

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 32 - Loxley House, Station Street, Nottingham, NG2 3NG on 22 June 2018 from 10.32 am - 12.03 pm

Membership

Present

Councillor Michael Edwards (Chair)
Councillor Leslie Ayoola
Councillor Cheryl Barnard
Councillor Rosemary Healy
Councillor Anne Peach
Councillor Andrew Rule
Councillor Adele Williams
Councillor Steve Young

Absent

Councillor John Hartshorne

Colleagues, partners and others in attendance:

Theresa Channell - Head of Strategic Finance
Tony Crawley - KPMG External Auditor
Glyn Daykin - Senior Accountant Treasury Management
Sue Risdall - Team Leader, Technical Finance
Shail Shah - Head of Audit and Risk
John Slater - Group Auditor
Thomas Tandy - KPMG External Auditor
Zena West - Governance Officer

1 APPOINTMENT OF VICE CHAIR

Councillor Steve Young was appointed as the Vice Chair for the 2018/19 municipal year.

2 APOLOGIES FOR ABSENCE

Councillor John Hartshorne – Council Business

3 DECLARATIONS OF INTEREST

None.

4 MINUTES

The minutes of the previous meeting were confirmed as a correct record, and signed by the Chair.

5 NOTTINGHAM CITY COUNCIL AUDIT PLAN 2017/18

Tony Crawley and Tom Tandy, from external auditors KPMG, presented the Audit Plan 2017/18, as circulated with the agenda. An updated plan was brought to the April 2018 meeting; this has now been altered slightly due to the Council's EU PI

status. Materiality level has been reduced to 1% of turnover. Pages 15 and 16 of the agenda pack set out the procedures for significant risk – a long audit report will be required.

Following questions from the Committee, some further information was provided:

- (a) the opinion section will increase from three pages to around six or seven pages. There will not be a significant increase in the size of the overall document;
- (b) the pension liabilities issue applies to all Local Authorities, not just principal ones;
- (c) the pre-audit 2017/18 financial statements of Robin Hood Energy show that its financial performance has improved and has met its target of breaking even.

RESOLVED to note the information and to thank Tony Crawley and Tom Tandy for their update.

6 TREASURY MANAGEMENT 2017/18 ANNUAL REPORT

Glyn Daykin, Senior Accountant, presented the Treasury Management 2017/18 Annual Report to the Committee, highlighting the following points:

- (a) section 4.2 of the report adds some context to the current economic climate, which is experiencing fragile and inconsistent growth. Base rates increased in November, with an intention to increase them again, earlier and faster than previously thought. Base rates across Europe and the USA are following a similar pattern;
- (b) the balance of external debt increased by £76,700,000, due to additional capital programme works;
- (c) the budget estimate shows a projected underspend of £220,000. There were no breaches to prudential indicators. The budget estimate was revised mid-year due to further approvals for capital expenditure.

Following questions and comments from the Committee, some additional information was provided by Glyn Daykin, Shail Shah (Head of Audit and Risk) and by Theresa Channell (Head of Strategic Finance):

- (d) whilst the economy is currently experiencing some growth, there is a great deal of uncertainty ahead, for example the prospect of a no-deal exit from the EU. Variable debts have been swapped to fixed debts in order to prepare for more uncertain times and to take advantage of low interest rates;
- (e) the Treasury Management Panel includes a risk management action plan, which is reported quarterly. It serves as an overall assessment of effectiveness. The Panel consists of colleagues within finance and the Chief Finance Officer;

- (f) a risk table is not contained within the report, but one can be brought to a future meeting of Audit Committee;
- (g) the new advisors to the Panel can be invited to a future meeting of Audit Committee, to meet with Audit Committee members and discuss any further requirements.

RESOLVED to note performance information in relation to Treasury Management for 2017/18.

7 INTERNAL AUDIT ANNUAL REPORT 2017/18

Shail Shah, Head of Audit and Risk, presented the Internal Audit Annual Report, which is a culmination of the quarterly Internal Audit reports. He confirmed that internal audit remains independent, had adequate resources, that audit scope was not limited and that standards were complied with. The annual assurance is contained on page 59 of the agenda pack, and this offered reasonable assurance. The report contains a summary of the last years' work, and the planned work for next year.

Following some question and comments from the Committee, Shail Shah provided some additional information:

- (a) planned days take account of the potential for staff training, sickness absence and vacancies, and is a best estimate. The actual days may vary, for example last year they were lower as a vacant post was recruited to much sooner than anticipated. The quarterly reports contain further detail, and would highlight any red flags as and when they occur. There was only one "no assurance" from the report last year;
- (b) a recent review of procurement arrangements was presented to the Corporate Leadership Team and all Directors, highlighting the importance of correct procurement, proper monitoring, and securing value for money. There will be a corresponding push across the council to seek out savings and spending controls in relation to proper procurement;
- (c) the Corporate Risk Specialist post has been vacant for over two years, but is now being shortlisted. Risk is not consistently embedded across the organisation, but this should improve once the post is filled. Further Risk Management reports will come to Audit Committee on a regular basis. Operational risk management is undertaken consistently to a high standard, with an experienced Risk Specialist.

RESOLVED to:

- (1) note the audit work completed during the year, as detailed within the report;**
- (2) note the Head of Audit and Risk's Annual Opinion on page 59 of the agenda pack;**

- (3) note the proposed Audit Plan for 2018/19, as detailed within the report;**
- (4) note the desire to see clearer statements and direction on risk in the Risk Management Update report to a future meeting of Audit Committee.**

8 INTERIM ANNUAL GOVERNANCE STATEMENT 2017/18

Shail Shah, Head of Audit and Risk, presented the Interim Annual Governance Statement 2017/18 to the Committee. It is a requirement to publish the Annual Governance Statement with the Accounts, an interim version is brought to Committee so that Councillors can add their comments. Items worthy of note are contained on page 106 of the agenda pack, section six. There is nothing significant to report. The final report will come to the July meeting of Audit Committee, followed later in the year by a mid-year update.

The Committee had a number of questions and comments, and some further information was provided by Shail Shah and Theresa Channell (Head of Strategic Finance):

- (a) the report is almost finalised, and there are unlikely to be further changes to the interim version. The final version will be signed off by the Chief Executive and the Leader of the Council;
- (b) some annual external audits were not completed on time last year. A great deal of work has been done to ensure all companies meet the deadline this year, and it is not anticipated that this issue will be repeated;
- (c) when Oracle was originally introduced, it was a heavily customised version of Leicestershire's system under the shared service. As it is heavily customised, it cannot be upgraded and is not supported, so a new system is required. No matter how efficient the new system is, it will still require a change in the way colleagues work, and the implementation will have to be done properly to ensure a smooth transition. After nine months examining the specification and a thorough tender exercise, Oracle Fusion was by far the best available system. One unique selling point is that Oracle Fusion is very difficult to customise, which will future proof the system and ensure ongoing support and upgrades are available. The approach to payments is fairly standard and similar to Leicestershire County Council's, so such customisation should not be required. Users of the system will have to "adopt, not adapt";
- (d) different practices had previously existed across the Council in terms of paying invoices, which could potentially lead to duplicate payments. The new package will change the process as well as the system, and will streamline this process across all departments within the Council. There will be more granularity, and a move towards no payments being made without a purchase order having been raised.

RESOLVED to:

- (1) note the interim Annual Governance Statement 2017/18 as set out in Appendix 1 to the report;**

- (2) **note the Committee's desire for a statement on objective aims and SMART (specific, measurable, achievable, relevant, and time-bound) benefits for the introduction of Oracle Cloud.**

9 AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME

Shail Shah, Head of Audit and Risk, presented the Audit Committee Terms of Reference and Annual Work Programme, which ensures that the remit of Audit Committee is covered and is spread throughout the municipal year. The programme serves as a general guide to keep meetings balanced.

RESOLVED to:

- (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 of the report, including the Assurance Plan and the terms of reference at Appendices 2 and 3 of the report.**

10 AUDIT COMMITTEE ANNUAL REPORT 2017/2018

Councillor Michael Edwards, Chair of Audit Committee, presented the Audit Committee Annual Report 2017/18, and expressed his gratitude to the outgoing Chair, Councillor Sarah Piper, for her hard work.

RESOLVED to note the work undertaken and approve the report contained within Appendix 1.

11 FUTURE MEETING DATES

The Committee requested that future meetings be rescheduled from 10:30am to 10:45am.

RESOLVED to meet on the following Fridays at 10:45am:

- **20 July 2018**
- **28 September 2018**
- **30 November 2018**
- **22 February 2018**

12 STATEMENT OF ACCOUNTS PROGRESS

Susan Risdall, Finance Team Leader, presented a report on the progress of the Statement of Accounts. The Draft Statement of Accounts has been published on the Nottingham City Council website: <https://www.nottinghaminsight.org.uk/d/201057>. The draft statement has not been brought to Audit Committee before, however in light of the significant changes to completion dates, it was felt to be prudent. The draft statement was published on the Nottingham City Council website by the required

deadline, and assurances were offered that the final deadline of 31 July will be met. The final version will be presented to the next meeting of Audit Committee on 20 July.

The Committee had some questions and requested some additional information, which was provided by Susan Risdall and Theresa Channel (Head of Strategic Finance):

- (a) the Latin phrase within the statement will be replaced for the final copy of the Statement of Accounts to be presented to the Committee in July;
- (b) there has been some general slippage between budgeted spend on transport and actual spend. The statement is a snapshot of hundreds of schemes within a complex capital programme, it does not include details on specific schemes;
- (c) the statement is a complex document with a large amount of detail. A separate session can be arranged for those Councillors who wish to be briefed in greater detail before the next meeting of Audit Committee.

RESOLVED to thank Susan Risdall for the update on the Draft Statement of Accounts, and to note its contents.

13 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item 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 the public interest in disclosing the information.

14 EMSS ANNUAL REPORT 2017/2018

RESOLVED to approve the recommendations in the exempt report.