shail Shah, Head of Audit and Risk introduced the Internal Audit Annual Report 2016/17. He highlighted the following information:

- (a) he is satisfied that that, although no systems can provide absolute assurance, on the basis of the audit work undertaken during 2016/17 there have been no significant issues, as defined in the CIPFA Code of Practise, reported by Internal Audit;
- (b) he is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups;
- (c) he confirmed to the Committee that there had been no restrictions or limitations of scope or resources in the work undertaken;
- (d) he confirmed internal audit's organisational independence;
- (e) he had provided the Committee with reports throughout the previous year to support the Committee's work plan;
- (f) Internal Audit received a positive external assessment of compliance with the Public Sector Internal Audit Standards and have made good progress with improvements suggested.

RESOLVED to

- (1) note the audit work completed during the year as set out in the appendices to the report;**
- (2) note the Head of Audit and Risk's Annual Opinion;**
- (3) select Data Protection from the list of reports to come for examination at a future meeting and invite the Data Protection Team Leader to present a progress update;**
- (4) note that there have been no restrictions or limitation of scope or resources reported by the Head of Internal Audit.**

11 INTERNAL AUDIT CHARTER

Shail Shah, Head of Audit and Risk introduced the Internal Audit Charter. He highlighted the following points:

- (a) following changes to the Public Sector Internal Audit Standards (PSIAS) requirements for the Charter this document has been refreshed and updated since July 2016;
- (b) the Charter sets out how internal audit is provided including the purpose, authority and responsibilities of all parties within the Council and its group in respect of internal audit including those of the Committee;

RESOLVED to approve the Internal Audit Charter

12 INTERIM ANNUAL GOVERNANCE STATEMENT 2016/17

Shail Shah, Head of Audit and Risk introduced the Interim Annual Governance Statement and informed the Committee that the final Annual Governance Statement will return to the Committee in September along with the Statement of Accounts for final approval;

Simon Salmon, Head of IT updated the Committee on the Service Improvement Plan within Nottingham City Council IT Services. They highlighted the following points;

- (a) following poor performance, in 2014 external consultants were engaged to review the IT service, they produced a report with 72 recommendations;
- (b) IT service satisfaction has improved from 3.5 out of 10 in 2014 to 8 out of 10 in 2017, particular focus has been on improving customer service and IT infrastructure;
- (c) the final improvement plan report confirms that IT services have been transformed from 2014 and are now described as what “good” looks like with regard to ICT service provision;
- (d) Nottingham City IT services have adopted an entrepreneurial attitude extending their School services generating income to fund around 25 posts within IT, recycling hardware generating income to fund an apprentice post and offering training. This initiative generated 3 self-funding posts within IT. There are also staff who have security qualifications to undertake IT health checks;
- (e) there are a number of recommendations made by the consultancy firm designed to ensure that IT services continue to provide good services;

Following discussion and questions from the Committee the following points were made:

- (f) KPMG have recommended to all clients that their Annual Governance Statement include a response and statement of position in response to the Grenfell Tower fire in London.

RESOLVED to

- (1) thank Simon Salmon for his attendance and the update on the Service Improvement Plan for IT services;**
- (2) note the content of the interim Annual Governance Statement 2016/17;**
- (3) require Property Services to provide input to the Annual Governance Statement in response to the Grenfell Tower fire;**

13 EMSS ANNUAL REPORT 2016/2017

Shail Shah, Head of Audit and Risk introduced the EMSS (East Midlands Shared Services) Annual Report 2016/2017.

RESOLVED to note the contents of the report on the EMSS Annual Report.

14 FUTURE MEETING DATES

RESOLVED to meet at 10:30am on the following Fridays:

**22 September 2017
24 November 2017
23 February 2018
27 April 2018**

15 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs in the public interest in disclosing the information.

16 EMMS ANNUAL REPORT - EXEMPT APPENDIX

RESOLVED to

- (1) note the content of the exempt appendix to the report on EMMS Annual Report 2016/2017.**
- (2) note the Head of Internal Audit's opinion contained within the exempt EMSS annual Report 2016/2017.**