

# Nottingham City Council

## Audit Committee

**Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 30 September 2022 from 10.35 am - 1.05 pm**

### Membership

#### Present

Councillor Sajid Mohammed (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor AJ Matsiko (Vice Chair)  
Councillor Nayab Patel  
Councillor Ethan Radford  
Councillor Andrew Rule

#### Absent

### Colleagues, partners and others in attendance:

Clive Heaphy	- Corporate Director for Finance and Resources
Steve Oakley	- Head of Contracting and Procurement
Dominic Omelia	- Customer Experience Project Manager
Shail Shah	- Head of Audit and Risk
John Slater	- Group Auditor
Jane Garrard	- Senior Governance Officer

### 19 Change in membership

The Committee noted that Councillor Nayab Patel had been appointed to a vacant seat on the Committee.

### 20 Apologies for absence

None

### 21 Declarations of interests

None

### 22 Minutes

The minutes of the meeting held on 24 June 2022 were approved as an accurate record and signed by the Chair.

### 23 Working Group Update

Councillor Jane Lakey reported that the Capital Working Group met on 28 July 2022 and the main focus for discussion was the nature and scope of the Broadmarsh project. At that time, the Group concluded that the position was under control although the roadmap was not yet clear. The Group has been advised that the heat station is not yet at a stage within the capital programme that it would be relevant for the Group to look at. She reported that property sales had been reported as being on track but that there are risks associated with the current economic situation. The next meeting of the Group will be in October and it was suggested that the Group look at the sale of assets that have revenue streams attached to seek assurance that assets are not being sold where the revenue from those assets outstrips the benefit of the capital receipt.

The Companies Working Group has not met since the last meeting of this Committee and councillors requested that a meeting is arranged soon.

Councillors commented on the valuable work carried out by the working groups but sought clarity as to whether there is sufficient officer resource, particularly within the Finance Division, to support their operation. The Corporate Director for Finance and Resources agreed that the working groups are useful but stated that, given the current lack of capacity within the Finance Division, priority has to be given to meetings and decisions that form part of the Council's formal governance arrangements.

#### **24 Proposed work programme**

This item was deferred to the next meeting.

#### **25 Exemption from Contract Procedure Rules quarter one 2022/23**

Steve Oakley, Head of Contracting and Procurement, presented the report detailing the exemptions from Contract Procedure Rules that had been approved during Quarter 1 of 2022/23 and the actions being taken to ensure that exemptions only occur when there is a sound rationale for doing so. He highlighted the following information:

- a) During Quarter 1 there were 10 requests for exemption, which continues the downward trend seen in previous quarters. These requests were all approved.
- b) One request was for a range of services relating to homelessness which were being dealt with together. Work is underway to develop a framework for rough sleeper initiatives given the tight timescales associated with grant funding.
- c) The majority of requests for exemption are now Regulation 32 requests that relate to situations where there is only one supplier in the market. It is proposed that Contract Procurement Rules are amended to clarify that such situations are legally permitted and are not actually an exemption from the rules.
- d) During Quarter 2 there were two requests that could have been avoided if plans had been developed earlier in the process.

During subsequent discussion and in response to questions from councillors the following point was made:

- e) The frequency of reporting of requested and approved exemptions is set out in Contract Procedure Rules. When Contract Procedure Rules are next revised, it

is proposed that the frequency is changed to twice per year and then potentially annually in the future, with a commitment that the Chief Finance Officer will report anything of concern to the Committee during the intervening period.

**Resolved to:**

**(1) note the number of exemptions from Contract Procedure Rules during Quarter 1 2022/23; and**

**(2) note the actions being taken to ensure that contracts are awarded in line with Contract Procedure Rules and that exemptions only occur where there is a sound rationale for approving the exemption.**

**26 Complaints and Ombudsman Annual Assurance Report**

Dominic Omelia, Customer Experience Project Manager, presented the report reflecting on complaints received by the Council, and decisions on those complaints by the Council and the Local Government and Social Care Ombudsman between 1 April 2021 and 31 March 2022. He highlighted the following information:

- a) The largest proportion of complaints come through the Council's Have Your Say process. There were 4888 complaints received through this process in 2021/22 and the majority of these were resolved at the first stage.
- b) There are also statutory processes for receiving, and dealing with complaints about child and adult social care. Very few of these complaints progress to the Independent Panel stage.
- c) Overall there are very low numbers of complaints that go to the Local Government and Social Care Ombudsman, and numbers continue to be lower than pre-pandemic. The percentage of complaints upheld was 65% which is in line with the national rate of 66%.
- d) Before complaints go to the Ombudsman, the Council assures it self that its position is correct and this is reflected in the low numbers going to the Ombudsman and the percentage upheld.

During subsequent discussion and in response to questions from councillors the following point was made:

- e) The Council advises customers that it aims to respond to complaints submitted via the Have Your Say process within 10 working days. The majority of complaints are dealt with quickly but it is important that complaints are dealt with properly and complex issues can take longer. The Ombudsman is mindful of the complexity of a complaint when reviewing response time.

The Committee welcomed the improvements that have been made since the previous year and thanked the relevant teams for their work on this.

**Resolved to note the Complaints and Ombudsman Annual Assurance report.**

## **27 Treasury Management Annual Report 2021-22**

Clive Heaphy, Corporate Director of Finance and Resources, presented the report setting out the treasury management performance for 2021/22. He highlighted the following information:

- a) The report has been produced in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.
- b) The Council achieved all indicators and measures that it intended to.
- c) Strategies have been followed to phase out requirements for borrowing in line with the Voluntary Debt Reduction Policy previously agreed by the Council. The Council has kept within the terms of this policy and the level of borrowing is coming down.

During subsequent discussion and in response to questions from councillors the following points were made:

- d) The majority of the Council's debt is at a fixed rate so exposure to variable interest rates is relatively low.
- e) The Council borrows internally from cash that it is holding, for example money received as a grant from Government, and this reduces the need for external borrowing. As markets change this approach is being actively reviewed to ensure that it is still the best use of cash.
- f) There has been a lot of slippage in capital projects and this is monitored by the Capital Board. Slippage is being managed through monitoring and over-programming and building in more contingency cost. However, with inflation resulting in increased costs this may become a problem. Slippage is a concern of the Improvement and Assurance Board who are challenging the Council to bring forward other schemes when those originally scheduled have slipped. Councillors suggested that this needs to be discussed in more detail at a Capital Working Group meeting.

It was suggested that it would be useful to have a report to a future Committee meeting on standards of reporting on the capital programme to provide assurance on how progress is being embedded.

**Resolved to note the treasury management performance for 2021/22.**

## **28 External Audit Update**

The Committee was advised that the External Auditor was unable to attend the meeting and had indicated that there was nothing pertinent for him to have raised at this meeting. Committee members expressed surprise that there was nothing for the External Auditor to report at this time, and commented that they expect the External Auditor to attend every meeting of the Committee and if (s)he is unable to attend then it is reasonable to expect provision of a written update instead.

Clive Heaphy reported that there had been no bids to carry out work requested by the External Auditor to look at the management of the override of controls. This is one of the outstanding factors influencing the 2019/20 and 2021/22 accounts and a key issue for the Auditor and the Department for Levelling Up, Housing and Communities. The Council is working with the External Auditor to determine on next steps on this issue. Options could include making it an extension of Audit work or going to a different framework.

**Resolved to request that in the event that the External Auditor is unable to attend a future meeting of the Committee then a written update be provided instead.**

## **29 Audit Committee Annual Report 2021/2022**

The Chair introduced the Audit Committee Annual Report 2021/22 which outlines the work undertaken by the Committee during the year, how the Committee has fulfilled its designated role within the Council's Constitution and how its work relates to its core responsibilities. It will be presented to a future meeting of Full Council. He asked for comments from Committee members on the report's content.

During discussion the following comments were made:

- a) In Appendix C it would be useful to articulate the outcomes from recommendations made by the Committee in order to demonstrate where value is being added.
- b) A committee member raised concern that despite councillors being told to provide challenge, it feels as though it is only acceptable to challenge in 'safe areas' and not universally. This issue is not reflected in the Annual Report. It was clarified that the Audit Committee has a clear role in ensuring the control environment in which the Council operates is effective and the Committee should have access to information to enable it to carry out its role. However, this role does not extend to managing risks itself. There may also be times when the concept of legal privilege is relevant and the Monitoring Officer will have to take a decision on what information can be made available.
- c) It would be helpful to provide more information in the Annual Report about the work and value of the working groups.
- d) It was suggested that there should be greater emphasis in the Annual Report on demonstrating where work is embedded.

**Resolved to update the Audit Committee Annual Report 2021/22, where appropriate.**

## **30 Internal Audit Annual Report and Opinion**

Shail Shah, Head of Audit and Risk, presented the Internal Audit Annual Report and Opinion report which sets out the work of the Internal Audit Team, the Head of Audit and Risk's annual opinion on the effectiveness of the internal control systems

operating within the Council, the Internal Audit Charter and the Counter Fraud Strategy. He highlighted the following information:

- a) There is limited assurance for the control systems in place during 2021/22.
- b) Sheffield City Council has carried out an external assessment of Internal Audit and found that it 'generally conforms', which is the highest rating.

During subsequent discussion and in response to questions from councillors the following points were made:

- c) The report highlights staffing challenges and councillors sought reassurance about the capacity available to undertake audit work and that, if necessary, areas where the most value can be added will be prioritised. It was confirmed that the recruitment and retention of staff is the highest risk on the Corporate Risk Register. The Audit Plan is set out as part of the report but this Plan will be revised if there is insufficient capacity to deliver it. Priority will be given to statutory work and priority areas for the Council.
- d) Significantly more days were spent on counter fraud activity than planned for. This was because a more proactive approach to counter fraud is being taken on areas such as council tax and business rates.

**Resolved to:**

- (1) note the audit work completed during 2021/22, including the use of other sources of assurance and reliance upon those sources;**
- (2) note the Head of Audit and Risk's Annual Opinion;**
- (3) note the parameters for the proposed Audit Plan for 2022/23;**
- (4) note the results of the recent external assessment of Internal Audit by Sheffield City Council;**
- (5) note the progress reported in respect of high priority recommendations;**
- (6) approve the Internal Audit Charter; and**
- (7) endorse the Counter Fraud Strategy.**

### **31 Business Rates Limited Assurance Internal Audit report 20-21 - Planned Improvements**

Clive Heaphy, Corporate Director for Finance and Resources, presented the Business Rates Limited Assurance Internal Audit Report which sets out the actions taken to address the recommendations of Internal Audit. He highlighted that business rate collection is important for the Council and generates approximately £182m income. For a number of years, the service has been delivered by a small team with a number of vacancies and consequently the service has struggled. Work is taking place to develop a new model of service delivery.

**Resolved to note the progress made in addressing the Internal Audit recommendations and plans to stabilise the service and develop plans to establish a robust, efficient and cost-effective service.**

### **32 Date of next meeting**

The Committee noted that the date of the next scheduled meeting is 25 November 2022 10:30am. Subsequently, during a later agenda item, the Committee agreed to hold an additional meeting on 28 October 2022 10:30am.

### **33 Exclusion of the public**

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda 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, as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

### **34 Exempt minutes**

The exempt minutes of the meeting held on 24 June 2022 were approved as an accurate record.

### **35 Business Rates Limited Assurance Internal Audit report 2020-21 - Planned Improvements - Exempt Appendix**

The information contained within the exempt appendix was discussed, details of which are set out in the exempt minutes.

### **36 Housing Revenue Account and emerging risks update**

The Committee considered a verbal update from the Corporate Director of Finance and Resources on the Housing Revenue Account and emerging risks.

### **37 Improvement and Assurance Board - Statement of Requirements**

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 the deadline for the Council to respond to the Statement of Requirements is before the next scheduled meeting of the Committee.

The Committee discussed the Improvement and Assurance Board Statement of Requirements, details of which are set out in the exempt minutes.

**Resolved to approve recommendations as set out in the exempt minutes.**