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NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 30 November 2018 from 10.47 am - 12.50 pm

Membership

Present

Councillor Michael Edwards (Chair)

Councillor Steve Young (Vice Chair)

Councillor Leslie Ayoola

Councillor John Hartshorne

Councillor Anne Peach

Councillor Nick Raine

Councillor Andrew Rule

Councillor Adele Williams

Absent

Councillor Cheryl Barnard

Colleagues, partners and others in attendance:

John Gregory	- Grant Thornton External Auditors
Shail Shah	- Head of Audit and Risk
Glyn Daykin	- Senior Accountant in Treasury Management
Sue Risdall	- Finance Team Leader Technical Accounting
Paul Millward	- Head of Resilience
Vicky Cook	- Corporate Safety Adviser.
Elaine Fox	- Corporate Policy and Performance Officer
John Slater	- Group Auditor
Jackie Handley	- Insurance and Risk Manager
Caroline Stevens	- Principle Risk Specialist
Catherine Ziane-Pryor	- Governance Officer

30 APOLOGIES FOR ABSENCE

Councillor Cheryl Barnard – other Council business.

31 DECLARATIONS OF INTEREST

None.

32 MINUTES

The minutes of the meeting held on 28 September 2018 were confirmed as a true record and signed by the Chair.

33 PARTNERSHIP GOVERNANCE FRAMEWORK AND ANNUAL HEALTH CHECK.

Elaine Fox, Corporate Policy and Performance Officer, presented the detailed report which informs the committee the outcome of the annual health check undertaken on the City Council's significant partnerships.

Appendix 1 to the report identifies organisations considered as significant partnerships, appendix 2 provides the risk scoring for each organisation within different areas, appendix 3 provides the guidance and the health check question form, appendix 4 detailed recommendations for improvement for the Crime and Drugs Partnership and Midlands Engine, whilst appendix 5 provides verification schedule up to 2024.

The following points were highlighted and responses provided to committee members' questions:

- (a) Every year organisations which are considered significant partners are requested to complete a governance survey which enables the City Council to identify the risk in being connected with each partnership. Partners are requested to rate their compliance has excellent (rating 1), good (rating 2), some key areas for improvement (rating 3), or many key weaknesses (rating 4), on a range of areas including finance, accountability and performance;
- (b) Last year there were 11 organisations considered as significant partners, but since the N2 Skills and Employment Board has ceased to operate, there are now only 10. This year's survey includes an additional section with regard to GDPR at the request of the former Audit Committee Chair;
- (c) Where organisations rate themselves as 3 or 4, or are unable to assess the area requested, further information and/or a change in procedures may be requested. To ensure that rating interpretation is consistent, each organisation will undergo a full verification every 2 to 4 years;
- (d) The Green Nottingham Partnership is still developing some documents to which the ratings apply and was not able to wholly complete the survey but is due to be verified during 2019;
- (e) Nottingham City Safeguarding Children Board (NCSCB) had recognised concerns around future funding but is due to be replaced by a Strategic Management Board as of 1 April 2019;
- (f) Concerns have been raised with regard to the Crime and Drugs Partnership in that the decision-making structure of the organisation is not clear, particularly the role of the executive, and there is no formal recognition that the CDP does not meet the GDPR threshold for holding personal data and therefore does not have a specific GDPR policy. Whilst a risk log was maintained it had not been presented to the Board for formal recognition and there wasn't a schedule for regular revision. However, all requests for supporting documents were thoroughly fulfilled and the response to the questionnaire was very thorough;
- (g) With regard to Midlands Engine, some documents were not provided despite repeated requests, a clear record of Board decision making and performance reporting could not be provided, the website did not provide access to basic governance documents and information, and whilst a risk register was discussed and monitored at Board meetings, when requested it was not provided. Recommendations were issued in response to all identified concerns;
- (h) In response to a member's concerns that year after year the Green Nottingham Partnership's governance documentation appeared to consistently rate as

'improvement needed' without progressing, it is noted that there have been improvements since last year, but that recent staffing and support issues have impacted on its rating. Although Green Nottingham Partnership does not receive funding from City Council, there is still an element of risk to the Councils reputation through the partnership so a further verification will be undertaken in 2019;

- (i) With regard to the Midlands Engine, Nottingham City Council is an accountable body and should be able to access documents without meeting resistance so this issue has been escalated to Chris Henning, the Corporate Director of Development and Growth, to address. If members of the Audit Committee would like access to these documents once they are provided, then this can be arranged;
- (j) The questionnaire provides examples of good governance, but if members of the Audit Committee feel that a more detailed framework of expectations including the provision of documents when requested is required, then this can be provided to the partnerships in future.

Concerned at the resistance of some partnerships to provide documents and therefore assurance, members requested that confirmation, or otherwise, of the receipt of the required documents is provided by the committee's February meeting. If by then the Midlands Engine is not able to complete the survey and provide requested documents without valid explanation and assurance, its verification is repeated next year.

RESOLVED

- (1) to note the key findings from the partnership governance health checks and register of significant partnerships;**
- (2) to note the findings and recommendations following verification of governance documentation of two of the partnerships;**
- (3) to provide the Committee with assurance at the Audit Committee meeting on 22 February 2019, the Director of Strategy and Policy is requested to:**
 - (a) to provide an update regarding the documents requested from partnerships which are outstanding, and if necessary, what further action is to be taken;**
 - (b) to request and confirm that the CDP defines clearly within the organisation and on its website, the relationship between and respective roles of its Executive and Board;**
- (4) in future, where risk ratings are considered to be consistently poor by Policy and Performance team following the review, that Policy and Performance team request the partnership concerned to provide evidence of what action has been or will be taken to mitigate those risks, and that this information is provided to the Audit Committee. Audit Committee can then ask a representative of the partnership concerned to attend the Committee and account for the continued poor performance in relation to their governance documentation and their plans to improve.**

34 ANNUAL REPORT OF HEALTH AND SAFETY WITHIN THE COUNCIL

Paul Millward, Head of Resilience, presented the Annual Report of Health and Safety within the Council, and was accompanied by Vicky Cook, Corporate Safety Adviser.

It is the Resilience Team's responsibility to write the corporate procedures and policies for departmental managers to follow to ensure a safe environment for citizens and colleagues. Following a review by Internal Audit, it was noted that there was no mechanism to inform councillors of health and safety within the council, so this report will be submitted annually to the Audit Committee.

The following points were highlighted and members' questions responded to:

- (a) The internal audit found that there were several areas in which improvements were required, including:
 - o demonstrating that managers are trained in health and safety within their service;
 - o asbestos management by managers;
 - o completion of corporate safety advice issued within the audit recommendations;
 - o formal completion of investigations into accidents/ near misses/ violence;The report provides an update on progress to address these points with the support of SLMG ensuring that non-compliance is highlighted;
- (b) 299 service level audits have taken place and when non-compliance is found it is challenged at every relevant level and reported to the responsible Corporate Director. It is expected that once the corporate safety audit recommendations are met, managers will update the register. However, it is understood that whilst some service areas are compliant, the register has not been updated, and therefore, that presents a risk to the Council;
- (c) In the past three years there have been two interventions by the Health and Safety Executive, as outlined in the report along with the cost implications. Previously the Health and Safety Executive (HSE) could investigate an incident without charging but there is now a fee if it is required to 'intervene' and investigate an incident;
- (d) Asbestos is carefully monitored and mandatory training in place for any member of staff and managers who may come into contact with it;
- (e) Where an incident or near miss occurs it is investigated with a view to ensuring that such instances can be prevented in future. The investigation needs to be proportionate to the incident;
- (f) The Corporate Health Social and Welfare Panel is a consultation meeting with the joint trade unions where information around health and safety policies and procedures is shared with the joint objective of preventing or mitigating health and safety incidents;
- (g) With regard to stress and well-being, there are packages to help managers manage stress both personally and within the team and HR policies and procedures are in place for stress management. In addition the Occupational Health and Well-being Team are able to offer advice. Reported incidents of stress are closely monitored by Human Resources with regard to corporate health. It is recognised that where staff are

absence from work due to stress, in addition to the human cost, there is a cost to the Council and, therefore, prevention will provide savings and benefit the wellbeing of staff;

- (h) It is understood that in the past some staff did not report violent incidents (which relate to citizens attacking or abusing staff), but staff are strongly encouraged and supported to report these incidents. Possibly as a result, the number of recorded incidents has risen and continues to be monitored to identify any trends which can be addressed;
- (i) With regard to mandatory training, it is believed that there are instances whereby the training has been completed but not recorded as such in the departmental registers, but it is vital that all registers are maintained in real time to ensure effective monitoring and compliance management.

In light of the good health and safety relationship with the trades unions, members of the committee suggested that members of staff are encouraged to undertake training offered by the trades union as this is beneficial to all parties.

Members of the Committee welcomed the good work being undertaken by the Corporate Safety Team.

RESOLVED

- (1) to note the number of HSE interventions in the Council in the past three years;**
- (2) for all Corporate Directors to undertake and ensure that the following actions are completed by Friday 25th January 2019, with the outcome to be reported the Audit Committee at its meeting 22 February 2019:**
 - (a) to ensure their departmental colleagues can demonstrate up to date training in the mandatory health and safety courses, and, where appropriate, asbestos management;**
 - (b) that all outstanding Accident/Violence/Audit recommendations are completed and recorded on the corporate system;**
- (3) for the Head of Resilience to provide information to enable a comparison of Nottingham City Council's Health and Safety Performance against other Local Authorities in the next annual report;**
- (4) for future annual health and safety reports to provide tracking information on reported violent incident trends, including what action, if any has been taken to address those trends.**

35 EXTERNAL AUDITOR - AUDIT PROGRESS REPORT AND SECTOR UPDATE

John Gregory, Engagement Lead for the external auditors Grant Thornton, was welcomed to the meeting by the Chair and invited to present the 'Audit Progress Report and Sector Update'.

The following points were highlighted and responses given to member's questions:

- (a) Grant Thornton (GT) currently audits 40% of all Local Authorities and associated bodies across the country;
- (b) John Gregory was previously involved in external audits by the Audit Commission of the City Council between 1997 and 2001, and will be assisted by Helen Lillington, both have gained a range of experience in working with Local Authorities and it is unlikely that there will be any significant changes to the collaborative working methods seen with the former External Auditors KPMG. The handover from KPMG is on track and John and Helen have already met the Chief Executive, Corporate Directors and the Chief Finance Officer and Head of Audit & Risk;
- (c) The format of the Grant Thornton report can be altered if the Committee prefer. A key area of focus will be on Private Finance Initiatives and the overall financial position of the City Council;
- (d) GT aims to provide collaborative support to help the City Council ensure that no undue risks are undertaken, whilst ensuring that citizens can be confident that all funds held by the Council can be demonstrated to be used and managed appropriately and recorded as such whilst demonstrating value for money;
- (e) Further to the comments raised during the Annual Health Check of Partnerships item, it is unusual for partnerships not to respond and it will be worth investigating if there is any CIPFA guidance on such issues;
- (f) Although councillors can raise any concerns with and ask questions of the Committee Chair, they are also welcome to approach John independently, however, any additional work would be subject to a further Grant Thornton fee. Previously citizens have approached the External Auditor to raise concerns as they have been unsure of who else to talk to;

RESOLVED to welcome John Gregory and note the report, and that as part of the external audit, Grant Thornton will review a series of potential indicators which may denote financial difficulties.

36 INTERNAL AUDIT HALF YEARLY REPORT 2018/19

Shail Shah, Head of Audit and Risk, introduced the Half Yearly Report which provides assurance to the committee and citizens of the Council's probity within a framework which gauges and responds to risk.

The following points were highlighted:

- (a) The Internal Audit Annual Plan is on track and an executive summary is provided as Appendix 1 to the report. Internal Audit has adequate resources to carry out the plan;
- (b) Councillor's queries regarding their own experience of IT updates and whether this should be automated by IT will be raised with IT and a response provided to committee members;
- (c) There are cyber security risks linked to the launch of the new Oracle system and this has been discussed at the Information Compliance Board, where the majority of

business relates to IT security. Simon Salmon, Head of IT, is also a cyber security specialist and trainer so the City Council is well served in this respect;

- (d) Council Tax systems are reviewed every year by Internal Audit, including the controls in place to prevent fraud. The Counter Fraud Team are involved in specific pro-active campaigns to identify fraud and error and enable rectification by the Revenues Service;
- (e) EMSS has processes in place to identify duplicate invoices so that they are not paid. Compliance with the corporate process will support this objective;
- (f) Capital accounting, although given limited assurance, continues to improve. Some recommendations from previous audits are still outstanding. One such recommendation relates to Capital Strategy, which could not be implemented because of the funding settlement provided by DCLG was on a year to year basis due to austerity measures;

The Chair requested that for future reports all outstanding high priority recommendations are reviewed and a detailed explanation provided by the client service.

With regard to the lack of a capital strategy with medium and long term views, a risk register must be created as a fundamental element of the City Council's culture, reviewed and reported to managers on a regular basis. It is vital that managers and decision makers are fully aware of all responsibilities and so are able to plan ahead. Gateway reviews do not work to the extent necessary and further clarity is required.

RESOLVED

- (1) to note the report;**
- (2) that managers of areas which have outstanding recommendations following internal audits are asked to provide an update in future reports on the implementation of those recommendations;**
- (3) for the Head of Audit and Risk, to request the Head of IT contact Councillor Young with reference to IT security and updates;**
- (4) at the request of the Chair, for a meeting between members of the committee and Capital Accountants be set up to discuss capital accounting and strategy.**

37 TREASURY MANAGEMENT 2018/19 HALF YEARLY UPDATE

Glyn Daykin, Senior Accountant in Treasury Management, presented the report which updates the Committee on the on the treasury management actions taken by the Chief Finance Officer in the first half of the financial year 2018/19 up to 30 September 2018.

A short presentation was delivered on the Treasury Risk Management Plan, a copy of which is circulated with the initial publication of the minutes.

The following points were highlighted and responses provided to members' questions:

- (a) With regard to the debt portfolio, the balance of external debt has increased by £46.9m to £912.5m (excluding PFI), the long-term debt that was taken in the first 6 months was at an average rate of 2.31%;
- (b) The investment portfolio provided a yield of 0.59% which is broadly in line with market rates;
- (c) None of the Performance Indicator figures have been breached;
- (d) New CIPFA guidance has been issued which and the City Council will be able to meet as required during 2019/20;
- (e) There are 8 headline risks in the Risk Management Plan, with an overall rating of unlikely /minor, but with 3 rated as intermediate risks;
- (f) There is uncertainty around Brexit but this is closely monitored and controls and risk mitigations are in place and so is planned for as best it can be;
- (g) In February Audit Committee and the Executive Board will receive a report and be required to consider Treasury Management Strategy for the next financial year which will then need to be approved at the March 2019 Full Council meeting.

RESOLVED

- (1) to note the report;**
- (2) for the Treasury Management Risk Register to be linked to the fuller Risk Register which will be presented to the 22 February 2019 meeting of the Committee.**

38 AUDIT COMMITTEE ANNUAL WORK PROGRAMME

RESOLVED to endorse the outline work programme and committee terms of reference.

39 RESOLUTION OF COUNCIL 12 NOVEMBER 2018 - BREXIT

RESOLVED for an additional meeting of the Audit Committee to be held on 18 January at 1.30pm in Loxley House to consider the review of service and project plans with regard to Brexit, and the status of Emergency Planning with regard to Brexit.

TREASURY PANEL

- Treasury management activity is reviewed quarterly by Treasury Panel against the approved strategy and prevailing economic and market conditions.
- A quarterly review of the risks and controls within the Treasury Risk Management Action Plan.

Director of Strategic Finance	Laura Pattman
Head of Corporate and Strategic Finance	Theresa Channell
Finance Team Leader - Technical Accounting	Susan Risdall
Finance Team Leader - Strategic Finance	Jo Worster
Senior Accountant – Treasury Management	Glyn Daykin

Treasury Management Risk Management Action Plan (RMAP)

Likelihood	
1	Remote
2	Unlikely
3	Possible
4	Likely
5	Almost Certain

Likelihood (L)	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
	Impact (I)					

Impact	
1	Negligible
2	Minor
3	Moderate
4	Major
5	Catastrophic



Treasury Management Risk Management Action Plan (RMAP)			
Owned by: CD – Strategic and Resources	Completed by: Treasury Management Panel	Completed: October 2018	Next Review: January 2019
Prevailing Summary risk Threat Level (LxI)	4.23 (average) (1.88 x 2.25)	Target summary Risk Threat Level	2.94 (average) (1.38 x 2.13)
Summary risk mitigation effectiveness		Effective	
Risks under risk management:			
Risk Ref:	Description	Current Risk Rating Score (LxI)	Target Risk Rating Score (LxI)
1	Inappropriate investment strategy (TMP 1.1, 1.2, 1.3, 1.8, 3, 4 & 11)	1 x 2 = 2	1 x 2 = 2
2	Inappropriate borrowing strategy (TMP 1.2, 1.3, 1.5 & 1.8)	3 x 3 = 9	2 x 2 = 4
3	Revenue implications of capital program not accurately reflected in the MTFP (TMP 7)	3 x 3 = 9	1 x 3 = 3
4	MRP Policy is Inappropriate (TMP 7)	1 x 2 = 2	1 x 2 = 2
5	Poor cash management (TMP 1.2, 1. 8)	1 x 2 = 2	1 x 2 = 2
6	Colleague fraud (TMP 1.7 & 5)	1 x 2 = 2	1 x 2 = 2
7	Process failure for making urgent payments by chaps (TMP5)	2 x 2 = 4	2 x 2 = 4
8	Failure to comply with CIPFA Code of Practice and/or respond to changes in relevant legislation (TMP 1.6)	3 x 2 = 6	2 x 2 = 4
Impact of UK referendum (Brexit) on the Treasury Management Risk Register		No change to risk ratings, but will review as situation develops	

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