



NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 25 July 2014

Time: 10.30 am

Place: LB31 - Loxley House, Station Street, Nottingham, NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Acting Corporate Director for Resources

Constitutional Services Officer: Catherine Ziane-Pryor **Direct Dial:** 0115 8764298

AGENDA

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IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE CONSTITUTIONAL SERVICES OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB31 - Loxley House, Station Street, Nottingham, NG2 3NG on 27 June 2014 from 10.30 am - 11.30 am

Membership

Present

Councillor Michael Edwards
Councillor John Hartshorne
Councillor Thulani Molife (Vice Chair)
Councillor Sarah Piper (Chair)

Absent

Councillor Mohammad Aslam
Councillor Georgina Culley
Councillor Toby Neal
Councillor Roger Steel
Councillor Malcolm Wood

Colleagues, partners and others in attendance:

Glyn Daykin - Treasury Management Financial Analyst
Barry Dryer - Senior Finance Manager (Financial Reporting)
Cath Ziane-Pryor - Constitutional Services Officer

1 APPOINTMENT OF VICE-CHAIR

RESOLVED to appoint Councillor Thulani Molife as Vice-Chair.

2 MINUTES

Confirmation

Subject to specifying 'Nottingham' citizens in minute 49, recommendation (3), regarding the air quality within the City, the minutes of the meeting held on 25 April 2014 were confirmed and signed by the Chair.

Matters arising

Further to minute 49, recommendation 3, the Committee specified what information was required from Public Health for inclusion in the requested report, as follows:

- on outline of City Centre air pollution monitoring;
- the levels of pollution within and around the City;
- any possible impact from the introduction of environmentally friendly buses;
- the impact of Hackney Carriages operating within the City;
- the health monitoring (particularly respiratory) and comparisons of primary school children who's schools are sited near to an air quality monitoring station;
- the robustness of Nottingham City Council's Air Quality Management;
- clarity of the 'Clear Zone';
- comparisons with other 'like' cities, including what quality control measures they have in place;
- if Traffic Management take air quality into consideration when making recommendations.

3 APOLOGIES FOR ABSENCE

Councillor Georgina Culley (other Council business)
Councillor Roger Steel
Councillor Malcolm Wood (other Council business)
Shail Shah

4 DECLARATIONS OF INTERESTS

None.

5 TREASURY MANAGEMENT 2013/14 ANNUAL REPORT

Glyn Daykin, Finance Analyst, presented the report and was accompanied by Barry Dryden, Senior Finance Manager.

Included within the report was one which was submitted to the Executive Board on 17 June 2014, summarising the 2013/14 performance of the City Council's external debt investments management, highlighting the following points:

- (a) the average rate of investment payable on external debt increases from 3.788% at 1 April 2013 to 3.795% at 31 March 2014;
- (b) the average rate of interest earned on short-term investments in 2013/14 was 0.652%. This is benchmarked against the 7 day London Interbank (LIBID) rate provided by the Bank of England, which averaged 0.413% for the same period;
- (c) the 2013/14 out-turn showed General Fund Treasury expenditure of £59.694m;
- (d) updating the improved investment counterparty list, proposing to include Close Brothers Ltd.

Following points were highlighted and responses given to the Committee's questions:

- (e) there is a good spread of debt across 40 years and the City Council is working well within the parameters set;
- (f) while the Co-Operative Bank has been the Authority's banker throughout 2013/14, it has not bid for the upcoming banking contract and Lloyds have recently been awarded the contract for banking services. Several other Local Authorities in the East Midlands have also awarded contracts to Lloyds Bank;
- (g) Close Brothers Ltd is considered a bank of high credit quality, it is on Arlingclose's counterparty list, it has a credit rating of 'A' and its recent share price is performing well relative to other UK banks. It is noted that the Authority requires a minimum credit rating and A-;
- (h) the Local Authority has chosen to use cash surpluses to repay maturing debt to minimise the cash amounts invested;
- (i) no new debt has been created for new capital expenditure;
- (j) opportunities to reschedule/repay debt early have remained very limited during the year, as a result of continuing low interest rates across all periods. Premiums will apply totalling the amount that would have been paid if the debt had run its time.

Councillors requested that some of the phraseology used regarding the General Fund Revenue Implications, is reconsidered and simplified.

RESOLVED

- (1) to note the 2013/14 Treasury Management Annual Report, as follows, and the above comments of the Committee:

INDICATORS	2012/13 Actual	2013/14 Estimate	2013/14 Actual	Within Limits?
1) Prudence indicators				
i) Capital Expenditure				
General Fund	£ 78.9m	£ 114.9m	£69.8m	YES
HRA	£ 44.2m	£ 68.3m	£52.4m	YES
	£123.1m	£ 183.1m	£122.2	
ii) CFR at 31 March				
General Fund	£ 553.0m	£ 599.3m	£542.9m	YES
HRA	£ 283.3m	£ 282.3m	£282.3m	YES
PFI notional 'debt'	£ 65.8m	£ 93.0m	£91.8m	N/A
	£ 902.1m	£ 974.6m	£917.0m	
iii) External Debt at 31 March				
Borrowing	£ 776.7m	£ 801.8m	£710.2m	YES
PFI & leasing notional 'debt'	£ 65.8m	£ 93.1m	£91.8m	N/A
Gross debt	£ 842.5m	£ 894.9m	£802.0m	
Less investments	£ (217.0)m	£ (220.0)m	£ (227.2)m	N/A
Net Debt	£ 625.5m	£ 674.9m	£ 574.8m	
2) Affordability indicators				
i) Financing costs ratio				
General Fund	14.61%	13.68%	16.15%	YES
HRA	13.35%	14.63%	12.23%	YES
Council Tax Band D (per annum)	+ £1.10	-	-	YES
HRA rent (per week)	+ £0.56	-	-	YES
	Max in year		Max in year	
iii) Authorised limit for external debt	£882.0m	£954.9m	£842.7m	YES
iv) Operational limit for ext. debt	£882.0m	£914.9m	£842.7m	YES
3) Treasury Management indicators				
ii) Limit on variable interest rates	@ 31/3/13 6.99%	% 0-50%	@ 31/3/13 7.64%	YES

iii) Limit on fixed interest rates	93.01%	50-100%	92.36%	YES
iv) Fixed Debt maturity structure that				
- Under 12 months	9.82%	0-25%	3.56%	YES
- 12 months to 2 years	1.80%	0-25%	2.13%	YES
- 2 to 5 years	5.99%	0-25%	12.46%	YES
- 5 to 10 years	19.67%	0-25%	19.23%	YES
- 10 to 25 years	35.54%	0-50%	33.10%	YES
- 25 to 40 years	16.41%	0-25%	20.50%	YES
- 40 years and above	10.77%	0-75%	9.02%	YES
	<u>Max in year</u>		<u>Max in year</u>	
v) Max sum invested for >364 days	£17.0m	£60.0m	£15.0m	YES

- (2) to endorse the amendment of the 2014/15 Treasury Management Strategy, to add Close Brothers Ltd to the approved counterparty list;
- (3) to provide Audit Committee members with the following briefing notes:
 - (i) the rationale behind the parameters set for debt maturity;
 - (ii) the recovery of the Icelandic Bank deposits;
 - (iii) how Close Brothers Ltd were selected for proposed inclusion in the counterparty list;
- (4) for the next Treasury Management report to include a contingency plan, of how a 'financial bubble' bursting would be dealt with in regard to the impact on Nottingham City Council;
- (5) for Treasury Management to consider how the late completion penalty for Phase 1 of the tram was handled and identify what, if any, improvements in process or planning are required, in preparation for receiving any further penalty payments.

AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	INTERIM ANNUAL GOVERNANCE STATEMENT 2013/14	
Director(s)/ Corporate Director(s):	Glen O’Connell Acting Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the Interim AGS 2013/14 set out at Appendix 1 .	

1. REASONS FOR RECOMMENDATIONS

This report presents the Interim Annual Governance Statement (AGS). The final AGS will be published with the City Council’s Statement of Accounts.

2. BACKGROUND

- 2.1 The City Council’s governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.2 The publication of an AGS alongside the Statement of Accounts is required by the Accounts and Audit Regulations 2011. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices.
- 2.3 The 2007 CIPFA/SOLACE publication “Delivering Good Governance in Local Government Framework” provides the principles by which good governance should be measured. This was adopted as the Council’s Local Code of Corporate Governance at the Executive Board meeting on 20 May 2008.
- 2.4 In 2012 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority’s arrangements can be reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

- 2.5 The Audit Committee has the delegated authority for the formal approval of the AGS. It is good practice to approve the AGS before, and as close to publication of, the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the February 2014 meeting of this Committee. This interim statement is a precursor to the final statement which will be brought to the September meeting of this Committee for approval.
- 2.6 The AGS reflects the governance arrangements operating within the Council and its significant partners. Responsibility for its production lies with the Chief Finance Officer (CFO) / Acting Director of Strategic Finance.
- 2.7 Assurance used in compiling the final report was derived from several sources: Corporate Directors and other key colleagues including the Monitoring Officer, Section 151 Officer and the Head of Internal Audit have reviewed the governance arrangements according to their respective responsibilities and have given assurance and commented as to its effectiveness and a similar exercise was conducted with the Council's significant partners and groups. Information obtained from independent external reviews is also used to inform this assurance.
- 2.8 In accordance with the Local Code of Corporate Governance the final AGS will be signed by the Leader of the Council, Chief Executive, and the CFO, and will contain the following information:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance;
 - an indication of the level of assurance that the systems and processes that comprise the Authority's governance arrangements can provide;
 - a brief description of the key elements of the governance framework, including those of significant groups or partners;
 - a brief description of the processes undertaken to maintain and review the governance arrangements, including some comment on the work undertaken by the Council, Executive Board, Committees with governance remits and Internal Audit;
 - an outline of the actions taken, or proposed, to deal with significant governance issues.
- 2.9 This interim statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code. The final AGS will update this statement and will introduce any further issues found in the control environment if appropriate.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework)

- CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Note - 2012
- Accounts and Audit Regulations 2011
- Executive Board 20 May 2008 – Local Code of Corporate Governance
- Audit Committee Papers February 2014 – Annual Governance Statement - Progress Made To Date On Issues Reported 2012/13 And Process For Producing 2013/14 Statement

Nottingham City Council

ANNUAL GOVERNANCE STATEMENT 2013/14

Scope of responsibility

Nottingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The Council approved and adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* publication. A copy of the code is available on our website at <http://www.nottingham.gov.uk/governance>. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

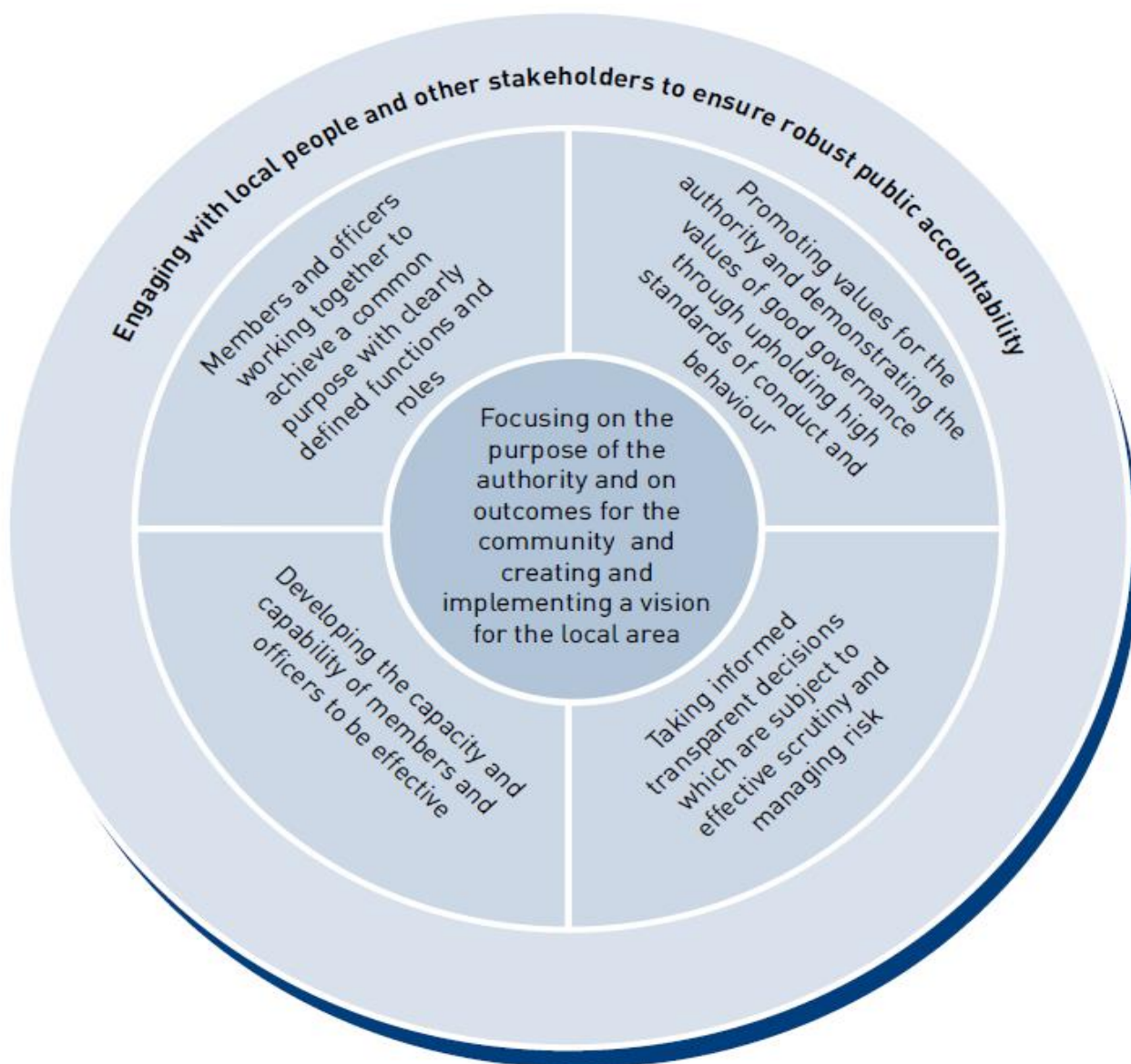
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at the Council for the year ended 31 March 2014 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

The core principles of the CIPFA/SOLACE framework for delivering good governance adopted by the Council in its local framework are illustrated below. Each of these principles is underpinned by the core components described.

CIPFA/SOLACE - Principles underpinning the delivery of good governance



Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The function of governance is to ensure that the Council and its partners fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. The Council has to develop and promote a clear vision of its purpose and intended outcomes for citizens and service users that are clearly communicated both within the Council and to external stakeholders.

The Council has accepted that knowledge and understanding of local communities and neighbourhoods is critical to delivering fit for purpose services, and improving public involvement with the work of the Council has been identified as a priority.

The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly this vision and the associated Nottingham Plan Strategic Priorities are set and are not subject to annual review and change. Consequently the Nottingham Plan is a route map for organisations in the city and for our citizens and communities and sets out what it should look like in the future and details our priorities of helping people get healthier; improving neighbourhoods; making Nottingham world class; making Nottingham a safer and cleaner place and bringing jobs and training opportunities to local people.

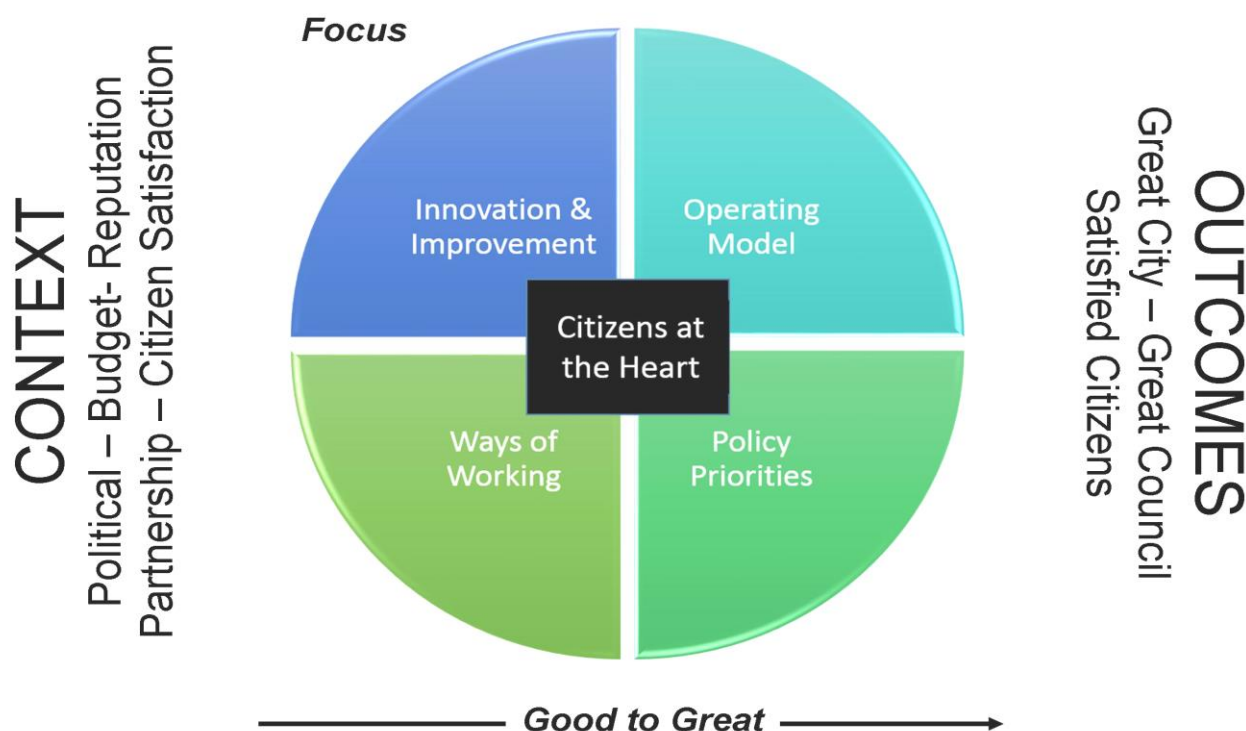
The Council Plan, which is aligned with the municipal electoral cycle, clearly sets out the Council's objectives and highest priorities. The Nottingham Plan is the overall plan for the City, and is jointly owned by the Council and its key partners, providing clear strategic direction to 2020. The Nottingham Plan, Council Plan and other key plans such as the Children & Young People's Plan are published as appropriate and are available to all members of the public. Regular performance reports on the progress in delivering manifesto pledges are provided for councillors to review performance. Financial statements are published annually and equally the Medium Term Financial Strategy (MTFS) is a publicly accessible document.

Regular updates and reviews ensure consistency within plans and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council's priorities and those of its key partners over both the short and long term, are in accord. The principles underpinning the Plan are summarised in the updated Council's 'Message Map' below, illustrating the direction and focus for the Council.

The Council Plan has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. Major changes are managed by a Transformation Steering Group which is responsible for managing the overall Transformation Portfolio. The Portfolio comprises all our internal transformational projects and programmes (plus the externally facing Growth Plan Programme) which together seek to ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

Message Map

Journey to... Great City – Great Council – Great Services Delivered by Great Leaders and Great Colleagues For Nottingham Citizens



Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

Good governance flows from a shared ethos or culture, as well as from systems and structures. Consequently it is important that clear values and objectives are set and processes implemented to assess their effectiveness. Where appropriate the review mechanism should enable problems to be identified and corrective action to be taken. Progress against the Council's strategic priorities is monitored and reported to the Executive Board and One Nottingham Board on an annual basis.

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies. Where more than one course of action is possible the alternatives are analysed and justification given for the preferred choice.

Professional advice is taken when decisions have legal or financial implications, this is done in advance of decision making. Advice on legal and financial matters is taken from internal, and where necessary, external sources. Portfolio Holders also have a common responsibility to promote and be accountable for their services nationally and internationally as required. They also represent the Council's views on matters of

corporate or strategic policy within their portfolio. The Leader of the Council also has responsibility to promote the City, the Council and its core values and objectives.

The advice given will usually be contained within the board papers and will be presented to the appropriate meeting to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where applicable the recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public.

An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committee's functions contribute to policy development and help to shape major plans and strategies and publicly hold the Executive to account for the decisions it makes. As a consequence, the Committee plays an important role in supporting the programme of improvements to Council services. Councillors with an overview and scrutiny role work independently, openly and transparently, and the recommendations made are founded in the evidence received from experts in the fields being reviewed, service users and colleagues. The Committee and Panels seek to involve representatives of non-council organisations, interest groups and members of the public in their activities where it is considered that such involvement would bring new perspectives, expertise and/or specialist knowledge, to allow scrutiny to fulfil its role. An annual report on scrutiny activity is produced and reported to Full City Council, covering the vision for Overview and Scrutiny, its role and its method of working.

Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

It is important that the Council uses available resources to provide the appropriate quality of services for its citizens in accordance with its objectives and priorities and to operate within its means. The Council Plan contains targets to be met in achieving these priorities. These are translated into actions through strategic business plans and operational plans, and the Performance Management Framework (PMF) illustrated below is in place to monitor and review the effectiveness of the actions put in place.

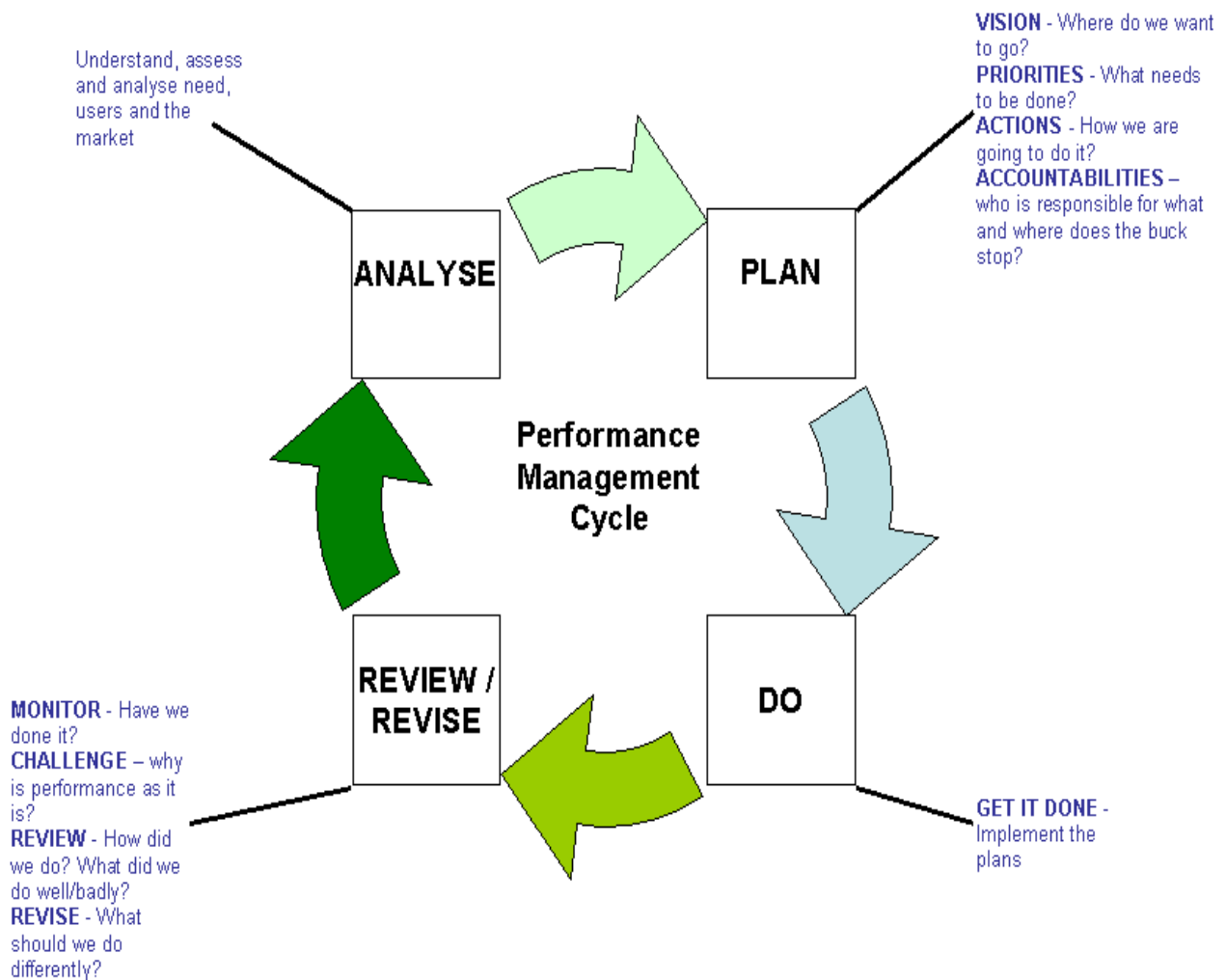
The PMF has a clear focus on outcomes. Comprehensive and effective performance management systems operate at all levels throughout the Council. Performance is managed at the City level through the Nottingham Plan performance board, at corporate level through the Corporate Delivery Board and the Corporate and Departmental Leadership Teams. The framework has been subject to positive review by both the Audit Committee and Overview and Scrutiny Committee. It establishes a clear relationship between corporate priorities and decisions taken from the top down to individual level via business planning. The framework was updated in 2013/14 so that it aligns with the Council's commissioning cycle and sits within the context of our developing 'Good to Great' vision placing Citizens at the heart of everything we do. The PMF sets out the high level approach the Council will take to performance management, ensuring that all are:

- Clear about what to achieve, by when and by whom
- Focussing resources and action on the right outcomes
- Aware of how things are going
- Reporting on progress – to both internal and external audiences
- Able to quickly access effective support.

The Framework:

- Sets out the principles of our performance culture and how this can be sustained
- Applies to all levels of council activity
- Defines the roles, responsibilities and reporting arrangements for all involved
- Has a broad scope, which includes strategic business planning, risk management, workforce planning, performance appraisal (which has also been substantially refreshed) and performance monitoring and management at team, service, departmental and organisational levels
- Has wider links to the Council's Transformation Portfolio.

Performance Management Framework



A full performance report is taken annually to the Executive Board with highlights reported in the Nottingham Arrow. Both the Nottingham Plan and Council Plan are tracked by a set of key performance indicators and some information is provided by external agencies such as the police. The removal of the National Indicator Set in 2010 has in many respects allowed the Council to focus on those measures that are most important and relevant for its local priorities. Efforts are underway with Core Cities and regional authorities to establish a set of indicators that are measured comparably. The Council's Corporate Delivery Board arrangements continue to drive the focus on continuous improvement.

Relative performance for a number of the Council's highest priorities remains in place. Although external assurance from bodies such as the Care and Quality Commission (CQC) and Ofsted currently remains in place, this is specific to certain service areas only. Further assurance is being sought, for example a Local Government Association Peer Challenge is planned for September 2015 following the local elections in May 2015, focussing on governance and practice in a range of key issues.

The Council has recently developed and implemented Covalent - a software tool for performance management and risk management used across the Council. Covalent is increasingly being used to monitor and manage performance at all levels and will help develop and improve the way performance information is collected, presented and used to improve service delivery. The quality of services provided is also monitored by seeking the views and experiences of citizens, service users and colleagues. This is achieved through surveys, consultation and focus groups, analysis of complaints and comments received.

The Council's budget process establishes the resources required to deliver its services and objectives, it also involves a review of the overall use of resources. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budget performance is monitored regularly and senior management and councillors receive financial information which is relevant, understandable and consistent with underlying financial records.

Colleagues responsible for financial resources are required to sign Personal Accountability Statements in recognition of their responsibilities to use these resources effectively, and their success is monitored as part of the performance appraisal process. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function. Financial procedures are identified in approved Financial Regulations. The Council also publishes its Statement of Accounts in accordance with statutory and professional guidance. The Council's accounts have been successfully subjected to a rigorous external audit.

Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

In local government the governing body is the City Council, which has overall responsibility for directing and controlling all the work undertaken in its name. The Constitution, approved by City Council, sets out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution.

Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are well documented and defined in the Constitution, and may be viewed by following the following link

<http://www.nottinghamcity.gov.uk/article/24275/Nottingham-City-Councils-Constitution>

The Constitution includes a scheme of delegations which is detailed so that the functions of City Council, Executive Board, Portfolio Holders, Committees and officers are specified.

The City Council comprises 55 councillors, with the Labour Party having overall control. The councillors meet as a Full Council around every six weeks. A limited number of items of business, such as approving the level of council tax, must be considered by the Full Council. For other decisions, the Leader and Executive Councillors hold decision-making powers through the Executive Board, each Executive Councillor including the Leader, holds a portfolio which supports the priorities of the Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not on the Executive may be members of one of the regulatory committees or undertake overview and scrutiny activities. Detailed terms of reference are in place for all committees.

There is a clear distinction between the Executive and Scrutiny functions within the Council and clearly defined roles for these functions which are understood by both bodies. The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship. The role of Overview and Scrutiny is set out in the detailed terms of reference for the committee itself and for the panels which report to it.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff

A hallmark of good governance is the development of shared values which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all colleagues. These are in addition to compliance with legal requirements, for example on equal opportunities and anti-discrimination. The Council recognises that to be effective in fulfilling their role councillors will need to work closely with and talk to colleagues at all levels, and that this principle should be safeguarded in the current governance and neighbourhood arrangements.

The Council has put arrangements in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards and their continuing compliance in practice is monitored. Breaches of the code of conduct relating to councillors would be considered by the Standards Committee. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code. Councillors can raise issues of non compliance directly with the Standards Committee. Citizens are encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Council's "Have Your Say" procedure. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code. The Council's People Management Handbook includes sections relating to raising concerns, performance improvement and discipline.

At an individual level the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour to which individual councillors and colleagues

are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the Council's Code of Conduct for Members. Under the Code councillors are also required to register interests. All councillors have signed and agreed to adhere to the Members Code of Conduct and training on the Code is provided as part of an induction programme. Support staff also had briefings about the Code.

The Council's Monitoring Officer maintains the Register of Councillors' Interests that have been brought to his attention. Councillors are obliged by law to keep their registration up-to-date and to inform the Monitoring Officer of any changes within 28 days of the relevant event, and councillors are regularly reminded of this responsibility. A councillor's failure to register interests can be the subject of a complaint. Most councillors have received training relating to the Code of Conduct.

In addition to their specific portfolio responsibilities all Portfolio Holders have a common responsibility to ensure that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies and to the highest ethical standards. These values are also enshrined in the respective codes of conduct for colleagues, councillors and the councillor/colleague protocol. The need for disclosure of conflicts of interest is a standard agenda item at all meetings, and a review of the minutes of the Executive Board indicates that potential conflicts of interest are regularly disclosed. The Council has put arrangements in place to ensure that the associated procedures and operations are designed in conformity with appropriate ethical standards.

Arrangements for reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions councillors must be well informed.

The Constitution and its appendices clearly define those matters specifically reserved for collective decision of the Authority and those matters that may be delegated. The responsibility for updating the Constitution is set with the Monitoring Officer. Reports making changes to the Constitution including those to Financial Regulations are made to the Full Council for approval. Most reports are available for public inspection as are the results of deliberations recorded in meeting minutes.

Councillors and colleagues making decisions require the support of appropriate systems to help ensure that good decisions are made / implemented and that resources are most effectively deployed. Risk management plays an important role in supporting decision making processes and ensuring there are effective delivery mechanisms that underpin service provision. The Risk Management Framework (RMF) sets out the way in which the Council identifies, monitors and manages its strategic, operational and project/partnership risks. The RMF is regularly updated and is endorsed by the Corporate Leadership Team (CLT) and approved by Audit Committee annually. The RMF comprises a Risk Policy, Strategy, and a Process Guide covers risk management in terms of:

- Purpose, principles and benefits
- Decision making, projects and partnerships
- Appetite, escalation and delegation
- Roles and responsibilities
- Detailed practical guide

. The Risk Management Framework

Council Risk Register



Risk Management (RM) arrangements are integrated to other key documents including the MTFS, Financial Regulations and Corporate Financial Procedures. The Deputy Chief Executive plays a lead role in risk management, championing its development and implementation. The Corporate Leadership Team takes an active role in reviewing strategic risks along with the Audit Committee through quarterly updates of the Strategic Risk Register (SRR). Work takes place to review the composition of the SRR and test alignment of risks to the Council’s strategic priorities. Similarly a significant commitment is made to supporting effective risk management of the Transformation/Big Ticket programmes through the work of the Portfolio Office and the Corporate Risk Specialist.

RM training has been provided to the Audit Committee as part of the councillor induction process and has been well received. Wider training for colleagues is also now available supported by e-learning and revised guidance, consistent with the updated RMF. Risk workshops run by a Corporate Risk Specialist include basic risk management training to increase understanding and encourage active participation of attendees.

The Strategic Risk Strategy provides practical guidance on the management of the SRR and the risks within it, including escalation/delegation of risks, reporting arrangements and responsibilities. Risk strategies are developed for all risk registers, maintaining a rigorous risk and opportunity management approach while enabling flexibility in how risks are managed at different levels of the organisation. This reflects for example, departmental priorities, ways of working and activities, while complying with requirements of higher level risk strategies. The framework is available to colleagues through the Council's intranet site.

It is acknowledged that more work is required to embed understanding of operational risk management. The implementation of the Performance Management Framework seeks to explicitly link planning, performance and risk within the Service Planning process. Further more, Covalent provides a software environment in which to capture and link related performance planning and risk information aligned to organisational objectives.

Arrangements for ensuring that the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer

An essential element of good governance is the existence of sound arrangements for the management of financial resources.

The Chief Finance Officer (CFO) is a professionally qualified accountant. The CFO sits on the CLT and is able to contribute positively to decision making affecting the delivery of the Council's objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources. The CFO has led a Finance Change process designed to ensure that the finance function continually develops and remains fit for purpose. The following illustrates the Financial Framework put in operation to support the delivery of the Council's objectives.

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	MTFS					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management Strategy	Procurement Strategy	Risk Management Framework
Guidance	CIPFA technical guidance &	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	CIPS Procurement Toolkit &	Risk Management Policy and Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Annual Governance Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report
	Internal & External Audit Plans and our response to inspection and audit reports					

Arrangements for undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The operation of an effective Audit Committee is an essential part of good governance. The Audit Committee was established in 2008/09 and annual reports of its achievements are sent to Full Council. The role of the Committee is developing and regular interaction with similar Committees in other Core Cities is undertaken to share best practice.

Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

In order to demonstrate the highest level of stewardship of public resources it is important that all work undertaken on behalf of the Council is transparent, falls within legal powers and is in accordance with professionally recognised best practice. However, governance cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements.

This ethos of good governance can be expressed as values and demonstrated in behaviour. In England, the Local Government Act 2000 outlined ten principles of conduct for use in local government bodies built on the seven principles for the conduct of people in public life established by the Committee on Standards in Public Life (the Nolan principles). These principles are enshrined in the Council's Codes of Conduct and are summarised in the following table:

Local Government Act 2000 Ten Principles of Conduct

Principle	Holders of public office:-
Selflessness	Should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends
Integrity	Should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
Objectivity	Should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits.
Accountability	Are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
Honesty	Have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Should promote and support these principles by leadership and example.
Respect for others	Should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
Duty to uphold the law	Should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
Stewardship	Should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

The Council's establishment incorporates all posts required by statute. These key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151/114 Officer. The roles of these officers are laid down in the Council's Constitution and are defined clearly in the associated job descriptions. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.

The CFO undertakes the responsibilities of the Section 151 Officer including responsibility to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control.

The role of the Monitoring Officer includes responsibility to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with. The Monitoring Officer is

responsible for arrangements for whistle blowing to which staff and those contracting with the Council have access; arrangements have been put in place allowing them access and the right of complaint is well publicised.

Service areas use professional networks to keep abreast of developments. The central policy function has been enhanced and works well in applying a Nottingham perspective to emerging policy trends and prospective legislation. Increasing use is made of web-based resources from specialist legal firms for legislative updates. Professional advice is offered and taken in advance of decision making when decisions have legal or financial implications. Advice on legal and financial matters is taken from internal and, where necessary, external sources. The advice given will usually be contained within the board papers.

The Council has Budget and Policy Framework Procedure rules in place, which set out how budget and policy decisions are made. Key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. In addition, scrutiny committees, external audit and external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

Arrangements for identifying the development needs of councillors and senior colleagues in relation to their strategic roles, supported by appropriate training

Effective local government relies on public confidence in councillors and colleagues. Good governance strengthens credibility and confidence in public services. The Council needs the right skills to direct and control resources effectively. Governance roles and responsibilities are challenging and demanding, and councillors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

A comprehensive induction programme, developed in conjunction with the Councillor Development Steering Group (CDSG) and Corporate Directors, is delivered to councillors to enable them to function quickly and effectively in their roles. Evaluation information is assessed and good practice is reviewed as part of the planning for future induction training. An induction plan has been agreed by CDSG for the 2015 intake of councillors and the programme of development is now being prepared.

CDSG, aided by Councillor Support colleagues and the Overview and Scrutiny Team, identify suitable learning opportunities for councillors. There are also councillor development and policy briefings on current topics. In addition, a Councillor Resource Centre provides easy access for councillors to key documents and development materials. Councillors' learning and development needs are reviewed by CDSG and there is greater emphasis now on the political groups being able to tailor and drive their own development programmes.

The Council has a policy of recruitment and promotion on merit (People Plus and Project People), and recruits outside the Council where necessary. Induction programmes for both councillors and colleagues are in place. The Constitution contains clear details of the roles and responsibilities for councillors including the Leader and Portfolio Holders. All colleagues have detailed job descriptions and person specifications, and individual development requirements for colleagues are identified using a Performance Appraisal

process. This process has recently been refreshed. Consultation with key customers is also used to understand the development needs for the Council.

At present, Executive councillor performance is reviewed at individual but not group level. The Executive is subject to scrutiny by Overview and Scrutiny at decision and policy development level. Councillor Development Provision is designed to help councillors to continually improve their performance, with councillors receiving training and development necessary to effectively discharge their governance roles. This is achieved in a number of ways including induction training and training relevant to panels and boards, casework, overview and scrutiny, public speaking and IT skills. Both the Executive Board and Overview and Scrutiny Committee take external advice when considered appropriate.

The role of senior colleagues is to support councillors and this includes offering training courses to them via Councillor Services, which commissions, or advertises training and records development activity undertaken.

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their PA. Most hold relevant professional qualifications which impose the requirement for continuing professional development. Corporate Directors organise their own training within the context of PA and any development obligations imposed by professional bodies of which they are members. Similarly the skills of other staff are developed on an ongoing basis as part of the PA and service planning process.

Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

In order to understand the needs and demands of the community it is essential that appropriate procedures and processes are in place to ensure the relationships between the council, its partners and its citizens are clear so that each knows what is expected of the other.

The Council is accountable in a number of ways. Councillors are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All councillors must account to their communities for the decisions they have taken and the rationale behind those decisions. The Council is subject to external review through the external audit of its financial statements and some inspection regimes. Similarly the Council budget is subject to significant influence and overview by government, which has powers to intervene. The Council is required to publish its financial statements and to prepare an annual report.

Councillors and the most senior managers are clearly identified on the Council's internet site and periodically in the Arrow. The Council is committed to the creation of sustainable and democratic communities, encouraging active citizenship and democratic engagement by developing the role of area committees; wide consultation on matters of local concern; events such as those that take place in Local Democracy Week and the promotion of councillors and their key roles within their communities. A range of media is used to let local people and employees know about progress on the Council's plans. For example, the "Contact Us" section of the internet site allows citizens to find out about initiatives, register interest in future consultations and make observations. The Council officially welcomes and positively encourages public involvement in the way in which business is conducted.

Councillors and colleagues are both subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

The Council is accountable to the community it serves and publishes on an annual basis, information on its vision, strategy, plans, financial performance and outcomes, achievements and the satisfaction of service users in the previous period. The Council is dedicated to providing the easiest possible access to information while protecting individuals' privacy. Some information will not be available to the public as there are several grounds for exemption under the Freedom of Information Act. Most of these exemptions are subject to the application of a Public Interest Test. This is a test of whether the reasons for disclosing the information are outweighed by the exemption. Most Council meetings are open to the public and all minutes of meetings are available for examination, and reports clearly explain technical issues and their implications. A few simple rules have been introduced to help the public question session run smoothly and to be of maximum benefit to the public. The Executive Board meets in public (except for exempt items).

The Council has committed itself to wide consultation on matters of local concern. It expects that any consultation carried out is used to engage and gain the views of relevant communities, plan what needs to be achieved, establish how far the services meet their objectives from the customer's perspective, enable changes to services in line with customer feedback, determine how visible changes can be tracked as a result of consultation and provide feedback on the results and actions arising from consultation.

Arrangements for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

In order that shared goals are achieved it is important that the principles of good governance are put in place across the full range of Council work. When working in group or partnership arrangements the existence of sound governance helps ensure that shared goals are achieved and resources controlled and used effectively.

The Council engages with all sections of the community whilst working with partnerships. A variety of mechanisms are used to ensure the engagement is appropriate to the diverse communities. The Council and partners in One Nottingham and other significant partnerships, have an excellent understanding of its diverse communities and their needs (see Nottingham Insight, Citizens Survey 2013, Joint Strategic Needs Assessment, State of Nottingham Report, Crime & Disorder Needs Assessment, Ward Report 2013 and wealth of ward and mosaic data) which is used to shape our engagement.

The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the Council and the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community. Given the significant political and economic changes since the plan's launch, the One Nottingham Board and the leadership of Nottingham City Council requested a refresh of the Nottingham Plan targets in 2013/14, to ensure that the right areas of work are prioritised, partnership resources are targeted in the most efficient way and the best target measures are used to ensure the plan is effectively delivering for the citizens of Nottingham. The refresh of the Nottingham Plan to 2020 is not a full revision. Targets were revisited to make sure they are appropriate, credible, robust and measurable going forward, whilst maintaining the ambition that was established when the

plan was launched in 2009 as a contract with citizens. It also considered possible areas within the plan which would most benefit from dedicated partnership focus. Recommendations were developed by Nottingham Plan lead officers and have been through a challenge process with peers and performance colleagues, taking account of performance to date.

The Research, Engagement and Consultation function within the Chief Executive's Policy Team supports all services across the Council to effectively consult and engage with citizens and make the best use of the findings. This includes providing advice and support on planning, designing and undertaking consultations (including surveys, event evaluations, focus groups, polling, internal focus groups) and engagement activity. As part of this, the team advises colleagues as to the most appropriate ways of consulting and engaging, depending upon the intended audience. It also ensures that colleagues think about using alternative formats and interpretation services when necessary. The Research, Engagement and Consultation Team also manage large-scale corporate research projects (e.g. Citizen's Survey, budget consultation) and the recently recruited Citizens' Panel, which consists of 1,000 citizens from across the city, and has been designed to be broadly representative of the city on a range of demographic and geographical factors. Members receive regular surveys, but can also be called upon to be part of discussion groups or to test new services.

The Council and partners in One Nottingham, in addition to other significant partnerships, have an excellent understanding of its diverse communities and their needs. The Register of Significant Partnership states the status of each significant partnership and is updated annually.

Council colleagues and councillors are nominated as Council representatives within or when dealing with significant partner organisations and group companies. Councillors are aware of their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. Induction sessions for new Councillors, following the May 2011 elections, included an overview of which partnerships the Council works with. Party groups undertake their own development regarding partnerships as needed and Councillors' individual appraisals include descriptions of their role in relevant partnerships. Group companies, charities and trusts are required, where appropriate, to align their objectives with the Council's policies and deliver high quality, efficient and effective services which are in accordance with their agreements with the Council. Examples are:

- The Nottingham Plan to 2020 provides the overarching vision, objectives and priorities for the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community.
- The Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership (D2N2 LEP) has agreed a common vision and priorities which will be developed and refined. This is understood and agreed by all parties.
- Joint Leadership Board (JLB) and Core City Board (CCB) have common vision and mutually interdependent objectives related to promotion of economic prosperity for the sub-regional area. The JLB and CCB are linked with the LEP ensuring a common vision across the areas they cover.
- Nottingham Regeneration Ltd (NRL), Nottingham Development Enterprise (NDE) and Experience Nottinghamshire. Their visions and objectives are set out in their governance documents and they are working closely together to deliver the objectives of the JLB and CCB.

- The Core City area partnerships have visions and objectives related to their purpose and funding.

The Council's Partnership Governance Framework (PGF) sets out the approach to managing work with significant partnerships and provides the mechanism for significant partnerships to ensure that Councillors and lead officers are clear about their roles and responsibilities in relation to the partnership. The mechanism is the annual health checks which includes a section to assess that the governance of the partnership is clear and appropriate. The health checks enable the partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are often set out in the partnerships' constitutions including codes of conduct. The PGF includes the health check, which is a self-assessment of the partnerships deemed significant in terms of whether they are strategically, reputationally or financially significant to the Council through its membership of the partnership. The health check includes an assessment of the aims and objectives of the partnerships, including alignment between the partnership and the Nottingham Plan, and also a section to enable the partnerships to assess the robustness and clarity of their decision making, delegated powers and accountability. The Partnership Governance Framework, via the health checks, provides the mechanism for significant partnerships to assess the extent to which their aims and objectives align to The Nottingham Plan to 2020 and the vision for 2030.

In 2013/14 two additions were included in the health checks for partnerships to confirm that the Council lead officer is actively engaged and that, where applicable, for the most recent financial year, the partnership had an 'unqualified audit opinion' and that recommendations are actioned. The annual health checks have previously been updated to ensure that the partnerships were able to assess whether those making decisions are provided with information that is fit for the purpose, relevant, timely and give clear explanations of technical issues and their implications. This contributes to the assessment for the 'decision making and accountability' capability. The checks also enable each partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are set out in the partnerships' constitution, policies and procedures. The register of significant partnerships includes the status of the partnerships, its membership, and a summary of how its aims and roles are aligned with the Council's strategic plans. Each year a random sample of health checks are scrutinised to verify the quality and accuracy of response. The register, and an overview of the health check results, including proposed actions where remedial work is needed, are reported to the Audit Committee. The checks include a section for lead officers and chairs to self-assess the governance of partnership risk management (called "partnership risk management") and a section for "overall headline risks". The contents of these are shared with the Corporate Risk Specialist. The most recent health checks found no significant issues.

Other organisations where the Council holds a substantial interest, include its group companies, charities and trusts. In every such interest the Council endeavours to ensure they are set up with appropriate governance arrangements and are expected to comply with all relevant laws and regulations, and their financial statements and other published information are expected to be accurate and reliable.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The

review of effectiveness is informed by the work of the Corporate Directors within the Council who have responsibility for the development and maintenance of the governance environment, Statutory Officers, key colleagues, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review also looks at governance arrangements undertaken within its significant partnerships and within its group members.

Process that has been applied in maintaining and reviewing the effectiveness of the governance framework

The purpose of the Constitution is to set out how the Council conducts its business, how decisions are made and the procedures that are followed to ensure that these decisions are effective, efficient and transparent so that the Council remains accountable to citizens.

Some of these procedures are required by law while others are a matter for the Council to determine. The Council exercises all its powers and duties in accordance with the law and its approved Constitution.

Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution. Portfolio Holders share responsibility with the Leader, Deputy Leader and other members of the Executive for the Executive business of the Council.

The principle bodies with responsibility for governance and their terms of reference are included in the Constitution and are summarised below, together with some of the topics considered during the year. All the associated reports and agendas are publicly available and may be found at the following website:

<http://www.nottinghamcity.gov.uk/article/23479/Council-Meetings-and-Decisions>

Principle Constitutional Bodies Dealing With Governance

Body	Summary of Governance role
<p style="text-align: center;">City Council</p>	<p>City Council, comprising all 55 councillors, is the foremost public decision making forum of the Council that sets the policy framework and budget. The policy framework consists of the most important plans and strategies adopted by the Council. The Council meeting is chaired by the Lord Mayor and normally meets ten times per annum.</p> <p>Topics Considered by the Council</p> <ul style="list-style-type: none"> • Petitions from Councillors on behalf of Citizens • Proposed amendments to the Constitution • Executive appointments, remits and first meetings • Appointments and first meetings of Committees, Boards, Panels, Joint Bodies, Etc • Decisions taken under the Urgency Procedures • Appointments Corporate Directors • Overview and Scrutiny Annual Report 2012/13 • Executive Scheme of Delegation • Proposed amendments to the Constitution • Audit Committee Annual Report 2012/13 • General amendments to the Constitution • The Treasury Management 2014/15 Strategy • The Budget 2014/15
<p style="text-align: center;">Executive Board</p>	<p>The role of the Executive Board is to take key decisions as delegated by the City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council. Additionally constituted sub Committees of the Board are listed below.</p> <ul style="list-style-type: none"> • East Midlands Shared Services Joint Committee • Executive Board • Executive Board City Centre Committee • Executive Board Commissioning Sub-Committee • Leader's Key Decision - Notice • Leader's Key Decision Meeting • The City of Nottingham and Nottinghamshire Economic Prosperity <p>Topics Considered by the Board</p> <ul style="list-style-type: none"> • Key decisions • Record of transactions with a value of £25,000 or greater and Portfolio Holder decisions • Reports of Portfolio Holders • Risk Management: Strategic Risk Register - quarterly updates • Treasury Management Strategy, annual report and half yearly update

Body	Summary of Governance role
	<ul style="list-style-type: none"> • Pre-Audit Corporate Financial Outturn 2012/13 • Nottingham Plan to 2020 Annual Report 2012/13 Year 3 • Risk Management - Strategic Risk Register quarterly updates and • Annual review • Engagement and consultation on the Council's budget 2014/15 • Nottingham City Council Procurement Strategy • Medium Term Financial Plan 2014/15 - 2016/17 • Refreshed Nottingham Plan
Overview and Scrutiny Committee	<p>The scrutiny of Executive decisions is an essential element in the effective governance of the Council, and the scrutiny function has wide-ranging powers under the Local Government Act 2000 to examine policy development, executive decisions and matters of wider local concern.</p> <p>The Committee consists of Councillors who are not on the Executive, who are charged with keeping an overview of Council business and City concerns and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account when deemed necessary in the business they undertake, and also to assist in the development and review of Council policy. Tasks involve looking in detail at areas of service delivery or issues of general concern in the Council, external partnerships and organisations. The Committee makes recommendations to the Executive or to the whole Council and on occasion, to outside organisations, on issues which might include suggestions for improvements or different ways of doing things. The Council also has a statutory responsibility to scrutinise substantial developments or variations in NHS services and this is undertaken by the Health Scrutiny Panel or by the Joint City / County Health Scrutiny Committee.</p> <p>Additionally constituted Panels and Sub Committees of the Board are listed below.</p> <ul style="list-style-type: none"> • Health Scrutiny Panel • Call In Panel • Personal Budgets • Rehabilitation and Resettlement Of Offenders • Allotments • Ash Die Back • Changing Educational Landscape • Communication and Enforcement - Wheelie Bins on Pavements • Congestion Around Educational Establishments • Flood Management and Gully Cleansing • Homelessness Prevention Strategy Consultation • Irresponsible Dog Ownership • Responsibility and Management of Local Public Waterways • Tree Management

Body	Summary of Governance role
	<p>Topics Considered by the Committee</p> <ul style="list-style-type: none"> • Establishment of Committees and appointment of Co-optees • Nottingham Plan Year 3 performance • Nottingham Growth Plan • The state of the Voluntary and Community Sector and streamlining investment to the Voluntary Community Sector • Have Your Say, Citizen First and the Customer Access • Programme for Scrutiny <p>Panels and Sub-Committees</p> <ul style="list-style-type: none"> • Joint City and County Health Scrutiny Committee • Joint Health Emas Sub Committee • Health Scrutiny Panel • Call In Panel • Personal Budgets • Rehabilitation and Resettlement Of Offenders • Allotments • Ash Die Back • Changing Educational Landscape • Communication and Enforcement - Wheelie Bins on Pavements • Congestion Around Educational Establishments • Flood Management and Gully Cleansing • Homelessness Prevention Strategy Consultation • Irresponsible Dog Ownership • Responsibility and Management of Local Public Waterways • Tree Management
Standards Committee	<p>The Council has a Standards Committee constituted in accordance with the Standards Committee (England) Regulations 2008 that oversees the Code of Conduct and other governance matters. The Committee meets as and when required and there was no meeting called in the year.</p>
Audit Committee	<p>The Audit Committee has responsibility for the development of risk within the Council and is the designated body for the overview of the Council's Internal Audit function. An annual report is produced by the Chair of the Committee, reflecting the work undertaken and the associated linkages it has to improving governance. This report is received at Full Council.</p> <p>Topics Considered</p> <ul style="list-style-type: none"> • External Audit Plan 2013/14 • Counter Fraud Strategy and Protecting the Public Purse 2013 • Audit Committee member's training • A revised Performance Management Framework for Nottingham City

Body	Summary of Governance role
	<p>Council</p> <ul style="list-style-type: none"> • Treasury Management Strategy, Annual Report and half yearly update • Internal quarterly reports 2013/14 • Audit Committee Terms of Reference and Annual Work Plan • Review of accounting policies • Internal and external audit protocol • External audit - Audit Committee progress reports • Internal Audit Annual Work Plan 2013/14 and Three Year Strategic Plan • Strategic Risk Register quarterly updates and annual review • Annual Governance Statement, progress reports reported and process for producing statement • Statement of Accounts and report to those charged with governance • Annual Audit Letter • Audit Committee Annual Report 2012/13 • Internal Audit Annual Report 2012/13 and Internal Audit Charter • Ombudsman Annual Letter • Partnership governance, Health Checks and update to Register Of Significant Partnerships • Internal Audit Work Plan for East Midlands Shared Services

Head of Internal Audit (HoIA)

Internal Audit is an independent, objective assurance and consulting activity aiding the Council in accomplishing its objectives by bringing a systematic, disciplined approach directed to evaluate and improve the Council's control and governance processes. Using information and evidence collected during the year the HoIA produces an annual audit report and opinion summarising the effectiveness of the governance arrangements in place.

In 2013/14 The HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service substantially complied with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and met the requirements of the Account and Audit Regulations 2011 and associated regulations.

The HoIA reported that Corporate Directors are responsible for ensuring that proper standards of internal control operate within their departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The 2013/14 Audit Plan, as agreed by the Audit Committee and Corporate Directors, was completed in accordance with the professional standards. The Internal Audit service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate, its partners. The work was planned using a risk based model of the Council's activities. It has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the

partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Each report issued included a level of assurance that could be assessed from its findings. Each quarter, a list of reports was sent to the Audit Committee for scrutiny and a number of audits were selected for in depth review at the Committee.

HoIA Overall Opinion

2013/14 saw significant change, challenges and risks experienced by the Council, including the operational commencement of its significant partnership for the delivery of HR and financial services with Leicestershire County Council (EMSS). The HoIA has continuously reviewed the risks associated with the Council's operations and has allocated the necessary resources, via the Audit Plan, to form his opinion on the Council's governance arrangements.

In forming his opinion the HoIA has reviewed all the IA reports issued in 2013/14 and drawn upon external sources of assurance from independent review bodies and internal assurance mechanisms to identify and assess the key control risks to the Council's objectives. Consequently the HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2013/14 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2013/14 financial year, covering financial systems, risk and governance, the HoIA 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.

Other assurance mechanisms

All Corporate Directors and statutory officers provided a signed assurance statement supporting the AGS for 2013/14. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources and partnerships, and have also been informed by independent external reviews, including the external auditor. The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance.

In summary, the Council has reviewed its systems of internal control and taken a comprehensive approach to considering and obtaining assurance from many different sources. The Council has been informed on the implications of the result of the review of the effectiveness of the governance framework, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined below.

Issues reported

Part of the AGS report reflects the position on significant control issues affecting the Council and the action plans put in place to address them. In ascertaining the significance of the control issues reported, the Council has used CIPFA guidance on the factors involved. These factors are summarised as follows:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.
- The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

Issues worthy of note are issues that are not categorised as significant but which require attention to ensure continuous improvement of the system of internal control. New or outstanding issues are as follows:

ISSUES WORTHY OF NOTING

Single Status

As part of Central Government's Single Status initiative to deal with equal pay issues, a major change in the remuneration structure for schools based support staff is in progress. "Single Status", a new harmonised set of terms and conditions and pay and grade structure, was introduced for the majority of centrally based employees in November 2010 and the current exercise is designed to bring schools staff in line with this. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure in schools (grading appeals and backdating of awards).

Updated Position

The issue has now been resolved. Single Status has now been implemented for all Nottingham City Council schools based staff, including casual workers in schools. This means that central and school based NCC employees on Local Government Service (LGS) terms and conditions are now on one harmonised set of terms and conditions and one pay and grade structure.

Central Government Review of Local Government Funding & Balancing the Council's Budget

The coalition Government has undertaken a fundamental review of public spending which has reduced the level of funding available to the Council from 2010/11 onwards.

The combination of the impact of the global recession and the need for a significant investment in some services placed severe pressure on the Council's financial resources. The 2009 budget process, through the in-depth analysis of spending requirements and the opportunities to generate income, highlighted the need to reduce net expenditure across the City Council.

Updated Position

The Council responded to consultation documents highlighting concerns that a disproportionate share of the financial risk is being passed to local authorities and that the mechanisms create a questionable link between growth in businesses in an area and the need to fund demand led services such as social care.

The Medium Term Financial Plan has been reviewed to reassess pressures in future years as part of this process and reflects the culmination of the extensive work of Councillors, colleagues and other stakeholders to fulfil a legal obligation to enable the setting of a balanced budget. Resources have been redirected by Identifying cost reductions arising from both efficiencies and policy issues, especially:

- Reviewing priorities and services and restructuring accordingly;
- Optimising external funding;
- Reviewing income streams;
- Implementing new ways of working and providing services

Children in Care

The Children in Care service exists primarily to ensure that children have permanent plans for where they live. Nottingham's priority for its children in care is to ensure that where possible, children live with their birth families. If that is not achievable then adoption and fostering are the next preferred options.

Children in care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain Social Workers to maintain stable safeguarding arrangements. Nottingham has seen, as in other areas across the country, a significant increase in the number of children in care over the past two years.

Updated Position

A plan is in place to reduce the numbers of children who remain in care over the forthcoming year. Part of this work involves systematic use of tools to help return young people to their birth families, having detailed exit plans for each young person, benchmarking all data against our statistical neighbours and ensuring a full complement of staff to deliver the business. Work is underway to match children and young people to adopters at an earlier point in the adoption process to ensure a stable and permanent family home for all our children in care. The renewed focus is the subject of a Big Ticket Project regarding reducing the numbers of children in care and speeding up the adoption process by tackling delay. Work in 2012 was undertaken to realign the children in care placements budget and to ensure that the use of a regional framework for all care registered and 16 plus accommodation was robust. This has resulted in some continued net savings on placement costs. Performance against placement stability and recording the wishes and feelings of children and young people continues to be strong.

There is strong collaboration between partners in Nottingham city, most notably between Health, LA, Police, Foster Carers and providers of residential accommodation. The Council has created a 'permanence team' which is the Children in Care Team. This became operational in April 2012. Further resources have since been agreed to support the effectiveness of the team to place children in permanency placements in a more timely

way, and ensure delays are kept to a minimum. This is central to the strategy of ensuring better outcomes for our children in care population.

Performance against children in care targets is strongly monitored and in some areas outperforms against statistical neighbours. An area for growth and development against key performance targets is in ensuring the health of children in care is robustly monitored and action taken where appropriate. Speeding up adoptions and tackling delay is the second priority area. NCC does better than its statistical neighbours (with the exception of Middlesbrough) in the recently published adoption scorecard. There was a significant increase in the number of adoptions in 2012/13 compared with the previous year. Resources have been realigned to build on that progress, based on evidence of what works well. The authority secured 43 adoptions and 43 Special Guardianship Orders for the financial year 2013/2014.

The Targeted Support Team continues to offer the effective delivery of services to children, young people and their families/carers. The reconfiguration of Nottingham City Council's Residential Services into Small Group Homes has served to support children and young people to be better placed, have improved outcomes in a cost effective manner and ensure young people receive a quality service that keeps them safe. All homes have met and exceeded minimum standards with one home receiving an OFSTED rating of outstanding and two homes receiving good with outstanding features.

The Council has embarked on a further strategy to reduce the numbers of children coming into care. The Edge of Care Intervention Hub was launched in September 2013 which was for an initial 6 month pilot project, located and managed within the Targeted Support Team that has now been extended. To date, the Hub has supported 18 families that include 53 children. Of those 53, the Hub has worked directly with 46, of which it is felt that 36 have been directly at risk of being accommodated. 6 children have been accommodated. This amounts to an estimated budget relief of between £276k and £549k (based on placement type) over the 8 month period.

East Midlands Shared Service (EMSS)

In September 2010, both Nottingham City Council and Leicestershire County Council agreed to the establishment of a shared services entity (EMSS) that would deliver transactional activities for Finance, Human Resources and Payroll. Agreement was also given to the implementation of the Oracle e-Business Suite as the new Enterprise Resource Planning (ERP) system for NCC.

Latest Position

Both the EMSS organisation and the new Oracle system have been progressing through a period of stabilisation and this has required significant changes in both system and processes. In turn, this has necessitated the review of the overall development plan and, as is usual with this type of extensive system implementation, a great deal of focus has been applied to the financial control processes. Reporting tools are being reimplemented and this will improve internal control processes, both in terms of effectiveness and efficiency. Much of the risk associated with this implementation has been mitigated by the fact that the Council was migrating to an existing LCC platform.

Nottingham Express Transit (NET)

Nottingham City Council entered into a 22 year Private Finance Initiative concession contract with Tramlink Nottingham Limited (“Tramlink”) in December 2011 to extend and operate Nottingham’s tram network. The concession contract passes the key design, build and construction risks to Tramlink, the private sector concession company.

Latest Position

Construction of NET Phase Two is underway with an anticipated date for the operation of the extended network of December 2014. The NET concession contract, including project risks remaining with the City Council, is being managed by an experienced in-house project team and overseen by a dedicated Project Board.

Workplace Parking Levy (WPL)

The WPL is a levy which applies to all employers within the Nottingham City Council administrative boundary. Employers that provide any workplace parking places are required to get a WPL licence and those with 11 or more chargeable places, to pay a charge, from 1 April 2012. An important issue focuses on the ability of WPL to raise revenue to meet the Council’s contribution to the NET Phase 2, the HUB and Link Bus network. The scheme was introduced on 1st October 2011 and charging commenced in April 2012.

Latest Position

There has been concern regarding the ability of WPL to meet funding requirements. The WPL income projections will be continually updated to reflect the latest information available from the WPL team as the income collection is still in its infancy. In the event that over the 23 year life of the NET Phase 2 contract, insufficient WPL income is generated, decisions may be made in respect of the ongoing contributions to the Link Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract.

SIGNIFICANT ISSUES REPORTED

Icelandic Banks

In October 2008, as a consequence of the global financial crisis, the Icelandic banking system collapsed, with four of its banks going into administration. This impacted directly on the Council, which had a total of £41.6m deposited with three of the banks involved (Heritable, Landsbanki and Glitnir), at the time of the collapse.

Recovery of monies

More than 120 local authorities had similar deposits with Icelandic banks at that time, totalling some £920m. All these authorities joined forces through the Local Government Association to co-ordinate the recovery of the monies. In particular, lawyers were appointed to represent UK local authorities in the Icelandic Courts, whose role was to decide whether UK local authority deposits were treated as priority creditors in the administration process of Glitnir and Landsbanki banks.

Following a series of court cases in Iceland, the Council was confirmed as a priority creditor, with sufficient funds being identified within Glitnir and Landsbanki banks to enable, in principle, full repayment, albeit over a number of years and subject to foreign currency exchange rate fluctuations and future legislation changes.

Separately, the administration of the London-based Heritable Bank has been managed within the UK, with regular dividend payments to all creditors being made over the last 5 years.

Latest position

Since the banks went into administration in 2008, the Council has received a series of dividends from the administrators of the individual banks. The latest position in respect of the Council's deposits with each bank is:

- a) *Heritable Bank: original deposit £15.600m.* Dividend payments to date total £14.982m, including interest. The administrators are not anticipating any further payments to be made.
- b) *Glitnir Bank: original deposit £11.000m.* Dividend payments received to date total £9.210m, including interest. The balance of the monies paid was made in Icelandic krone and is currently in an interest-bearing escrow bank account in Iceland, pending the relaxation of currency controls by the Icelandic government. The final sum to be recovered, including interest is currently estimated as £11.324m.
- c) *Landsbanki Bank: original deposit £15.000m.* The banks administrators have made dividend payments totalling £8.197m to date, including interest. The balance of the monies is scheduled to be paid to all priority creditors over the next 5-6 years, although uncertainties exist regarding actual timing, currency exchange rate fluctuations and future Icelandic legislation. To mitigate these risks, the Council participated in a group auction of UK local authority creditor claims in January 2014 which resulted in the sale of the balance of its creditor claim. The payment received was £6.127m, giving a total receipt of £14.324m, including interest.

The following table details the amount of the Council's funds that have been returned to date, plus the current forecasted total recovery figure:

BANK	ORIGINAL DEPOSIT	TOTAL RECOVERED TO DATE			ESTIMATED FINAL RECOVERY		
		PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Heritable	15.600	14.667	0.315	14.982	14.667	0.315	14.982
Landsbanki	15.000	13.689	0.635	14.324	13.689	0.635	14.324
Glitnir	11.000	8.694	0.516	9.210	10.690	0.635	11.324
	41.600	37.049	1.466	38.515	39.026	1.583	40.610

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Signed:

Chief Executive

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AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	Strategic Risk Register (SRR) – Quarter 1 (Q1) 2014/15 Update and 2013/14 Annual Review	
Director(s)/ Corporate Director(s):	Report of the Acting Corporate Director Resources Glen O’Connell	Wards affected: ALL
Report author(s) and contact details:	Simon Burton – Corporate Risk Specialist ☎ 0115 87(63432) ✉ simon.burton@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Geoff Walker – Acting Director of Strategic Finance Tim O’Neill – Director of Vulnerable Children and Families Helen Blackman – Director of Children’s Social Care Mick Dunn – GIS Data and Information Manager Simon Salmon – Head of IT Strategy Liz Jones - Head of Corporate Policy Helen Jones – Director of Adult Social Care	
Recommendation(s):		
1	Review the selected risk: <ul style="list-style-type: none"> ○ <i>Failure to maintain good standards of governance</i> (see Appendix 1) - presentation by Glen O’Connell – Director Legal and Democratic Services. 	
2	Consider and critically appraise the progress made on reducing the seriousness of the Council’s strategic risks as reflected by their threat levels and Direction of Travel (DoT) for Q1 2014/15 (Table 1 and Appendix 5) and for the year 2013/14.	
3	Note the results of the review of the SRR by CLT.	
4	Select one or more strategic risks from Appendix 4 for specific scrutiny as part of the SRR Q1 2014/15 Update.	

1. REASONS FOR RECOMMENDATIONS

- 1.1 The recommendations are intended to support Audit Committee’s risk management role in providing assurance on the adequacy of the Council’s Risk Management Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This report presents the latest CLT review of the strategic risks faced by the Council.

2. BACKGROUND**2.1 Threat level reduction progress**

- 2.2 Progress in reducing the seriousness of our strategic risks is assessed by a combination of each risk’s overall threat level and DoT. This rounded assessment gives a clearer picture of progress in reducing the risk threat level and is summarised in **Table 1**.

- 2.3 Several SRR risks have been assessed by risk owners as improving, stable or at target. **Six** risks are red, reflecting a range of delivery pressures and challenges the Council has to respond to.

2.4 Of the **15** strategic risks within the SRR:

- **Two** show an improved threat assessment;
- **Eight** are at target;
- *SR28 – Adult Social Care* shows a deteriorating threat assessment (9 to 12) and *SR11a – Financial sustainability* shows a deteriorating DoT;
- There is **one** new red assessed risk *SR31 - Affordable and fit for purpose ICT*.

Table 1 shows the strategic risks ranked in order of threat level and DoT (highest to lowest threat level):

TABLE 1: Risk Threat Level & DoT in rank order at Q1 2014/15			
SR No.	Strategic Risk Description	Threat Level	DoT (Q4–Q1)
Red rated strategic risks (6)			
6	Failure to safeguard vulnerable children	15	↔
11a	Failure to accurately predict and respond to financial pressures to ensure delivery of the Council Plan priorities	12	↑
28	Failure to ensure a financially sustainable adult social care system that protect vulnerable adults and manage the impact of the Care Act	9 to 12	↑
12a	Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City (under review)	12	↔
26	Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes	12	↔
31	Failure to secure affordable and fit for purpose ICT arrangements aligned to current and future business productivity and effectiveness	12	N/A
Amber rated strategic risks (9)			
3	Failure to mitigate the impact of the economic climate on the Nottingham City and its citizens	9 At target	↔
30	Failure to create an organisational environment that supports delivery of Council priorities (new risk added Q1 2013/14)	9	↔
8b	Failure to implement and embed effective information management structures, policies, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements	12 to 9 At target	↓
7a/b	Failure to reduce levels of crime and anti-social behaviour (ASB)	8 At target	↔

TABLE 1: Risk Threat Level & DoT in rank order at Q1 2014/15 (continued)			
SR No.	Strategic Risk Description	Threat Level	DoT (Q4–Q1)
Amber rated strategic risks (9)			
25a	Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost	9 to 8 At target	↓
2a	Of the reputation of the City	6 At target	↔
5a	Failure to safeguard vulnerable adults	6 At target	↔
10	Failure to maintain good standards of governance	6 At target	↔
24	Failure to ensure effective systems are in place to manage health and safety risks	6 At target	↔
Green rated strategic risks - There are no green rated risks at Q1.			

DoT key: ↓ Reducing Threat Level ↔ Stable Threat Level ↑ Increasing Threat Level

Appendix 4 identifies individual risk owners, detailed risk threat level assessments between October 2013 (Q4 2013/14) and June 2014 (Q1 2014/15) and the projected dates when target threat levels will be achieved.

2.5 Review of new, emerging and existing SRR risks

2.5.1 *SR6 - Failure to safeguard vulnerable children*: This update reflects the outcome of the latest Ofsted inspection. At Q3 of 2013/14 SR6 became the most serious risk and for Q1 the threat assessment remains unchanged at 15 with four red constituent risks:

- *R1 - Competitive external market place gives rise to difficulties recruiting and retaining qualified Social Workers impacting capacity and the quality of social provision (12).*

Identified mitigations and controls include rolling recruitment and over-recruitment to avoid dependence on agency staff. Agency staff are used to effectively manage demand, although this has financial implications. Managers have received supervisory training with a focus on developing a critically reflective practitioner and the role of emotional intelligence. Work is in train to develop proposals around pay, conditions and support to find longer term and sustainable responses to the risk;

- *R10 - Limited capacity and increasing demand for services risks early intervention not being effective resulting in higher demand on safeguarding services that are then compromised (16).*

Key mitigations and controls include improved deployment of resources to maximise case holding capacity and a focus on the quality/effectiveness of interventions. For example, improved preparation for assessments and the Priority Families programme, which targets help and support to those families who need it most maximising the effectiveness of interventions. Alternative models to access additional intervention resources are being considered, for example, voluntary models, along with alternative sources of funding for example City Care "*Small Steps Big Change*" with further integration with Public Health;

- *R11 - Lack of understanding/engagement by partners leads to a failure to complete accurate/timely CAFs (Common Assessment Framework) resulting in a deterioration of circumstances and an increasing number of children being referred for specialist intervention (12). Key controls and mitigations include the Children's Partnership Board as a means of building relationships and common understanding with partners alongside the revised Education Strategy providing a focus for partnership collaboration. Additional resources have been secured for coordinating the completion of CAFs;*

The updated RMAP is at **Appendix 2** for consideration by Audit Committee.

2.5.2 SR10 - Failure to maintain good standards of governance entered the strategic risk register in 2009/09 with a threat assessment of 12. For the last five consecutive quarters the risk has remained at target threat level. Constituent risks within the RMAP acknowledge the need to balance strong/rigorous governance arrangements designed to ensure legal, financial compliance and sound management, against a need for increased discretion/flexibility supporting new ways of working and a more commercial ethos.

- *R5 - Adverse impact on service delivery due to governance processes being overly bureaucratic and slow (6);*
- *R6 - Inability to modernise/change appropriately due to existing governance arrangements (9);*
- *R7 - Increased flexibility, management discretion seen as desirable in supporting a more commercial operating approach compromises governance arrangements/compliance with good practice in relation to governance arrangements and places increased pressure on limited assurance resources (9).*

On 25 April, Audit Committee selected SR10 for review and the RMAP is included at **Appendix 1**.

2.5.3 SR11 - Failure to accurately predict and respond to financial pressures to ensure delivery of the Council Plan priorities: The overall threat level, has remained stable at 12, but with a deteriorating DoT for Q1. A key constituent risks which shows a deteriorating threat assessment (9 to 16) is *Arrangements insufficiently robust to deliver budgeted savings*. This reflects concern that savings/income generation targets accounted for in the 3 year MTFP are of a greater scale and complexity than in previous years, and that "easier" options have already been exploited/explored. This is against the back drop of anticipated further cuts in Government funding.

2.5.4 SR12a - Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City. Recent changes to the school inspection regime have significantly impacted the regulatory view of the City's secondary provision. Inspections of seven secondary schools and academies in the City conducted in December 2013 under the new framework, deemed all schools to be inadequate and flagged a number of common issues and themes. The SR12a RMAP has been updated to ensure that key areas of focus arising from the inspections are reflected with the addition of a number of new risks and revisions to existing risk descriptions. Further work is required to assess the risks, identify controls and develop mitigations. Risks identified include:

- *R11 - The performance/reputation of schools may make them unattractive to teaching staff leading to problems recruiting and retaining high quality teaching staff;*
- *R7 - Lack of primary school capacity risks some children not receiving placement/early years foundation education impacting their long term education opportunities;*
- *R10 - A culture of undervaluing education/learning (poor parenting?) within some communities/families may lead to pupil absenteeism impacting attendance, behaviour and attainment;*
- *R13 - Poor communication and coordination of resources risks a lack of stable education placements for children in care resulting in poor attainment;*
- *R14 - The quality of care contributes to absenteeism by children in care impacting attendance, behaviour and attainment;*
- *R15 - Lack of a common education vision for the City agreed with FE partners raises a risk that qualifications offered by FE colleges are not aligned with local employment opportunities;*
- *R16 - Devaluation of vocational qualifications may encourage schools to move away from technical and vocational courses better aligned with the economic needs of the city;*

Remaining work to complete the RMAP will be coordinated with the newly appointed Interim Principal Education Strategy Lead. The updated RMAP needs to be available for consideration as part of the SRR Q2 update due to be reported in October.

2.5.5 SR26 - Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes remains stable at 12. Some of the most significant changes resulting from the Government's welfare reforms have now been in place for a year and progress has been made in managing the risks. The Council Tax Support Scheme for 2013/14 was put in place and worked reasonably well as it sought to mitigate, as far as possible, the effect of having to introduce a minimum contribution for all working age households of 8.5%. The Council Tax Support Scheme for 2014/15 is now in place and monitoring will take place to understand the impact of increasing minimum contributions from 8.5% to 20%.

The response to Housing Benefit under occupancy remains a key focus of work, although this has become 'business as usual' as the arrangements put into place for its introduction have bedded in. Key amongst these is the Eviction Prevention Protocol, the use of Discretionary Housing Payments and the use of more Private Rented Sector housing options for vulnerable citizens. Work is underway to re-commission advice services in 2015, building in learning from our work on the impacts from welfare changes over the last year.

A new risk has been added, *Failure by the DWP to effectively manage the delays in implementing UC in Nottingham resulting in uncertainty for citizens* which reflects concerns regarding delays to the transition to Universal Credit (UC). It is unclear whether all current claimants will be transferred to UC by 2017. The Government has made significant changes to the UC implementation timetable first in July 2013 and then again in December 2013. Mitigation focuses on providing advice and information to citizens and working with the DWP on the Local Support Framework to take a partnership approach in preparing for supporting citizens in the transition.

2.5.6 SR28 - Failure to ensure a financially sustainable adult social care system that protect vulnerable adults and manage the impact of the Care Act for this quarter has been updated to reflect the Care Act and its impact on Adult Social Care provision. The Care Act 2014 introduces major reforms to the legal framework for adult social care, to the funding system and to the duties of local authorities and rights of those in need of social care. The Act is divided into four parts, the first of these deals with the reform of the adult social care system which includes the following key components:

- General LA responsibilities in terms of care and support role towards the local community with an emphasis on prevention. Duties to consider physical, mental and emotional wellbeing and to provide information to those needing care;
- The processes for assessments, charging, establishing entitlements, care planning and the provision of care and support;
- National eligibility criteria to assess individuals' entitlements to care (including carers) (assessment can begin from October 2015 with implementation in April 2016);
- A cap of £72,000 as the maximum amount any individual will have to pay for their care. Young people with care needs prior to turning 18 will receive free adult care and support when they reach that age (from April 2016);
- Use of 'deferred payment agreements' intended to enable people to meet their care costs without having to sell their homes during their lifetime (from April 2015);

Duties under the Care Act have the potential for significant impact on the service and the Council in terms additional care cost, further IT requirements/costs and increased assessments/administrative burdens. Consequently, four new risks have been added to the ASC RMAP:

- *The government fails to set aside adequate funds to meet the council's additional costs arising from implementation of, and compliance with, the Care Act impacting the financial sustainability of the service and the MTFP (12);*

- *Care Act implementation significantly increases service workload processing cases to determine eligibility during the window for self-funders to register impacting timeliness of assessments, quality of service provision & increasing processing costs (16);*
- *Changes in the Act relating to deferred payments raises the risk that there will be a rise in requests with substantial upfront care costs which cannot be recovered in the short to medium term against assets that are not controlled by the Council (9);*
- *Existing software is inadequate to meet Care Act requirements risking insufficient time to procure IT/develop existing software/processes with a failure to comply with statutory requirements, increased procurement and development costs, compromised ICT implementation & service quality (12).*

Many provisions in the Act reinforce or formalise a number of current initiatives and ways of working. A Programme Board has examined the non-financial impact of the Care Act and the next steps are to formalise plans for implementation to meet the duties. The Programme Board has a lead representative for each of the key areas (including transition from childhood and 'portability' between LA areas), as well cross-cutting themes of finance, legal, IT, workforce, communications and equalities.

Modelling is underway to gain insight into the financial and other implications for the Council. Modelling undertaken by another LA in the region has projected an additional cost of £6m, but based on a different socioeconomic/demographic profile. Until this has been completed, it is difficult to meaningfully assess the impacts.

In addition there is significant uncertainty whether the Government / Dept of Health will make financial contribution to costs over and above the transition costs. Given the uncertainty, assessment of the risk is difficult but has been assessed at 12. A further update will be provided as part of the SRR Q2 Update.

2.5.7 SR31 - Failure to secure affordable and fit for purpose ICT arrangements aligned to current and future business productivity and effectiveness: ICT has a critical and expanding role in enabling the Council's ambition, providing both radically different ways for customers to access and use services, and encouraging new internal working practices to improve service quality and productivity whilst reducing overall operating costs.

This new risk reflects the importance of ensuring the ability of ICT to support existing and future business needs. Significant constituent risks have been identified resulting in an overall opening threat assessment of 12. Key themes reflected in the RMAP include:

- The tension between securing the best outcomes for the Council through corporately aligned platforms and processes and systems/processes adapted to meet specific service needs;
- The ability of aging infrastructure (services, networks, computers) to meet current needs and the increasing expectations/demands of ICT by the business and citizens to support new ways of working.
- Significant prevailing and future financial constraints.

Actions approved by CLT are already delivering improvements and mitigations identified in the RMAP (**Appendix 3**) are assessed as adequate to bring the risk to target 6 by February 2016. But the significance of the risk to the future operation of the Council resulted in agreement that the risk should be added to the SRR.

2.6 Review of progress made during 2013/14 in managing the Council's strategic risks

2.6.1 Significant progress was made during 2013/14 to manage and reduce the threat levels of the Council's strategic risks despite the financial and economic pressures. During 2013/14 work to manage the Council's strategic risks resulted in:

- **One** strategic risk with a the threat level reduced to such an extent that it was delegated from the SRR (*SR16a - Failure of partners including the City Council to work effectively together to achieve vision and outcomes in the Nottingham Plan to 2020*)
- **Ten** strategic risks having reduced threat levels or being at target by Q4 (SR2a, SR3, SR5a, SR7a/b, SR10, SR24, SR25a, SR26, SR28 and SR30)
- **Four** strategic risks showing no improvement terms of threat level (SR6, SR8b, SR11a and SR12a)
- **Five** strategic risks reviewed/re-scoped, or work commenced (SR6, SR8b, SR11a, SR12a and SR25a)
- **One** new strategic risk (*SR30 – Organisational environment*)

2.6.2 Audit Committee has an important role in ensuring the adequacy of the Council's RMF) and the associated control environment. As part of the SRR Quarterly Updates, Audit Committee selected or received for review **six** RMAPs covering the Council's most important strategic risks with risk owners attending meetings to provide a verbal briefing and answer questions:

- *SR6 – Failure to safeguard vulnerable children*
- *SR8b – Failure to implement and embed effective information management structures, policies, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements*
- *SR11a – Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan*
- *SR12a – Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City*
- *SR30 – Failure to create an organisational environment that supports delivery of Council priorities*
- *Public Health – Public health delivery and integration*

In addition, Audit Committee reviewed and approved the updated RMF at Q2 2013/14.

2.7 Future Audit Committee reviews

The provision to select strategic risks for review allows Audit Committee to direct attention to areas of risk considered potentially significant to the Committee's operations and remit. The Committee is invited to select two strategic risks from **Appendix 4** for more detailed examination in the SRR Q2 2014/15 Update. Selection might be based on the time elapsed since the risk was last reviewed, changes in the risk's threat level (or DoT) or relevance to current local or national matters of interest or concern.

3. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

3.1 Q1 2014/15 Strategic Risk Management Action Plans.

4. PUBLISHED DOCUMENTS REFERED TO IN COMPILING THIS REPORT

4.1 SRR Q4 Update reported to Audit Committee 25 April 2014.

APPENDICIES

Appendix	Description
1	SR10 - Failure to maintain good standards of governance (RMAP selected for review by Audit Committee)
2	SR6 - Failure to safeguard vulnerable children (RMAP available for consideration by Audit Committee)
3	SR31 - <i>Failure to secure fit for purpose, value-for-money ICT aligned to current and future needs and business productivity and effectiveness</i> (RMAP available for consideration by Audit Committee)
4	Nottingham City Council Strategic Risk Register - Report Summary

SR10 – Failure to maintain good standards of governance.

This strategic risk is scoped around the Council's corporate governance arrangements including its policies, processes, customs and culture affecting the way the organisation is led, managed and controlled.

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		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	G. O'Connell Acting Corporate Director Resources		Completed by:	G. O'Connell Director Legal & Democratic Services		Date completed:	Jun 2014	Review date:	Sep 2014					
RISK SUMMARY														
Opening (Dec 08)			Previous (Mar 2014) Q4			Current (June 2014) Q1			Target (March 2013)	Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)				
Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)					
			DoT ↓ Improving ↔ Stable ↑ Deteriorating			DoT ↓ Improving ↔ Stable ↑ Deteriorating								
3	4	12	2	3	6	↔	2	3	6	↔	2	3	6	Adequate

CONSTITUENT RISKS TO BE MANAGED														
Risk Ref.	Constituent Risk Description	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT ↓ Improving ↔ Stable ↑ Deteriorating	Target Threat Level e.g. 2x4=8		
1	Poor governance arrangements resulting in poor decision making, financial and/or reputational loss.	2	4	8	2	3	6	2	3	6	↓	1	4	4
2	Possible lack of compliance due to no common understanding of governance.	3	4	12	2	3	6	2	3	6	↓	2	4	8
3	Deliberate lack of compliance.	3	4	12	3	4	12	3	3	9	↔	2	4	8
4	Inconsistent compliance due to departmentalised approach.	3	4	12	3	4	12	2	3	6	↔	2	3	6
5	Adverse impact on service delivery due to governance processes being overly bureaucratic and slow.	3	3	9	2	3	6	2	3	6	↔	2	3	6
6	Inability to modernise/change appropriately due to existing governance arrangements.	3	4	12	3	3	9	3	3	9	↔	2	4	8
7	Increased flexibility, management discretion seen as desirable in supporting a more commercial operating approach compromises governance arrangements/compliance with with good practice in relation to governance arrangements and places increased pressure on limited assurance resources	3	3	9	L	I		3	3	9		3	3	9

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is anything other than "Adequate")	Person accountable	Date action due to be completed	Review date
1	Responsibility for governance formally vested in experienced and qualified s151 officer who attends CLT, Exec Board and other key forums and deputy in place.	CM (GW)	Adequate				Ongoing
1, 7	Qualified and experienced Monitoring Officer in place who attends Council and other key forums and deputy in place. Succession planning and formal deputisation arrangements are in place.	GOC (MT/SM)	Adequate				Ongoing
1	Regular meeting of 3 key statutory officers continues and is successful.	CM (GOC)	Adequate				Ongoing
Page 52 1, 3, 4	Formal monitoring of safeguarding arrangements in place between DCS and Head of Paid Service (CEX). Written reports also reviewed at the Statutory Officers Meeting	IC (CM)	Adequate				Ongoing
1, 3, 4, 7	Internal audit service in place with risk assessed audit plan.	CM (GW)	Adequate				Ongoing
1, 3, 4, 7	Legal department in place and staffed with qualified and experienced lawyers.	GOC (MT/SM)	Adequate				Ongoing
1, 3, 4, 7	Constitutional Services in place staffed with experienced employees.	GOC (DM)	Adequate				Ongoing
1, 2, 3, 7	Structured Delegated Decision Making (DDM) process supported by software with workflow	GOC (DM)	Adequate	Consideration underway of alternative software with greater functionality with potential to link directly to financial systems as part of approved payments arrangements	GOC (DM)	Jun-15	Ongoing
1, 7	Audit Committee in place since May 2008 with programme of appropriate work, and having received training and working well.	CM (GW)	Adequate				Ongoing

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is anything other than "Adequate")	Person accountable	Date action due to be completed	Review date
1, 4	Annual Governance Statement process comprehensive and embedded. Action plan development and implementation process embedded.	CM (SS)	Adequate				Annual review
1	Regular financial and performance monitoring arrangements in place – including reports to EB, O&S, Audit Committee and mgt teams of various levels. Robust and prompt action to any arising issues	IC/CM/AP (All CDs and Dirs)	Adequate				Quarterly reporting
1	Realignment of financial and performance management arrangements in the light of the new operating model complete	CM (GW/RH)	Adequate	Normal continuous improvement activity through development of Nottingham Managers	CM (GW/BB) Who is BB - Bev Bull?	Ongoing	ongoing
1	Corporate Delivery Board operational and operating satisfactorily. Approach is reviewed and updated in the spirit of continuous improvement.	AP	Adequate				Quarterly reporting
1	Performance boards operating in corporate directorates and service directorates. Ongoing checks to ensure PBs operating and embedded in all directorates	AP	Adequate				Quarterly reporting
1, 3, 4, 7	HR and finance staff embedded in services	CM/AP	Adequate				Ongoing
1, 3, 4, 7	On site external audit team who undertake a programme of audits	CM (GW)	Adequate				Ongoing
1, 5, 6	Transformation portfolio reviewed and agreed by Transformation Delivery Group (TDG) with priority groupings targeting resources. Detailed consideration of benefits and & disbenefits with improved performance and financial forecasting and management	AP, (RH, GW)	Adequate				Ongoing

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is anything other than "Adequate")	Person accountable	Date action due to be completed	Review date
1	AP function is under new management and showing clear signs of sustained improvement in both systems and outcomes	CM (GW/JA)	Yet to secure improvement	Further sustained improvement secured and embedded + EMSS structure action	CM (GW/JA)	Completed	Monthly review
1, 2, 4, 7	Clear constitution and scheme of delegations in place reviewed and approved by City Council (including Public Health)	IC/CM (Res CD)	Adequate	Training programmes delivered (overall constitution and financial aspects) and kept relevant. Phase 1 (Team Nottingham & Directors Forum) Phase 2 to include further training programmes	GOC	Completed	Annual review
1, 2, 4, 7	Clear financial regulations in place with training programme	CM (GW)	Adequate		CM (GW)	Ongoing	Annual review
2, 4	Head of profession role taken seriously by CFO with regular engagement with finance community.	CM (GW)	Adequate				Ongoing
2, 4	Internet provides access to current key governance documentation	CM (All)	Adequate				Monthly review
2, 3, 4	Annual survey for AGS confirms key responsibilities of individuals.	CM (GW)	Adequate				Annual review
2, 4	Internal audit reports include recommendations with checks to ensure key recommendations are promptly acted upon	CM (GW, SS)	Adequate				Quarterly review
3, 7	Whistle blowing policy updated and publicised	CM (GOC)	Adequate				Annual review
3	Reporting of actions taken under delegation in place	CM (GOC)	Adequate				Ongoing
3	Professional teams in place suitably led and trained/developed (e.g. : internal audit, finance, HR, IT, legal) in place and proactive	CM, AP (All Corp Services Dir)	Adequate				Ongoing
3	Strengthened procurement team in place with work integrated with wider commissioning activity	CM (GW, CB)	Adequate				Ongoing

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is anything other than "Adequate")	Person accountable	Date action due to be completed	Review date
3	Training programmes delivered and kept relevant	CM (GOC, GW, AP)	Adequate				Annual review
3, 7	Various checks and balances in key processes (e.g. : payments, debt control) and division of duties	CM	Adequate				Annual review
4	Accountability letters sent to senior colleagues confirming requirement to deliver services on time, to standard and within budget	IC, CM, GW Corp/Strat Dirs	Adequate				Annual
4	Risk registers are reported at Audit Committee, CLT and DLTs	CM	Adequate				Quarterly reporting/ review
4	Project registers established and reported regularly to relevant mgt levels in accordance with Risk Management Framework	DB, CM, AP	Adequate				Ongoing
4	Performance Board approach takes place in all corporate directorates with common coverage (including finance, people, risk, project mgt) and is embedded	DB, CB, JK, CM	Adequate				Quarterly review
5, 6	Plain English is applied to key documents, letters and emails	IC (SB, All)	Adequate				Ongoing review
5, 6	MTFS agreed with key colleagues involved and awareness raised	CM (GW)	Adequate				Annual review
5, 6	Risk adversity addressed in part through Commercialism	CM, AP (GW)	Yet to secure improvement	Corporate Risk Specialist to development and promote a Risk Appetite Self Assessment and training for managers to develop understanding of risk appetite	SB	Sep-14	Ongoing
5, 6				New operating model implemented and supported by key programmes PCATH, Commercialism, Leading Nott'm - Improving Performance Reducing Bureaucracy	IC, AP (RH)	See programme plans	Ongoing

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is anything other than "Adequate")	Person accountable	Date action due to be completed	Review date
5, 6				New leadership in the top team/ new structure in place	IC	ongoing	Annual review
5, 6	CIPPF and new service planning approach embedded	CM, AP	Adequate				Annual review
5, 6	Temporary agency resources coordinated through Matrix SCM with improvements in efficiencies, costs and management information	CM (AP)	Adequate				Annual review



SR6 - Failure to safeguard vulnerable children

Section 11 of the Children Act 2004 places a statutory duty on key people and bodies to make arrangements to safeguard and promote the welfare of children.

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		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	A. Michalska, Corporate Director Children & Adults		Completed by:	H. Blackman Dir Childrens Social Care T. O'Neill Dir Vulnerable Children & Families		Date completed:	Jul 2014	Review date:	Sep 2014	
RISK SUMMARY										
Opening (Q1 10/11)			Previous (N/A)			Current (July 2014)			Target (April 16)	Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)
Threat level (Lxl=??)		DoT	Threat level (Lxl=??)		DoT	Threat level (Lxl=??)		Threat level (Lxl=??)		
3	5	↕ Improving ↔ Stable ↗ Deteriorating	3	5	↕ Improving ↔ Stable ↗ Deteriorating	3	5	2	4	
	15	↔		15	↔		15		8	Yet to secure improvement

Risk Register

17/07/2014 13:03



RISKS TO BE MANAGED

Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Identified by	Risk owner	Proximity (date when could impact)	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ↔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
R1	Competitive external market place gives rise to difficulties recruiting and retaining qualified Social Workers impacting capacity and the quality of social provision	2011/12	SG	HB	Immediate	3	4	12	1	4	4	3	4	12	↑	2	3	6	Treat	Inadequate	Open
R3	Operational capacity issues places additional demand on managers impacting on the quality of supervision of frontline practitioners.	2011/12	SG	HB	Immediate	3	4	12	3	3	9	3	3	9	↔	2	3	6	Treat	Adequate	Open
R8	Lack of robust recording management information system to support safeguarding practice	2011/12	SG	HB	Immediate	4	4	16	3	3	9	3	3	9	↔	1	3	3	Treat	Inadequate	Open
R9	Loss of/inappropriate access to records/information compromises the security of sensitive/confidential details/data	2011/12	SG	HB	Immediate	2	3	6	3	3	9	3	3	9	↔	2	3	6	Treat	Adequate	Open
R10	Limited capacity and increasing demand for services risks early intervention not being effective resulting in higher demand on safeguarding services that are then over stretched.	Q4 2011/12	SG	TON	Immediate	3	4	12	3	4	12	4	4	16	↑	2	4	8	Treat	Inadequate	Open
R11	Lack of understand/engagement by partners leads to a failure to complete accurate/timely CAFs resulting in a deterioration of circumstances and an increasing number of children being referred for specialist intervention	2011/12	SG	TON	Immediate	3	4	12	3	4	12	3	4	12	↓	2	4	8	Treat	Yet to secure improvement	Open
R14	Lack of capacity risks compromising the ability to deliver SMART care planning for Children In Care resulting in delays and adverse emotional and financial impacts	01/05/14	HB	HB	Immediate	3	3	9	L	I		3	3	9		2	4	8	Treat	Yet to secure improvement	Open

Risk, Issue & Opportunity Management Actions

17/07/2014 13:03



Nottingham
City Council

EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R1		Competitive external market place gives rise to difficulties recruiting and retaining qualified Social Workers impacting capacity and the quality of social provision	HB				
R1, R3		HR consultant appointed to work with Director & Heads of Service on recruitment and retention of Social Workers, IROs and Managers	HB	HR to develop proposals around pay, conditions and support	HB	Sep-14	01/09/14
R1				Initiate project to recruit and retain social workers. Invest in the recruitment and highlevel training of newly qualified SWs.	HB	May 14 / July 14	01/09/14
R1, R3		Rolling recruitment with agreement to over recruit to avoid dependence on agency staff	HB	Additional investment in social work posts.	HB	Jul-14	01/09/14
R1, R3		Use of agency staff to manage demand but with budget impacts	HB	HR consultant and Director meet fortnightly to review progress of recruitment to replace agency staff	HB	on going	01/09/14
R3		Operational capacity issues places additional demand on managers impacting on the quality of supervision of frontline practitioners.	HB				
R3				Review of supervision process to ensure social workers receive meaningful support and supervision which is sustainable for managers.	POB	Oct-14	
R3		Quality Assurance Strategy implemented to include audits of adequate supervision of all frontline staff to be undertaken in CSC	TN/ HF		TN	Oct-14	01/10/14

EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R3		A supervision policy is in place which ensures that all colleagues have meaningful supervision that is sustainable.	HB	The Supervision Policy is to be revised to strengthen the reflective practice element and include Signs of Safety & strength based communications	MG / POB	Sep-14	01/09/14
R8		Lack of robust recording management information system to support safeguarding practice					
R8		System to support safeguarding practice.	CM	Special project raised to review system and improvements possible.	CM		
R8		HOS attends monthly ICT Strategy Board to drive improvements on behalf of service area.	TN	Special project raised to review systems and improvements possible.			
R8		Manual recording back-up system in place if electronic system is unavailable.	HB	Special projects raised to review systems and improvements possible.	See above		
R9		Loss of information compromises the security of sensitive data.	CM / HB				
R9		Data protection and security policies and arrangement in place	AG	E training refresher for whole service. IT acceptable use policy.	AG	Jun-14	01/12/14
R9		Caldicott Guardian and Director ensure data is used carefully. Security bags in place to mitigate impact of loss and recovery of data.	HB / CM				
R9		Data protection training will be delivered to NQSW's and new starters	HB	NQSW programme to start in duty	TN / TB	Sep-14	01/12/14
R9		Disposal control arrangements in place for IT assets (e.g. laptops PCs)	IT				
R9		Measures to ensure confidentiality implemented including, lockable bags for transporting documents	HB	Regular review of effectiveness of measures to reduce risk of loss and impact.	TN / CS/ AG		01/09/15
R10		Limited capacity and increasing demand for services risks early intervention not being effective resulting in higher demand on safeguarding services that are then over stretched.	TON				

EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R10		Service resources targeted to increase/maximise case holding capacity	TON	Review of Family Community Teams case holding capacity following on from Phase 2 consultation. Consideration of alternative models to access additional Early Intervention resources e.g. Joint commissioning with Voluntary Sector. Work to ensure Small Steps Big Changes brings additional Early Intervention benefits within the target wards.	ON	Mar-15	01/10/14
R10		Ongoing focus on the quality/effectiveness of interventions for example improved preparation for assessments	TON	Effective completion of relevant commissioning reviews	TON	Mar-15	01/10/14
R10		Work closely with Early Intervention Foundation to further develop the most effective interventions	CB				??
R10		Priority Families programme targets help and support to those families who need it most maximising effectiveness of intervention	TON	Expansion of programme in line with National Phase 2 line out	MA	Mar-16	01/03/15
R11		Lack of understand/engagement by partners leads to a failure to complete accurate/timely CAFs resulting in a deterioration of circumstances and an increasing number of children being referred for specialist intervention	TON				
R11		Childrens Partnership Board offers opportunity to strengthen engagement and build common understanding with partners	AM	Regular review at CPB and LSCB on performance and evidence of interagency work.		Mar-15	
R11		Revised Education Strategy provides a focus for partner collaboration	AM				Annually

EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R11				Improve partnership engagement in CAF via Children's Trust. Deployment of 3 Early Help Assessment Officers. Embed refreshed Family Support Pathway. Use of the Health and Wellbeing Board statutory framework, and Local Safeguarding Children Board to better embed CAF across partnerships.	TON	Mar-15	01/10/14
R14		Lack of capacity risks compromising the ability to deliver SMART care planning for Children In Care resulting in delays and adverse emotional and financial impacts					
R14				Adoption Reform Grant is being used to drive improvement and speed up process to ensure appropriate support	HB	Aug-14	01/08/14
R14		Care plans are being redrafted in line with Ofsted recommendation	HB	External colleague engaged to complete careplan templated.	HB	Jul-14	



SR31 - Failure to secure affordable and fit for purpose ICT arrangements aligned to current and future business productivity and effectiveness

ICT has a critical and expanding role in enabling the Council’s ambition, providing both radically different ways for customers to access and use services, and encouraging new internal working practices which can improve service quality and staff productivity whilst reducing the overall operating costs. This new risk reflects concern regarding the ability of ICT to support existing a future business needs and benefits outlined above. Key themes reflected in the RMAP include:

- The tension between securing the best outcomes for the Council through corporately aligned platforms and processes and systems/processes adapted to meet specific service needs;
- Issues with the ability of aging infrastructure (services, networks, computers) to meet current needs and the increasing expectations/demands of ICT by the business and citizens to support new ways of working within significant financial constraints.

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		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	G. O'Connell Acting Corp Director Resources			Completed by:	S. Salmon Head of IT Strategy			Date completed:	Jun 2014	Review date:	Sep 2014	
RISK SUMMARY												
Opening (Dec 10)			Previous (N/A)			Current (Dec 2010)			Target (Feb 2016)			Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)
Threat level (Lxl=??)			Threat level (Lxl=??)			Threat level (Lxl=??)			Threat level (Lxl=??)			
			DoT ↓ Improving ↔ Stable ↑ Deteriorating			DoT ↓ Improving ↔ Stable ↑ Deteriorating						
3	4	12	L	I	N/A	3	4	12	2	3	6	Yet to secure improvement

Risk Register

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RISKS TO BE MANAGED

Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Identified by	Risk owner	Proximity (date when could impact)	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ⇔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
R1	An IT centric approach to ICT development, lack of engagement of Depts/Dirs risks ICT service provision misaligned to business and a failure to achieve expected business and financial value from ICT services (tight).	13/05/14	SS	MH	Immediate	3	4	12	L	I		3	4	12		2	3	6	Treat	Adequate	Open
R2	Increasing dependency on/expectation for ICT in enabling new ways of working, reliance on legacy server equipment risk poor performance impacting on the ability of the Council to provide effective and efficient services to its staff and the public	13/05/14	SS	LJ	Immediate	4	4	16	L	I		4	4	16		2	3	6	Treat	Adequate	Open
R3	Increasing dependency on/expectation for ICT in enabling new ways of working, reliance on legacy client equipment risk poor performance impacting on the ability of the Council to provide effective and efficient services to its staff and the public	13/05/14	SS	AW	Immediate	4	4	16	L	I		4	4	16		2	2	4	Treat	Adequate	Open
R4	Increasing dependency on/expectation for ICT in enabling new ways of working, aging and complex network configuration/ infrastructure poses a risk of poor performance having a detrimental effect on the ability of the Council to provide effective and efficient services to its staff and the public	13/05/14	SS	LJ	Immediate	4	4	16	L	I		4	4	16		2	3	6	Treat	Adequate	Open
R5	Uncertainty/volatility within the economy e.g. Company, mergers, take overs and bankruptcy, unsuitable/poorly enforced SLAs, raises the risk that external ICT suppliers fail to deliver services according to contractually agreed SLA's with reputational damage and the interruption or loss of ICT services to Council staff and the Citizens	13/05/14	SS	JB	Immediate	3	3	9	L	I		3	3	9		2	2	4	Treat	Adequate	Open
R6	Evolving skills needs, difficulty in recruiting/retaining staff raises the risk that skills are not aligned to current and future requirements of the Council with poorly developed/implement solutions, delays, missed opportunities, increased costs	13/05/14	SS	MH	Immediate	4	3	12	L	I		3	4	12		3	3	9	Treat	Adequate	Open

RISKS TO BE MANAGED

Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Identified by	Risk owner	Proximity (date when could impact)	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ⇔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
R7	With the drive for greater service flexibility/commercialism/innovation, there is the risk that operational based ICT decisions are made that are not aligned to longer term corporate needs of the organisation incurring additional costs, loss of broader benefits, incoherent approach to ICT development (lose)	13/05/14	SS	SS	Immediate	3	4	12	L	I		3	4	12		2	3	6	Treat	Adequate	Open
R8	Inadequate ICT recovery arrangements leaves the risk that were there to be an incident, the authority would be unable to recover priority services in a timely manner with possible citizen wellbeing, cost and reputation implications	13/05/14	SS	LJ	Immediate	2	5	10	L	I		2	5	10		2	3	6	Treat	Adequate	Open

Risk, Issue & Opportunity Management Actions

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EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R1				Working with the business to formally agree a service offer and service standards	MH	Sep-14	
R1, R7		Business Engagement team created including Business Partner posts to secure appropriate engagement and account management to ensure that business needs are reflected in IT service planning.	JH				
R3				Number of major projects agreed and funded to address specific issues relating to legacy client equipment for example Unlocking Loxley & Windows 7 programme to ensure client devices are updated and able to run modern operating system and office suite	AW	Mar-15	
R3				Client update programme(s) underway. Have deployed more replacement client devices during May 2014 than in any calendar year over the last 10 years	AW	Mar-15	
R4				An independent review of the current network configuration and equipment has been commissioned	LJ	Sep-14	
R4				Equipment to replace legacy network links has been procured and will be installed to improve network speed / capacity	LJ	Sep-14	
R5		The approach to vendor management is in the process of being formalised, with tiered account meetings already in place	JB			Nov-14	

EXISTING MANAGEMENT ACTIONS (CONTROLS)				ADDITIONAL MANAGEMENT ACTIONS (MITIGATIONS)			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R5				IT Service developing strategic relationships with a number of small/medium sized technology companies to provide additional capacity, support and resilience	JB	Mar-15	
R6				The IT Service have are recruiting a training development officer to support the co-ordination and delivery of training to colleagues	MH	July 2014 onwards	
R1, R7				IT service working with the business to introduce a formal governance framework. Principle components include regular engagement departmental IT strategies, departmental strategy boards and improved governance of the Corporate IT Strategy board	JH	April 2014 onwards	
R1, R7				A CLT IT Steering Group will be established ensure that the IT Service is appropriate resourced and guided in meeting the needs of the wider business	SS	Jul-14	
R8				Improved SAN capacity is being introduced to ensure that a copy of all corporate data will be available at the DR site	LJ	Oct-14	
R8				Reciprocal arrangements for data centre resilience are commissioned with a neighbouring authority to improve the quality of disaster recovery facilities and support	LJ	Feb-15	
R2		A proposal for upgrading all servers has been developed and is currently being reviewed.	LJ	Once agreed, the Server upgrade programme will systemically over 12 months seek to upgrade 90% of the existing Windows Server estate	LJ	Dec-15	

Nottingham City Council Risk Register - Report Summary

Ref.	Risk description	SR criteria							Threat level (seriousness) & DoT				DoT	Target Threat Level	Managing Accountability			
		Highest Pri	Corp Mit	Corp Impact	Legal	Reputation	H & S	Citizen well-being	Financial	Date threat level & DoT	2013/14				2014/15	Corporate Director (Risk Owner)	Lead Director or Senior Colleague	
											Q2	Q3			Q4			Q1
SR6	Failure to safeguard vulnerable children		✓		✓	✓		✓	Date	Oct-13	Jan-14	Jan-14	Jun-14	↔	Apr-14	A. Michalska CD - Children & Families	H. Blackman Director Safeguarding	
									Threat Level	15 (3x5)	15 (3x5)	15 (3x5)	15 (3x5) C		10 (2x5)			
									DoT	Stable	Deteriorating	Stable	Stable					
SR11a	Failure to accurately predict and respond to financial pressures to ensure delivery of the Council Plan priorities		✓		✓			✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↑	6 (3x2)	G. O'Connell Acting Corp Dir Resources	G. Walker Strategic Finance Director	
									Threat Level	12 (3x4)	12 (3x4)	12 (3x4)	12 (3x4)					
									DoT	Stable	Stable	Stable	Deteriorating					
SR28	Failure to ensure a financially sustainable adult social care system that protect vulnerable adults and manage the impact of the Care Act				✓		✓	✓	Date	Oct-13	Dec-13	Mar-14	Jun-14	↑	Mar-14	A. Michalska CD - Children & Families	H. Jones - Director of Adult Assessment	
									Threat Level	12 (4x3)	12 (4x3)	9 (3x3)	12 (3x4)		6 (2x3)			
									DoT	Stable	Improving	Improving	Deteriorating					
SR2a	Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City (under review)	✓	✓		✓				Date	Oct-13	Jan-14	Jan-14	Jan-15	↔	Apr-15	A. Michalska CD - Children & Families	N. Lee Head of School Access & Imp Acting A. Conquer Head of Ed	
									Threat Level	12 (3x4) C	12 (3x4) R	12 (3x4)	12 (3x4)		8 (2x4)			
									DoT	Stable	Stable	Stable	Stable					
SR26	Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes		✓					✓	Date	Oct-13	Jan-14	Jan-14	Jun-14	↔	Apr-14	G. O'Connell Acting Corp Dir Resources	L. Jones Head of Corporate Policy	
									Threat Level	16 (4x4)	12 (3x4)	12 (3x4)	12 (3x4)		9 (3x3)			
									DoT	Stable	Improving	Improving	Stable					
SR31	Failure to secure affordable and fit for purpose ICT arrangements aligned to current and future business productivity and effectiveness			✓	✓			✓	Date				Jun-14	N/A	Feb-16	G. O'Connell Acting Corp Dir Resources	S. Salmon Head of IT Strategy M. Heaton Head of IT Delivery	
									Threat level			New risk	12 (3x4)		6 (2x3)			
									DoT				N/A					
SR3	Failure to mitigate the impact of the economic climate on Nottingham City and its citizens				✓		✓	✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↔	Apr-12	D. Bishop CD - Dev	N. Jenkins Head of Economic Development	
									Threat Level	9 (3x3)	9 (3x3)	9 (3x3)	9 (3x3)		9 (3x3)			
									DoT	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET					
SR30	Failure to create an organisational environment that supports delivery of Council priorities		✓		✓			✓	Date	Oct-13	Jan-14	Mar-14	Mar-14	↔	Mar-14	I. Curryer Chief Exec.	R. Henderson Head of Service Change & Improvement	
									Threat Level	12 (3x4)	12 (3x4)	9 (3x3)	9 (3x3)		8 (2x4)			
									DoT	Stable	Stable	Improving	Stable					

Ref.	Risk description	SR criteria								Threat level (seriousness) & DoT					DoT	Target Threat Level	Managing Accountability	
		Highest Pri	Corp Mit	Corp Impact	Legal	Reputation	H & S	Citizen well-being	Financial	Date threat level & DoT	2013/14			2014/15			Corporate Director (Risk Owner)	Lead Director or Senior Colleague
											Q2	Q3	Q4	Q1				
SR8b	Failure to implement and embed effective information management structures, polices, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements									Date	Oct-13	Jan-14	Mar-14	Jun-14	↓	Apr-14	G. O'Connell Acting Corp Dir Resources	M. Gannon Director IT
						✓			✓	Threat Level	12 (3x4)	12 (3x4)	12 (3x4)	9 (3x4)		9 (3x3)		
										DoT	Stable	Stable	Improving	Improving AT TARGET				
SR7a/b	Failure to reduce levels of crime and anti-social behaviour (ASB)	✓	✓			✓			✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↔	Apr-14	J. Kelly CD-Comm	E. Orrock Comm Safety Exec. Coordinator
										Threat Level	12 (3x4)	12 (3x4)	8 (2x4)	8 (2x4)		8 (2x4)		
										DoT	Stable	Stable	Improving AT TARGET	Stable AT TARGET				
SR25a	Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost								✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↓	Jun-14	A. Michalska CD - Children & Families	C. Brudenell Director of Quality and Commissioning
									✓	Threat Level	12 (3x4)	9 (3x3)	9 (3x3)	8 (2x4)		8 (2x4)		
										DoT	Stable	Improving AT TARGET	Improving AT TARGET	Improving AT TARGET				
SR2a	Of the reputation of the City		✓			✓			✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↔	Oct-12	I. Curryer Chief Exec.	C. Richmond Dir Policy Partnerships & Comms
										Threat Level	6 (2x3)	6 (2x3)	6 (2x3)	6 (2x3)		6 (2x3)		
										DoT	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET				
SR3a	Failure to safeguard vulnerable adults		✓			✓			✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↔	Oct 2014	A. Michalska CD - Children & Families	H. Jones Dir Comm Inclusion E. Yardley Dir Access &
										Threat Level	8 (2x4)	6 (2x3)	6 (2x3)	6 (2x3)		6 (2x3)		
										DoT	Improving	Improving AT TARGET	Stable AT TARGET	Stable AT TARGET				
SR10	Failure to maintain good standards of governance		✓			✓			✓	Date	Sep-13	Jan-14	Mar-14	Jun-14	↔	Mar-13	G. O'Connell Acting Corp Dir Resources	G. O'Connell Director Legal & Democratic Services
										Threat Level	6 (2x3)	6 (2x3)	6 (2x3)	6 (2x3) R		6 (2x3)		
										DoT	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET				
SR24	Failure to ensure effective systems are in place to manage health and safety risks					✓	✓	✓	✓	Date	Oct-13	Jan-14	Mar-14	Jun-14	↔	Dec-13	G. O'Connell Acting Corp Dir Resources	P. Millward Head of Service Emergency Planning
										Threat Level	6 (2x3)	6 (2x3)	6 (2x3)	6 (2x4)		6 (2x3)		
										DoT	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET				

DIRECTION OF TRAVEL (DoT):

Improving (reducing) threat level ↓

Stable threat level ↔

Deteriorating (increasing) threat level ↑

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AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	DRAFT STATEMENT OF ACCOUNTS 2013/14	
Director(s)/ Corporate Director(s):	Glen O'Connell Acting Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	None	
Recommendation(s):		
1	Note that the Statement of Accounts was submitted to the Audit Commission for audit review on 30 June 2014.	
2	Note that the contents of the Statement of Accounts will be placed on deposit for public inspection for 20 working days from 7 July 2014	
3	Note that there have been no significant changes to the accounting policies presented to Audit Committee on 25 April 2014	
4	Review the Council's position and confirm that it is appropriate for the Statement of Accounts to be produced on a going concern basis.	
5	Note that the Audit Committee will be required to review the final audited Statement when it is presented on 19 September 2014.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 The Accounts and Audit Regulations 2011 (the Regulations) require the City Council to produce an annual Statement of Accounts and outline the process for their approval and publication. The Regulations require the Council to make the un-audited Statement available for public inspection.
- 1.2 The Review of Accounting Policies report to Audit Committee on 25 April 2014 stated that any major changes in Accounting Policies would be brought to this meeting. There are no changes at this time.

2 BACKGROUND

- 2.1 Under regulation 8 of the Regulations, the responsible financial officer has to certify that the Council's pre-audit Statement presents a true and fair view of the income, expenditure and financial position of the Council. In accordance with the Regulations, the Chief Finance Officer (CFO) certified the 2013/14 Statement on 30 June 2014 and the Statement was passed to the external auditors (KPMG) to begin their audit on the same date.
- 2.2 The certification will allow the Statement to be placed on deposit for public inspection for a period of 20 working days from 7 July 2014 to 1 August 2014. A public notice to this effect was placed in the local press on 11 June 2014 and on the Council's website. Following this period, KPMG will be available on or after 4 August 2014 for

any local government elector or their representative to question them about the accounts or make any objections.

- 2.3 The accounting policies presented to Audit Committee on 25 April have been passed to KPMG for review. KPMG have not identified any major changes that are required
- 2.4 International Accounting Standard 1 requires the Council to undertake an annual review to assure itself that it is appropriate for the Statement to be produced on a going concern basis. In line with best practice, it is recommended that Audit Committee formally confirm that the Council is a going concern. The inherent nature of local authorities is considered to be sufficient to satisfy this requirement; although the work undertaken by the CFO in assessing the Medium Term Financial Plan for the robustness of the budget and adequacy of reserves further supports this.
- 2.5 The Regulations require that the audited Statement is submitted for consideration and approval by the Council or a committee of the Council prior to the end of September in the following financial year. To meet this requirement a further report, supported by the audited Statement, will be brought to the Audit Committee on 19 September.
- 2.6 The Audit Committee's terms of reference include dealing with matters relating to the Statement, and will be required to review the final Statement and consider any findings made by KPMG at the September meeting. As the Statement is a long and complex document, the draft executive summary and main statements are set out in Appendix A. The full Statement is also available at Appendix B.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

Draft Statement of Accounts
Closedown working papers

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Code of Practice on Local Authority Accounting
CIPFA Supplementary Guidance
LAAP bulletins
Accounts and Audit Regulations 2011

Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2013/14 and this is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet. The Movement in Reserves and Cash Flow statements provide further analysis of specific figures. However, when setting its Budget and Council Tax, the Council is required to follow legislative requirements to arrive at the Funding Basis. As a consequence the Housing Revenue Account (HRA) is shown separately within the Supplementary Statements. The Collection Fund is also included here and this presents how the Council collects all Council Tax and distributes it to tax setting authorities in the area. A separate set of Group Accounts is also published which shows a consolidated position for the Council and organisations where it has significant control.

1.1 CIES – Financial Reporting (IFRS) Basis

	2012/13 £m	2013/14 £m
Continuing services	305.281	243.670
Total Comprehensive Income and Expenditure(Surplus)/Deficit	(28.368)	(66.520)

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a surplus for the year of £66.520m. This figure includes:

- A charge of £30.910m for properties removed from the balance as a result of 8 schools gaining Academy Status.
- A credit of £28.541m resulting from net gains on property revaluations.
- A credit of £25.056m relating to an improvement in the actuary's assessment of pension assets and liabilities.

The surplus, together with a reduction in HRA Reserves of £0.176m is used to increase the Earmarked Reserves by £30.107m, Capital Financing Reserves by £15.805m and Unusable Reserves by £22.35m, leaving a reduction in the General Fund of £1.573m.

Further details appear in Section 3.1 and section 6.1.

1.2 Balance Sheet

	31 March 2013 £m	31 March 2014 £m
Long Term Assets	2,086.298	2,135.481
Current Assets	324.898	331.358
Current Liabilities	(247.015)	(226.700)
Long Term Liabilities	(1,343.933)	(1,353.371)
NET ASSETS	820.248	886.768

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property, plant and

equipment (PPE). The value of these assets has increased by £34.890m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £138.766m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £83.298m.
- 8 schools have switched to Academy status which together with the de-recognition of other assets resulted in £42.873m of assets being removed.
- The Council's rolling programme of revaluations on property has given rise to net revaluation gains of £27.900m.
- Other items have reduced the value of assets by £5.601m.

Further details appear in note 6.2.1

Following changes implemented by Central Government for the administration of the collection of Non-Domestic Rates, the Council now accounts for its share of expected future losses on collection. The figure for non-current provisions, therefore, now includes a provision of £4.419m for the impact of future potential Non-Domestic Rate appeals.

The Balance Sheet also includes a liability of £550.498m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. The Pension Fund is reviewed every 3 years and employer's contributions are adjusted with the intention of meeting the net liabilities within the next 18 years.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2013, this totals £886.768m.

1.3 Movement in Reserves Statement

	31 March 2013 £m	Movement 2013/14 £m	31 March 2014 £m
General Fund	13.802	(1.573)	12.229
Earmarked General Fund Reserves	118.656	30.107	148.763
Other Usable Reserves	61.565	15.629	77.194
Unusable Reserves	626.225	22.357	648.582
TOTAL AUTHORITY RESERVES	820.248	66.520	886.768

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The Movement in Reserves Statement (MIRS) in section 3.3 shows how the reserves have changed during the year.

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget and are made up of the unearmarked General Fund Reserve (£12.229m), Earmarked Reserves (£148.763m) the HRA (£4.854m) and Capital Financing Reserve (£72.340m). The movement in the General Fund reflects the surplus after transfers to reserves on the Funding Basis (Paragraph 1.4). The balance on the General Fund is monitored closely to ensure it is kept at a prudent level to cover any unforeseen circumstances.

Unusable reserves are created as a consequence of the timing differences between the Funding Basis and IFRS basis of accounting as referred to in paragraph 1.4. This category also includes a revaluation reserve which holds changes in the valuation of assets. In 2013/14 a net reduction in this valuations of £16.080m has been charged to this reserve. These reserves are, therefore, not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the MIRS and in notes 6.2.3, 6.2.12 and 6.2.13.

1.4 Funding Basis

	2012/13	2013/14
Council Tax (Band D)	£1,377.58	£1,404.42
Council Tax Income	105.192	80.818
Cost of services(portfolios)	270.501	284.227
(Surplus)/Deficit before transfers to reserves	(15.523)	(28.534)
(Surplus)/Deficit after transfers to reserves	(2.116)	1.573
Movement in capital financing requirement	9.188	14.757

The Funding Basis is based on legislative requirements and differs from the IFRS Basis due to the exclusion of the Housing Revenue Account (HRA – shown separately within the Supplementary Statements), the treatment of capital financing and timing differences in the recognition of income and expenditure.

In 2013/14 the Council Tax raised £80.818m and, together with funding from government grants and other income, this was used to meet the cost of services. The fall in Council Tax raised (£24.374m) reflects the introduction of the Council Tax Support Scheme by Central Government. Overall the Council generated a deficit of £1.573m after contributions of £30.107m had been made to earmarked reserves. This deficit reduced the General Fund by £1.573m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2013/14 the resulting credit to the CIES was £25.056m. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund, which are set at a level which will meet liabilities over a longer period. Therefore, the difference in approach generates timing differences when recognising the net charge to the CIES.

Additionally, under the Funding basis revenue provisions replace the depreciation charges required by IFRS and are determined by the amount of capital expenditure that needs to be financed by borrowing. Therefore, the Council is required to monitor its need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £916.935m, an increase of £14.758m.

Further explanation and analysis of these differences in section 5 and note 6.3.1.

1.5 Group Accounts

	2012/13 £m	2013/14 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	(31.997)	(54.969)
Net Assets	808.071	864.119
Council's Share of other Group Reserves/Minority Interests	(12.177)	(22.649)

Group Accounts consolidate the Council's financial statements with those organisations where the Council has material financial interests and a significant level of control. The 2013/14 Group Accounts consolidate the accounts for Arrow Light Rail Ltd, Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's surplus is £11.551m lower than the Council's, primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £864.119m. This is £22.649m less than the Council's Net Assets which is again due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses.

Further details appear in section 8 of the accounts.

1.6 Forward Plans

	2014/15 £m	2015/16 £m	2016/17 £m
Medium Term Financial Outlook - Indicative Cumulative			
Revenue Gap	-	33.654	51.584
Capital Programme - Planned Expenditure	325.035	100.907	67.744

Details of the Council's Plans for the future are held in a number of documents including the Nottingham Plan to 2020, the Medium Term Financial Plan and the Asset Management Plan.

The Council will continue to face a period of uncertainty due to the current economic conditions and a number of Government initiatives. Although the council has set a balanced budget for 2013/14, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated funding gap of £51.684m by 2016/17.

A similar challenge is faced by the Capital Programme although this is boosted by expenditure on NET lines 2 and 3 for 2014/15. Thereafter the programme is dominated by expenditure on public sector housing which will be predominantly financed by the Housing Revenue Account.

Further details appear in Appendix A.

Core Financial Statements

1.7 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the net cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation (funding basis). Costs covered on the funding basis are calculated differently, in accordance with legislative requirements. The funding basis position is shown in the Movement in Reserves Statement and section 5

	2012/13			2013/14		
	Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Central services to the public	5.383	(3.183)	2.200	5.397	(3.492)	1.905
Cultural and related services	62.933	(11.047)	51.886	40.331	(10.641)	29.690
Environmental and Regulatory services	46.208	(16.156)	30.052	48.571	(14.767)	33.804
Planning Services	26.451	(19.800)	6.651	25.467	(14.646)	10.821
Education and children's services	280.198	(189.497)	90.701	257.562	(172.532)	85.030
Highways and transport services	64.160	(46.198)	17.962	68.258	(68.470)	(0.212)
Local authority housing (HRA)	78.591	(100.574)	(21.983)	65.586	(96.189)	(30.603)
Other housing services	203.545	(184.765)	18.780	166.861	(150.364)	16.497
Adult social care	118.714	(34.281)	84.433	119.726	(32.753)	86.973
Corporate and democratic core	49.408	(28.944)	20.464	32.299	(20.169)	12.130
Non distributed costs	4.444	(0.309)	4.135	(1.370)	-	(1.370)
Continuing Operations	940.035	(634.754)	305.281	828.688	(584.023)	244.665
Services Transferred to NCC						
Public Health				24.770	(25.765)	(0.995)
Total Continuing Services				853.458	(609.788)	243.670
Other operating expenditure (Note 6.1.1)	43.710	(10.197)	33.513	46.355	(0.890)	45.465
Financing and investment income and expenditure (Note 6.1.2)	93.902	(55.091)	38.811	96.781	(48.804)	47.977
Taxation and non-specific grant income (Note 6.1.3 & 6.1.5)	-	(341.713)	(341.713)	-	(350.035)	(350.035)
(Surplus)/Deficit on Provision of Services	1,077.647	(1,041.755)	35.892	996.594	(1,009.517)	(12.923)
Surplus or deficit on revaluation of PPE/Heritage assets (Note 6.1.6)			(56.259)			(28.587)
Re-measurement of pension assets/liabilities (Note 6.1.4)			(7.957)			(25.056)
Other gains/losses recognised required			(0.044)			0.046
Other Comprehensive Income and Expenditure			(64.260)			(53.597)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)/DEFICIT			(28.368)			(66.520)

1.8 Balance Sheet

Shows the value, as at 31 March each year, of the assets and liabilities recognised by the Council. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - i.e. those reserves that may be used to help provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Those reserves that the Council is not able to use to help provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2013 £m	31 March 2014 £m
Property, Plant & Equipment	6.2.1	1,931.674	1,966.564
Heritage Assets	6.2.2	46.344	47.185
Investment Property	6.2.4	36.962	38.388
Intangible Assets	6.2.5	1.781	2.329
Long Term Investments		10.885	20.319
Long Term Debtors	6.2.16	58.652	60.696
Long Term assets		2,086.298	2,135.481
Assets Held for Sale	6.2.6	5.918	4.621
Intangible Assets (current assets)	6.2.11	0.034	-
Short Term Investments	6.2.16	147.455	160.350
Inventories	6.2.7	1.209	2.537
Short Term Debtors	6.2.8	93.366	104.809
Cash and Cash Equivalents	6.2.9	76.916	59.041
Current Assets		324.898	331.358
Short Term Borrowing	6.2.16	(85.898)	(32.195)
Short Term Creditors	6.2.10	(151.718)	(191.458)
Provisions (current provisions)	6.2.11	(9.399)	(3.047)
Current Liabilities		(247.015)	(226.700)
Long Term Borrowing	6.2.16	(701.322)	(685.889)
Other Long Term Liabilities	6.2.16	(81.344)	(98.843)
Provisions (non-current)	6.2.11	(10.442)	(14.831)
Capital Grants Receipts in Advance	6.2.14	(4.590)	(3.310)
Defined Benefit Pension Scheme	6.2.15	(546.235)	(550.498)
Long Term Liabilities		(1,343.933)	(1,353.371)
NET ASSETS		820.248	886.768
Usable Reserves	6.2.12*	194.023	238.186
Unusable Reserves	6.2.13	626.225	648.582
TOTAL RESERVES		820.248	886.768

* See section 4.3 and 6.2.3 for details

1.9 Movement in Reserves Statement

This statement shows the in-year movement of the various reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. However, these are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, which are shown by the Net Increase/Decrease before Transfers to Earmarked Reserves line. Discretionary transfers to or from earmarked reserves are undertaken before arriving at the Increase/Decrease in Year. Details regarding the Major Repairs Reserve are covered in the HRA notes to the accounts.

2013/14	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	13.802	118.656	5.030	9.303	28.007	19.225	194.023	626.225	820.248
Movement in reserves during 2013/14:									
Surplus/(deficit) on the provision of services	1.746	-	11.177	-	-	-	12.923	-	12.923
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	53.597	53.597
Total Comprehensive Income and Expenditure (Table 3.1)	1.746	-	11.177	-	-	-	12.923	53.597	66.520
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	26.788	-	(11.353)	5.113	10.651	0.041	31.240	(31.240)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	28.534	-	(0.176)	5.113	10.651	0.041	44.163	22.357	66.520
Transfers to/from Earmarked Reserves	(30.107)	30.107	-	-	-	-	-	-	-
Increase/Decrease in Year	(1.573)	30.107	(0.176)	5.113	10.651	0.041	44.163	22.357	66.520
BALANCE AT 31 MARCH 2014	12.229	148.763	4.854	14.416	38.658	19.266	238.186	648.582	886.768

2012/13	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2012	11.686	105.249	4.594	0.440	15.817	15.700	153.486	638.394	791.880
Movement in reserves during 2012/13:									
Surplus/(deficit) on the provision of services	(45.724)	-	9.832	-	-	-	(35.892)	-	(35.892)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	64.260	64.260
Total Comprehensive Income and Expenditure (Table 4.1)	(45.724)	-	9.832	-	-	-	(35.892)	64.260	28.368
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	61.247	-	(9.396)	8.863	12.190	3.525	76.429	(76.429)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	15.523	-	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368
Transfers to/from Earmarked Reserves	(13.407)	13.407	-	-	-	-	-	-	-
Increase/Decrease in Year	2.116	13.407	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368
BALANCE AT 31 MARCH 2013	13.802	118.656	5.030	9.303	28.007	19.225	194.023	626.225	820.248

1.10 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period and how these are generated or used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used to generate resources intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

	Notes	2012/13 £m	2013/14 £m
Net Surplus/(Deficit) on the provision of Services		(35.892)	12.923
Adjustments to net surplus or deficit on the provision of services for non-cash movements		203.124	200.142
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(82.389)	(74.643)
Net Cash Flows from Operating Activities	6.4.1	84.843	138.422
Investing activities	6.4.2	(140.407)	(81.194)
Financing activities	6.4.3	9.130	(75.103)
Net Increase or Decrease in Cash and Cash Equivalents		(46.434)	(17.875)
Cash and cash equivalents at the beginning of the reporting period		123.350	76.916
CASH AND CASH EQUIVALENTS AT 31 MARCH 2013		76.916	59.041

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AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	INTERNAL AUDIT CHARTER	
Director(s)/ Corporate Director(s):	Glen O'Connell Acting Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Shail Shah - Head of Internal Audit 0115-8764245 shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Endorse the Internal Audit Charter at Appendix 1 .	

1. REASONS FOR RECOMMENDATIONS

- 1.1. The Internal Audit Service (IA) impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes. It is an important part of the Council's governance and control framework.
- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the production of a Charter which defines the purpose, authority and responsibility of the IA function. The Charter, which should be reviewed regularly, is to be presented to the Audit Committee for endorsement. The Charter is attached at **Appendix 1** and has been updated to reflect the standards set in the PSIAS.

2. BACKGROUND

- 2.1. IA impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes. It is an important part of the Council's governance and control framework.
- 2.2. The Accounts and Audit Regulations 2011 state that local authorities should maintain an adequate and effective system accounting for the resources they use and an effective system of internal control.
- 2.3. The (PSIAS) set the responsibility for the management of with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council.
- 2.4. The Charter was last endorsed at the 27 September 2013 meeting of this Committee. This updated version for endorsement contains minor

amendments explaining the reporting lines to senior management in accordance with the PSIAS.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- The Accounts and Audit Regulations 2011
- Public Sector Internal Audit Standards 2012
- Audit Committee – 27 September 2013 : Internal Audit Annual Report 2012/13 and Internal Audit Charter

Nottingham City Council – Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards define Internal Audit as “...an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Independence

A key factor in the effectiveness of Internal Audit is that it is seen to be independent. To ensure this independence, Internal Audit operates within a framework that allows:

- Unrestricted access to senior management
- Reporting in its own name
- Segregation from line operations.

Every effort will be made to preserve the objectivity of the service by ensuring that all audit colleagues are free from any conflicts of interest and do not undertake any non-audit related duties. Registers of interest/gifts will be maintained in accord with corporate best practice.

Objectives

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. Internal Audit’s mission is:

“To provide a cost effective, independent, professional and high quality audit service which supports managerial objectives by promoting the highest levels of financial management and probity across the Authority”.

In so doing the service aims to support the effectiveness of the risk management, control and governance processes within the City Council and its significant partners.

Scope

Internal Audit will review and investigate the areas of key risk to the Council’s objectives across the entire range of its activities. In order to fulfil this role the service requires unrestricted access to all the colleagues, records and assets of the Council and/or its partners. Council colleagues are required by the Head of Internal Audit to ensure permission to access records is incorporated in formal agreements setting up partnership arrangements or other arrangements with other third parties.

In addition, the Head of Internal Audit has unrestricted access to the Chief Executive, Councillors, Corporate Directors and all employees of the City Council and its partners.

Each audit or piece of work undertaken will have a clear scope and objectives. Any audit undertaken within the Council and its partners will be conducted under the framework of an agreed audit programme, service level agreement or a clearly defined letter of engagement. This is of particular importance in the management of consultancy where the respective roles, inputs and outputs will be clearly defined and the independence of auditors maintained. Internal Audit work will be co-ordinated with that of external review agencies to provide maximum audit coverage and to prevent duplication of effort where practical.

Responsibility

The main areas of Internal Audit responsibility within the Council will be to:

1. Review, appraise and report on:
 - the soundness, adequacy and application of internal controls as a contribution to the proper control of risk and the economic, efficient and effective use of resources
 - the suitability and reliability of financial and other management data, including aspects of performance measurement
 - the extent to which the assets and interests are accounted for and safeguarded from loss.
2. Aid Corporate Directors in the investigation of fraud and irregularity as prescribed in the Council's Fraud Response Plan and to develop and implement the Council's Counter Fraud Strategy.
3. Receive information on instances of fraud and corruption to inform opinion on the control environment and to help determine the resources required to manage the associated risks. Managing the risk of fraud and corruption is the responsibility of management, but the Head of Internal Audit must be informed of any instances.
4. Advise on the internal control implications of new systems.

Audit Style and Content

The Head of Internal Audit is required to manage the provision of a complete audit service to the Authority which includes risk based, system and ICT audits. In discharge of this duty, the Head of Internal Audit will prepare a rolling strategic risk-based Audit Plan.

Work Planning

The Head of Internal Audit will produce and maintain a Strategic Plan and an annual operational Audit Plan. These plans will be derived from a comprehensive risk model and after consultation with Corporate Directors. The plans will be presented annually to the Audit Committee and will aim to:

- Support the Responsible Officer in the discharge of the Section 151 duty.
- Contribute to and support the Council's objectives of providing sound financial systems and governance arrangements.

- Provide recommendations and findings designed to enhance the reliability and accuracy of the Annual Governance Statement, financial statements and other published information.

Location

Internal Audit is located within the Resources Department and based in Loxley House, but operates throughout the Council.

Standards

Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The Head of Internal Audit will report any significant instances of non-conformance with these codes and standards to the Audit Committee.

The service has internal quality procedures in place and is ISO9001:2008 accredited. It has adopted the principles contained in the Public Sector Internal Audit Standards 2012 and has fulfilled the requirements of the Account and Audit Regulations 2011 and associated regulations in respect of the provision of an Internal Audit service.

Audit Resources

The Head of Internal Audit will be a CCAB qualified Accountant who will ensure that there are adequate resources available to complete the Audit Plan including appropriate contingencies and to help deliver the opinions required. The Head of Internal Audit will assess the available skills and competencies necessary for the audits planned and to produce annual evidence based opinion. Where a gap is identified action will be taken to procure the required resource.

Recruitment and procurement will be designed to ensure appropriate resources are put in place, in a timely manner, to ensure audit plans are kept to. The Head of Internal Audit will follow the Council's corporate policies and procedures when procuring such resources.

The establishment will comprise of suitably professionally qualified colleagues including Accountants, Technicians and other specialists necessary to resource the varied demands placed upon the service.

Audit Training

The Head of Internal Audit will use the Council's Performance Appraisal programme to assess the skills and competencies of the audit colleagues and develop appropriate Training & Development Plans to ensure audit resources are adequate to fulfil the required audit need. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training including: courses, work experience, coaching, mentoring and other relevant development opportunities.

Audit Reporting

Strategic Reporting

In accordance with the principles contained in the PSIAS:-

The responsibility for the management of Internal Audit is set with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council. The Section 151 Officer will give operational direction whilst reports covering strategic and assurance issues will be presented to the Audit Committee.

In fulfilling his/her operational responsibility to report to senior management the HoIA, whilst maintaining operational independence, will:

- Regularly meet with and update the Council's Chief Finance Officer (CFO) (S151 Officer) who is a member of the Council's Corporate Leadership Team. The CFO will continuously review the performance and effectiveness of the service.
- Normally report directly to the Council's Director of Strategic Finance. However, where actual or potential conflict of interests are present the Head of Internal Audit may choose to report to the CFO, Chief Executive, Monitoring Officer, Leader of the Council or external agency at his/her discretion.
- Present performance reports to the Audit Committee.
- Provide an annual opinion to the Audit Committee on the status of the Council's entire control environment as informed by Audit work and reference to other internal and external assurance mechanisms available.

Operational Reporting

Reports will be in accordance with PSIAS and will be distributed to those responsible for governance in the areas audited. In the course of an audit, a draft report will be sent to the manager(s) responsible for the area under review for agreement to the factual accuracy of the findings. The final report will be issued to the Corporate Director or other responsible party or their nominated representatives and copied to the appropriate managers and or service directors with an appropriate agreed action plan included.

In event of disagreement the Head of Internal Audit will consult with the client managers responsible and will if necessary consult with the Section 151 Officer and or Chief Executive. Ultimately if agreement cannot be reached the Head of Internal Audit may reflect the fact in the final report. Copies of all final reports and supporting working papers will be retained electronically where possible and will be in accordance with corporate policies for document retention,

The responsibility for the implementation of agreed recommendations lies with the auditee. Recommendations will be followed up at the next review at the very least or before, depending on the level of associated risk. A copy of the report will also be sent to the Head of Service, Director, Corporate Director, CFO and if necessary the

Director of Strategic Finance and Corporate Director for Resources. Currently the Director of Strategic Finance is also the acting CFO and S151 Officer.

Where appropriate, recommendations will be fed into the corporate improvement programme and brought before Departmental Management Teams for action, and follow up of the recommendations.

On completion of audits a customer satisfaction survey will be undertaken to give feedback on performance and to facilitate continuous performance improvement. The results of these surveys will be included in the service's key performance indicators.

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AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION	
Director(s)/ Corporate Director(s):	Acting Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Internal Audit ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To critically appraise the Internal Audit report at Appendix 1 (Bulwell St Mary's Church of England Primary School) and Appendix 2 (Housing Rents) to:- <ul style="list-style-type: none"> • Determine whether the audit work was of an appropriate quality and scope; • Determine whether the service's response was sufficiently proportionate, robust and prompt; • Make any further observations and/or comments considered relevant; • Determine any further action. 	

1. REASONS FOR RECOMMENDATIONS

This report presents Internal Audit reports selected for detailed examination, from the 29 November 2013 meeting. The Audit Committee's role is to appraise the quality and scope of the Internal Audit work and determine whether the action taken by the audited service was sufficiently robust and prompt in response to the audit findings. Colleagues from Internal Audit and the reviewed service will be present at the meeting to assist this activity.

- 1.1. The Bulwell St Mary's 2012/2013 audit report was issued on 12 July 2013 and selected for examination at the November 2013 meeting of this Committee. . The area has been revisited as part of the 2013/14 Audit Plan and the latest report is attached at **Appendix 1. Table A** outlines the audit work involved and summarises key issues found.

TABLE A – Bulwell St Mary’s

Reason for audit: The Audit was conducted as part of a rolling programme of audits covering all City schools.

Latest Assurance level:	Limited
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Key findings

- The school should ensure that detailed minutes are taken at each of the Governors' committee meetings. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes. In addition, declarations of interest should be prompted at all committee meetings by including this as a separate agenda item. Evidence of this item being raised and any resulting declaration of interest should be recorded in the minutes.
- Alternative quotations should be obtained for all purchases between £1,000 and £5,000 in value made by the school and a record should be retained of all such quotations as evidence that value for money has been obtained. If alternative quotations can not be obtained, the school should provide details of the firms they have tried to contact.
- All invoices should be authorised by an appropriate person before being processed for payment.

Recommendations Update

Total:	11	High Priority:	3	Medium Priority:	5
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Time taken

Actual days:	3.3	Planned days:	3.5
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Implementation of recommendations

The ownership of Internal Audit recommendations is the responsibility of the audit client and an update of progress has been included in the report.

1.2.A Housing Rents internal audit report was issued on 22 July 2013 and selected for examination at the November 2013 meeting of this Committee. The area has been revisited as part of the 2013/14 Audit Plan and the latest report is attached at **Appendix 2. Table B** outlines the audit work involved and summarises key issues found.

TABLE B – Housing Rents

Reason for audit: The system was reviewed as part of the 2013/14 audit plan which covers the City Council's main financial systems.

Latest Assurance level:	Limited
--------------------------------	---------

Key findings

The report noted that the rent increase approved in 2014-15 is a useful step towards providing an income base that supports future expenditure. However findings were reported regarding:-

- the current level of rent convergence,
- future rent setting
- the lack of development of the approved tenant incentive scheme
- the accuracy of the Housing Revenue Account 30 year business plan
- access control to the Northgate housing system.

The report noted that the rent increase approved in 2014-15 is a useful step towards providing an income base that supports future expenditure.

New Recommendations Made

Total:	4	High Priority:	4	Medium Priority:	
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Time taken

Actual days:	31.5	Planned days:	20
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Implementation of recommendations

The ownership of Internal Audit recommendations is the responsibility of the audit client and an update of progress has been included in the report.

2. BACKGROUND

The critical appraisal of selected Internal Audit reports by Audit Committee is an important aspect of the Council's governance framework. This helps the Committee to fulfil its responsibility to receive reports on the work undertaken by Internal Audit and to critically appraise its performance. In doing this, the Committee is testing the robustness of and contributing to the organisation's audit and other governance arrangements. This also aids development of a deep understanding of the Council's internal control environment and Internal Audit working practices. Issues to consider are:

- How the audit was selected – for example the risk assessment, the potential for fraud, previous track record of the service, frequency of the audit;

- Whether the audit coverage was appropriate, adequate and correctly focussed;
- The time spent on the audit against the outcomes and findings;
- The quality of the internal audit report;
- The actual findings and the impact on the service and the council overall;
- The service's response to the audit recommendations;
- The speed and robustness of the actions taken to address the recommendations;
- Whether there are any learning points or principles that could be applied in future audit or governance work.

This list is for guidance only and the Committee is at liberty to explore other governance issues.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Minutes from the Audit Committee meeting on 29 November 2013



**FINAL INTERNAL AUDIT REPORT
Bulwell St Mary's Church of England
Primary School**

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Distribution List	
Issue Date:	12 th July 2013
Issued to:	Mrs R Meredith, Executive Head Teacher
Copied to:	Fr A Nicolls, Chair of Governors

Contact Details:		
Head of Internal Audit	Shail Shah	(87) 64245
Audit Manager	Simon Parsons	(87) 64246
Principal Auditor	Ann Ross	(87) 64235
Auditor	David Stillings	(87) 64237

Executive Summary

- 1.1 This report has been prepared following the visit to your school by Internal Audit on 5th March 2013. Relevant records have been examined, and discussions held with staff as appropriate.
- 1.2 We consider that most of the arrangements in place within the school are satisfactory and provide adequate systems of control. However, our review identified some weaknesses where improvements should be made, in particular to:-
- The standard of committee meeting minutes.
 - Demonstrating best value in the procurement of goods and services.
 - Authorisation for payment of invoices.

Due to these recommendations being classed as a high priority, it is important that these are implemented within the next 3 months.

Opinion

- 1.3 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the scope section of this report. We are able to give **limited assurance** on the controls in this area.

Summary of Recommendations

- 1.4 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.
- 1.5 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

Priority	Number of Recommendations
High	3
Medium	5
Low	3
Total	11

School Responsibilities

- 1.6 Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested
- 1.7 Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.
- 1.8 The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary. As a consequence we provide details of each final audit and recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken
- 1.9 Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Scope

- 2.1 The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit :
 - Leadership & Governance
 - People Management
 - Policy & Strategy
 - Processes
 - Purchasing
 - Processing Purchase Invoices
 - Banking Arrangements
 - School Fund

Detailed Findings and Action Plan

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date / Latest Status
Leadership & Governance					
01	<p>The standard of the sub-committee minutes were found not to be always up to the satisfactory standard due to the limited information recorded. For example, there is no record in the committee minutes that the budget for 2012/13 was agreed by governors.</p> <p>In addition, it is not always minuted that the opportunity to declare interests had been provided.</p> <p><u>Risk</u> Governors would not be made aware of financial developments or key financial information.</p>	<p>The school should ensure that detailed minutes are taken at each of the Governors' committee meetings. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes.</p> <p>In addition, declarations of interest should be prompted at all committee meetings by including this as a separate agenda item. Evidence of this item being raised and any resulting declaration of interest should be recorded in the minutes.</p>	High	<p>Minute taker changed, someone not involved in meeting.</p> <p>New minute taker to include.</p>	<p>Executive Head Teacher</p> <p>Complete</p>
02	<p>There has only been one virement of the school's budget share in this financial year but this was not presented to the governors' committee for approval or signed by the Chair of Governors.</p> <p><u>Risk</u> Governors are not made aware of changes to the budget.</p>	<p>Any variation to the schools budget in excess of £1,000 should be recommended to the governors and actioned after minuted approval.</p>	Low	<p>Will be put as an agenda item.</p>	<p>Executive Head Teacher</p> <p>September 2013</p>
03	<p>A register of pecuniary interests had been compiled by the school but the register held by the school was found to be</p>	<p>The register of pecuniary interests should be reviewed and updated annually for all governors and for senior</p>	Medium	<p>Updated by Administrative</p>	<p>Executive Head Teacher &</p>

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date / Latest Status
	incomplete and in need of updating. <u>Risk</u> Conflicts of interest are not reported in an open manner.	staff involved in the school's finances.		Assistant. To be a standing item at committee level	Administrative Assistant Complete
People Management					
04	The school does not have an Office Manager. Support is provided one day a week by the Office Manager of Sneinton CoE School with which the school shares an Executive Head Teacher. For 2012/13 the school had a budgeted expenditure of around £1.3 million. <u>Risk</u> The school's financial administration may not be controlled adequately	Given the size and budget of the school, the governors should consider implementing procedures which will allow for greater control over the day-to-day financial administration of the school.	Medium	Discussed by Governing Body – not financially viable as already x2 FT staff in school office.	On-going discussion of options Complete
Processes					
05	There is no audit trail to evidence that additional time payments have been authorised. <u>Risk</u> Unauthorised payments could be made.	The monthly return to Payroll should be printed off and signed by the Executive Head Teacher or Head of School to provide authorisation for the payments made.	Medium	Office Manager to print off and Executive Head Teacher to sign it off.	Executive Head Teacher July 2013
Purchasing					
06	Testing identified purchases for plumbing works, painting and decorating and completion of an inventory completed around the school. It was found in one	Alternative quotations should be obtained for all purchases between £1,000 and £5,000 in value made by the school and a record should be retained	High	x3 quotes obtained. (if emergency, not always appropriate)	Site manager to submit to Executive Head Teacher or Head of School to go on

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date / Latest Status
	<p>case that no alternative quotations had been obtained by the school and in the others that alternative quotes had been obtained but incomplete evidence had been retained to demonstrate this.</p> <p><u>Risk</u></p> <p>This could lead to potential for poor value for money in the procurement of goods and services.</p>	<p>of all such quotations as evidence that value for money has been obtained.</p> <p>If alternative quotations can not be obtained, the school should provide details of the firms they have tried to contact.</p>			<p>agenda.</p> <p>Complete</p>
07	<p>Official orders are not always completed by the school before an order is placed with a supplier.</p> <p><u>Risk</u></p> <p>If official orders are not issued there is a risk that the school could become committed to unauthorised expenditure.</p>	<p>Official order forms, signed by the Executive Head Teacher or other authorised member of staff, should be issued to suppliers for goods and services being purchased by the school.</p>	Medium	<p>Review office procedure – this is standard practice.</p> <p>(However, Amazon etc will not accept official order.)</p>	<p>Executive Head Teacher & Head of School</p> <p>Complete</p>
Invoice Processing					
08	<p>All invoices should be examined before being paid to ensure that they are for authorised purchases, the goods or services have been received by the school, the prices are correct and invoices are arithmetically correct. From our review of paid invoices there is no evidence of these checks being carried out before payments are made to suppliers.</p> <p><u>Risk</u></p> <p>There is a risk that inaccurate invoices are</p>	<p>The following checks should be made on all invoices before payments are made to suppliers, and evidence should be provided on invoices that these checks have been completed:</p> <ol style="list-style-type: none"> 1) goods/services received by school 2) invoice is arithmetically correct 3) invoice not previously passed for payment 4) where appropriate, equipment 	Medium	<p>Audit office procedure – produce checklist.</p>	<p>Office manager</p> <p>Complete</p>

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date / Latest Status
	processed.	entered on inventory and equipment security marked. This may be assisted by the use of an invoice certification stamp.			
09	<p>The invoices selected for testing were not authorised by an appropriate person prior to being processed for payment. As the school only has two cheque signatories, the Executive Head Teacher and the Head of School, there is some assurance that their signing of the cheque provides authorisation but if the number of cheque signatories is increased, as recommended later in this report, there should be a separate authorisation of the invoice. This could be achieved by signing or initialling an invoice certification stamp.</p> <p><u>Risk</u> This could lead to payment of unauthorised or invalid invoices.</p>	All invoices should be authorised by an appropriate person before being processed for payment.	High	<p>Overview office procedures.</p> <p>Invoices to Administrative Officer prior to being processed for payment.</p> <p>Administrative Officer to be 3rd signatory.</p>	<p>Executive Head Teacher</p> <p>Complete</p>
Banking Arrangements					
10	<p>It was noted that the school currently has only two cheque signatories for the school bank account.</p> <p><u>Risk</u> Payments may be delayed due to lack of personnel.</p>	The school should ensure that an additional senior member of staff is added on to the bank mandate, in order to allow for an additional cheque signatory.	Low	<p>Increase number of signatories to three.</p> <p>Third signatory to be Administrative Officer.</p>	<p>Agreed by Governors 09/07/13</p> <p>Complete</p>
School Fund					

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date / Latest Status
11	<p>Accounts relating to the school (voluntary) fund for the year ending 31 March 2012 have been prepared and audited but have not yet been signed by the Executive Head Teacher or presented to the Governing Body.</p> <p>Minor discrepancies were noted between the balances recorded in the accounts and the balances recorded on the bank statements for the beginning and end of the year. The auditor should be asked to clarify his figures before the accounts are presented to Governors.</p> <p><u>Risk</u></p> <p>Failure to apply suitable oversight to voluntary fund accounts and make the Governing Body accountable for the related accounting information.</p>	Audited accounts relating to the school (voluntary) fund should be presented to the Governing Body and the minutes should record the accounts as having been accepted.	Low	<p>Accounts presented to Governors at meeting on 09/07/13.</p> <p>Governors agreed that accounts should be externally audited on an annual basis.</p>	March 2014

Date: 12th July 2013

Appendix A – Definitions of Audit Opinion

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.



FINAL INTERNAL AUDIT REPORT Housing Rents 2013-14

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Executive Summary

Introduction and Background

- 1.3 Internal Audit has reviewed the Housing Rents system as part of the 2013/14 audit plan. The agreed scope covered assurance that the key controls in operation within the Housing Rents system are operating effectively to ensure that the rent debit is raised accurately and rent collection is maximised, and the system is secure. We also considered whether the Housing Revenue Account (HRA) has sufficient resources over the life of the business plan by looking at convergence to target rents and the HRA's 30 year business plan.
- 1.4 Housing rents are set by Nottingham City Council, as owner, but management of the housing rents billing and collection function was transferred to an ALMO - Nottingham City Homes (NCH) in April 2005, along with over 1,400 City Council Staff. NCH administers approximately 28,000 homes, 2,000 garages and 1,000 leasehold properties and is responsible for the repairs, rent collection and tenancy management.
- 1.5 NCH is a non-profit making organization run by a Strategic Board, made up of 14 members (5 tenants/leaseholders, 3 Councillors nominated by Nottingham City Council, 4 non affiliated members, and 2 co-opted members). The Strategic Board has 4 committees (Audit, Resources – which has an HR sub-committee, Performance and Service Improvement, Policy and New Business). Agendas and minutes etc are published on the NCH website and NCH has its own auditors for final account purposes and uses the company BDO for internal audit until April 2014.
- 1.6 The HRA is the Council's landlord account, which provides for the management and maintenance of the Council's stock. Legislation requires this account to be ring-fenced from the Council's other financial transactions. Since 2012/13 the HRA also has to be self financing (like housing associations) and this is ultimately achieved through raising sufficient income through rents charged to tenants. Whilst target rents are set to increase by CPI plus 1% from 2015-16 for 10 years, Government Guidelines if followed would limit actual rent increases to the same rate of increase, limiting opportunity for rent convergence (see **Appendix B** for a brief history of Government Policy on Social Rents).
- 1.7 In 2013 rents and service charges were increased by 5.48% overall, which was below the level the government determined. A 7.50% increase has been recommended for 2014-15 but this is offset in part by the tenant incentive scheme which could reduce the net increase to 4.68% or lower. A 30 year business plan based on the HRA Asset Management Plan has been updated this year. Its aim is to ensure that the HRA has sufficient resources over the life of the business plan. The main assumptions in the updated business plan are now stated to be:
 - Rent increases above RPI for each year of the plan
 - Average Inflation at 2.5% per annum over the business plan
 - Cost of borrowing increasing to a medium to long term average of 5%
 - Total investment in the housing stock of £2.0bn over 30 years

- A further assumption is that average rent will move towards the limit rent over the medium term
- 1.8 The housing rents system uses Northgate I-World software which has a number of modules: 3 main ones are Estates (tenancy details), Rents and Repairs. Each tenant is given a unique Tenancy Number which links the tenant to a property. This can also be used to link tenants to previous tenancies. Each rent account is given a unique account number and each property has a unique property reference.

Key Findings

- 1.9 We reviewed some of the figures reported to the Executive Board on 25th February 2014 as part of a report to authorise the Medium Term Financial Plan including rent increases and compared them with increases applied. We found that the headline increase was not applied to all accounts. The increase was limited to target rent plus 5% and was 3.7% as required to prevent reduction in housing benefit subsidy for affordable rent homes.
- 1.10 The latest Medium Term Financial Plan no longer states that the 30 year business plan assumes rent convergence. We have analysed existing rents and target rents and projected them forward assuming rent increases at their maximum allowable levels and rent increased to target rent on tenancy turnover (at 7% as in 2012-13). This shows that rent convergence cannot be achieved in the 10 years to 2024-25 if the new Government guidelines are complied with. The guidelines have not been complied with for 2014-15 following legal opinion that confirmed that this approach was within the Council's power. In our report last year we suggested that additional measures would be needed to fairly apportion the cost of maintaining and improving stock between existing tenants (see **Appendix C** for a graph of rent convergence by ward in 2013-14) and between current and future tenants. The rent increase this year goes some way towards that goal but is less effective for rents which are at lower levels of convergence – these still need additional measures. **Appendix D** shows progression towards convergence under several future rent increase scenarios.
- 1.11 The business plan has been updated showing a reduction of £100m in capital expenditure. This is broadly consistent with our finding last year that total rent income would be between 3 to 4% lower than target rents by 2019-20, which is equivalent to £3.8m to £5.0m per year. Capital expenditure levels are broadly consistent with a continuing higher level of rent increase.
- 1.12 The introduction of a tenant incentive scheme, whilst reducing net income has contributed politically to an almost maximal rent increase. The scheme is being developed but appears to preclude payment of incentive if the tenants
- Fail to look after their garden
 - Fail to make arrangements to pay their rent arrears
 - Commit crime and anti-social behaviour
- 1.13 Part of the justification for the scheme is that it will generate savings by changing tenant behaviour, though these savings are not quantified. We suggest that clear measures are prepared and incorporated into the NCH Performance Framework to

identify the monetary savings which can be attributed to the scheme. We also note that the cost of the scheme is assessed at virtually full compliance and that the cost of administering the scheme has not been assessed. It is disappointing to note that the scheme's parameters and administration have not been developed and costed. Given this lack of detail and the description of the scheme in the report there is no evidence to suggest that the scheme aims to do anything other than reduce the rent increase.

- 1.14 To comply with government guidelines, void properties' rent should be increased to target rent. We understand that currently there is no automatic mechanism tested and available for activation to put this policy into effect, but that it will be put in place through controls in the advertising process. The overall average rent increase should be monitored to ensure that the potential for loss of housing benefit subsidy is minimised. There is likely to be sufficient headroom between average rent and the housing benefit subsidy limit rent in 2014-15 for the level of void relet at target rent expected.
- 1.15 Of the assumptions given for the HRA Business Plan,
- the inflation rate used is acceptable;
 - the interest rate on debt is acceptable because it is more prudent than figures obtained from weighting existing debt and forecasts of future rates;
 - rent rises above RPI is not acceptable because Government guidelines for future rent increases from 2015-16 suggest they are no more than CPI + 1%. The reference to RPI rather than CPI may be an error. An Office for Budget Responsibility paper indicates that in the long run RPI will average 1.4% higher than CPI whereas it is currently 0.7% higher. Also to achieve rent convergence and therefore an appropriate income base to support capital expenditure and borrowing our models in Appendix D indicate rent rises will not just need to be above, but substantially higher than Government guidelines;
 - the total investment figure appears to be acceptable because it appears to correct at the appropriate scale for the inability to converge rents in the short term, however, the HRA business plan spreadsheet is due for thorough updating to reflect changes in the social rent and welfare environment and we cannot use it to provide assurance for a long term figure in these circumstances.
 - The assumption that (average) rent will move towards the limit rent over the medium term is only acceptable if Government guidelines are not followed, as the maximum guideline rent increase until 2024-25 is the same as the set increase in limit rent (CPI +1%). If guideline increases are applied we estimate that the gap between limit rent and average rent will have changed by a figure in the range - £0.39 to £0.59 by 2019-20.
- 1.16 2013-14 rents were approved by Executive Board on 19Feb2013. Our testing identified errors in the application of government caps and limits to rent modelling and the rent increase approval submitted for 2013-14. This issue was first raised in March 2013.
- 1.17 For the second successive year the effect of the government guidelines on rent increases was not reported to Executive Board, the application of a guideline maximum rent affected 1711 properties in 2014-15, and a further 57 affordable rent

homes had rent increases limited by housing benefit subsidy rules. The full year effect before voids and bad debts was around £100k and £10k respectively.

- 1.18 An annual reconciliation of housing stock has been carried out, we have queried the treatment of some properties within this reconciliation, however we believe that this would only result in changes to opening and closing decommissioned stock and not to the operating stock figure. As part of our review we identified properties which lacked a figure for target rent – we understand that amendments are being made to correct this.
- 1.19 A review of rents lower than £20 on the Northgate housing system is carried out annually, and this year a full investigation of all leases of HRA properties has been carried out. This is intended to provide a record and lead to consistent charging.
- 1.20 NCH performance reports include property voids. These reports and actions arising are reviewed by the Housing Partnership board annually and at monthly partnership meetings.
- 1.21 Cash postings to the rent account are checked for each day of the week, and are compiled into a weekly reconciliation. The reconciliation is 3-way: 1) Rents cash recorded through Radius to Northgate Housing rents cash received, and 2) Northgate Housing rents cash received to bank (and Oracle General Ledger (GL)). The first reconciliation is exclusive of direct debits and direct debit rejections. The second includes direct debits and rejections but adjusts for service charge direct debits and rejections paid into the weekly rents bank account (no adjusting Oracle transactions are made). The relevant GL account is N-H-9151-B32-975-2. Service charge direct debit and direct debit reject cash is also posted to this account (a separate GL account N-H-9151-B30-975-4 exists for service charges but transfers to correct these postings are accumulated and entered as one journal at year end). Service charge cash is not reconciled. Whilst weekly rents cash was accounted for in full the lack of adjusting transactions in respect of service charge direct debit income and reconciliation of service charge income are weaknesses and also weaken the weekly rents reconciliation.
- 1.22 Amounts are cleared from the former post office payment bank account. Some tenants continue to make internet transfers to this account in respect of weekly rent. There is some delay in postings being made which can affect recovery processes - NCH are aware of the idiosyncracies in these rent accounts and delay recovery accordingly. This bank account is subject to transaction charges and amounts are cleared net of charges. We recommended last year that the relevant customers are notified of the correct bank payment details (again) and this account is closed to simplify the reconciliation and avoid the bank charges, but NCH Finance state they have had no instruction from the City Council.
- 1.23 Audit testing has confirmed that the reconciliations of both cash and housing benefit onto rent accounts are up to date and that with there are no significant issues in respect of housing benefit.
- 1.24 The Northgate Housing system holds records of housing, tenants, and households.
- 1.25 Northgate is a browser based application that is accessible via any computer connected to Nottingham City Council's network. It is also accessible through Citrix and by a number of partner organisations, those signed up to HomeLink, access the system by connecting to the City's network via VPN, using an RSA SecurID fob.

- 1.26 Access to the application is provided by the NCC IT's Service Desk who create accounts based on the system access given to current users who share a similar position, i.e., an existing member of the Call Centre will have their permissions copied when a new colleague starts.
- 1.27 All accounts are assigned a profile which determines such things as password shelf life, access attempts before account suspension and grace time for changing passwords – there are currently 20 such profiles. The only stipulation for passwords is that they must be at least six characters in length, passwords are not required to be alpha numeric, with no requirement for symbols and are not case sensitive. This does not comply with corporate rules.
- 1.28 The level of system access a user has is determined by the job roles attached to their account, currently there are 204 job roles which give access to all parts of the system, these job roles can be added or removed at any point in the account lifecycle without disabling the users access to the Northgate application, but restricting or granting access to functionality and data. Job roles can and have been created as required. The highest level access is provided by the job role ALL_ACCESS, there are 26 accounts that have this access including the system account HOU.
- 1.29 The HOU database schema owner for the Northgate Housing system is in use for more processes and by more users than is necessary. Northgate have confirmed that no front end processes should be run using the HOU database schema owner as they could and should be run using the user's own user account. Using the HOU database schema owner obscures accountability for transactions and provides greater access to Northgate Housing than is appropriate to some colleagues who currently use it. It is also understood that the password for the HOU user has not been changed for some time and does not meet the corporate standard or the more stringent standard for superuser passwords. An interim audit report has been raised in respect of this finding on 15Oct2013. IT applications team and colleagues are attempting to resolve the issues and meet password standards.
- 1.30 A new service charge was created this year by NCH. This is an example of inappropriate access to the Northgate database. We understand that the charge was created incorrectly but was detected and corrected during integrity testing for new rents. As rents and service charges are the responsibility of the Council, they should only be set up by Council colleagues with appropriate authorisation, though NCH should be consulted.
- 1.31 There is no systematic audit in place that looks at the users access, a script is run against the passwords table to look for those passwords that have not been changed in over 90 days. A trace script has been run in October 2013 to identify inappropriate use of a system account. IT is reliant on managers from the business to inform the Service Desk when a colleague leaves or moves department so that their account can be locked or changed. In a report provided to Internal Audit at the end of March 2013 there were 3688 accounts, 1458 open, 2106 locked, 85 suspended because of incorrect passwords and 39 with no access to any modules.
- 1.32 Northgate does have a comprehensive audit function but this has not been configured to monitor user access.

- 1.33 We understand that leavers and change of role is not adequately reported by users' managers to system administrators. Our testing showed that new starters on the system were created after a request from their supervisor or another appropriate manager.
- 1.34 Recommendations from last year's report have been followed up as part of testing. Those issues still relevant are reported above and updates are shown in the Action Plan section of this report.

Opinion

- 1.35 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **Limited Assurance** on the controls in this area.
- 1.36 The opinion is based on concerns around the current level of rent convergence, future rent setting, the lack of development of the approved tenant incentive scheme, the accuracy of the Housing Revenue Account 30 year business plan, and access control for the Northgate housing system. We do note however, that the rent increase approved in 2014-15 is a useful step towards providing an income base that supports future expenditure.

Summary of Recommendations

- 1.37 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.
- 1.38 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

Priority	Number of Recommendations		Number Complete	Number Remaining
	2013-14	2012-13	2012-13	All years
High	4	3*		7
Medium		6	1	5
Low		1		1
Total	4	10	1	13

*1 recommendation upgraded from Medium to High priority as a result of updating findings in 2013-14

Added Value

- 1.39 We have provided support and advice concerning the government's new rent guidelines during the guidelines' consultation period and have highlighted the

serious effect that the guidelines and past rent setting behaviour has on future capital plans. We have also highlighted errors in budgeting and reporting on rent increase in 2014-15.

Responsibilities

- 1.40 Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested
- 1.41 Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.
- 1.42 The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary. As a consequence we provide details of each final audit and recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken
- 1.43 Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Detailed Findings and Action Plan

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
2013-14 01	<p>The HOU database schema owner for the Northgate Housing system is in use for more processes and by more users than is necessary. Northgate have confirmed that no front end processes should be run using the HOU database schema owner as they could and should be run using the user's own user account. Using the HOU database schema owner obscures accountability for transactions and provides greater access to Northgate Housing than is appropriate to some colleagues who currently use it. It is also understood that the password for the HOU user has not been changed for some time and does not meet the corporate standard or the more stringent standard for superuser passwords.</p> <p>Update: A new service charge was created this year by NCH. This is an example of inappropriate access to the Northgate database. We understand that the charge was created incorrectly but was detected and corrected during integrity testing for new rents. As rents and service charges are the responsibility of the Council, they should only be set up by Council colleagues with appropriate authorisation, though NCH</p>	<p>Urgent action should be taken to review access to the Northgate Housing system and limit access by the Council and its partners to the HOU database schema owner to appropriate uses and users. Appropriate alternative access arrangements should be provided where they are necessary and not already in place. The password for the HOU database schema owner should be changed in line with currently proposed Password Standards and in future according to corporate approved Password Standards.</p>	High	<p>Key progress made.</p> <ul style="list-style-type: none"> IT Infrastructure colleagues have begun running a trace script on the live Northgate Housing database to determine the extent of the issue. We have examples that show that show that there is an issue to be addressed. Outline plans have been put together and shared with relevant colleagues. The project will run for around 18 months with HOU user restrictions being implemented in 2014 following year end. Potential actions and implications for NCC & NCH were discussed with Beth Lawton – NCH ICT Director on Wednesday 30th October 2013. Provisional agreement has been reached subject to 	<p>Applications Manager</p> <p>Initial restrictions 30/04/2014</p> <p>Completed by April 2015</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p>should be consulted.</p> <p><u>Risk</u> Inappropriate transactions are carried out by a colleague, for which they are not then accountable. Access control weakness within the Northgate Housing system results in Council colleagues being refused access to Public Service Network systems.</p>			impact on NCH.	
2013-14 02	<p>We identified errors in the November 2013 update to the HRA business plan spreadsheet which when corrected show shortfalls in capital funding from 2015-16.</p> <p>Update: Capital expenditure has been reduced by £100m over the 30 year business plan.</p> <p><u>Risk</u> Revenue is insufficient to fund capital requirements.</p>	<p>The HRA business plan spreadsheet should be fully updated and be separately audited to provide assurance that assumptions within it are consistent with existing, historic and likely scenarios for future data, and with enforceable government guidelines. Any major financial issues arising should be reported to Executive Board together with a mitigation plan.</p>	High	<p>The HRA 30 year business plan will be updated and all assumptions will be reviewed by a joint NCC/NCH working group. The impact on the capital programme will be reviewed and updated accordingly via the appropriate approval routes.</p>	<p>Finance Analyst (Housing)</p> <p>30 June 2014</p>
2013-14 03	<p>The tenant reward scheme's parameters and administration have not been developed and costed. In effect councillors have been asked to approve a scheme without understanding how it will work and what it will cost.</p> <p><u>Risk</u> All risks and opportunities of the scheme are</p>	<p>The tenant reward scheme's parameters and administration should be fully developed and costed and reported to councillors for authorisation.</p>	High	<p>The tenant reward scheme was costed based on broad parameters, and included likely levels of award in 2014-15 based on current tenant behaviour. The scheme does not take effect until 2014-15 so the</p>	<p>Finance Analyst (Housing)</p> <p>30 June 2014</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	unmanaged			administration of the scheme is now being developed and undertaken by NCH and the costs of administration absorbed into existing operations by either the rents team or the estates team. NCH will also be responsible for monitoring the changes to tenant behaviour and quantifying the savings generated	
2013-14 04	<p>The report presented to Executive Board on 25Feb2014 stated that under revised government guidelines relets should be at target rent, but we understand that currently there is no automatic mechanism tested and available for activation to put this policy into effect.</p> <p><u>Risk</u> Relet rents do not conform with policy leading to loss of income and maintaining an unfair distribution of rents.</p>	Housing and Finance should ensure that an effective mechanism for relet at target rent is in place and operational by 1st April 2014 in consultation with IT Applications Management.	High	<p>The government guidance referred to does not come into effect until 2015-16.</p> <p>It is planned to implement relets at target rent during 2014-15, subject to approval with Portfolio Holder. NCH will put the relevant changes to the processes in place.</p>	<p>Housing Partnership Manager</p> <p>PHD during June 2014</p> <p>30 June 2014</p>
2012-13 01	We modelled potential rent future increases and found that the proposed rent increase plan given in Table 6 of Annex 4 to the Medium Term Financial Plan approved by Executive Board on 21Feb2012 were insufficient to achieve overall convergence, and in any case rent increases applied in	A long term rents setting policy should be prepared setting out how income will be optimised to ensure that the cost of capital and maintenance is fairly apportioned between all	High	For each year rent increases and their impact on future position of the HRA were discussed with the Portfolio Holder and for 2014 this was also presented to Leadership and Executive	<p>Finance Analyst (Housing)</p> <p>30 June 2014</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p>February 2012 and 2013 had been lower than this plan. We noted the financial effect of these decisions and their impact on forecast revenue and forecast revenue contribution to capital expenditure. Our work indicated that there was a significant opportunity to optimise income within the framework of a long term rents policy.</p> <p>Update: No additional measures have been taken in 2013 to ensure rents are fairly apportioned or safeguard future capital resources, though capital resources over the 30 years of the business plan have been reduced by £100m. We estimate the effect of non-convergence to be between £3.8m to £5.0m per year. (See also 2013-14 02 below)</p> <p><u>Risk</u> Revenue is insufficient to fund capital requirements. Rent income is not optimised and / or inequities exist within the apportionment of the cost of capital and maintenance through rents to all current and future tenants.</p>	<p>current and future tenants. In the medium term the policy should be benchmarked against rent convergence targets and rents income required in the 30 Year Business Plan. The policy should be reported to Councillors for approval.</p>		<p>Board.</p> <p>The HRA 30 year business plan will be updated and all assumptions will be reviewed by a joint NCC/NCH working group. The impact on the capital programme will be reviewed and updated accordingly via the appropriate approval routes.</p>	
2012-13 02	<p>We noted that the government suggested convergence in order to bring an 'end to 'arbitrary' differences between the rents of similar properties in a locality and between</p>	<p>In order to optimise the income supporting capital and maintenance plans, both in the shorter and</p>	High	<p>This is a policy decision; in addition there is a consultation on rent setting policy by DCLG which will</p>	<p>Finance Analyst (Housing) PHD during June</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p>similar properties in neighbouring areas'. We consider it to also be a sensible approach to ensure that the cost of capital and maintenance is fairly apportioned between all current and future tenants. We believe that a key objective in such a fair apportionment would be optimising income within government guidelines.</p> <p>We found that increases with a flat rate element were more effective in producing a fair distribution of rents and convergence than percentage increases.</p> <p>We suggested that alternative plans would be required to optimise income from rents. Such plans may include rents being increased twice a year, void properties' rent being increased to target rent (or part way to it), and different rent increases being applied to segments of the housing stock.</p> <p>Update: A flat percentage increase of 7.5% has been recommended for 2014-15. The Council intends to introduce a tenant reward scheme to limit the effect of the increase on tenants. We have commented upon this separately.</p> <p><u>Risk</u> HRA debt is constrained by government</p>	<p>longer term, innovative approaches should now be considered to support achievement of convergence of rents to target rents. The effect of these changes on the overall average rent increase should be monitored to ensure that the potential for loss of housing benefit subsidy is factored into the decision, as it would be in the case of an annual percentage increase. The innovative approaches should be consolidated within a rent increase policy, to be approved by councillors. This would be in keeping with the longer term outlook required by HRA self financing, and provide more certainty around the rent income stream for lenders when the Council finances capital expenditure on stock through debt, which could in turn lead to lower interest rates on debt.</p>		<p>determine maximum rents from 2015-16. The introduction of a policy of rent increase to target rent on re-letting is under consideration.</p>	<p>2014</p> <p>30 June 2014</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	caps and rents income is insufficiently optimised to support capital and maintenance plans leading to the requirement for savings affecting the quality of housing stock or to property disposals if imbalances in the HRA build up.				
2012-13 04	<p>12661 properties on the 2013-14 rents upload file sent by Housing Finance to IT didn't have the full 5.54% increase approved by Executive Board applied due to incorrect application of the government's limit on rent increases. This resulted in a loss of rent increase of up to £72,475 p.a. with an increasing knock on effect on future years' rents.</p> <p>Update: The rents had not been corrected when we reviewed the rents in December 2013.</p> <p><u>Risk</u> Loss of rent.</p>	<p>The limits on increases in rent should be checked annually and brought into calculations to set new rents. These limits are currently set by the Homes and Communities Agency.</p> <p>Consideration should be given to correcting the rent increase for the affected tenants taking into account the knock on effect of the rent loss in future years.</p>	Medium	The Finance Analyst (Housing) will review the calculations to ensure that DCLG guidance is followed correctly where applicable.	<p>Finance Analyst (Housing)</p> <p>Immediate</p> <p>30 Apr 2014</p>
2012-13 05	<p>The limit to rent increases applied was not mentioned in the 2013-14 Executive Board report on the Housing Revenue Account.</p> <p>Update: The limit to rent increases applied was not mentioned in the 2014-15 Executive Board report on the Housing Revenue Account. Priority upgraded to High.</p>	The intention to apply limits or caps set by government or its agencies and their effect on rents should be reported within the approval request for rents.	High	In future reports reference will be made to the current government target rent or equivalent policy.	<p>Finance Analyst (Housing)</p> <p>Immediate</p> <p>30 April 2014</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p><u>Risk</u> Rents set are unapproved. Councillors are not made aware of the true level of increases and discrepancies in rent levels when approving rent increases.</p>				
2012-13 07	<p>We identified that there was insufficient knowledge of charges made outside the Northgate housing system (mainly leased out properties) and the reason for low charges or zero charges although an annual review of rents less than £20 was carried out</p> <p>Update: A full confirmation and recording of leases has been carried out during 2013-14. This will support future work to regularise charging and improve accountability, make the cost of services transparent, and provide assurance that the HRA ring-fence is applied.</p> <p><u>Risk</u> Appropriate rents are not obtained for all properties</p>	<p>A review of rents lower than £20 on the Northgate housing system is carried out annually, and charges outside the Northgate Housing system should be recorded on the file showing these properties. Additionally the reason for setting any low rents should be recorded together with confirmation that they are consistent with rents policy.</p>	Medium	Action now complete, but ongoing following reviews.	<p>Finance Analyst (Housing)</p> <p>From 2014-15</p> <p>30 April 2014</p>
2012-13 08	<p>Password structure is not forced to be compliant with corporate standard. Account profile determines password shelf-life. There is no report providing a review of user access to the system, but a script is run to identify accounts where passwords have not been changed for 90 days or more. We understand that leavers and change of role</p>	<p>If possible the Northgate password structure should force compliance with the corporate standard.</p> <p>System administration should review the level of leaver and role change</p>	Medium	A discussion is being had with Northgate the supplier to look at the feasibility of deploying a tool which links the Nottingham City Council Active Directory (NCCAD) account password to a users Northgate account.	<p>Housing Partnership Manager</p> <p>31/08/2013</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p>is not adequately reported by users' managers to system administrators. IT Helpdesk have not yet provided information requested to test new starters on the system so we can provide no assurance in this respect.</p> <p>Update: A sample of new starters was found to be requested by appropriate managers. (See also below 2013-14 01)</p> <p><u>Risk</u> Inappropriate access to Housing or personal data.</p>	<p>requests annually against the corporate personnel turnover report to determine whether users are being managed appropriately and target action if necessary.</p>		<p>This request links with a larger corporate programme to allow a single sign in for many applications deployed across the Council.</p> <p>A discussion has been held at the Northgate Governance meeting (7-6-13) for further action.</p> <p>IT have confirmed that although Northgate does not deploy the "forced compliance" structure of the Council's corporate standards, to actually access Northgate a user must have access to the Corporate network which does require a forced password compliance.</p>	
2012-13 09	<p>The reconciliation of cash onto rent accounts reconciles rents but excludes service charges which are received into the same bank account. Cash received for service charges is not regularly reconciled to records on the Northgate Housing system and ledger.</p>	<p>Responsibility for reconciling service charges should be assigned and periodic reconciliations should be carried out.</p>	Medium	<p>This needs to be discussed in detail with NCC Housing Finance Team to understand the process of reconciliation.</p> <p>Finance teams from NCH and NCC have met to discuss reconciliation of</p>	<p>Housing Partnership Manager</p> <p>31/07/2013</p>

Ref	Finding and Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	<p>Update: NCH Finance state that they have not been instructed by Nottingham City Council to reconcile service charges.</p> <p><u>Risk</u> Fraud or error in accounting for income.</p>			service charges. Further work is required and will continue throughout 2014-15.	
2012-13 10	<p>Amounts are cleared from the former Post Office payment bank account. Some tenants continue to make internet transfers to this account in respect of weekly rent. There is some delay in postings being made which can affect recovery processes – NCH are aware of the idiosyncracies in these rent accounts and delay recovery accordingly. This bank account is subject to transaction charges and amounts are cleared net of charges.</p> <p>Update: NCH Finance state that they have not been instructed by Nottingham City Council to make arrangements to close the Post Office bank account.</p> <p><u>Risk</u> Unnecessary use of resources.</p>	Relevant customers should be notified of the correct bank payment details (again) and this account should be closed to simplify the reconciliation and avoid the bank charges.	Low	<p>This has been raised with Andrew Webb at Nottingham City Homes. Andrew confirmed those tenants sending payments to the old accounts were written to a few years ago.</p> <p>A request has been made that the payers identified be written to again to update their payment account details.</p>	<p>Housing Partnership Manager</p> <p>31/12/2013</p>

Signed.....

Date.....

(3rd tier manager or above)

Appendix A – Definitions of Audit Opinion

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

Appendix B – Government Policy on Social Rents

Rent Convergence Policy

In 2002 the Government introduced a policy of rent convergence and rent setting guidelines to enable alignment of the rents of local authorities with those of housing associations. The intended convergence was to be achieved in 2012/13. This was later delayed to 2015/16 because of the global economic crisis.

The Government also introduced target (or formula) rents to enable it to establish what income could be derived from housing stock and consequently the level of debt that could be supported. Target rents were calculated based on key factors such as the number of bedrooms, the 1999 property valuation and local earnings.

Increases in target rents (fixed increases) and actual rents (maximum allowable increases) were ½% above the RPI increase calculated each September with an addition of up to £2 on a 52-week rent for actual rents to provide for convergence. The Executive Board took the decision on 20 November 2012 to extend the period to achieve rent convergence for City Council housing stock to 2019/20 to avoid a steep rent increase for tenants at the start of the 30 year business plan.

Withdrawal of Rent Convergence Policy

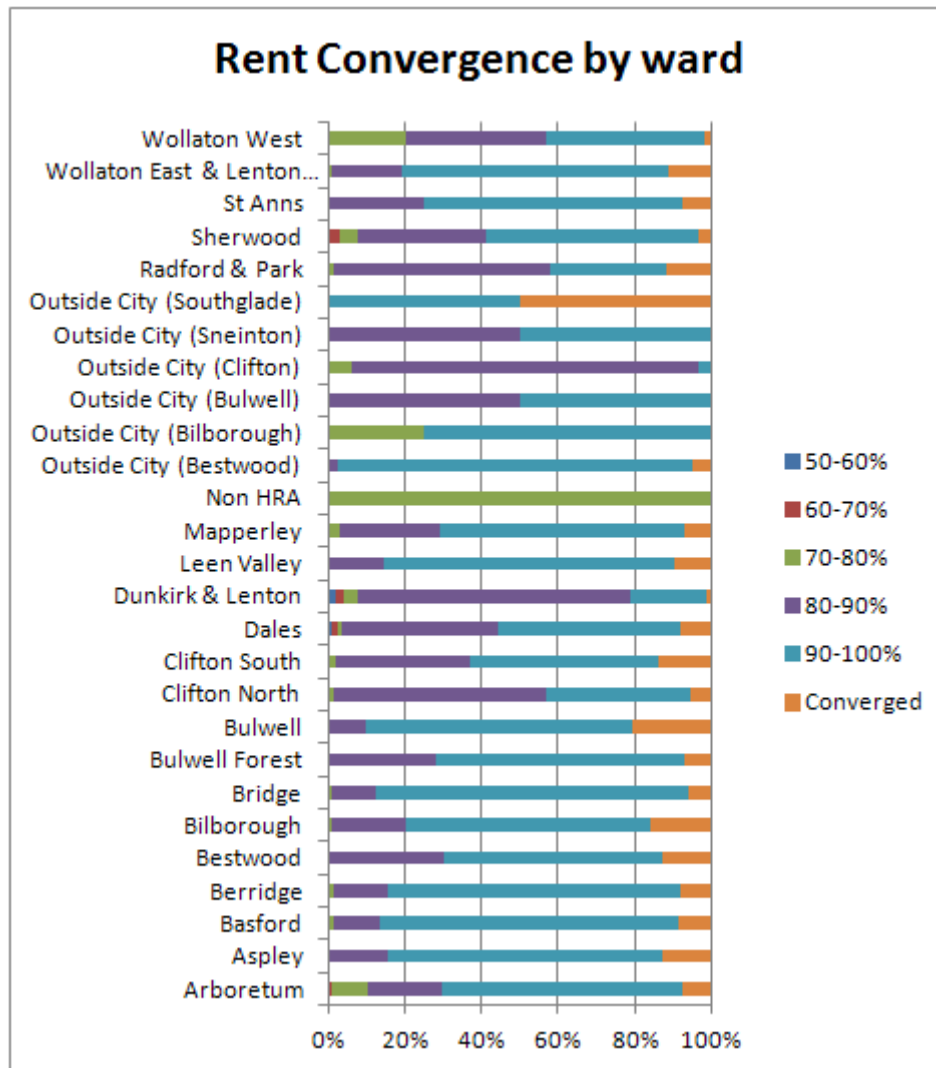
Draft guidance was issued in October 2013 which will remove the convergence element of rent increases from 2015-16 onwards. This will mean that if the guidelines are followed with maximum guideline increase applied, where actual rents have not already converged to target rents, they will diverge further in cash terms due to the effect of applying a percentage increase to a lower value.

Rents charged should be moved to target rent on re-let according to the new guidance, but at a rate of 7% tenancy turnover in 2012-13 this will take at least 10 years to affect only 50% of tenancies, with each passing year contributing successively lower impacts to convergence.

Effect of Non-Convergence

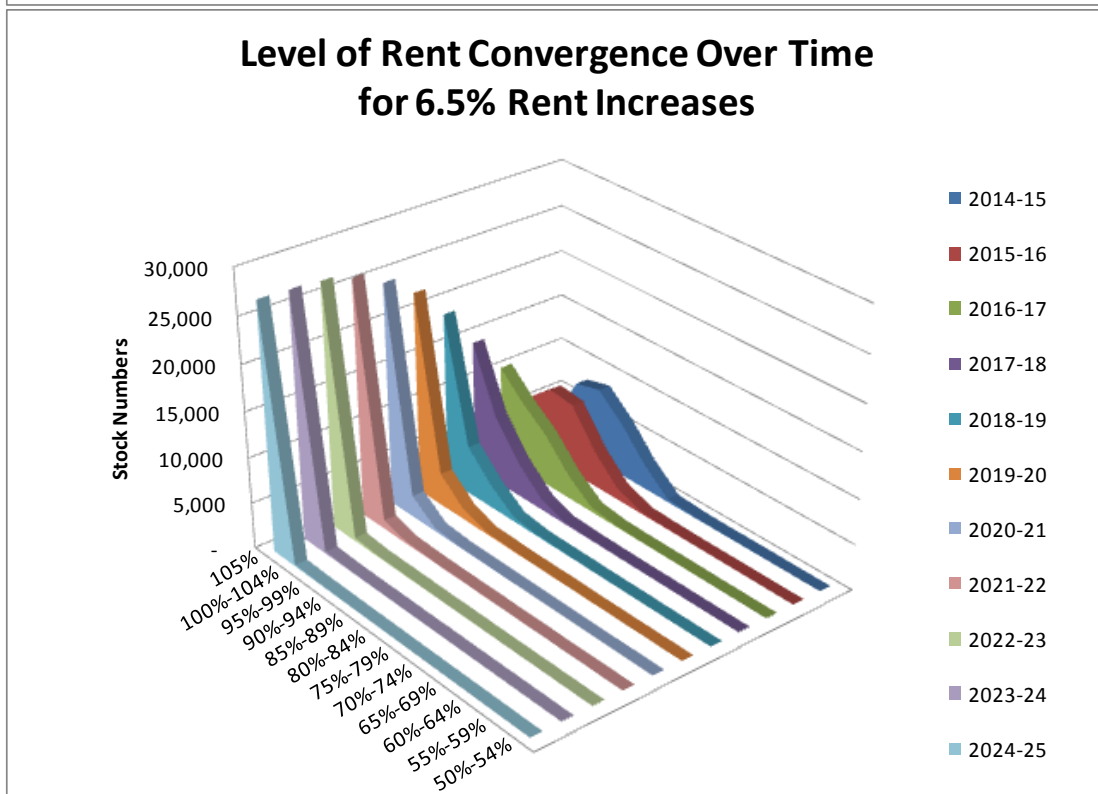
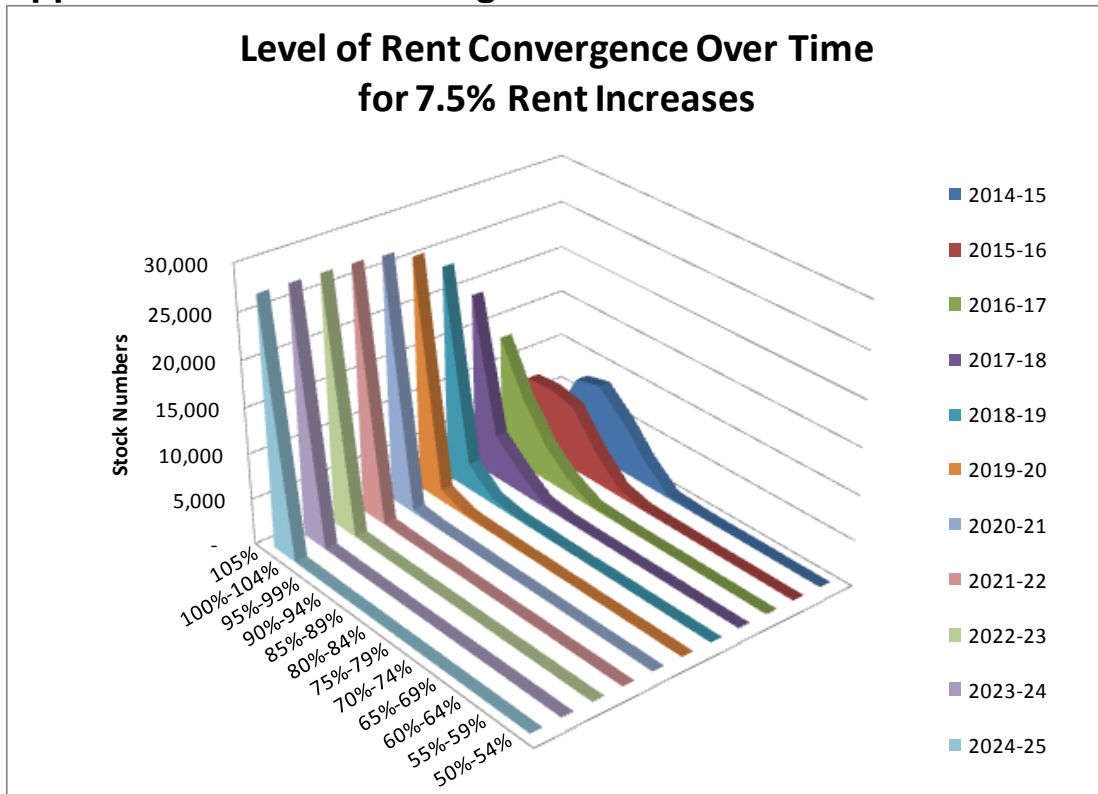
In cash terms, in 2013-14, 35% of NCC tenants pay between £5 and £10 per week less than the government thinks they should and a further 14% have even wider gaps between what they pay and the government's guideline. This has a cost to NCC of around £6m per year allowing for 4% bad debts. It also means that the cost of maintenance and improvement of housing stock is not shared fairly between all tenants.

Appendix C – Rent Convergence by Ward in 2013-14

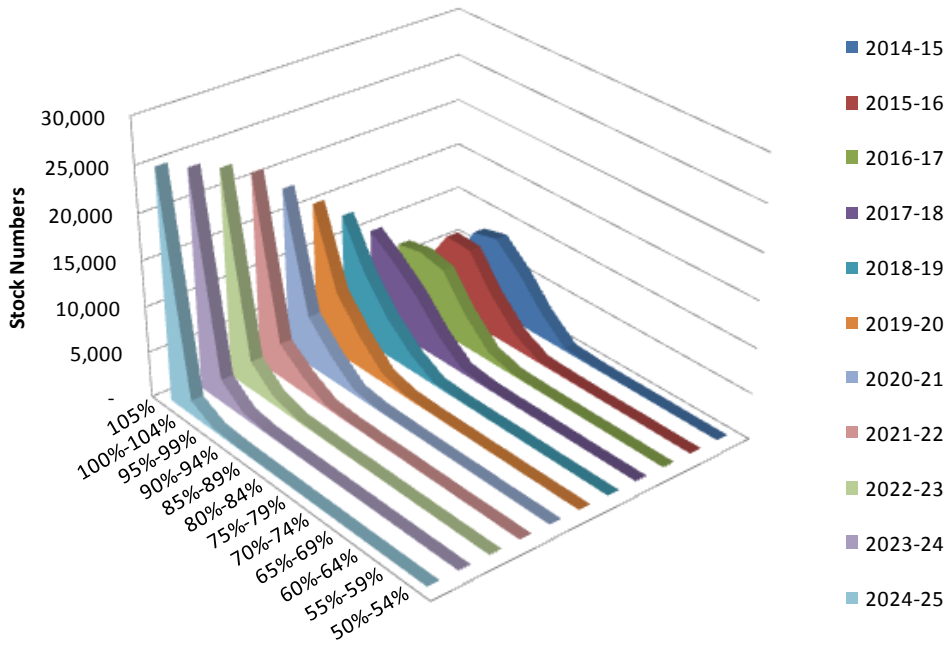


The Stock by ward chart shows the proportion of stock in each ward indicating the contribution of the above figures to overall convergence / lack of convergence.

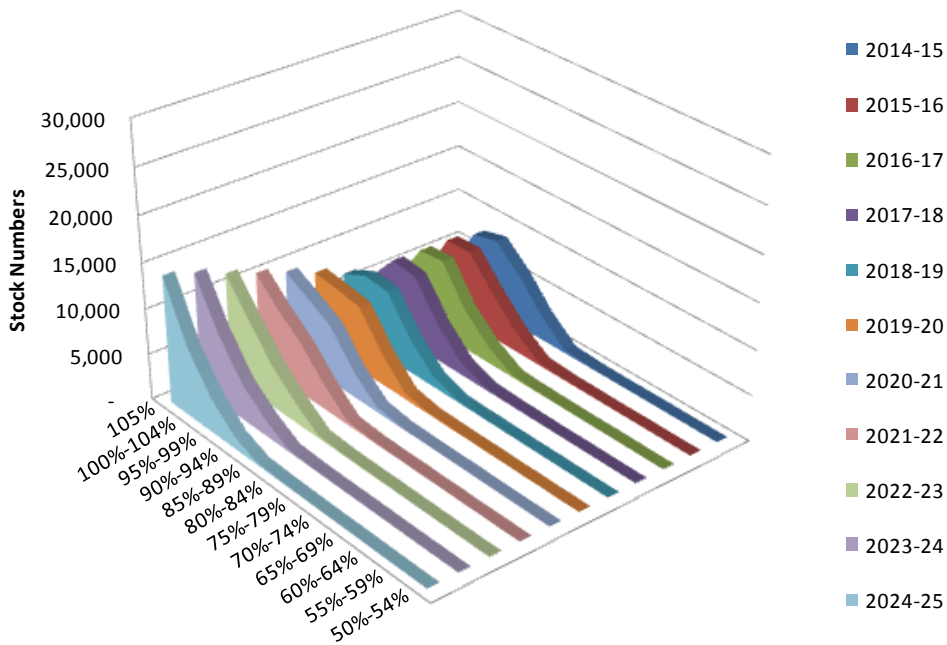
Appendix D – Rent Convergence Over Time With Constant CPI



Level of Rent Convergence Over Time for 5.5% Rent Increases



Level of Rent Convergence Over Time for 4.5% Rent Increases



AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	AUDIT COMMITTEE ANNUAL REPORT 2013/14	
Director(s)/ Corporate Director(s):	Councillor Sarah Piper Chair of the Audit Committee	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the work undertaken and approve the report at Appendix 1 which is to be sent to the meeting of City Council in October 2014.	

1. REASONS FOR RECOMMENDATIONS

This report outlines the work undertaken by the Audit Committee (the Committee) in 2013/14 and explains how this relates to its core responsibilities. The report will be sent to Full Council to demonstrate how the Committee has filled its designated role within the Constitution and contributed to the governance arrangements in place in the City Council.

2. BACKGROUND

The Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also maintains and increases public confidence in the objectivity and fairness of financial and other reporting, as well as helping to deliver improved services. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

An effective Audit Committee helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.

In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities. It is aimed to develop the Council's commitment to improving corporate governance.

The report at **Appendix 1** summarises the work undertaken by the Committee during 2013/14, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. For the purpose of reporting, the report categorises the work under the broad themes below.

- Risk and Performance
- Performance Management
- External Audit
- Internal Audit
- Other Work

The work undertaken is, however, cross cutting and the work covered in each theme is complimentary to that reported in the other themes.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None.

Audit Committee Annual Report 2013/14

Foreword by the Chair

I became Chair of the Audit Committee in May 2013 and have now a year's experience in the role in which I have garnered experience of a wide range of governance related issues. Throughout this time I have been grateful for all the support and encouragement that I have had from committee members and would like to thank them all for their work for the committee. I would also like to express my appreciation to the Head of Internal Audit, who has supported the Committee throughout the year, and also to Council colleagues and the providers of external assurances who have attended our meetings and answered our questions. Many Council colleagues will be able to testify that appearing before the Audit Committee has not been an enjoyable occasion which they would want to repeat too often. But it is through this depth of questioning and answering that the Committee has been able to assure itself of the Council's governance arrangements.

The following report summarises the work performed over the year 2013/14 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks.
- Managing a good working relationship with the External Auditor, ensuring appropriate action was taken on its recommendations and the most efficient use of external and Internal Audit was achieved.
- Overseeing the performance of the Internal Audit Service.
- Ensuring audit findings are actioned and consequently helping to improve the Council's effectiveness and governance arrangements.
- Monitoring of, and contribution to, the development of the Council's Statement of Accounts and overseeing the Council's Treasury Management arrangements. This included examining the new borrowing arrangements for Net Phase 2.
- Accepting new responsibilities for overseeing our partnership with other notable organisations

Purpose of the Committee

Corporate governance is a phrase used to describe the mechanisms underpinning how the Council directs and controls its operations, and relates to the people of Nottingham. Good corporate governance requires organisations to undertake their functions with integrity and in a way that is accountable, transparent, effective and inclusive. My role of the Chair of the Audit Committee is to drive forward improvements on corporate governance. This means I must;

- Consider the reports of external audit and inspection agencies.
- Support the Committee in reviewing the financial statements, external auditor's opinion and reports to Councillors, and monitor management action in response to the issues raised by external audit.
- Support the Committee in reviewing the Council's integrated planning and performance framework.
- Support consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Lead the Committee to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Lead but not direct approval of Internal Audit's strategy, plan and monitor performance.
- Support the review of the summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Lead the Audit Committee in procuring external audit if required

Committee Aims

The Committee helps to raise the profile of internal control, risk management and financial reporting within the Council. The Committee enhances public trust and confidence in the governance of the Council. My annual report underlines this important work and demonstrates the Council's awareness and commitment to maintaining and improving corporate governance across all its dealings. The Committee aims to improve corporate focus on governance by:

- Consideration of external audit and inspection agency reports;
- Review of the financial statements, external auditor's opinion and reports to Councillors, and monitoring management action in response to the issues raised by external audit;
- Review of the Council's integrated planning and performance framework;
- Considering the effectiveness of the Risk Management Framework and activities, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- Being satisfied that the Council's assurance statements, including the Annual Governance Statement (AGS), properly reflect the risk environment and any actions required to improve it;
- Approving Internal Audit's strategy and Audit Plan, and monitoring its performance;
- Reviewing Internal Audit (IA) reports and the main issues arising, and seeking assurance that action has been taken where necessary;
- Receiving the Annual Report of the Head of Internal Audit,
- Ensuring that there are effective relationships between external and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

In summary, the Committee's role is to challenge, assess and gather assurance from within the Council and from external agencies, on the level and quality of the internal control and risk management processes in place. It also approves Audit Plans, the Statement of Accounts, and AGS and monitors the robustness of performance management systems. The benefits to be gained from operating an effective committee are that it:

- raises greater awareness of the need for internal control and the implementation of audit recommendations;
- increases public confidence in the objectivity and fairness of financial and other reporting;

- reinforces the importance and independence of internal and external audit and any other similar review process (eg providing a view on the AGS);
- provides additional assurance through a process of independent and objective review.

Membership

The members of the Committee for 2013/14 were:

Councillor Sarah Piper (Chair)
 Councillor Thulani Molife (Vice Chair)
 Councillor Mohammad Aslam
 Councillor Georgina Culley
 Councillor Michael Edwards
 Councillor John Hartshorne
 Councillor Toby Neal
 Councillor Roger Steel
 Councillor Malcolm Wood

Work Undertaken

The following summary of activity is categorised by the main topic or source of the assurance. The work is reflective of the Committee's terms of reference shown at **Appendix A**, which is addressed via an annual work programme endorsed by the Committee. The analysis has been derived from the reports and presentations set before the Committee in the period. **Appendix B** cross references the essential elements of the annual work programme to the Committee's terms of reference.

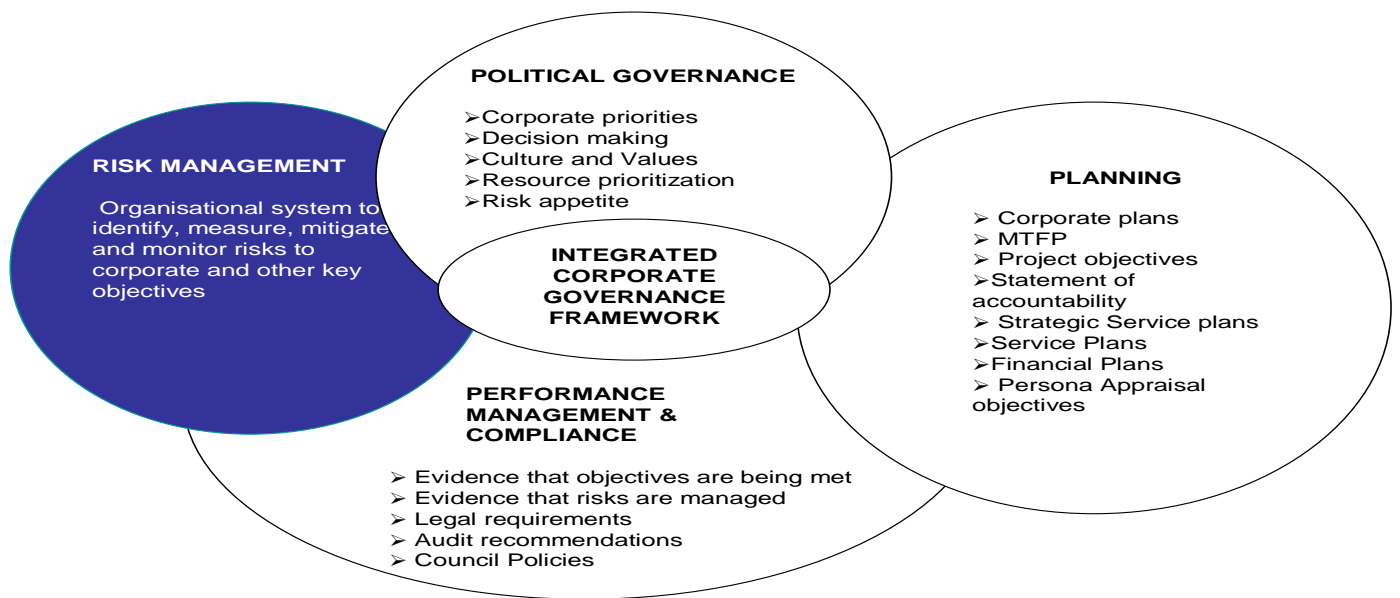
A. Risk

Rationale

The role and remit of the Committee was defined when it was established in 2008. The Committee's key risk management role is to provide assurance on the adequacy of the Council's Risk Management Framework (RMF) and the associated control environment by reviewing the mechanisms for assessing and managing risk. The role places the Committee at the centre of the Council's implementation of the RMF and associated policies and practices.

Summary of Work

Risk Management is an essential part of the Council's governance framework. The Committee received regular updates regarding the Council's RMF and Strategic Risk Register, the main elements are summarised below. The following illustration shows the interdependence of the key governance elements and how they sit together with risk management.



RISK MANAGEMENT FRAMEWORK

The Committee has responsibility for approving the RMF which provides policy and detailed practical guidance on the Council’s risk management approach. The Strategic Risk Strategy provides practical guidance on the management of the Strategic Risk Register and the risks within it, including escalation/ delegation of risks, reporting arrangements, responsibilities. Risk Strategies accompany Risk Registers maintaining a rigorous Risk and Opportunity Management approach while enabling flexibility in how risks are managed at different levels of the organisation. This approach reflects departmental priorities, ways of working and activities whilst complying with the requirements of higher level risk strategies. During the year the Committee reviewed and approved the updated RMF including the Improvement Action Plan.

The Following Diagram Illustrates the interrelationship of the Council’s Risk Registers

Council Risk Register



REVIEW OF STRATEGIC RISKS

The Council manages the full range of risks that threaten its priorities from the operational to the strategic through a portfolio of risk registers which collectively form the Council Risk Register (CRR). The “highest” register is the Strategic Risk Register (SRR).

In support of its role, Audit Committee received quarterly updates on the SRR and has overseen the delegation / closing of one strategic risk and identification / escalation of one strategic risk by Corporate Leadership Team. Significant progress was made during 2013/14 to manage and reduce the threat levels of the Council’s strategic risks despite the financial and economic pressures. During 2013/14, work to manage the Council’s strategic risks resulted in:

- **One** strategic risk having a threat level reduced to such an extent that it was delegated from the SRR (*SR16a - Failure of partners including the City Council to work effectively together to achieve vision and outcomes in the Nottingham Plan to 2020*)
- **Ten** strategic risks having reduced threat levels or being at target by Q4 (*SR2a, SR3, SR5a, SR7a/b, SR10, SR24, SR25a, SR26, SR28 and SR30*)
- **Four** strategic risks showing no improvement terms of threat level (*SR6, SR8b, SR11a and SR12a*)
- **One** new strategic risks (*SR30 – Organisational environment*)

The Committee has an important role in ensuring the adequacy of the RMF and the associated control environment. As part of the SRR Quarterly Updates, the Committee selected or received for review the following six RMAPs covering the Council’s most important risks with risk owners attending meetings to provide a verbal briefing and answer questions:

- *SR6 - Failure to safeguard vulnerable children*
- *SR8b - Failure to implement and embed effective information management structures, policies, procedures, processes and controls to support the Council’s immediate and future regulatory, legal, and business requirements*

- *SR11a - Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan*
- *SR12a - Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City*
- *SR30 - Failure to create an organisational environment that supports delivery of Council priorities*
- *Public Health service and integration risk*

The Committee used these briefings as an opportunity to challenge / test the management of the risks (for example, identification of appropriate constituent risks and the robustness of risk management actions) and in so doing made a valuable contribution to the management these risks.

B. Performance Management

Rationale

The Committee receives periodic reports in respect of the Council's Performance Management Framework and financial and non-financial performance. This gives the Committee an insight into operational performance and the extent that it affects the Council's exposure to risk and weakens the control environment.

Summary of Work

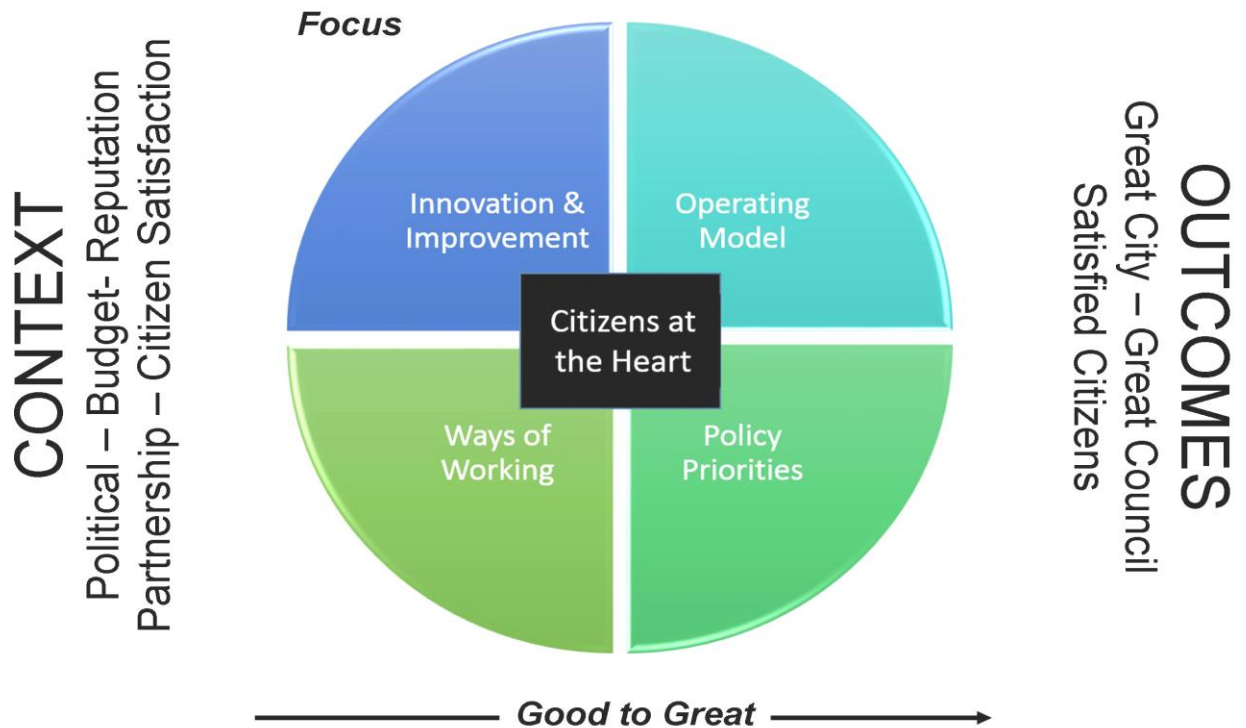
The Deputy Chief Executive is leading the overall transformation agenda and is closely engaged with Corporate Leadership Team (CLT) and lead Councillors in developing a new workplace strategy to transform the Council and how services are delivered. This strategy links to the Council's refined purpose of Leading Nottingham. The Council's message map (below) underpins key organisational messages and helps to ensure that plans and people management approaches are closely connected.

Performance Management Framework (PMF)

The Council's current Council Plan states the importance of having an effective PMF to allow it to effectively measure and report success in delivering its key priorities. It is also enshrined in The Nottingham Plan to 2020 which forms the key overarching strategic plan for the public service agencies to deliver the priorities for the city by 2020.

Message Map

Journey to... Great City – Great Council – Great Services Delivered by Great Leaders and Great Colleagues For Nottingham Citizens



The Council's CLT is driving a shift in the culture of performance management across the authority and so has signalled a need for a more consistent, efficient, effective and streamlined approach that also helps services put the citizens at the heart of everything they do. The PMF is designed to provide this consistent approach to the way organisational & service performance is managed, monitored, reviewed and reported at all levels in the organisation. It establishes a clear relationship between corporate priorities and decisions taken from the top down to individual level via business planning. The framework was updated in 2013/14 so that it aligns with the Council's commissioning cycle and sits within the context of our developing 'Good to Great' vision placing citizens at the heart of everything we do. The PMF sets out the high level approach the Council will take to performance management, ensuring that all are:

- Clear about what to achieve, by when and by whom
- Focussing resources and action on the right outcomes
- Aware of how things are going
- Reporting on progress – to both internal and external audiences
- Able to quickly access effective support.

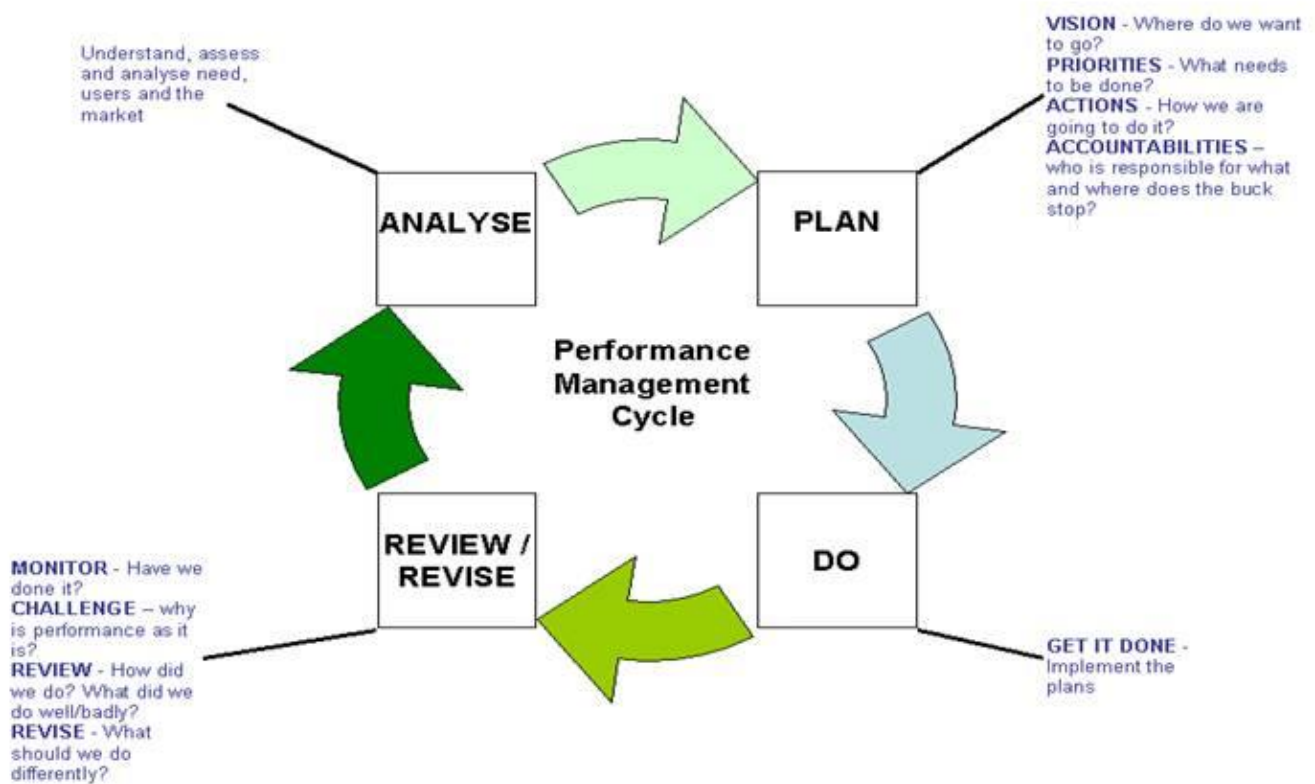
The PMF:

- Sets out the principles of our performance culture and how this can be sustained
- Applies to all levels of council activity

- Defines the roles, responsibilities and reporting arrangements for all involved
- Has a broad scope, which includes strategic business planning, risk management, workforce planning, performance appraisal (which has also been substantially refreshed) and performance monitoring and management at team, service, departmental and organisational levels
- Has wider links to the Council's Transformation Portfolio.

As the diagram below shows it is based on the Analyse – Plan – Do – Review/Revise cycle widely adopted as a good business planning/management process, and mirrors the approach taken by our commission activity:

PMF



C. External Audit

Rationale

The Committee also has a duty to scrutinise the Council's financial and non-financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. It also has further responsibilities to approve the Council's Statement of Accounts (SOA) and to consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

External audit is an essential element of governance, which gives an independent view of the stewardship and accountability roles of the Council. The duties and powers of the external auditor are set out in statute and in the Audit Commission's statutory code of practice. The

Council's external auditor changed in the year, the service being provided by the Audit Commission until November 2012 when it was taken over by KPMG.

Summary of work

Throughout the year the Committee received reports from the Council's external auditors, detailing their work plans and the progress they had made. This has allowed the Committee to obtain an independent assurance in respect of the overall governance arrangements set in place by the Council. The culmination of this work was the Annual Audit and Inspection letter and an unqualified opinion on the Authority's 2012-13 financial statements.

D. Internal Audit

Rationale

One of the Committee's key roles is to review and monitor the work of Internal Audit (IA). The Audit Charter sets out the terms of reference of the service and is one of the benchmarks against which the Committee can measure performance and effectiveness of the service.

The Accounts and Audit Regulations 2011 state that local authorities should maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

Summary of work

The service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework. It operates within professional standards as laid down in the Public Sector Internal Audit Standards 2012. The Audit Charter is the embodiment of the terms of reference for the service defining the objectives and responsibilities of the service. The Committee has overseen the quality and performance of the service by review of reports including the Head of Internal Audit's (HoIA) quarterly and annual reports. From the assurance given by the HoIA and assurances gathered from other independent sources, the Committee gained reasonable assurance that the internal control system was operating effectively within the Council and its associated partners.

The Committee gained assurance from its consideration of detailed reports on:

- Internal Audit Plans
- Internal and External Audit Protocol
- Internal Audit Quarterly Reports Issued and High Risk Recommendations Made
- Internal Audit Performance and Quality of the Service
- Internal Audit Annual Report and Head of Internal Audit Opinion
- Reports Selected for Examination
- Counter Fraud Strategy
- Training and Presentations
- Partnership Governance Framework Health Checks
- Internal Audit Charter

E. Other Work

The Audit Committee Work Programme (**Appendix B**) reflects the many subject areas and sources of information that the Committee considers in its deliberations about Corporate Governance. The information assimilated allows members of the Committee to understand governance issues and determine their opinion about the overall state of corporate governance in the Council.

E1. Annual Governance Statement - AGS

Rationale

Included in this Committee's terms of reference is the core function that it should be "satisfied that the Authority's assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it."

The publication of an AGS is required by the Accounts and Audit Regulations 2011. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices. The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This has been adopted as the Council's Local Code of Corporate Governance by the Executive Board.

The Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken in time to deliver the Statement alongside the Council's SOA.

The Committee has delegated authority for the formal approval of the AGS and approved it at its September 2013 meeting. It was signed by the Leader of the Council, the Chief Executive and the Deputy Chief Executive and was published alongside the SOA.

Summary of work

The AGS reflects the governance framework operating within the Council and its significant partnerships, groups and trusts. The issues identified in the AGS and the consequent plans for their mitigation are used to direct corporate resources, including those of IA. The Committee has been kept updated on the progress in respect of those issues reported and has monitored the process for compiling the 2013/14 AGS. Issues reported in September 2013 and monitored within the year were as follows

- Single Status
- Central Government Review of Local Government Funding and Balancing the Council's Budget
- Children in Care
- East Midlands Shared Services

- Work Place Parking Levy
- Nottingham Express Transit
- Icelandic Banks

E2. Statement of Accounts (SOA)

Rationale

The SOA is an annual publication that shows how the Council's resources have been utilised, it must be prepared in accordance with all legislative requirements and professional best practice, and approved by the Council within a defined timescale. The Committee's terms of reference include a duty to review and approve the Council's SOA on behalf of the Council.

Summary of Work

The Committee reviewed and agreed the accounting policies on which the annual accounts were prepared. The 2012/13 SOA and Annual Governance Report were received by the Committee. The Committee approved the SOA, noted the report issued to those charged with governance (from the external auditor), and approved the associated management presentation letter

E3. Local Government Ombudsman – Annual Review

Rationale

Each year all local authorities are provided with a letter from the Ombudsman and a report covering their performance with regard to dealing with complaints.

Complaints need to be used to influence service improvement and therefore to increase customer satisfaction and highlight areas where controls may be failing.

The Council is still the responsible body for complaints about housing provided by Nottingham City Homes and their figures are included in its Annual Letter.

Summary of work

The letter from the Ombudsman was positive and noted that the authority continues to perform well and turn around enquiries/complaints in good time.

E4. Treasury Management

Rationale

Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The Council's treasury management function operates in accordance with the Code of Practice for Treasury Management in the Public Services (the TM Code), issued by the CIPFA. Under this code the annual Treasury Management Strategy, including the Investment Strategy, is considered and approved by a meeting of Full Council before the beginning of the financial year to which it applies.

The TM Code requires authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. In undertaking this function, the Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices, and to deliver this in advance of the associated strategies being formally approved by Council. This provides an opportunity for detailed scrutiny and analysis of the Treasury Management Strategy and Investment Strategy by those charged with governance.

Summary of Work

The Committee scrutinised and gained assurance from the regular reports it received in the period regarding City Council's Treasury Management Strategy and performance reports including the Treasury Management Annual Report

E5. Role of the Audit Committee and Annual Work Programme

Rationale

An Audit Committee is central to the provision of effective corporate governance. It is important that local authorities have independent assurance about the mechanisms underpinning their governance arrangements. It recognised that high performing councils develop effective financial and non-financial control mechanisms through the ongoing liaison and development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, with Terms of Reference focussed on the key audit control and risk management areas critical to the Council's performance. The work of the Committee supports the Council's aim to improve its efficiency and effectiveness. In common with the requirement for Overview & Scrutiny Committees/Panels, and in accordance with CIPFA guidance, the Committee is politically balanced and does not have Executive membership.

Summary of work

The Committee adopted a work programme designed to cover key aspects of corporate governance within the Council. The work programme was designed to meet the Committee's responsibilities as set out in its terms of reference.

E6. Partnership Governance Arrangements

Rationale

The Council has a long and successful history of working in partnership across the public, private, voluntary and third sector. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.

Summary of work

The Partnership Governance Framework includes an annual 'health check' of each partnership which is significant to the City Council in terms of strategic, reputational or financial importance. This health check is designed to identify risks to the Council from its involvement in any of the partnerships. The results of these health checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk. The partnerships that are deemed significant to the Council in terms of their strategic, reputational or

financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported to Audit Committee.

E7. Audit Committee Annual Report

Rationale

The Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also maintains and increases public confidence in the objectivity and fairness of financial and other reporting as well as helping to deliver improved services. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

An effective Audit Committee helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council. The Committee should enhance public trust and confidence in the governance of the Council.

In order to demonstrate the effectiveness of the Committee and develop public trust, an annual report was produced in respect of the Committee's activities. It was aimed to demonstrate the Council's commitment to improving corporate governance.

Summary of work

The last annual report outlined the work undertaken by the Committee and how that related to its core responsibilities to demonstrate how the committee had fulfilled its designated role and contributed to the Council's governance framework. The report was presented to the Full Council by the Chair of the Committee.

THE COMMITTEE'S TERMS OF REFERENCE 2013/2014

TITLE	AUDIT COMMITTEE
POWERS / REMIT	
<p>(a) <u>Main Purposes:</u></p> <ol style="list-style-type: none"> 1. Provide assurance of the adequacy of the risk management framework and the associated control environment; 2. Scrutinise the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment; 3. Oversee the financial reporting process; 4. Approve the council's statement of accounts; 5. Comment on the scope and nature of external audit; 6. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance. <p>(b) <u>Main Functions:</u></p> <ol style="list-style-type: none"> 1. Reviewing the mechanisms for the assessment and management of risk; 2. Approving the council's statement of accounts; 3. Receiving the council's reports on the statement on the annual governance statement and recommending their adoption; 4. Approving internal audit's strategy, planning and monitoring performance; 5. Receiving the annual report and other reports on the work of internal audit; 6. Considering the external auditor's annual letter, relevant reports and the report to those charged with governance and the council's responses to them; 7. Considering arrangements for and the merits of operating quality assurance and performance management processes; 8. Considering the exercise of officers' statutory responsibilities and of functions delegated to officers; 9. To recommend external audit arrangements for the council; 10. To receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers; 11. Overseeing the partnership governance framework, including annual health checks and the register of significant partnerships. 	
ACCOUNTABLE TO: Council	
MEETINGS: Normally six per annum plus specials where required	
MEMBERSHIP: 9 non-executive members (politically balanced) plus 1 independent member	
ESTABLISHED SUB COMMITTEES: None.	

SUMMARY OF CATEGORY OF WORK UNDERTAKEN CROSS REFERENCED TO THE COMMITTEE'S TERMS OF REFERENCE BY MAIN PURPOSE AND FUNCTION

TOPICS *	Cross reference to Appendix A TOR	Cross reference to Appendix A Function
Audit Committee Training	1 - 6	1- 11
Review of Accounting Policies	3,4	2
External Audit – Audit Committee Progress Reports	5	6
Internal and External Audit Protocol	5	4,6
Internal Audit Annual Work Plan and Three Year Strategic Plan	1	4
Audit Committee Annual Work Programme	1 - 6	1 - 11
Annual Governance Statement and Updates	2,4	3,6
Statement Of Accounts	4	2
Internal Audit Annual Report and Internal Audit Charter	1	4
Annual Audit Letter	3,4	6
Ombudsman Annual Letter	2	10
Partnership Governance Health Checks and Update To Register Of Significant Partnerships	1	11
Strategic Risk Register – Quarterly Updates and Annual Reviews	1	1
Counter Fraud Strategy	6	8
Internal Audit Work Plan for East Midlands Shared Services and Updates	1	4
External Audit Plan	5	6,9
Certificate of Grants and Returns	3,5	2,8
Protecting the Public Purse	6	8
A Revised Performance Management Framework for Nottingham City Council	2	7
Treasury Management Strategy, Annual Report, and Half Yearly Update	2	2,8
Internal Audit Quarterly Reports	1	4
Audit Committee Terms of Reference and Annual Work Plan and Updates	1 - 6	1 - 11

* All the associated reports and agendas are publicly available and may be found at the following website:
<http://www.nottinghamcity.gov.uk/article/23479/Council-Meetings-and-Decisions>

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AUDIT COMMITTEE – 25 JULY 2014

Title of paper:	INTERNAL AUDIT QUARTERLY REPORT 2014/15 - 1ST QUARTER	
Director(s)/ Corporate Director(s):	Glen O’Connell Acting Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Author and contact officer Shail Shah – Head of Internal Audit Tel: 0115 8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note and gives views on the performance of IA during the period.	
2	Select up to two audits from Appendix 1 for examination at the November 2014 meeting.	

1. REASONS FOR RECOMMENDATIONS

This report outlines the work of the Internal Audit service (IA) for the 1st quarter of 2014/15.

- **Appendix 1** - List of final audit reports issued in the period with scope, analysis of recommendations, detailed high risk recommendations and level of assurance
- **Appendix 2** - Analysis of findings in Final Audit Reports issued
- **Appendix 3** - Overview of the work completed to date against the updated Audit Plan

1.1 Standards

The service works to a Charter endorsed by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2011, and associated regulations, in respect of the provision of an IA service. The service has internal quality procedures and is ISO9001:2008 accredited.

1.2 Local Performance Indicators (PIs)

Performance against all PIs is illustrated in **Table 1**.

Indicator		Target	Period	Actual Year	Comments
1	% of all recommendations accepted.	95%	100%	100%	Above Target
2	% of high recommendations accepted.	100%	100%	100%	On Target
3	Average number of working days from draft agreed to the issue of the final report	8 days	4	4	Above Target
4	Number of key / high risk systems reviewed.	15 systems	0	0	Work programmed to begin quarter 2
5	% of staff receiving at least three days training per year.	100%	0%	0%	Individual training is in hand and is in accordance with personal development targets
6	% of customer feedback indicating good or excellent service.	85%	100%	100%	Above Target

1.3 **Activity**

Table 2 shows that actual days achieved are in line with planned days set out in the updated Audit Plan and **Appendix 3** shows progress against the individual audits. In summary, after allowance for seasonal work patterns, the plan is on target.

Total Planned Days	Profiled Planned Days	Actual to date	Comments
1612	403	329	Increased activity is planned for quarters 2-4

Table 3 shows that in the year to date, acceptance of recommendations is above the target of 95% for all recommendations and is on target for high recommendations (100%).

	2013/14		Period	
	All	High	All	High
Total recommendations made	77	24	77	24
Rejected	0	0	0	0
Total recommendations accepted	77	24	77	24
% accepted	100%	100%	100%	100%

Resources

The net budget for the service is £300,599. The predicted service outturn is in accordance with the budget.

2. BACKGROUND

The Audit Committee's terms of reference include responsibility for receiving reports on the work undertaken by IA and for monitoring its performance. The Public Sector Internal Audit Standards (PSIAS) set the responsibility for the management of Internal Audit with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council. This report is one of the regular updates on work undertaken by the service and the Audit Committee is invited to consider and comment on:

- The performance of the IA service against the annual plan in terms of number of days and the balance and mix of the work.
- The nature, scope and quality of the work undertaken.
- The performance indicator results, including whether these indicators are appropriate and the targets sufficiently stretching.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Accounts and Audit Regulations 2011
- Audit Plan 2013/14
- Public Sector Internal Audit Standards 2012

FINAL AUDIT REPORTS ISSUED IN PERIOD

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
Brocklewood Primary School	<p>The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit.</p> <ul style="list-style-type: none"> • Leadership & Governance • People Management • Policy & Strategy • Processes • Purchasing • Processing Purchase Invoices • Banking • Voluntary Funds • Inventory 	Significant	For all purchases over £50,000 the school should go through a formal tendering procedure.
Nottingham Nursery	<p>The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit.</p> <ul style="list-style-type: none"> • Leadership & Governance 	Significant	<p>The school should ensure that detailed minutes are taken at each of the Governors sub-committee. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes.</p> <p>All payments made via internet banking should be subject to the same checking and authorisation process as payments made by cheque.</p>

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
	<ul style="list-style-type: none"> • People Management • Policy & Strategy • Processes • Purchasing • Processing Purchase Invoices • Banking • Inventory 		
Housing Rents 2013-14	<p>The agreed scope covered assurance that the key controls in operation within the Housing Rents system are operating effectively to ensure that the rent debit is raised accurately and rent collection is maximised, and the system is secure. We also considered whether the Housing Revenue Account (HRA) has sufficient resources over the life of the business plan by looking at convergence to target rents and the HRA's 30 year business plan.</p>	Limited	<p>Urgent action should be taken to review access to the Northgate Housing system and limit access by the Council and its partners to the HOU superuser to appropriate uses and users. Appropriate alternative access arrangements should be provided where they are necessary and not already in place. The password for the HOU superuser should be changed in line with currently proposed Password Standards and in future according to corporate approved Password Standards.</p> <p>The HRA business plan spreadsheet should be fully updated and be separately audited to provide assurance that assumptions within it are consistent with existing, historic and likely scenarios for future data, and with enforceable government guidelines. Any major financial issues arising should be reported to Executive Board together with a mitigation plan.</p> <p>The tenant reward scheme's parameters and administration should be fully developed and costed and reported to Councillors for authorisation.</p> <p>Housing and Finance should ensure that an effective</p>

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
			<p>mechanism for relet at target rent is in place and operational by 1st April 2014 in consultation with IT Applications Management.</p> <p>A long term rents setting policy should be prepared setting out how income will be optimised to ensure that the cost of capital and maintenance is fairly apportioned between all current and future tenants. In the medium term the policy should be benchmarked against rent convergence targets and rents income required in the 30 Year Business Plan. The policy should be reported to Councillors for approval.</p> <p>In order to optimise the income supporting capital and maintenance plans, both in the shorter and longer term, innovative approaches should now be considered to support achievement of convergence of rents to target rents. The effect of these changes on the overall average rent increase should be monitored to ensure that the potential for loss of housing benefit subsidy is factored into the decision, as it would be in the case of an annual percentage increase. The innovative approaches should be consolidated within a rent increase policy, to be approved by Councillors. This would be in keeping with the longer term outlook required by HRA self financing, and provide more certainty around the rent income stream for lenders when the Council finances capital expenditure on stock through debt, which could in turn lead to lower interest rates on debt.</p> <p>The intention to apply limits or caps set by government or its agencies and their effect on rents should be reported within the approval request for rents.</p>
IT Asset	This audit assessed the arrangements	Limited	Ensure that all software in use across the Council is

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
Management	being put in place to manage IT assets to ensure equipment and software is controlled in a secure environment, and provides the related management information to ensure costs are monitored and replenishment planned.		<p>included in the IT Asset Register to ensure that key licence information is known, that version control can be maintained and links to records management informed when new applications are introduced.</p> <p>Amalgamate all Asset Registers within IT to ensure a common view that is linked to SupportWorks, Active Directory and HR records.</p>
IT Security 2014	<p>Note: Two reviews of IT security have taken place, the scope of each review and the High priority recommendations are noted within this section.</p> <p>As part of this year's plan, we have reviewed the implementation of the two outstanding recommendations in the Penetration Test Follow up report of March 2013 while reviewing the results of the further penetration test carried out in September 2013 which was a requirement as part of the PSN compliance process.</p> <p>This audit assessed the level of assurance the Council could take from its arrangements for password control and systems administration. A report was issued in March 2013 giving limited assurance and included six recommendations for improvement.</p>	Limited	<p>Strengthen the arrangements for issuing temporary passes to Loxley House, particularly in relation to staff that have recently left Council employment and those that have 'forgotten' their passes.</p> <p>Ensure that a planned approach to implement solutions to minimise the risks from both internal and external threats over the whole IT estate on an ongoing basis is adopted.</p> <p>Managers should follow a checklist when someone leaves which should include notifying IT on the day of leaving that access is no longer required. Failure to abide with this instruction should be dealt with as a performance issue.</p> <p>When revising procedures to ensure that accounts for leavers or people transferring to new roles are updated timeously, ensure that the procedures include passing</p>

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
			<p>relevant information between partners without undue delay.</p> <p>Consider reverting to the previous standard in relation to password expiry until the greater password strength recommended in the penetration test can be applied and leaver accounts dealt with promptly.</p>
Housing Benefits 2014	<p>The agreed scope covered the following:</p> <ul style="list-style-type: none"> • Subsidy Monitoring (this looks at managing financial risk) • Reconciliations • Interventions • Overpayments • Quality Control and payments • System Access and Control 	Limited	<p>The service should produce a report evaluating the effectiveness of the overpayments training and outlining other measures to reduce the level of error associated with transactions that create overpayments.</p> <p>The service should use its accuracy testing data to focus support and quality control on colleagues with the worst accuracy record over recent testing.</p>
Fairer Charging 2014	<p>The scope of this review was limited to;</p> <ul style="list-style-type: none"> • The financial assessment process. • Income collection and debt management procedures. • IT access and other IT controls. 	Significant	<p>The FCT should review its debt recovery procedures. Measures to be considered should include;</p> <ol style="list-style-type: none"> 1. Recording all debt recovery activity on ContrOCC. This should include visit reports, issuing of reminder letters, telephone conversations etc. 2. Refusals to pay should not go unchallenged. Each case is unique but there should be an assumption that if someone is assessed as being able to pay for their services, they should be pursued, in a timely manner, for any debt owing to the council. 3. An increase in resources available for debt recovery

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
			<p>within the FCT. This may include new resource or a re-allocation of existing resources.</p> <p>It should be borne in mind that an accumulation of debt may be an indication of an underlying safeguarding issue for the citizen concerned and prompt investigation of any outstanding debt may highlight this.</p> <p>There should be greater control over access to the ContrOCC IT system. The on-going review of user access should ensure the following;</p> <ol style="list-style-type: none"> 1. Restrict access to the super-user account to those who require it as part of their role. 2. Delete any user accounts not integrated with Active Directory. 3. Introduce a periodic check on accounts in order to disable or delete leavers and colleagues who have not accessed the system within a 6 month period.
Contracts Audit 2014	<p>As part of the 2013-14 Internal Audit Plan, we have reviewed a sample of contracts let in the financial year to ensure compliance with Financial Regulations and Contract Procedure Rules (CPR) The review covered the following:</p> <ul style="list-style-type: none"> • Contracts adequately advertised and complied with European legislation and Council regulations for the amounts involved. • Invitation to tender sent to 	Significant	Monitor contract renewals and update the contracts register.

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
	<p>interested parties containing specification details and evaluation scoring criteria.</p> <ul style="list-style-type: none"> • Tender evaluation supported and carried out in accordance with advertised criteria. • Tender award process followed and advised to successful bidder. <p>In addition, a follow up audit was carried out on a review of procurement processes reported in June 2012.</p>		
Main Acc - NCC Testing (Oracle)	<p>The agreed scope of our review covered the following:</p> <ul style="list-style-type: none"> • Documentation of the processes within Oracle and comparison with previous reviews. • Assessment of the adequacy of controls in place to mitigate the main risks. • Assessment of the work carried out by the Central Finance Team. <p>Our review has included an assessment of the following key controls as set out by our External Auditor, KPMG:</p> <p>(1) Ledger mapping to the</p>	Limited	<p>Responsibilities for reviewing and correcting exception reports should be agreed between EMSS, LCC and NCC to ensure that a consistent approach is applied to all partners. This would also allow for clear lines of responsibility to be established.</p> <p>All Journals should be subject to period review to ensure that the transactions are valid.</p>

Audit	Scope	Level of Assurance	Detailed High Risk Recommendations
	SERCOP heading (2) Journals, authorisation and or review (3) Clearance of Suspense and Control Accounts (4) Feeder system reconciliation (5) Balance Transfers		

This table excludes any reports concerning irregularities

FINAL AUDIT REPORTS ISSUED 1ST APRIL TO 30TH JUNE 2014 – ANALYSIS OF FINDINGS

Department	Division	Activity Title	Audit Assurance	Accepted Recommendations		
				High	Medium	Low
Children and Adults	Children and Adults - Schools	Brocklewood Primary School	Significant Assurance	1	3	1
		Jubilee Primary School	Significant Assurance	0	0	0
		Nottingham Nursery	Significant Assurance	2	1	2
		Westglade Primary School	Significant Assurance	0	3	0
		Glade Hill Primary and Nursery	High Assurance	0	2	4
		Oak Field School and Specialist Sports College	Significant Assurance	0	2	4
		Scotholme Primary and Nursery	High Assurance	0	1	3
	Children and Adults - Schools Total			3	12	14
	Quality & Commissioning	Housing Related Support Payments 2015	High Assurance	0	0	0
	Quality & Commissioning Total			0	0	0
Children and Adults Total			3	12	14	
Development		Housing Rents 2013-14	Limited Assurance	7	5	1
	Development			7	5	1
	Development Total			7	5	1
Charities		081/2014/001.bf - Hanley & Gellestrop 2013	Charity accounts	0	0	0
	Charities			0	0	0
	Charities Total			0	0	0
Resources	Information Technology	IT Asset Management	Limited Assurance	2	6	1
		IT Security 2014	Limited Assurance	5	2	1
	Information Technology Total			7	8	2
	Strategic Finance	Housing Benefits 2014	Limited Assurance	2	1	0
		Troubled Families Grant 2013 14 Qtr 4	Grant	0	0	0
		Growth Point 2013-14	Grant	0	0	0
		Adoption Reform Grants 2013 14 Part B	Grant	0	0	0
		Fairer Charging 2014	Significant Assurance	2	0	2
		Contracts Audit 2014	Significant Assurance	1	1	0
		Accounts Receivable - NCC Testing (Oracle)	Limited Assurance	0	5	0
		Main Accounting - NCC Testing (Oracle)	Limited Assurance	2	2	0
	Budgetary Control - NCC Testing (Oracle)	Significant Assurance	0	0	0	
	Strategic Finance Total			7	9	2
	Legal & Democratic Services	A3 forms Hardware Requirements Grant (One-off grant)	Grant	0	0	0
Legal & Democratic Services Total			0	0	0	

Department	Division	Activity Title	Audit Assurance	Accepted Recommendations		
				High	Medium	Low
Resources Total				14	17	4
Grand Total				24	34	19

SUMMARY OF THE INTERNAL AUDIT PLAN TO 30TH JUNE 2014

Audit Title	Audit Outline / Management Direction	Days	Actuals
1. Strategic Risk Register			
Strategic Risks	Review of evidence in place to mitigate risks. Specific strategic risks are listed under departmental headings	30	0
2. Corporate Services			
Treasury Management	Assessing high level controls supported by compliance testing to give assurance over the operation of the control environment	25	1
Bank Reconciliation	Review of accounts to ensure reconciliations are both complete and accurate. Requirement for external auditors	6	0
Capital	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System) To include Additions and Disposals	25	0
Council Tax	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	23	1
Business Rates	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	22	0
Main Accounting	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	10	0
Budgeting	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	5	0
Benefits	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	35	0
Business Strategy & Support	Themed audit to include petty cash in Children's and Adults Residential	25	1

Audit Title	Audit Outline / Management Direction	Days	Actuals
Fairer Charging	To ensure service users are being charged in line with corporate policy and national guidance	22	17
3. Chief Executive			
Partnerships (SR16a)	Review of Partnership Health Checks and Framework	10	0
Pensions	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment.	22	0
Human Resources	Application of Pay and Recruitment Policy across the organisation	20	0
Single Status / Equal Pay	Further assistance with next phase	10	5
Public Health (SR29)	Ensure governance arrangements are in place for the transfer of contracts, staff and funding.	10	0
Transformation Portfolio - Citizen Focus	Review of arrangements for going from good to great	20	0
Transformation Portfolio - Commercialism	Application of commercial approach so far	20	0
4. Children & Families			
Housing Related Support Payments	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment	5	3
Foster Care & Adoption	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment. Supports work undertaken by external auditors.	22	0
Schools assessments	Rolling assessment of the financial arrangements within schools. To include visits (if requested) to schools due to self-assess for the Schools Financial Value Standard (SFVS)	90	29

Audit Title	Audit Outline / Management Direction	Days	Actuals
Personal Budgets - Adults (SR28)	Assess current financial arrangements against CIPFA guidance. Contributes to the City's response to "Protecting the public purse"	20	2
Childrens Continuing Health Care	Assessment of the joint funding process with health	10	0
5. Communities			
Workplace Parking Levy (SR27)	Review of the collection arrangements	20	0
Commercial & Transport Services	Review of fleet maintenance including contract management	30	21
Carbon Reduction Commitment	Review to ensure the scheme is managed properly and effectively.	5	2
Crime & Drugs Partnership (SR7 a/b)	To ensure that the Council is following its Corporate Financial Process Rule as one of the Accountable Bodies that oversees the operation of the CDP	20	0
Nottingham Energy Supply Company	Assessment of the arrangements for licensing Houses in Multi Occupation (HMO)	10	0
Environmental Health	Assessment of the arrangements for licensing Houses in Multi Occupation (HMO)	15	15
6. Development			
Housing Rents	Assessment of high level controls within Rents System (Key System)	20	0
Property Management	Assessment of arrangements in place to manage our portfolio of properties inc	20	0
Nottingham Jobs Fund	Further review of the processes for administering the scheme	5	0
Local Enterprise Partnership (LEP)	Review how NCC manages its accountable body status / governance arrangements (management request)	10	0

Audit Title	Audit Outline / Management Direction	Days	Actuals
Professional Fees	Review arrangements for recharging project management costs and consultants fees (management request)	15	0
Traffic Fees	Charging of time to the Capital Programme (management request)	15	0
Nottingham Growth Plan	Review of the benefits of the programme	20	0
Estate Rents	Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment	16	1
Information Governance	Support / Assistance with analysis of data	30	44
Procurement / Major Programmes	Review of financial arrangements including assessment robustness of NCC processes for preventing fraud, obtaining VFM and assessment of Business Cases against best practice	18	0
7. Corporate Audits			
Governance Statement (SR10)	AGS preparation and publication	40	25
Risk Management	Audit of arrangements in place / ongoing liaison with risk champions	10	0
IT Audit (SR8a)	Ongoing audit of key IT risks including systems access/security	40	9
Contracts Audit / Procurement	Testing of a sample of final accounts	20	1
Grants Audits	Ongoing work on a number of grant claims including Growing Places, Troubled Families, Green Bus	40	17
Councillors Allowances	Assessment of compliance with the councillors allowance scheme	10	0
Colleagues Expenses	Sample testing of claims submitted by colleagues, including new staff travel arrangements	15	0

Audit Title	Audit Outline / Management Direction	Days	Actuals
NCC Authorisation Processes	Testing of NCC authorisation processes (Oracle Payroll/AP etc)	30	1
Data matching	Data matching within Oracle for duplicates / error	15	0
8. Counter Fraud			
Counter Fraud Strategy / Arrangements	Review of strategy / current arrangements and compliance with best practice (FFL/PPP)	20	10
Training / awareness	Initiatives to increase awareness amongst colleagues	15	5
Counter Fraud Monitoring / Liaison	Co-ordinate counter fraud activities and liaison with KPMG and partners regarding annual fraud reporting requirements	18	9
National Fraud Initiative (NFI)	Co-ordinate the City's response to the next NFI exercise and assist colleagues where necessary	30	0
Departmental Activities	Programme of pro-active testing of transactions with a view to identifying non-compliance / fraud / error, including emerging risks as identified by PPP	30	0
Right to Buy	Assessment of the arrangements for identifying fraudulent applications	10	0
Whistleblowing	Assessment of City Councils arrangements	5	0
Gifts and Hospitality	Assessment of records maintained / colleague compliance/awareness	12	5
9. Companies / Other Bodies			
Provision of internal audit to other organisations	Separate audit plans	231	21
10. Consultancy, Advice and Support			
General Contingency	To allow for requests from senior management or the need to undertake ad hoc assignments as they arise	40	6

Audit Title	Audit Outline / Management Direction	Days	Actuals
Fraud & Irregularity Contingency	Separate contingency to investigate non-Housing Benefit fraud	100	39
Advice	Liaison with departments including advice re capital projects	30	17
Audit Committee	Support and development of Audit Committee	30	15
11. Other Work			
Recommendations Monitoring / s151 Assurance Reporting	Ongoing follow up and monitoring of implementation of recommendations including detailed follow up in accordance with new IA standards	40	3
Audit of Charity and other Accounts	Lord Mayor's, Hanley & Gellesthrope, Highfields, Harvey Haddon	10	3
Developments	Investigate the introduction of continuous monitoring within NCC, Covalent, Oracle	5	0
Corporate Fraud	Consideration of provision of corporate fraud function, following introduction of SFIS	10	1
	Total Days	1612	329

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