

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 22 February 2019 from 10.47 am - 1.17 pm

Membership

Present

Councillor Michael Edwards (Chair)
Councillor Steve Young (Vice Chair)
Councillor Cheryl Barnard
Councillor John Hartshorne
Councillor Anne Peach
Councillor Nick Raine
Councillor Andrew Rule
Councillor Adele Williams

Absent

Councillor Leslie Ayoola

Colleagues, partners and others in attendance:

Shail Shah - Head of Audit and Risk
John Gregory - Director of Grant Thornton (External Auditor)
Caroline Stevens - Principal Risk Specialist
Jackie Handley - Insurance and Risk Manager
Tom Straw - Senior Accountant for Capital Programmes
Glyn Daykin - Senior Accountant Treasury Management
Rob McCutcheon - Team Leader for Corporate Safety Advice
Simon Salmon - Head of IT
James Rhodes - Head of Analysis and Insight
Naomi Matthews - Data Protection Officer, Information Compliance Team Leader
David Rosselli - Corporate Policy and Performance Officer
Elaine Fox - Corporate Policy and Performance Officer
Catherine Ziane-Pryor - Governance Officer

44 APOLOGIES FOR ABSENCE

Councillor Leslie Ayoola – other Council Business.

45 DECLARATIONS OF INTERESTS

Although not formally required to declare as interests, in the spirit of transparency, the following members informed the Committee of the connections below which are mentioned within the agenda:

Councillor Michael Edwards - is a member of the EnviroEnergy Board;
Councillor Adele Williams - is a Director of Blueprint;
Councillors Cheryl Barnard and Nick Raine - are Directors of Robin Hood Energy;
Councillor Steve Young- is a member of the Trusts and Charities Committee (Bridge Estate) and a Director of Nottingham City Homes;
Councillor and Peach is a member of the Trust and Charities Committee and a Director of Nottingham Ice Arena;

Councillors Andrew Rule and John Hartshorne are members of the Trusts and Charities Committee (Bridge Estate).

This did not preclude the above listed from speaking or voting on any items.

46 MINUTES

The minutes of the meeting held on 18 January 2019 were confirmed as a true record and signed by the Chair.

47 REVIEW OF ACCOUNTING POLICIES 2018/19

Tom Straw, Senior Accountant for Capital Programmes, presented the report which requests that the Committee consider approving the reviewed Accounting Policies and therefore the Statement of Accounting Policies, as attached as appendix 1 to the report.

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

- (a) This is a requirement of the International Finance Reporting Standards in that the Statement of Accounts must include a Statement of Accounting Policies each year;
- (b) There have been very few changes since last year, but those changes are highlighted in italics within appendix 1 to the report;
- (c) Approval is sought after the close of the financial year at 31 March but before the accounts are signed off;
- (d) The impact of Brexit (which is scheduled to take place on 29 March 2019) is unlikely to affect the sign-off of 2018/19 accounts, but if anything significant happens after the end of the financial year and before the accounts are published, this may be recorded;
- (e) It is normal for accounts to be published several months after the year end;
- (f) With regard to IRFS 9 financial instruments and the impact on debt outstanding to the council, this is a forward-looking assessment on loans. Further information can be provided to members outside of the meeting.

RESOLVED

- (1) to agree the Accounting Policies for inclusion in the 2018/19 annual Statement of Accounts (within Appendix 1 to the report);**
- (2) to agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice.**

48 COUNCIL PLAN CORPORATE PERFORMANCE REPORTING

James Rhodes, Head of Analysis and Insight, and David Rosselli, Corporate Policy and Performance Officer, presented the report which informs the Committee of the current

mechanisms in place for corporate performance reporting against the Council Plan 2015-19, and the forthcoming Council Plan 2019-23.

The following responses were provided to members' questions:

- (a) Following the 2015 local elections, the majority party adopted its manifesto as a basis for City Council Policies for the Council Plan;
- (b) Specific actions and performance indicators were drawn from the plan and it ensured that the progress or otherwise of each action and performance indicator could be measured, including against previous data, with targets for the period, and named managers accountable to achieve the objectives and provide performance updates;
- (c) Performance data is escalated from Departmental Managers to Corporate Leaders to the Portfolio Holder for that action or performance indicator;
- (d) The Audit Committee has a lead role in considering, examining and questioning if the corporate performance reporting systems in place are appropriate and working effectively. The information to enable the Committee to undertake this role is submitted in line with the remit of the Committee, via reports during the year.

RESOLVED to note the Corporate Performance Framework used.

49 TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL STRATEGY 2019/20

Glyn Daykin, Senior Accountant for Treasury Management, presented the report (issued in an agenda supplement), which seeks the Committee's comment on the Treasury Management Strategy for 2019/20 which is attached as Appendix 1 to the report, and the Capital and Investment Strategy 2019/20, which is attached as Appendix 2 to the report, both of which will be forwarded for full council approval.

It is noted that there are no material changes from last year's Treasury Management Strategy, but a Capital Strategy is a new requirement for this coming the financial year and will be linked to the Council Plan so may be updated following the local elections in May 2019.

The following responses were provided to members' questions by Glyn Daykin, Tom Straw and Shail Shah:

- (a) As neither Laura Pattman, Strategic Director of Finance, nor Theresa Channel, Head of Corporate Finance, were able to attend the meeting, it is proposed that they provide a separate briefing for members of the Committee at which further scrutiny can be facilitated;
- (b) Audits are undertaken every year to ensure that policies are in place to meet Treasury management requirements. The Audit Committee meet regularly and so is aware of activity. The City Council has access to advisors on policy;
- (c) Table number five, general fund a capital receipt analysis, is a forecast and it is anticipated that capital receipts will reduce dramatically when there are fewer property sites to sell;

- (d) There is flexibility for borrowing and investment strategies enabling beneficial responses to differing financial situations;
- (e) With regard to the supported borrowing balance which is to be repaid by 2066/67 there is a requirement that a Minimum Revenue Policy is approved by Full Council for the repayment of debt. The policy includes a table for the repayment of pre-2007/08 borrowing known as “supported borrowing”. The repayment of borrowing on capital expenditure financed by borrowing since then has been calculated as per the “unsupported borrowing” section of the policy. This borrowing is being repaid over the life of the asset.

RESOLVED

- (1) **to note the Treasury Management Strategy for 2019/20, attached as Appendix 1 to the report, and, in particular:**
 - (a) the Strategy for Debt Repayment (Minimum Revenue Provision) in 2019/20;**
 - (b) the Treasury Investment Strategy for 2019/20;**
 - (c) the Prudential Indicators and limits for 2019/20 to 2021/22;**
 - (d) the Treasury Management Policy Statement;**
- (2) **to note the Capital and Investment Strategy 2019/20 as attached to the report as Appendix 2;**
- (3) **for the Strategic Director of Finance to arrange a private briefing for members of the Audit Committee.**

50 INTERNAL AUDIT PROGRESS REPORT Q3 2018/19 AND PROPOSED INTERNAL AUDIT PLAN 2019-20

Shail Shah, Head of Audit and Risk, introduced the report which updates the Committee on the progress of audits during Quarter 3 of 2018/19 and requests approval for the proposed Internal Audit Plan for 2019/20.

It is noted that at the next meeting of the Committee, a full list of audit reports will be presented and the Committee will be asked to select reports to consider in more detail at a future meeting.

To date, all internal audits are up to date and in line with the schedule, meeting targets and with sufficient resources to complete the schedule.

The Chair requested that for future reports presented to the Committee, further clarity is provided with regard to audit recommendation completion dates and targets, and that is made clear to audit subjects that the Committee expects recommendations to be responded to and actioned within a reasonable time.

RESOLVED

- (1) **to note the performance of Internal Audit during the Quarter 3 period;**

- (2) to approve the proposed Internal Audit Plan for 2019/20;
- (3) for the Head of Resilience to contact Councillor Steve Young to provide a more detailed understanding on how the Business Continuity and Disaster Recovery high-priority recommendations will be addressed.

51 GRANT THORNTON EXTERNAL AUDIT PLAN

John Gregory, Director of Grant Thornton the Council's external auditor, presented the external audit plan for the year ending 31 of March 2019, detailing the scope of the audit the key matters impacting the audit, group audit scope and risk assessments, which significant risks have been identified materiality, value for money arrangements audit logistics and team fees, early close, independence and non-audit services and the audit approach.

In response to members' questions, with regard to consolidation of group accounts, where Nottingham City Council has significant investment in, and control of a company but separate accounts are produced for that company, the external auditors may audit those accounts due to the interest of Nottingham City Council.

Members of the Committee welcomed the use of private finance initiative on large projects such as the tram as this approach transfers responsibility (but not necessarily risk) to external partners/ contractors.

RESOLVED to note the report and thank John Gregory for his attendance.

52 GOVERNANCE OF CITY COUNCIL COMPANIES UPDATE

Shail Shah, Head of Audit and Risk, presented the report which informs the Committee on the proposed arrangements for the governance of Council companies, including the following;

Bridge Estate Trust	Nottingham Revenues and Benefits Ltd
Nottingham City Transport	Robin Hood Energy Ltd
Nottingham City Homes (NCH) Ltd	Futures Advice Skills and Employment Ltd
EnviroEnergy Ltd	Blueprint Limited Partnership

It is proposed that an 'Executive Board Companies and Commercial Committee' is established, the details of which are included within the report.

Members of the Committee welcomed this approach and Councillor Andrew Rule requested that, as with Executive Board, the Lead Opposition Member is able to attend the meetings and allowed the opportunity to comment, even if voting powers are not permitted. The Chair agreed to progress this request.

RESOLVED

- (1) to note the proposed arrangements for the governance of City Council's Companies;
- (2) for the Chair to progress the request that if the Lead Opposition Member is able to attend and comment at the proposed Executive Board Companies and Commercial Committee.

53 COUNTER FRAUD STRATEGY & WHISTLE BLOWING PROCEDURE

Shail Shah, Head of Audit and Risk, presented the report which seeks the Committee’s endorsement of the revised counter fraud strategies and whistle blowing procedure. It is noted that only minor changes have been made.

In response to members’ questions it is clear that both strategies and the whistleblowing procedure do work and are used.

RESOLVED

- (1) to endorse the City Councils Counter Fraud Strategy (CFS) as set out at Appendix 1 to the report;**
- (2) to endorse the Counter Fraud Strategy for Schools (SCFS) as set out at Appendix 2 to the report;**
- (3) to endorse the City Councils Whistleblowing Procedure as set out in Appendix 3 to the report.**

54 ANNUAL REPORT - HEALTH AND SAFETY UPDATE

Further to minute 34, dated 30 November 2018, Rob McCutcheon, Team Leader for Corporate Safety Advice, presented an update on the Annual Report of Health and Safety within the Council.

The recommendation resulting from the report to the November meeting requested that Corporate Directors:

- ensure that their departmental colleagues can demonstrate up to date training in the mandatory health and safety courses, and, where appropriate, asbestos management; and,
- that all outstanding Accident/Violence/Audit recommendations are completed and recorded on the corporate system.

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

- (a) The report provides the updated information as of 25 January 2019, and a further update providing the very latest figures was provided at the meeting as follows:

Figures as at 20 February in (*italics*): Figures as at 30 November in brackets.

			Mandatory Health and Safety Training (SLMG results only)*		
Department	SLMG posts	Module 1	Module 2	Module 4	‘competency’ within 3 years
Children & Adults	19	13	11	5	100% (63%)
Commercial &	27	21	19	5	97% (74%)

Operations					
Development & Growth	19	14	11	4	98% (65%)
Strategy & Resources	18	7	8	8	100% (42%)

- (b) It is noted that for Development and Growth, completion is at 98% as two employees are yet to complete one element of training;
- (c) The Corporate Safety Team will continue to work with Departments to achieve more consistency in completing and recording of training and next year’s annual report will provide further information;
- (d) With regard to Commercial and Operations, it should be noted that the significant number of accidents reported reflects the use of an incident reporting system for every incident as it occurs and that one third will be a road traffic incident of some level. It does take a long time room to clear these incidents from the system but this is being looked into with a view to be addressed;
- (e) A large proportion of the violent incidents reported from the Children and Adults Department relate to schools and residential units where aggressive behaviour tends to be more common. However, it should be noted that 10 years ago reported incidents totalled between 700 and 800 per year and the significant reduction is a result of concerted efforts to address this behaviour.

Members of the Committee welcomed the significant progress in training and recording training since the November meeting and congratulated officers for this achievement.

RESOLVED

- (1) **to note the progress made in ensuring colleagues can demonstrate up to date training in the mandatory Health and Safety Courses, and where appropriate, Asbestos Management;**
- (2) **for the Corporate Safety Advice Team to continue to remind Corporate Directors of their responsibilities regarding health and safety in their departments;**
- (3) **for the next Annual Health and Safety report to Audit Committee (in November 2019) to provide updates on all the appropriate statistics.**

55 PARTNERSHIP GOVERNANCE - RESPONSE TO AUDIT COMMITTEE RECOMMENDATIONS

Further to minute 33 dated 30 November 2018, the report updates the Committee on the information submitted at the November meeting.

The Committee had resolved that:

‘the Director of Strategy and Policy is requested to:

- to provide an update regarding the documents requested from partnerships which are outstanding, and if necessary, what further action is to be taken;
- 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;'

Elaine Fox, Corporate Policy and Performance Officer, presented the update and highlighted the following points:

- (a) All queries and recommendations made for the CDP had been actioned, almost all for Midlands Engine were actioned (with one 'ongoing' and one 'under consideration') and all were underway for Green Nottingham partnership, to be ratified at their Board in March;
- (b) The Green Nottingham Partnership's documents are being verified later this year;
- (c) Verifications for three different partnerships will be brought to the November meeting.

RESOLVED

- (1) to note the responses from partnerships to Audit Committee's recommendations from its meeting of 30 November 2018;**
- (2) to note the responses to specific requests for information from Committee members at Audit Committee's meeting of 30 November 2018.**

56 ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2017/18 AND PROCESS FOR PRODUCING 2018/19 STATEMENT

Shail Shah, Head of Audit and Risk, presented the report which provides an update on the information provided to the 20 July 2018 meeting of the Committee, on the Governance systems across the Council. The 2018/19 Governance Statement will be provided to a future meeting. Appendix 1 to the report provides the 2018/19 Annual Governance Statement process schedule.

RESOLVED to

- (1) note the progress made to date in addressing the issues reported in the 2017/18 Annual Governance Statement;**
- (2) note the process and timetable for compiling and completing the 2018/19 Annual Governance Statement, as detailed in Appendix 1 to the report.**

57 RISK MANAGEMENT AND CORPORATE RISK REGISTER UPDATE

Shail Shah, Head of Audit and Risk, introduced Jackie Handley, Insurance and Risk Manager, and Caroline Stevens, Principal Risk Specialist, who jointly presented the report.

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

- (a) Caroline was recruited to the longstanding vacant post of Principal Risk Specialist in October 2018 and undertook a review of risk management across the council has suggested improvements. This will be addressed with the implementation of the revised Risk Management Framework, supporting documents and help of Risk Champions;
- (b) It is vital that managers are equipped to appropriately identify, record and mitigate against risk, and that risk management is taken very seriously;
- (c) There is still work to be done, including improving the effectiveness of when, how and to where risks should be escalated;
- (d) A Corporate Risk Group will be established to review all identified and emerging risks for the corporate risk register. This will also assist with linked risks;

Members of the Committee acknowledged the value of risk management and requested that thought is given as to how the preparing for or mitigating risk can be promoted and celebrated.

RESOLVED to:

- (1) note the update on actions and progress made to review existing processes and embed Risk Management across the Council;**
- (2) note the risks identified on the Corporate Risk Register;**
- (3) identify any risks requiring additional assurance for review with the risk lead at a future Audit Committee meeting.**

58 EXCLUSION OF THE PUBLIC

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

59 RISK MANAGEMENT AND CORPORATE RISK REGISTER UPDATE - EXEMPT APPENDICES

Jackie Handley, Insurance and Risk Manager, and Caroline Stevens, Principal Risk Specialist, presented the exempt appendix relating to minute 57, Risk Management and Corporate Risk Register Update.

RESOLVED to note the information and the recommendation added during consideration of the document.

60 INFORMATION GOVERNANCE AND COMPLIANCE ASSURANCE

Naomi Matthews, Data Protection Officer, Information Compliance Team Leader, and Simon Salmon, Head of IT, jointly presented the report.

RESOLVED to approve the recommendations as amended at the meeting.

61 TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL STRATEGY 2019/20 - EXEMPT APPENDIX

RESOLVED

- (1) to note the exempt appendix;**
- (2) to approve the additional recommendations agreed during consideration of the document.**