

# Nottingham City Council

## Audit Committee

Minutes of the meeting held at The Ballroom - The Council House, Old Market Square, Nottingham, NG1 2DT on 28 May 2021 from 10.30 am - 2.01 pm

### Membership

#### Present

Councillor Audra Wynter (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor Sajid Mohammed  
Councillor Anne Peach  
Councillor Andrew Rule

#### Absent

Councillor AJ Matsiko

### Colleagues, partners and others in attendance:

Beth Brown -  
John Gregory - Grant Thornton External Auditors  
Richard Henderson - Director of HR, Equalities, Diversity and Inclusion  
Paul Millward - Head of Scrutiny and Resilience  
Shail Shah - Head of Audit and Risk  
Kate Morris - Governance Officer

### 1 Appointment of Vice Chair

**RESOLVED to appoint Councillor Sajid Mohammed as Vice-Chair of this Committee for this municipal year (May 2021 to April 2021)**

### 2 Apologies

Councillor AJ Matsiko – Council Business

Clive Heaphy – Interim Corporate Director for Finance and Resources and Section 151 Officer.

### 3 Declarations of Interests

Committee members received advice on declarations of interest compared to information given in the interest of openness. All Councillor interests are listed on the Nottingham City Council website.

### 4 Minutes

The minutes of the meeting held on 26 March 2021 were confirmed as a true record and were signed by the Chair.

### 5 Work Programme and Action Log

Shail Shah advised the committee that since the publication of the Agenda the June Committee meeting has been cancelled and Accounts reports would be presented to the July committee as statutory deadlines have been extended again as a result of Covid-19. An additional committee date has been incorporated into the later part of the year.

Committee members requested that a time to reflect on the impact of the Improvement Board be added to the work programme to evaluate effectiveness and inherent risks.

## **6 Working Group updates**

The Chair invited updates from the Working Groups.

The Risk and Assurance working group has not met since the last Committee but is due to do so prior to the next committee.

Councillor Graham Chapman updated the committee on the Anti-fraud Working group. The following points were highlighted:

- (a) Staff originally working on the Fraud detection team need to be returned to their substantive post to focus on re-establishing this important income stream. The working group is pushing its agenda forward, with a focus on NNDR business rates, Council tax and Waste collection charges;
- (b) Although this focus is narrow it represents the best use of resources with a high return of income. Joint working practices are in place with Nottingham City Homes to maximise fraud prevention and detection within right to buy claims, repairs and housing benefit claims;

Councillor Andrew Rule confirmed that the Companies Working Group had met, and draft Terms of Reference circulated to members for comment. Dates have been put in place and the first meeting is due to take place soon

Councillor Jane Lakey informed the Committee that the Capital Working Group have Terms of Reference in place with a focus for the group agreed as gateway projects, Asset Sales and an in-depth look at one or two major projects per meeting.

## **7 Annual Audit Letter 2018/19**

The Chair of the Committee agreed that this item, although not on the agenda, could be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972, because under the Account & Audit Regulations the Audit Committee must meet to consider this letter as soon as reasonably practicable, and then publish the letter. Considering it at this meeting and publishing the letter allows the Council to meet its statutory duty and close all matters relating to the 2018/19 accounts. This can then also be reflected in the reports from the Improvement and Assurance Board to Ministry of Housing Communities and Local Government.

John Gregory, External Auditor, presented the Audit Letter for 2018/19 Accounts. He informed the committee that all the points within the letter had been discussed at the

previous Audit Committee (March 2021 Minute reference 84) and that the 18/19 accounts had now formally been closed.

## **8 Verbal Update from External Auditor**

John Gregor, External Auditor, provided a verbal update on the progress of the 2019/20 and 2020/21 audit. He highlighted the following points:

- (a) The 19/20 accounts are progressing well and there is significant effort being made to make up time following the delay caused by the 18/19 audit.
- (b) There are still outstanding issues around the valuation of assets as discussed previous (February 2021, Minute reference 73 c) however this will be worked on in the next month or so with specific Officers.
- (c) There is still an issue with the Robin Hood Energy (RHE) Accounts and how they will be consolidated into the Group accounts as the company's auditor has not been required to finish the 19/20 accounts following the company's closure,
- (d) The work done on the RHE accounts has been done on the basis of a going concern although auditors are fairly satisfied that in accounting terms the difference isn't that significant and not material to the accounts. Work continues with the company's auditors to give assurances to NCC accounts;
- (e) 19/20 work on the Value for Money conclusion is well underway and it is possible that this can be reported to this committee in late July;
- (f) The 20/21 draft accounts will be presented to this committee in late July. RHE will again impact on the time scales of the work, as there are no draft accounts to consolidate into the group accounts. Discussions are ongoing with the Section 151 Officer, the external auditors for RHE the administrators and Grant Thornton around how accounts can be incorporated into the Group accounts;
- (g) Other currently identified issues being addressed for the 20/21 accounts include Covid Funding, PPE valuation and technical journal entries;

Following comments and questions from Committee members, additional points were highlighted:

- (h) The Administrators of RHE do not have to work with the timetable for NCC accounts and do not have to take them into account within their work stream. The Administrators have agreed that the Council can have access to the accounts;
- (i) Committee members suggested obtaining copies of accounts from companies on a 6 monthly basis to avoid a similar situation in the future and the possibility of adding this point to Shareholder Training was highlighted;

The committee noted the update provided by the External Auditor.

## **9 Annual Report of health and safety within the council**

Paul Millward, Head of Resilience, introduced the annual report on Health and Safety within the Council to the Committee. He highlighted the following points:

- (a) Figures for mandatory compliance around training are down slightly from the previous years but this is due to recent turn over in SLMG staff and Covid-19 response taking priority. There is a work plan in place to ensure that those staff who have not had the mandatory training at this point will have completed that by the end of July 2021;
- (b) There have been no interventions by the Health and Safety Executive;
- (c) Reports of violence and accidents have seen a decrease on the previous years figure, this is probably due to the Covid-19 pandemic;
- (d) There is a project ongoing with HR around Health and Safety for Council Colleagues whilst working from home, there is a responsibility both on the part of the Employer and the Employee to ensure Health and Safety standards are maintained;

During discussion these additional points were made:

- (e) Where an incident of violence is also a hate crime it is reported as such;
- (f) An update on the on progress on mandatory training will be sent to the Risk and Assurance working group

**Resolved to:**

- (1) Require all Corporate Directors ensure their departmental colleagues can demonstrate up to date training in the mandatory health and safety courses, and where appropriate, asbestos management by Friday 30 July 2021;**
- (2) Require all Corporate Directors ensure that all outstanding Accident/Violence/Audit recommendation are completed and recorded on the corporate system by Friday 30 Jul 2021**
- (3) Note the absence of any Health and Safety Executive intervention in the Council in the past three years**
- (4) Ask that the Risk and Assurance working group review updated figures after 30 July 2021**

## **10 COVID-19 and Emergency Planning**

Paul Millward, Head of Resilience presented the report on Covid-19 and Emergency planning to the committee. He advised that this report looked only at the existing emergency plans and arrangements at the start of the pandemic and had not been written to assess the Council's response to the Covid-19 pandemic. The assessment of the Council's response is a larger piece of work that is underway and will be reported appropriately in the future. Paul went on to highlight the following points around the existing plans:

- (a) Emergency plans are designed to deal with consequences of emergencies.
- (b) There was no specific plan in place locally or nationally for a Covid-19 pandemic;
- (c) The National Risk Register details pandemic Flu as the number one risk and as such, the risk specialists have trained and exercised a pandemic flu scenario. The Local authority has a Pandemic plan focusing on Council services and staff, and the Local Resilience Forum (LRF) has a pandemic Flu plan, detailing how major stakeholders work together. The LRF also had a number of subsidiary plans, such as Excess deaths, humanitarian assistance, communications etc. which were used;
- (d) Regular reviews of the plans have been taking place throughout the pandemic to ensure that they are sufficient and cover all aspects. There were a number of small gaps in contingencies, however, these have been identified and plugged. A government task force reviewed the plans and made a number of small recommendations which were implemented;
- (e) The report offers the committee assurance that sufficient plans were in place and that emergency planning structures and processes were in place as early as the end of March 2020 within the Council to continue offering essential services to citizens in most need;

During discussion the following points were highlighted.

- (e) If a third wave happens the Council has structures and plans in place to ensure that citizens continue to receive services;
- (f) In terms of reviews of performance, formal debriefing is likely to begin in June or July dependant on the national situation with reviews taking place after summer as long as a third wave is not occurring or threatening;
- (g) Committee members asked that their gratitude for officers and recognition of their hard work be placed on record, in particular the relentless effort and commitment of Paul and his team of emergency planners;
- (h) The Local risk register prioritise the work of the team. It is not possible to predict spikes in work but it is possible to manage the small emergency planning team and prioritise work. The resourcing for planned reviews will remain a struggle;
- (i) Emergency plans are reviewed in general ever three years by both Nottingham City Council and the LRF. This ensures that plans are up to date and responsive to developing situations;

The Chair commented that everything presented at the meeting offered assurance that plans had been in place as best they could be for such an unprecedented situation.

**Resolved**

- (1) To confirm assurance that specific and generic plans and arrangements were in place to deal with a pandemic emergency prior to the outbreak of Covid-19**
- (2) To acknowledge that the early reviews of both the Council's and the Local Resilience Forum's (LRF) Pandemic Flu plans showed they provided effective templates for the response phase;**
- (3) To note that an interim debrief of the response phase was held and arrangements adjusted but that a full debrief is yet to be held whilst the pandemic is ongoing, and**
- (4) That, on conclusion of any full debrief, the recommendations relevant to the Council be shared with this Committee for consideration**

## **11 Culture & Ethics**

Shail Shah, Head of Audit and Risk, introduced the report focusing on the Culture and Ethics within the council, particularly issues raised within the Non-Statutory Review and the Report in the Public Interest. Richard Henderson, Director of HR and Equalities, Diversity and Inclusion provided additional information. They highlighted the following points:

- (a) An audit of culture and ethics within a local authority has been challenging to complete. The audit programme was developed using guidance from the Chartered Institute of Internal Auditors and Grant Thornton Best Practice Toolkit;
- (b) Culture is a key workstream within the Recovery and Improvement plan and progress is being reviewed by the Recovery and Improvement Board;
- (c) Much of the work on culture in this report is looking backward at where the Council was, as highlighted within the Non Statutory Review and the Report in the Public Interest because fieldwork was undertaken in February and March and the Culture workstream had only just been established;
- (d) HR colleagues are playing a lead role in the review of culture and ethics. A number of different projects have been taking place to assess and review culture and ethics within the Authority;
- (e) A series of interviews of Council Staff from all levels within the structure has taken place establishing a sense of how each individual feels they fit within the organisation, their role in decision making and accountability.
- (f) A culture mapping exercise took place, based on the Goffee and Jones model, starting with an organisation wide questionnaire, focus groups and direct feedback from colleagues about how it feels to be part of the Authority and how colleagues view culture. One of the most striking points from this exercise was that colleagues felt the current appraisal process was a tick box exercise that failed to develop them;
- (g) A new appraisal processes has been developed and is being rolled out, initially to SLMG staff in June and then wider roll out over the summer. This

will help to draw the Council Plan down into Departmental Plans and to individuals appraisal allows a sense that each individual has a part to play in achieving the goals of the Council;

Following discussion prompted by questions and comments from Committee members the following points were highlighted:

- (h) Measurement of improvements in Culture and Ethics can be difficult, however in the plan set out there are concrete deliverable actions that will show progress is being made. These include the roll-out of the new appraisal process, the rewrite of the constitution and its implementation, as well as compliance with other governance factors;
- (i) There are targets set for all managers to ensure that culture change continues to move in the right direction, particularly around behaviour management for managers to ensure equality in leadership across the authority;
- (j) It is likely that work on culture change will be ongoing for the long term. Wigan Council started a programme which is still ongoing 10 years from its start, however big steps have already taken place in Nottingham City Council, and the Recovery and Improvement Board will oversee the initial work over the next 3 years;
- (k) Committee members felt that this was a good and accurate report, but missed out the failure of senior officers to enact checks and balances and felt that it could have been more explicit in this. Concerns were expressed about the lack of a warning mechanism step before a Section 114 notice is issued, as a weakness in the Local Government framework;
- (l) Some Committee members felt the report did not go far enough, and that it is still unclear to Members who were not involved what went wrong, and that it is not possible to correct problems until they are fully understood;
- (m) Concerns were voiced that not all elected members are trained enough on corporate governance, and that the collective responsibility of a Committee System style of Council offered better transparency;
- (n) The voluntary sector is specifically mentioned in paragraph 1.7 of the appendix, this is not due to any specific concerns or additional risk, but as an example of the type of work completed;
- (o) The rewrite of the constitution aims to simplify and fortify the decision making process re-establishing boundaries between members, officers and their separate roles. The rewrite process is very near completion and should be ready for approval by the July deadline. It is planned that there is then a roll out period with training for officers and members as it is embedded;
- (p) Where limited assurance Internal Audit reports have been listed in the past, Committee members have picked some for further scrutiny and asked that the relevant management come to a later meeting for a closer examination. When time on the agenda allows for it this will be reinstated;

Committee members felt that a regular review of this item should come to the committee and felt that initially a 6 month review would be suitable.

**Resolved to**

- (1) require the findings of this report be used:**
  - a. As a framework for monitoring progress in rectifying the failures highlighted, particularly in paragraph 1.5 and 1.7 of the published appendix**
  - b. As a basis for training and information to support the necessary change in culture**

**Refer the report to both the Chairs of the Standards Committee and Overview and Scrutiny Committee and to Executive Panel to consider further action.**

## **12 HR Annual Assurance**

Richard Henderson, Director of HR and Equalities, Diversity and Inclusion introduced the report on Equality and HR assurance. He detailed that the HR function had just under 80FTE staff, 45 performing corporate functions, and 35 aligned to Corporate Director posts. He highlighted the following points:

- (a) Absence rates have reduced from last years figures, the main cause of sickness absence this year had been mental health related. Costs attributed to sickness absence, not including agency cover, for 2020/21 were £4.4million, down from £5.4million for 2019/20;
- (b) GDPR requirements for processing and handling information relating to staff sickness are higher. The team work closely with information compliance to ensure secure processes are in place;
- (c) The Council published the Gender Pay Gap for 2020 despite a pause on the requirement to do so, the 2021 pay gap report has also been published, earlier than required. The council is publishing an Ethnicity Pay Gap report and a Disability Pay Gap report this year for the first time. There is no requirement for these reports to be published;

During discussion the following points were highlighted:

- (d) 230 people have been made redundant over the past 12 months, over 215 of them through the voluntary redundancy scheme. There has been the usual and expected turn over of frontline staff, however it is recognised that the most noticeable changes have happened within the Corporate Leadership team;
- (e) The absence levels reported are not out of kilter with other, comparable organisations. As a Local Authority Nottingham City Council does offer a generous provision, however there is a clear policy of sickness management and the process and support available is made clear to managers. Support for mental health sickness includes access to counselling services, and regular wellbeing checks;
- (f) Sickness absence rates are discussed departmentally and there is a lot of analysis work that goes into reporting around the rates and reasons;

- (g) The committee requested further feedback around the demographic of staff within the organisation, to include a breakdown of all protected characteristics and how/where they intersect within the workforce;
- (h) Committee members wanted a refreshed look at tackling sickness absence. There are a number of initiatives currently being run but it is a difficult figure to improve as is seen across other comparative organisations. A committee member advised the committee that they would make contact with the relevant Portfolio Holder around investing in work to reduce sickness absences and associated costs and would feed back when possible;

### **Resolved to**

- (1) Note the work being done within the division to ensure the Council's statutory and non-statutory obligation relating to people management and equities are being met and / or progressed.**

### **13 Audit Committee Terms of Reference**

Shail Shah introduced the Audit Committee terms of Reference to the Committee. He advised that this is a statutory annual report to the committee for noting.

Councillors commented that at the time the TOR are next updated that they should include working around monitoring the implementation of agreed actions to ensure that reports to the committee are effective.

The Chair asked the Action Log be more actively updated to allow the committee to monitor actions arising from the meetings;

**Resolved to note the role and functions of the Audit committee as set out in the Terms of Reference, which comply with best practice in the 2018 revision of CIPFA guidance on Audit Committees (the 2018 Guidance), including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS)**

### **14 Future meeting dates**

Resolved to meet on the following Fridays at 10.30am

30 July 2021

24 September 2021

28 October 2021

26 November 2021

25 February 2021

### **15 Exclusion of the public**

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraph(s) 3 of Part 1 of Schedule 12A to the Act.

## **16 Exempt Minutes**

The Committee confirmed the exempt minutes of the meeting held on 26 March 2021 as a true record and they were signed by the Chair.

## **17 Companies Governance Update**

Ian Edward, Strategic Advisor on Companies, gave an update to the Committee on the Companies Governance workstream. After discussion, as set out in the exempt minutes, the committee noted the progress of work against the Recovery and Improvement Plan.