

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES

of meeting held on **25 FEBRUARY 2011** at

Loxley House from 10.02 am to 12.43 pm

Councillor Williams	(Chair)
Councillor Aslam	(Vice-Chair)
Councillor Dewinton	(minutes 49 – 63 inclusive)
Councillor Edwards	(minutes 45 – 61 inclusive)
Councillor Griggs	
Councillor Long	
Councillor Parbutt	
Councillor Price	

indicates present at meeting

Also in attendance

Jeff Abbott	- Head of Strategic Finance)	
Simon Burton	- Corporate Performance and Quality Officer)	
Theresa Channell	- Senior Finance Manager)	
Carole Mills-Evans	- Deputy Chief Executive/Corporate Director for Resources)	Resources
)	
Rachel Mottram	- Constitutional Services Officer)	
Shail Shah	- Head of Internal Audit)	
Sue Sunderland	- District Auditor	-	Audit Commission

45 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Griggs, Long and Price.

46 DECLARATIONS OF INTERESTS

No declarations of interests were made.

47 MINUTES

RESOLVED that the minutes of the last meeting held on 17 December 2010, copies of which had been circulated, be confirmed and signed by the Chair.

48 PROGRESS AGAINST ACTIONS FROM PREVIOUS MEETINGS – VERBAL UPDATE

There were no updates to report.

49 TREASURY MANAGEMENT STRATEGY 2011/12

The Chair of the meeting was of the opinion that this item, although not included on the agenda, should be considered as a matter of urgency in accordance with Section 100(b)(4)(b) of the Local Government Act 1972, in view of the requirement for scrutiny of the Strategy before consideration by Council in March 2011.

The Head of Strategic Finance explained that the majority of the strategy was the same as the previous years. The main changes for 2011/12 were in respect of the eligible counterparties for investment as follows:

- extension of the maximum duration for UK deposits to 2 years;
- inclusion of a number of additional non-UK banks for term deposits;
- deletion of Spanish banks from the non-UK list for term deposits;
- addition of Supranational Bonds to the counterparty list.

The following information was provided following questions from Councillors:

- before new banks were added to the counterparty list, a number of items were, checked, including:
 - their credit and support rating and the extension to which the government would support the bank if they collapsed;
 - reviewing their balance sheet, capital strength and default rating;
- none of the City Council's money was invested outside of the UK.

RESOLVED

- (1) that the Treasury Management Strategy 2011/12 be noted;**
- (2) that further information be provided to the committee prior to any investments being placed in Supranational Bonds or the additional non-UK banks for term deposits.**

50 INTERNAL AUDIT QUARTERLY REPORT 2010/11 3RD QUARTER

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated. The Head of Internal Audit introduced the report.

RESOLVED

- (1) that the performance of Internal Audit during the period be noted;**
- (2) that selection of two audits from Appendix 2 be deferred until the June 2011 meeting.**

51 ANNUAL GOVERNANCE STATEMENT (AGS) – PROGRESS MADE TO DATE ON ISSUES REPORTED 2009/10 AND PROCESS FOR PRODUCING 2010/11 STATEMENT

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated. The Head of Internal Audit introduced the report.

RESOLVED

- (1) that progress made to date in addressing the issues reported in the 2009/10 AGS, the process for compiling and timetable for completion of the 2010/11 AGS, detailed in Appendix 1 and 2 to the report respectively, be noted;**
- (2) that a letter/briefing note be circulated to all Councillors clarifying the position regarding the subsidy levels for 2008/09.**

52 PROGRESS REPORT

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated.

The District Auditor reported that the 2009/10 audit was substantially complete and 2010/11 audit was proceeding to plan. The committee's attention was drawn to Appendix 2, Letters, where a request was made for an early response if at all possible.

RESOLVED that the progress report be noted.

53 AUDIT OPINION PLAN

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated. The District Auditor introduced the report.

The following information was provided in response to questions from Councillors:

- the Eastcroft Incinerator still needed to be reviewed under International Financial Reporting Standards;
- plans were in place to improve payroll processes and procedures;
- additional checks were carried out to ensure no fictitious staff had been created on the payroll system;
- internal audit checked with Human Resources to make sure arrangements were in place regarding eligibility to work in the UK with data matching carried out periodically;
- action plans were in place for the three risk areas and progress would be reported to the committee.

RESOLVED that the Audit Opinion plan be noted.

54 CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT

Consideration was given to a report of the District Auditor, Audit Commission, copies of which had been circulated.

RESOLVED that the Certification of Claims and Returns annual report be noted.

55 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – REINSTATEMENT OF 2009/10 FINANCIAL STANDARDS

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

The Deputy Chief Accountant provided a presentation on the adoption of IFRS.

From 1 April 2010 the adoption of IFRS was mandatory for Local Government. IFRS govern the policies, principles and presentation of the Statement of Accounts and those standards ensured that the accounts showed a true and fair view of the financial affairs of the Council and that comparisons could be drawn across the public sector by having a standardised approach to financial information.

The following key information was also provided:

- the standards represented a major change in financial reporting requiring much more detail than before;
- the objective of a new standard, International Accounting Standard 17 – Leases, was to ensure that both lessees and lessors accounted for leases within their financial statements in accordance with their commercial substance;
- similarly to many other authorities, the Council did not hold a central corporate leasing register;
- under IFRIC 4 – Embedded Leases, the National Express Transit 1 Private Finance Initiative scheme was the only embedded lease required to be brought on balance sheet in 2009/10;
- the transition to IFRS required the Council to review all of its assets in order to determine the correct classification, measurement and accounting treatment;
- assets could only be classed as for sale if a sale was expected within 12 months and was being actively marketed for sale;
- next steps included Component Accounting where different parts of a building could be classed as separate components with different depreciation and life expectancy.

RESOLVED that the presentation for the restated opening balances for 2009/10 and the comparative financial statements at Appendix A to the report be noted.

56 PROPOSED AMENDMENTS TO THE ACCOUNTS AND AUDIT REGULATIONS 2003

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

RESOLVED that the consultation amendments on the proposed changes to the Accounts and Audit Regulations 2003 be noted.

57 STRATEGIC RISK REGISTER (SRR) QUARTER 3 2010/11 UPDATE

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

RESOLVED

(1) that the following be noted:

- (i) the progress on reducing the seriousness of the Council's strategic risks as reflected by their current threat levels and Direction of Travel at Table 1 and Appendix 1 to the report;**
- (ii) the results of the review of the SRR by Corporate Leadership Team and the revisions to Strategic Risk SR12 (Risk Management Action Plan) included as Appendix 2, and its re-entry to the SRR following observations made by the Committee at its 24 September meeting;**
- (iii) the example of risk management embedded within a service management plan as requested by the Committee at its meeting on 17 December in section 5 of the report;**

(2) that strategic risk SR25, Failure to develop a strong and well resourced commissioning programme be selected for specific scrutiny for the SRR Quarter 4 2010/11 update, along with SR22, (deferred from the quarter 3 report) Failure to achieve national policy requirement and targets for Putting People First.

58 CANCELLATION OF NEXT MEETING

RESOLVED that the meeting scheduled for 29 April 2011 be cancelled.

59 INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

The Internal Audit report focussed on Creditors 2010/11. The objective of the review was to identify and assess the controls in place within the system, and to provide management with an independent opinion on their effectiveness.

RESOLVED

- (1) that the audit work was of an appropriate quality and scope;**
- (2) that the service response was sufficiently robust and prompt;**
- (3) that an update on progress be provided to the Committee in six months.**

60 EXCLUSION OF THE PUBLIC

RESOLVED that the public be excluded from the meeting during consideration of the next 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 outweighed the public interest in disclosing the information, as defined in Paragraph 4 of Schedule 12A to the Act.

61 INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION – EXEMPT APPENDIX

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

RESOLVED that the contents of the exempt appendix be noted, as part of the Committee's consideration of the overall issue under minute 59 above.

Councillor Edwards left the meeting at this point.

62 ACTING UNDER DELEGATION

The Committee considered the remaining item of business under the delegation given to it by the Council (the Council being the sole trustee of the Bridge Estate, Harvey Hadden Stadium Trust and Highfields Leisure Park Trust).

63 CHARITIES UPDATE – BRIDGE ESTATE

Consideration was given to a report of the Deputy Chief Executive/Corporate Director for Resources, copies of which had been circulated.

The Head of Estates Property provided a presentation on the Bridge Estate.

The following key points were made:

- the Bridge Estate consisted of 140 properties and 154 lettings;
- the gross annual rental income was £2m with a capital value of around £24m;
- the City Council was one of the biggest tenants;
- day to day management of the estate was carried out in house.

The following information was provided following questions from Councillors:

- the capital of the Estate was protected and held as a permanent endowment fund;
- the charitable objectives were threefold:
 - to provide for the efficient maintenance and repair of Trent Bridge and the approaches to it;
 - to provide a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable;
 - to apply the residue of any income as the trustees think best for the improvement of the City of Nottingham and the public benefit of its inhabitants;

- the importance of having clearly understood decision making processes was recognised.
- work was ongoing to establish a Charities Committee in respect of future management of the charity.

RESOLVED

- (1) that the progress against the recommendations raised in the Annual Governance report be noted;**
- (2) that the Accounting Policies for Bridge Estate, at Appendix A to the report be approved;**
- (3) that urgent decisions regarding the charity be taken by the Chair of the Audit Committee and reported back to the next available meeting.**