

# Public Document Pack



**Nottingham  
City Council**

## **Nottingham City Council Audit Committee**

**Date:** Friday, 30 September 2022

**Time:** 10.30 am

**Place:** Ground Floor Committee Room - Loxley House, Station Street, Nottingham,  
NG2 3NG

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

**Director for Legal and Governance**

**Governance Officer:** Kate Morris

**Direct Dial:** 0115 876 4353

- 1 Change in membership**  
To note the appointment of Councillor Nayab Patel to the committee.
- 2 Apologies for absence**
- 3 Declarations of interests**
- 4 Minutes** 3 - 10  
Of the meeting held on 24 June 2022 (for confirmation)
- 5 Working Group Update**  
Verbal Update
- 6 Proposed work programme** 11 - 18  
For consideration and agreement.
- 7 Exemption from Contract Procedure Rules quarter one 2022/23** 19 - 24  
Report of Corporate Director Finance and Resources
- 8 Complaints and Ombudsman Annual Assurance Report** 25 - 58  
Report of Interim Corporate Director for Finance and Resources
- 9 Treasury Management Annual Report 2021-22** 59 - 78  
Report of Interim Corporate Director of Finance and Resources and  
Section 151 Officer

- |           |  |           |
|-----------|--|-----------|
| <b>10</b> | <b>External Audit Update</b><br>Verbal Update  |           |
| <b>11</b> | <b>Audit Committee Annual Report 2021/2022</b><br>Report of the Audit Committee Chair  | 79 - 104  |
| <b>12</b> | <b>Internal Audit Annual Report and Opinion</b><br>Report of the Interim Corporate Director Finance and Resources  | 105 - 236 |
| <b>13</b> | <b>Business Rates Limited Assurance Internal Audit report 20-21 -<br/>Planned Improvements</b><br>Joint report of the Interim Corporate Director for Finance and Resources<br>and the Interim Director of Finance and Head of Customer Services  | 237 - 240 |
| <b>14</b> | <b>Date of next meeting</b><br>To note that the next meeting is scheduled for 25 November 2022 at<br>10.30am in Loxley House.  |           |
| <b>15</b> | <b>Exclusion of the public</b><br>To consider excluding the public from the meeting during consideration<br>of the remaining items in accordance with Section 100A(4) of the Local<br>Government Act 1972 on the basis that, having regard to all the<br>circumstances, the public interest in maintaining the exemption<br>outweighs the public interest in disclosing the information. |           |
| <b>16</b> | <b>Exempt minutes</b><br>Exempt minutes of the meeting held on 24 June 2022 (for confirmation)   | 241 - 244 |
| <b>17</b> | <b>Business Rates Limited Assurance Internal Audit report 2020-21 -<br/>Planned Improvements - Exempt Appendix</b>   | 245 - 266 |
| <b>18</b> | <b>Housing Revenue Account and emerging risks update</b><br>Verbal Update by the Interim Corporate Director of Finance and<br>Resources  |           |

If you need any advice on declaring an interest in any item on the agenda, please contact the Governance Officer shown above, if possible before the day of the meeting

Citizens are advised that this meeting may be recorded by members of the public. Any recording or reporting on this meeting should take place in accordance with the Council's policy on recording and reporting on public meetings, which is available at [www.nottinghamcity.gov.uk](http://www.nottinghamcity.gov.uk). Individuals intending to record the meeting are asked to notify the Governance Officer shown above in advance.

## Nottingham City Council

### Audit Committee

**Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 24 June 2022 from 10.32 am - 1.05 pm**

#### Membership

##### Present

Councillor Sajid Mohammed (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor AJ Matsiko

##### Absent

Councillor Ethan Radford  
Councillor Andrew Rule  
Councillor Roger Steel (as substitute)

#### Colleagues, partners and others in attendance:

Councillor David Mellen - Portfolio Holder for Strategic Regeneration and Communications  
Councillor Linda Woodings - Portfolio Holder for Adult Social Care and Health  
Clive Heaphy - Interim Director of Strategic Finance  
Nicki Jenkins - Director for Economic Development  
Steve Oakley - Acting Director of Commissioning and Procurement  
Simon Salmon - Head of IT  
Shail Shah - Head of Audit and Risk  
Caroline Stevens - Principal Risk Specialist  
Kate Morris - Governance Officer

#### 5 Appointment of Vice Chair

**Resolved to appoint Councillor AJ Matsiko as Vice-Chair of this Committee for this municipal year (May 2022 to April 2023)**

#### 6 Apologies

Councillor Ethan Radford  
Councillor Andrew Rule - Leave, sent substitute  
Councillor Roger Steel (as substitute) - Unwell

#### 7 Declarations of Interests

None

#### 8 Minutes

The Committee confirmed the minutes of the meeting held on 6 May 2022 as a correct record and they were signed by the Chair.

#### 9 Future Meeting Dates

The Committee agreed to meet on the following Fridays at 10.30am  
22 July 2022

30 September 2022

25 November 2022

24 February 2022

## **10 Update from Working Groups**

The Chair invited feedback from the Working Groups:

- (a) Councillor Jane Lakey updated the committee on the work of the Capital Working Group which has been focusing on issues around Asset sales and large capital projects such as Broadmarsh. Concerns around the accuracy of some of the forecasting have been raised and project management resource shortages have led to delays on some projects. The group has yet to see the Gateway Review of the Eastcroft Project which has been requested since February.
- (b) Concerns were raised about the delay in progressing the project, following the initial presentation to Labour Group detailing options some time ago. Concerns were also raised about how the potential appointment of Commissioners might impact large capital projects, but it is still unclear what impact this would have if they are appointed;
- (c) The Interim Corporate Director for Finance and Resources advised the Committee that Eastcroft Project has yet to be considered by the Executive Board, and that Audit Committee members would have the opportunity to review the Gateway review following normal process. The report to Executive Board is still in draft form;
- (d) The committee requested a briefing to the Capital working group on the Gateway review for the Eastcroft Project at the earliest opportunity;
- (e) Councillor Mike Edwards updated the committee on the work of the Risk Working Group that has reviewed the risk register presented later in the agenda. One stand out risk is the importance of staffing. The situation is similar across many local authorities, and in discussion with other Core Cities they are reporting difficulties in retaining key positions;
- (f) Councillor Graham Chapman updated the committee on the Fraud working group. He informed the committee that the working group has achieved the refocus of fraud resources and there is now a system in place for following up on fraud alerts sent to departments. The Committee agreed that the Fraud working group should be disestablished;

The Chair thanked Committee members for their continued work on the Working Groups.

## **11 Audit Committee Annual Work Programme**

Shail Shah, Head of Internal Audit and Risk presented the Annual Work Programme to the Committee. He informed the committee that the work programme was subject to change. The following points were highlighted during discussion:

- (a) The programme had been collated following consultation with the Chair, the previous Chair, and with Sean Nolan, Improvement and Assurance Board Member and represents good practice whilst being risk focused.
- (b) There are no fixed dates for the External Audit Report to be presented to Committee as the accounts from 19/20 and 20/21 are still outstanding

The Committee noted the work programme

## **12 Together for Nottingham Theme Two: Asset Management**

Councillor David Mellen, Portfolio Holder for Strategic Regeneration and Communication, and Nicki Jenkins, Director of Economic Development and Property gave a presentation detailing the work around Nottingham Together Theme 2: Asset Management. They highlighted the following information:

- (a) Following the recommendations made by the Caller report the City Council voluntarily agreed a ban on all additional external borrowing. This means that all Capital projects must be funded, either by grant funding such as the Levelling Up Fund and Transforming Cities Fund, or by Capital receipts for the sale of land/properties;
- (b) The Council owns around 3600 properties, split into three areas, General, Housing Revenue Account and Bridge Estate. This presentation and the information relates only to the properties that fall into the General area, it does not apply to the properties within the Housing Revenue Account or the Bridge Estate;
- (c) Asset Management aims to bring property and land to sale, in a timely way, once they have been declared surplus to operational requirements in order to support current commitments within the Capital Programme;
- (d) Since the Asset Rationalisation programme started, forecasted income for 20/21 and 21/22 have been exceeded, and in 22 year to date £5.3million has already been achieved. This money is not then committed to capital projects until it has been received through the sale process;
- (e) Future forecasts will show two sets of figures, those properties identified as available for sale, in the pipeline, and properties earmarked for receipt within the year. Both of these figures will be risk adjusted and it is the risk adjusted figure that is used to inform the Capital Programme;
- (a) The forecast for this year is higher than for other years as there is a handful of high value assets in the pipeline for disposal this year;
- (b) The programme risk register is monitored on a monthly basis by the Asset Rationalisation Board (ARB), as is the risk adjusted forecast. The very high value assets are prioritised in the process and they are monitored on a weekly basis and reported to the ARB;
- (c) There is a heavy focus on the governance and assurance around decision making in order to maximise capital receipts. A new disposals policy has been developed and implemented to ensure all disposals reach best consideration or market value. A sale is below market value must be justified by a business case report to the ARB;
- (d) There are a 3 methods of sale considered in each disposal, auction, informal treaty with bids, and public treaty. Each method has its benefits and the best method varies from property to property but the default position is open market. All properties are publicly advertised prior to disposal;

- (e) There are two types of property, Operational and Non-Operational. Operational properties are declared surplus when a service identifies them as no longer needed to deliver a service. Non-Operational Properties are identified as surplus when they are no longer generating income or repair costs are too high, are at high risk of being void, where there is significant management cost, or where there is capital growth in a particular sector;
- (f) There is an ongoing review process in place that looks at the Non-Operational properties to ensure those likely to bring beneficial capital receipts are brought into the programme;
- (g) Once identified as surplus each asset is appraised and expert advice from Legal and Finances colleagues is sought. Where external expertise is required this will also be commissioned. The Corporate Asset Management Group then reviews this information followed by review by the ARB. Formal decision making takes place through the Council's governance Framework;
- (h) Continuing forward, work is ongoing to complete the review of all commercial assets and with services to bring forward properties as surplus and investment properties are being reviewed to ensure that they are still viable;
- (i) The implementation of the Corporate Landlord model is progressing, aiming to improve efficiency and bringing together the work of the Property team;
- (j) A new Community Asset Policy is being developed and is will be out for consultation soon, and a new Corporate Asset Management strategy is being developed;

During comments and questions from Committee Members, the following points were highlighted:

- (k) Committee members asked if there was sufficient strategic thinking happening around disposals of assets and the requirements of the city, with the example of student housing being used. The Corporate Asset Management Strategy, will be developed following the implementation of the Corporate Landlord model, which will improve strategic asset management and better strategic oversight. However it is not possible to compel developers to use land or properties for specific uses once sold, plans for use sometimes change and this is not under the control of the Council;
- (l) The Council is currently working to complete regeneration projects that were approved years ago. The Asset Rationalisation programme is trying to create a level playing field moving forward to ensure regeneration projects continue to be affordable in the longer term;
- (m) It is no longer possible to let community centres for peppercorn rents. There are a variety of different arrangements in place for properties and it is important that these are standardised. Leases with repair clauses are being replaced with more emphasis on the property not becoming problematic in terms of repair costs. At the same time leases are being redesigned to ensure that they do not become a burden on community groups. The development of the Community Asset Policy will ensure consistency and will ensure that community groups know what expenses they are liable for from the start of their lease;

- (s) Once a community property is identified as surplus work is done with interested community groups to help them prepare business cases for purchase;
- (t) Every decision to sell a property is assessed to establish the revenue impact of sale versus rental income and how this then impacts on the property budget overall and how the capital receipt contributes to reducing debt;
- (u) The Asset Management Strategy is taking a long term view, not just looking to the immediate short term;
- (v) Many commercial properties are in a less than satisfactory state of repair and require capital investment to bring them up to a better standard. Maintenance of stock has not been prioritised as it should have been and data around rental income generation is also historical. Many leases on commercial properties have not been reviewed or assessed in many years, work is underway to rectify this and to update values attributed to assets;
- (w) Resources to facilitate the completion of sales are stretched, but the Council always prioritises the high value assets to ensure timely capital receipt.

The committee thanked both the Portfolio Holder, and the Director of Economic Development and Property for their continued hard work, and for that of their colleagues supporting them.

**Resolved to record the Committee's appreciation and significant recognition of the progress made on the Asset Rationalisation Programme, whilst still acknowledging the challenges that remain.**

### **13 Exemption from Contract Procedure Rules quarter four 2021/22**

Steve Oakley, Head of Contracting and Procurement introduced the report on Exemption from Contract Procedure Rules for quarter 4 2021/22. He highlighted the following points:

- (a) Out of 10 requests 9 were unavoidable, one could have been avoided if better planning had been in place. One was rejected as it was retrospective;
- (b) Procurement continue to work with departments to implement compliant plans ensuring the number of exemptions is reduced;
- (c) Quarter 4 is usually the busiest period for procurement and exemption requests are lower than previous quarters. This lower level is comparable to that of other authorities;

Following comments and questions by committee members the following points were made:

- (d) All options are explored when considering contracts, exemptions from contract procedure rules is only used when there is no other option;
- (e) Departments are advised that projects must be costed in full at the outset and that breaking down contracts into phases should not be an appropriate course of action in most cases. This reduces the likelihood of exploitation of the exemption procedures;
- (f) Procurement have to balance the need for best value and the need for timely action. A range of methods is used by the team to ensure that this is reached. If a department

were found to be deliberately splitting contracts in order to circumvent the exemption process this would result in disciplinary action;

- (g) Committee members raised specific questions around 7 contracts awarded to the same company. The Head of Procurement and the Interim Corporate Director of Finance and resources assured the committee that each contract was for a different service, and that each contract had been through the appropriate route of procurement. In each case, the contracts were handled on their own merit and awarded to represent best value;
- (h) Committee members asked for specific assurance that a process was in place to prevent the circumventing the system by splitting contracts. The Interim Corporate Director for Finance and Resources confirmed to the committee that protocol was in place;

Committee members requested a schedule of the 7 contracts in question detailing their value, the process procurement went through and the justifications for granting the contracts. The Interim Corporate Director for Finance and Resources confirmed that he would circulate these details to committee members.

#### **Resolved to**

- (1) Note the number of exemptions from Contract Procedure Rules during quarter four of 2021/22**
- (2) Note the actions being taken to ensure that contracts are awarded in line with contract Procedure rules**

#### **14 ICT Procurement Audit**

Simon Salmon, Head of IT and Steve Oakley, Head of Procurement presented the report on the ICT Procurement Audit which had identified actions needed to improve. They gave an update on the actions taken in response to the Audit and proposed work for the upcoming 12 months. The following points were highlighted during discussion:

- (a) Work has focused on centralising ICT and bringing it back in line with Procurement through the Procurement Transformation Programme looking at best practice and delivering improvements;
- (b) Historically teams have stepped outside the existing frameworks to purchase equipment, which is often not supported by IT teams. These individual purchases mean that the asset register is inaccurate;
- (c) A change in mentality has started to take place and teams are more minded to work with Procurement through the correct governance structures;
- (d) Procurement colleagues are now directly linking with IT colleagues, and all ICT purchases are reviewed and approved by the Head of IT. This has stopped the ad hoc purchases of various software and devices that may not be supported by IT colleagues and ensures a more joined up approach and that systems can be integrated with existing technology;

#### **Resolved to**

- (1) Note the actions completed and planned as detailed in the published report;**
- (2) Note the plans to implement further ICT procurement actions through the Procurement Transformation programme;**
- (3) Agree that future reports on ICT procurement are reported as part of a wider report on Procurement including Audit and Compliance updates.**

## **15 Corporate Risk And Assurance Update**

Caroline Stevens, Principal Risk Specialist, and Shail Shah, Head of Audit and Risk introduced the report on Corporate Risk Management and Corporate Risk and Assurance Register Update to the Committee. The Risk Policy and Risk and Assurance Register had been reviewed by both the Executive Board meeting and the Risk working group. They highlighted the following points:

- (a) There has been extensive revision of the Risk Policy and the Framework which has been supported by this Committee and by senior leadership. The Improvement and Assurance Board has also responded positively to the updates and an external review also responded favourably, the policy and framework are now considered an example of best practice;
- (b) The annual report, attached as an appendix to the published report, gives assurance on various functions and details the progress made, including a substantial program of training for Officers, elected Members and Senior Managers;
- (c) The Register is regularly reviewed by DLTs and by CLT and Leadership along with Executive Panel, Executive Board and the Audit Committee and working group;
- (d) It is hard to measure the benefits of a good risk register, as the outcomes are events or circumstances that have not happened. It is comparable to good health and safety where the best outcome is no events. Good risk management is taking place through regular review and discussion of significant risks and the result of good management is that they do not crystallise;
- (e) The biggest change is in the consistency of risk being identified and recorded across the framework. There is an increased awareness of key risks and senior Leadership receive regular assurance on these;
- (f) Committee members were unclear whether the Council requires Officers to complete monthly reports and demonstrate that they are managing the risk. They felt that there were still some areas for improvement regarding this;
- (g) Committee members were pleased to see a more realistic assessment of risks, despite in resulting in an increased in risks rated red;
- (h) Risks and the actions required for mitigation are owned by the departments they sit within. The centralised Risk Team do not own the risks recorded within the register, they facilitate the management of the risk;
- (i) Committee members offered their congratulation to the Risk Team for developing a solid, robust policy. They cautioned that this is only as good as the stakeholders and

that proper cascading of risk information must take place throughout the Council to continue to show improvements;

**Resolved to:**

- (1) Note the annual report and progress made to review existing processes and further embed Risk Management across the Council;**
- (2) Note the Corporate Risk and Assurance Register.**

**16 Exclusion of the Public**

**The Committee decided to exclude the public from the meeting during consideration of this/ 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 3 of Part 1 of Schedule 12A to the Act**

**17 Corporate Risk and Assurance Update - Exempt Appendices**

The Committee considered the exempt appendices and following discussion outlined in the exempt minutes noted their content.

**18 Together for Nottingham Theme 3 - Companies Update - Exempt Report**

Councillor Linda Woodings, Portfolio Holder for Adults Social Care and Health, and Executive sponsor for Theme 3 Together For Nottingham Plan, along with Clive Heaphy, Interim Corporate Director of Finance and Resources presented the report updating the Committee on work around Council owned companies.

Following discussion detailed in the exempt minutes they resolved to note its contents.

**Audit Committee Proposed Work Programme for 2022-23**

The schedule of meetings set out below is proposed but the committee reserves the right to review and amend the work programme content and meeting dates throughout the year in order to meet its objectives and purpose as set out in the [Constitution](#).

Key to activity (incorporating TOR)	Desired Outcomes	Key
Governance risks around high level financial strategy and reserves		
Governance risks connected to asset realisation		
Governance of Capital programme and projects		
Value for Money and Delivering Objectives		
Governance of linked incorporated bodies		
Core functions arising from statutory obligations and guidance		
Annual Assurance reports		

Date	Item	Committee Objective	Outcome	Director	Author								
Apr 2022	TfN workstream leads Theme 7 (Service Design & Delivery)	Assurance on progress, benefit realisation, controls, associated risks and their management	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	C Underwood I O'Donovan	R Grice
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	Annual Information Security & Information Governance Compliance Assurance (including Service Report on progress following Limited Assurance IA Report –IT Security)	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	M Townroe	S Salmon N Matthews
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	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	M Townroe	P Millward
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	HR & EDI Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	R Henderson	T Hayre-Bennett
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	Exemption from Contract Procedure Rules Q3	Oversight of procurement dispensations and assurance on their future procurement process	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	C Heaphy	S Oakley
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	Statement of Accounts 2019-20 & Final AGS 2019-20	Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	C Heaphy	D Middleton
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Date	Item	Committee Objective	Outcome	Director	Author
	External Audit Report 2020-21	Consider the outcome of the External Audit and assurance on management response to issues identified	X X X X X X		A Smith
	Statement of Accounts 2020-21 & Final AGS 2020-21	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	X X X X X X X X	C Heaphy	D Middleton
<b>Jun 2022</b>	Corporate Risk Update	Assurance that appropriate arrangements are in place to manage risk	X X X X X X X X	C Heaphy	S Shah
	Companies Update (TfN Theme 3)	Assurance on progress, benefit realisation, controls, associated risks and their management to ensure that the Council has in place appropriate arrangements to manage risks connected to its investments in companies	X X X X X X X X	C Heaphy	I Edward
	Updates from Working Groups	Audit Committee Performance	X X X X X X X X		
	Annual Work Programme	Audit Committee Performance	X X X X X X X X	C Heaphy	S Shah
	Service Report on Progress following Limited Assurance IA Report – ICT Procurement	Assurance on improvements planned and made and how these will be sustained	X X X X X X X X	C Heaphy	S Oakley
	TfN workstream lead Theme 2 (Asset Management)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X X X	S Rose	N Jenkins
	Exemption from Contract Procedure Rules Q4	Oversight of procurement dispensations and assurance on their future procurement process	X X X X X X X X	C Heaphy	S Oakley
<b>Sep 2022</b>	Audit Committee Annual Report	Audit Committee Performance	X X X X X X X X		Clr S Mohammed

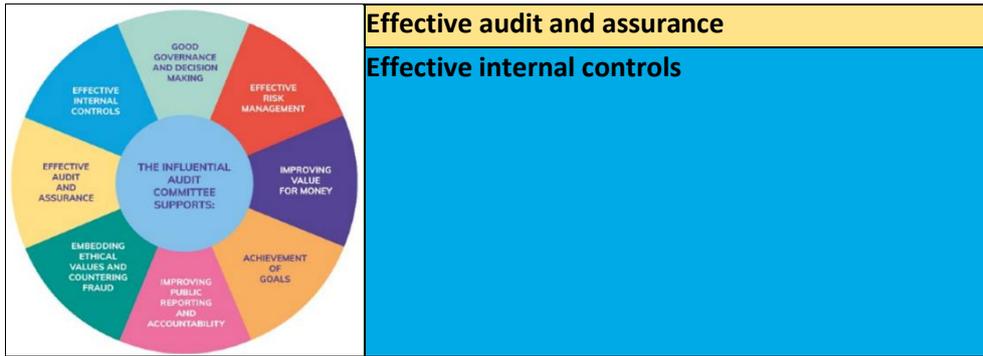
Date	Item	Committee Objective	Outcome	Director	Author
	Treasury Management Annual Report	Assurance on management of Treasury Management risks in accordance with Council policy	X X X X	C Heaphy	D Middleton
	IA Annual Report & Opinion including Counter Fraud Strategy and update including Limited Assurance audits and High Priority Recommendations	Consider arrangements for Internal Audit, reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion, and seek assurance on the implementation of agreed actions	X X X X	C Heaphy	S Shah
	Service Report on Progress following Limited Assurance IA Report – Business Rates	Assurance on improvements planned and made and how these will be sustained	X X X	C Heaphy	D Middleton L Lee
	External Audit Update	Consider the update from External Audit and assurance on management response to any issues identified	X X X		A Smith
	Customer Experience / Complaints & Ombudsman Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed	X X X	C Heaphy	L Lee
	Exemption from Contract Procedure Rules Q1	Oversight of procurement dispensations and assurance on their future procurement process	X X X	C Heaphy	S Oakley
	HRA & Emerging Risk	Update on emerging risks	X X X	C Heaphy	
<b>Nov 2022</b>	Council Plan & Corporate Performance Assurance & TfN workstream lead Theme 8 (Council Plan)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X	M Barrett I O'Donovan	J Rhodes
	External Audit Update	Consider the update from External Audit and assurance on management response to any issues identified	X X X		A Smith
	Implementation of Controls to ensure Decisions include Carbon Impact Assessments	Consider compliance with controls implemented to ensure relevant decisions are supported by a Carbon Impact Assessment	X X X X	S Rose	C Common

Date	Item	Committee Objective	Outcome	Director	Author
	Companies Governance Sub-Committee Update (TfN Theme 3)	Assurance on progress, benefit realisation, controls, associated risks and their management to ensure that the Council has in place appropriate arrangements to manage risks connected to its investments in companies	X X X X X X	C Heaphy	I Edward
	Risks associated with Tram finances	Consider the risks and assurances in relation to financing of the Nottingham tram system	X X X X X	S Rose	S Tough
	Treasury Management Half Year Report	Assurance on management of Treasury Management risks in accordance with Council policy	X X X X X X	C Heaphy	D Middleton
	Internal Audit Update including Limited Assurance audits and High Priority Recommendations	Consider reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion and seek assurance on the implementation of agreed actions	X X X X X X	C Heaphy	S Shah
	TfN workstream lead Theme 5 (Constitution-Governance and Decision Making)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	M Townroe	M Townroe
	Procurement of External Audit 2023-2028 update	Assurance that arrangements for statutory inspection of financial statements are in place	X X X X	C Heaphy	S Shah
	TfN workstream lead Theme 5 (Constitution-Governance and Decision Making)	Assurance on progress, benefit realisation, controls, associated risks and their management	X X X X X X	M Townroe	M Townroe
	Service Report on Progress following Limited Assurance IA Report - (Procurement Dispensations & Contract Management)	Assurance on improvements planned and made and how these will be sustained	X X X X X X	C Heaphy	S Oakley
	Exemption from Contract Procedure Rules Q2	Oversight of procurement dispensations and assurance on their future procurement process	X X X X	C Heaphy	S Oakley

Date	Item	Committee Objective	Outcome	Director	Author								
	Progress on S114 Action Plan	Oversight of progress and management for significant issue	<table border="1"><tr><td></td><td></td></tr><tr><td>X</td><td></td></tr><tr><td></td><td>X</td></tr><tr><td>X</td><td></td></tr></table>			X			X	X		C Heaphy	
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<b>Feb 2023</b>	Together for Nottingham Plan update including Theme 1 (MTFS) & Performance Management	Assurance on progress, benefit realisation, controls, associated risks and their management	<table border="1"><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>	X	X	X	X	X	X	X	X	C Heaphy	D Middleton J Rhodes
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	Treasury Mgt Strategy & Capital Strategy	Assurance on setting Council policies to best manage Treasury Management & Capital risks	<table border="1"><tr><td>X</td><td></td></tr><tr><td>X</td><td></td></tr><tr><td>X</td><td>X</td></tr><tr><td></td><td>X</td></tr></table>	X		X		X	X		X	C Heaphy	D Middleton
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	Corporate Risk & Assurance Register	Assurance that appropriate arrangements are in place to manage risk	<table border="1"><tr><td>X</td><td></td></tr><tr><td>X</td><td></td></tr><tr><td></td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>	X		X			X	X	X	C Heaphy	S Shah
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	AGS Process 2022-23	Assurance on arrangements for a review of the Council's governance	<table border="1"><tr><td>X</td><td></td></tr><tr><td>X</td><td></td></tr><tr><td></td><td>X</td></tr><tr><td></td><td>X</td></tr></table>	X		X			X		X	C Heaphy	S Shah
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	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified	<table border="1"><tr><td></td><td></td></tr><tr><td>X</td><td></td></tr><tr><td></td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>			X			X	X	X		A Smith
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	Internal Audit Update including Limited Assurance audits and High Priority Recommendations	Consider reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion and seek assurance on the implementation of agreed actions	<table border="1"><tr><td></td><td></td></tr><tr><td>X</td><td></td></tr><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>			X		X	X	X	X	C Heaphy	S Shah
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	Review of Accounting Policies 2020/21	Assurance that appropriate arrangements are made to comply with statutory guidance	<table border="1"><tr><td>X</td><td>X</td></tr><tr><td></td><td></td></tr><tr><td></td><td>X</td></tr><tr><td></td><td>X</td></tr></table>	X	X				X		X	C Heaphy	D Middleton
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	Service Report on Progress following Limited Assurance IA Report	Assurance on improvements planned and made and how these will be sustained	<table border="1"><tr><td></td><td></td></tr><tr><td>X</td><td></td></tr><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>			X		X	X	X	X	tbc	
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	Exemption from Contract Procedure Rules Q3	Oversight of procurement dispensations and assurance on their future procurement process	<table border="1"><tr><td>X</td><td></td></tr><tr><td>X</td><td></td></tr><tr><td></td><td>X</td></tr></table>	X		X			X	C Heaphy	S Oakley		
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<b>Mar 2023</b>	TfN workstream lead Theme 6 (Organisation & Culture)	Assurance on progress, benefit realisation, controls, associated risks and their management	<table border="1"><tr><td>X</td><td></td></tr><tr><td>X</td><td></td></tr><tr><td>X</td><td>X</td></tr><tr><td>X</td><td>X</td></tr></table>	X		X		X	X	X	X	M Barrett R Henderson	T Hayre-Bennett
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Date	Item	Committee Objective	Outcome	Director	Author								
	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	<table border="1"> <tr><td></td><td></td></tr> <tr><td>X</td><td></td></tr> <tr><td></td><td>X</td></tr> <tr><td></td><td>X</td></tr> </table>			X			X		X	M Townroe	P Millward
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	HR & EDI Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed	<table border="1"> <tr><td></td><td></td></tr> <tr><td>X</td><td>X</td></tr> <tr><td></td><td>X</td></tr> <tr><td></td><td>X</td></tr> </table>			X	X		X		X	R Henderson	T Hayre-Bennett
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tbc	Final Statement of Accounts, Annual Governance Statement & External Audit Report 2019-20 2020-21	Consider the outcome of the External Audit and assurance on management response to issues identified Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	C Heaphy	D Middleton S Shah A Smith
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tbc	Financial Accounts Training	Audit Committee Performance	<table border="1"> <tr><td>X</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td>X</td></tr> <tr><td></td><td></td></tr> </table>	X					X			C Heaphy	D Middleton
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tbc	Draft Statement of Accounts 2021-22 & Interim AGS 2021-22	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	<table border="1"> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td></td></tr> <tr><td>X</td><td>X</td></tr> <tr><td>X</td><td>X</td></tr> </table>	X	X	X		X	X	X	X	C Heaphy	D Middleton
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tbc	Final Statement of Accounts 2021-22 & Final AGS 2021-22 (subject to audit)	Consider any concerns arising from the financial statements or from the governance statement that need to be brought to the attention of the Council	<table border="1"> <tr><td>X</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td>X</td></tr> <tr><td></td><td></td></tr> </table>	X					X			C Heaphy	D Middleton
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Desired Outcomes	Key to Influential Audit Committee Outcomes
	Good governance and decision making
	Effective risk management
	Improving value for money
	Achievement of Goals
	Improving public reporting and accountability
	Embedding ethical values and countering fraud



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**Audit Committee – 30<sup>th</sup> September 2022**

<b>Title of paper:</b>	Exemption from Contract Procedure Rules quarter one 2022/23	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy Corporate Director Finance and Resources	<b>Wards affected:</b>
<b>Report author(s) and contact details:</b>	Steve Oakley, Head of Contracting and Procurement steve.oakley@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>		
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
<b>1.</b>	To note the number of exemptions from Contract Procedure Rules during quarter one of 2022/23	
<b>2.</b>	To 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	

**1. Reasons for recommendations**

- 1.1 As part of the new Constitution all exemptions from Contract Procedure rules need to be reported to Audit Committee on a quarterly basis, Article 18.79. This report outlines all exemptions requested during the period from April to June 2022.
- 1.2 The original audit report identified actions needed across Nottingham City Council to address poor compliance with the old Financial Regulations and Contract Procedure Rules. This report also provides an update on actions taken and planned to improve compliance with the new Constitution and in particular Contract Procedure rules.

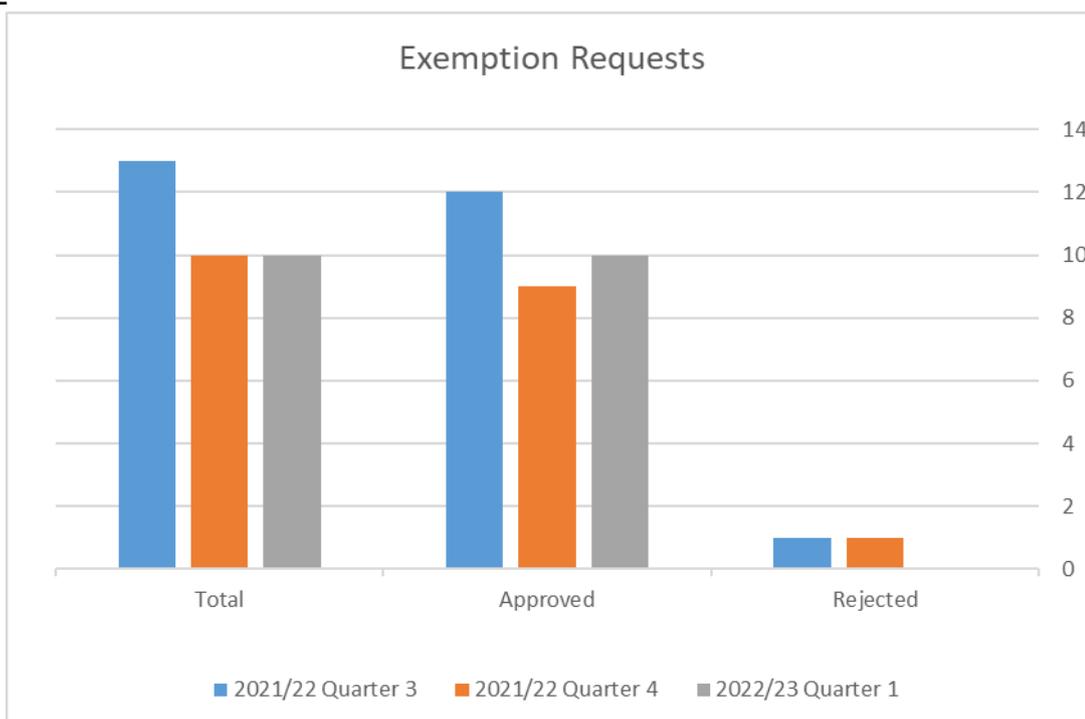
**2. Background**

- 2.1 An audit of Procurement Dispensations was undertaken in 2021 and identified significant non-compliance with Financial Regulations and Contract Procedure Rules which resulted in higher than would be expected requests for Dispensation from Financial Regulations.
- 2.2 With the development of a revised Constitution it was agreed to change the Contract Procedure Rules and include the need for a formal record of all exemptions to be taken separately to seeking approval for spend. Article 18 Contract Procedure Rules includes an exemption form that is completed whenever an exemption from Article 18 is requested. These forms are reviewed by the Head of Contracting and Procurement prior to seeking the approval of the Director of Finance and Resources. Once approved these are collated by the Head of Contracting and Procurement to ensure a comprehensive record of all exemptions is maintained.

- 2.3 There will always be some requests for exemption from Contract Procedure Rules as not all contracts can be let through a formal tendering or quotation process for various reasons. An example is where there is only one supplier for technical reasons.
- 2.4 Article 18.79 requires a report to Audit Committee on a quarterly basis of all exemptions from Article 18. This report provides the third quarterly report since the new Constitution was implemented in October 2021.
- 2.5 The following table outlines the number of exemptions requested and approved during the first quarter of 2022/23 with figures for the previous two quarters. Appendix 1 lists the 10 exemption requests with the reasons for the decision.

	Total	Approved	Rejected
2021/22 Quarter 3	13	12	1
2021/22 Quarter 4	10	9	1
2022/23 Quarter 1	10	10	0

- 2.6 The chart below shows the exemption requests to date from November 2021 to June 2022



- 2.7 Of the approved requests eight were unavoidable with no alternative option to the exemption for various reasons. The other exemptions may have been avoidable if plans had been developed earlier in the process.

- 2.8 The 10 approved exemptions total £2.84m. One exemption request was for £1.4m for a range of services to meet homelessness need. Work is underway to put in place a long term solution but due to the complexity and nature of the contracts was not ready to be used for this years round of Government funding.
- 2.9 Procurement have been working with departments to ensure exemptions only come forward when there is no alternative. A number of potential exemptions have been avoided by putting in place a compliant process.
- 2.10 Exemption requests are slightly higher this quarter than quarter four, this is in part due to quarter one being the period when most contracts are awarded. Although this is still significantly lower than previous years dispensations. The original audit work had shown on average 16 dispensations/exemptions per month in 2020 and 2021 against the 10 this quarter and an average of 10.33 per month since the new constitution was launched in October 2021.
- 2.11 It is important to note that a number of the exemption requests this month have been needed to allow for longer term processes to be completed. These short term exemptions are allowing time for a review of options to be completed and new contracts established that deliver value for money in the long term.

#### **Key actions undertaken this quarter**

- 2.12 Procurement continues to work with departments to plan ahead of any procurement requirement and identify ways to procure without the need for an exemption.
- 2.13 Through the Compliant Purchasing Team, within Procurement, any request that is not compliant with Contract Procedure Rules is referred to the Category Manager to ensure it is added to the longer term Category plan or alternative compliant purchasing options implemented.
- 2.14 The proposed new operating model work has been completed and the costs of implementation have been included in the plans for 2023/24 budget.
- 2.15 The Contract Management and Procurement training programmes are now being formatted into e-training packages ready for dissemination to all colleagues that undertake any purchasing.

### **3. Background papers other than published works or those disclosing exempt or confidential information**

3.1 None

### **4. Published documents referred to in compiling this report**

- 4.1 Follow-up audit report Contract Management 2021
- 4.2 Internal Audit Report Procurement Dispensations
- 4.3 Contract Management and Procurement Audits 2021
- 4.4 Exemption from Contract Procedure Rules quarter three 2021/22

#### 4.5 Exemption from Contract Procedure Rules quarter four 2021/22

Title of Exemption	Division	Directorate	Supplier	Date Signed	Outcome	Value	Avoidable	Rationale for exemption/ Procurement Reason for Supporting
Telecommunications to the Traffic Control Centre	Traffic and Safety	Growth and City Development	BT	11/04/2022	Approved	£213,477	Y	Direct award below threshold of a temporary contract for up to 7 months to keep service functioning whilst a solution is found for a longer term contract. Outcome - to merge with other similar requirements and compliant contracts held corporately to ensure best value.
Infection, Prevention and Control	Public Health	Peoples	CityCare	13/04/2022	Approved	£189,090	N	Direct Award below threshold and sole supplier under regulation 32 – short term contract due to COVID
Wellesley House Homeless Accommodation	Regeneration and Housing Delivery	Growth and City Development	Bloom Social Housing CIC	13/04/2022	Approved	£271,816	N	Direct Award below threshold, allowed under regulation 32 of Public Contract Regulations. Due to change of provider in an accommodation based service
Rough Sleepers Initiative Grant	Regeneration and Housing Delivery	Growth and City Development	Various	13/04/2022	Approved	£1,452,723	N	A number of Direct Awards below threshold needed whilst new framework is put in place
Provision of alternative funding for bus route 22 and 23	Public Transport	Growth and City Development	CT4N Ltd	05/05/2022	Approved	£60,000	N	Direct Award below threshold and sole supplier under regulation 32. Only the supplier that delivers the specific routes can deliver the service until a review can be completed for a longer term solution
Energy Accreditation for	Carbon Reduction,	Growth and City	Elmhurst Energy	09/05/2022	Approved	£35,000	Y	Direct Award below threshold to existing supplier to allow

Carbon Reduction	Energy and Sustainability	Development						longer term solution to be procured
Demolition of the Elms	Property	Growth and City Development	Newline Midlands Limited	05/05/2022	Approved	£430,000	N	Direct Award below works threshold, needed for safety reasons on site
Bike Store Camera Operator	Transport Strategy	Growth and City Development	Oracle Surveillance	10/06/2022	Approved	£50,000	N	Direct Award below threshold, to current supplier to allow for formal tender for a longer term solution
Subscription to UK Tram	Public Transport	Growth and City Development	UK Tram	10/06/2022	Approved	£40,000	N	Direct Award sole supplier allowed under regulation 32 there currently is only one supplier that can provide this service within the UK
Accreditation of Swimming Teaching and other relevant services	Sport and Leisure	Resident Services	Swim England	10/06/2022	Approved	£100,000	N	Direct Award sole supplier allowed under regulation 32, only this supplier can supply the full range of requirements needed by the service

### Audit Committee – 30 September 2022

<b>Title of paper:</b>	<b>Complaints and Ombudsman Annual Assurance Report</b>	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy, Interim Corporate Director for Finance and Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Saima Muneer – Customer Experience Lead <a href="mailto:Saima.Muneer@nottinghamcity.gov.uk">Saima.Muneer@nottinghamcity.gov.uk</a> 0115 87 61527	
<b>Other colleagues who have provided input:</b>	Marc Danyluk – Customer Hub Manager Patrick Skeete – Social Care Complaints and Representations Manager Lucy Lee - Head of Customer Service Dominic Omelia – Customer Experience Project Manager	
<b>Does this report contain any information that is exempt from publication?</b>		
No		
<b>Recommendation(s):</b>		
<b>1.</b>	<b>to note the contents of this report</b>	

#### 1. Reasons for recommendations

1.1 This report provides a reflection on the complaints received

- under the Have Your Say (HYS) process
- under the statutory Social Care complaints process
- about the School Admissions appeals process

and the decisions made on these complaints about Nottingham City Council by

- Nottingham City Council (NCC)
- the Local Government and Social Care Ombudsman (LGSCO or LGO)

for the period of 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022. The information is taken from NCC records and the LGO Annual Review Letter, which is issued to all Councils and is published on the Ombudsman's website.

1.2 Capturing customer experience and learning from complaints is important, it enables the Council to reflect on feedback about its services and facilitate service improvements and innovation. An outcome of an upheld complaint could be identifying a recommendation for a service or process improvement, which is welcomed as another source of reflection and learning for the organisation. The Council's Customer Charter promises that the Council will use customer feedback to improve our services, and the Have Your Say feedback plays a vital role in achieving this.

1.3 Whilst it is important to capture customer experience, the Council also need to be mindful that each complaint represents time which the officer investigating and responding could have used on other activities. This is particularly relevant as the Council's resources are shrinking. The Have Your Say team therefore aim to support colleagues to achieve lower complaint rates, by acting on insight and increase productivity, to help services get things right the first time and in keeping with the Council's Customer Charter. This report helps to identify the level of success in achieving this aim within Council services.

- 1.4 The Council also notes that a citizen's opinion of Council services in general can be affected by their experiences with an individual service, so by providing a satisfactory service (and in some cases by effective communication of a well-organised, complete, and timely complaint investigation), colleagues can improve the Council's reputation and future contact with citizens.
- 1.5 The Council continues to maintain a good working relationship with the LGO Assessment and Investigation teams. The Customer Experience Lead acts as a Link Officer between the LGO and NCC to liaise with Council services and ensure deadlines are met.
- 1.6 It is important to note in this year's report that the COVID-19 pandemic has had an impact on Council services and the complaints the Council have received at the beginning of the year. The LGO also paused their casework and did not accept new complaints for three months between March and June 2020. The COVID-19 pandemic has resulted in different levels and types of complaints coming to us which therefore makes year on year comparisons of complaints difficult during the 2021-22 period.

## **2. Background**

- 2.1 To enable Nottingham City Council to deliver high quality services it is important that the Council records and listens to feedback from people using Council services. Through the Have Your Say (HYS) process, the Council aim to handle comments, complaints and compliments in a fair and consistent way, maintaining openness and transparency. Complaints can help us identify any trends in service failures and make improvements by learning from root cause analysis.
- 2.2 There are currently two complaints teams within Nottingham City Council. One team handles the statutory complaints in relation to Children and Adults Social Care Services, and the HYS team handles the complaints and feedback for all other Council services. There are some areas that cannot be dealt with by the HYS complaints process as they are covered by another process or legal procedure. These exemptions include:
  - Appeals against refusal of planning permission or against conditions placed on a grant of planning permission
  - A complaint about social care services (children and adults)
  - A school admission or exclusion appeal
  - A complaint about a school
  - A complaint from a City Council employee about an employment matter
  - An appeal against the issue of a penalty charge notice by the parking enforcement team and the recovery process which follows
  - Dispute a fixed penalty for environmental crimes (including dog-fouling)
  - Dispute a penalty charge notice for Bus Lane Contravention
  - Any appeal against the exercise of a police power
  - A complaint about the refusal of disabled badges for parking exemption
  - A complaint about the independent Rent Officer
  - A complaint about Anti-Social Behaviour
  - A complaint about Nottingham City Homes
  - Appeals regarding Resident Permits/Dispensation Access Permits
- 2.3 The LGO oversee some but not all of the HYS exemptions. This includes Social Care complaints and School Admissions appeals. They do not oversee the exemptions where there is a right to appeal or take legal action, such as Housing Benefit tribunals.
- 2.4 Refreshed in 2016, the HYS service operates a two-stage complaints handling process. At Stage 1, the customer's feedback is triaged to the appropriate service for investigation and response/remedy. If the customer remains dissatisfied once the complaint has completed the first stage of the process, they can request a review of the complaint handling at Stage 2, which is carried out by the Customer Experience Lead. Prior to 2016, there was a lengthier 4 stage

complaints handling process, which was reviewed and replaced with the current 2 stage model, which enables the Council to act on customer insight and improve the outcomes for citizens through analysing feedback.

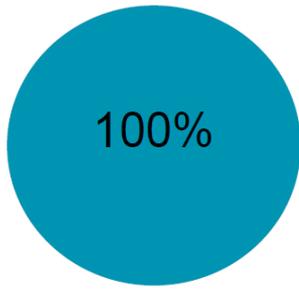
- 2.5 The following analysis is reported by volume of complaints so that Councillors can understand better the experience of customers.

### 3. The Local Government Annual Review

- 3.1 On 20<sup>th</sup> July 2022 the LGO launched their annual review of local government and social care complaints for 2021-22. They have provided data to show how they are helping to improve local services and reporting on data for compliance with recommendations they have made, and the number of cases where each authority has provided a satisfactory remedy before the complaint reached the LGO. This section looks at the overall LGO data compiled in these years Annual Review Letter, and further sections give further context of how overall, this data is a very small percentage of the actual complaint handling dealt with by Nottingham City Council.
- 3.2 Nationally the LGO received 15,826 complaints and enquiries about councils in England (it does not cover Scotland or Wales). Of those complaints 4,048 had detailed investigations and 66% were upheld. This compares to 11,830 complaints and enquires received in 2020-21, of which 3,144 had detailed investigations and 67% were upheld.
- 3.3 This year's LGO Annual Review statistics tells us that nationally complaints about Education and Children's continue to dominate their casework, being 3,145 of their complaints. The highest proportion of complaints they investigated relate to Adult Social Care, and Education and Children's Services and Planning and Development the fewest complaints investigated were about Corporate and Other Services and 'Other'.
- 3.4 The LGO publishes the information for the Annual Review on an interactive map, which is called 'Your Council's Performance.' This tool, which was implemented in 2019, gives a snapshot of the service improvement recommendations and highlights the key statistics and how they compare to similar authorities.
- 3.5 The link to the council performance interactive map is as follows:  
<https://www.lgo.org.uk/your-councils-performance/nottingham-city-council/statistics>
- 3.6 The snapshot data published on the interactive map for NCC is shown as:



In comparison to the year previous 2020/21. This is an increase where there were a lower number of detailed investigations of 7 cases, and 43% of these were upheld.

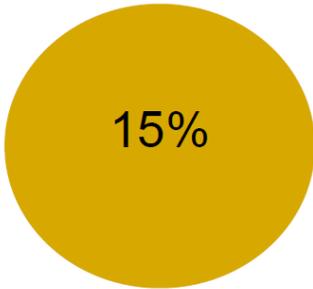


In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

Statistics are based on a total of **9** compliance outcomes for the period between 1 April 2021 to 31 March 2022

This compares to an average of **99%** in similar organisations.

In comparison to the year previous 2020/21. Nottingham City Council achieved 100% satisfactory compliance on 4 compliance outcomes.



In **15%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

**2** satisfactory remedy decisions

Statistics are based on a total of **13** upheld decisions for the period between 1 April 2021 to 31 March 2022

This compares to an average of **12%** in similar organisations.

In comparison to the year previous 2020/21. Nottingham City Council had provided a satisfactory remedy in 0% of cases before the complaint had reached the LGO and received 0 satisfactory remedy decision. See paragraph 8.2 for explanation.

3.7 The following key facts and figures will provide an in-depth analysis of the LGO's data published for NCC so that Councillors can identify areas that are performing well and areas for improvement considerations as well as see the root causes for these trends.

#### 4. LGO Review Letter – Key Facts and Figures

4.1 The LGO Annual Review Letter shows that they received 73 complaints and enquiries about NCC for the 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 period and 84 were assessed and issued with decisions. 23 were treated as premature, 7 were requests for advice, 2 were either incomplete or invalid and 32 were closed after initial enquiries. 20 complaints involved detailed investigations by the LGO and 13 of these were upheld.

4.2 This data shows an increase in upheld complaints from last year. The table below outlines the results of the LGO Annual Review for 2021/22 in comparison to the previous three years:

Annual Letter	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Received	104	75	52	73
Decided	98	86	43	84
Upheld	18	12	3	13
Not Upheld	8	7	4	7
Closed	72	67	36	64
Uphold Rate	69%	63%	43%	65%

4.3 It is worth noting that in order to allow authorities to respond to the Covid-19 pandemic, the LGO did not accept new complaints and stopped investigating existing cases between March

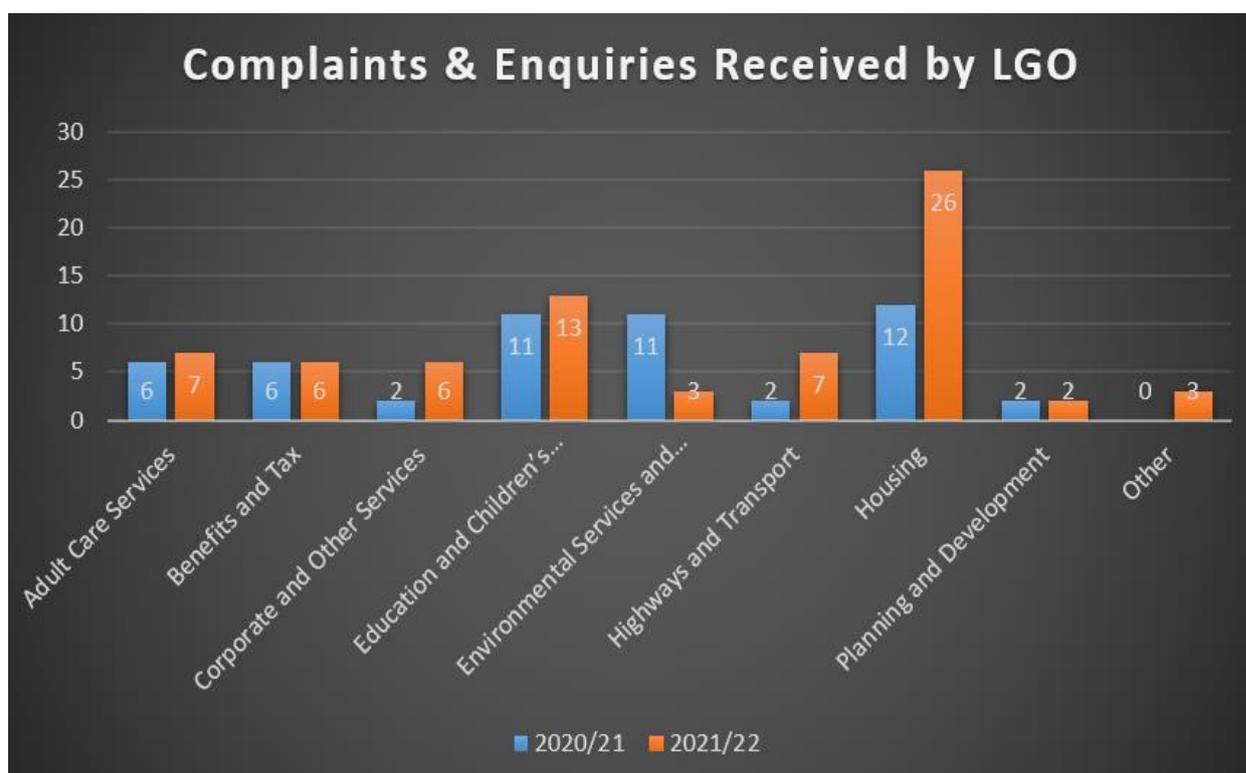
and June 2020. This reduced the number of complaints they received and decided in the 2020-21 year. This needs to be considered when comparing data from previous years.

4.4 The Council recognises that the 20 cases investigated is a very small sample of all complaints dealt with by NCC and that statistically it may not be representative of our complaints process. However the Council have attempted to identify any learning applicable.

4.5 The LGO categorise the complaints they receive. Looking at the 2022 Review data in more detail, a breakdown of the information published in by the LGO in their given categories is shown as follows:

<b>Service Category</b>	<b>Received</b>	<b>Decided</b>	<b>Upheld</b>	<b>Not Upheld</b>	<b>Premature/Closed/Incomplete/Invalid</b>
Adult Care Services	7	7	1	1	5
Benefits and Tax	6	8	3	1	4
Corporate and Other Services	6	6	0	0	6
Education and Children's Services	13	14	2	1	11
Environmental Services and Public Protection and Regulation	3	4	1	1	2
Highways and Transport	7	9	2	1	6
Housing	26	31	4	2	25
Planning and Development	2	2	0	0	2
Other	3	3	0	0	3
<b>Total</b>	<b>73</b>	<b>84</b>	<b>13</b>	<b>7</b>	<b>64</b>

This compares to last year's annual review as follows:



- 4.6 It is important to note that the categories defined in the LGO review data do not always accurately reflect the department and service area that the complaint would relate to within NCC.
- 4.7 To better understand the areas for focus from the LGO statistics, it is important to look at the complaints decision statements and public reports in more detail in order to establish which service area that it falls within at NCC.
- 4.8 In some cases the LGO will not publish the decision statement for an investigation. Only 20 decision statements are available for their NCC casework for 2021-22 and the Council also do not have all data on complaints to the LGO that were incomplete/invalid or premature. Therefore this report will reflect in more detail on the decisions that were published for the upheld and not upheld outcomes.
- 4.9 After reviewing each individual case's decision statement summaries, the complaints have been identified as follows:

NCC Service	Upheld	Not Upheld
Adult Social Care	1	1
Benefits & Tax	3	1
Education & Children's Services	2	1
Environmental Services & Public Protection & Regulation	1	1
Highways & Transport	2	1
Housing	4	2
<b>Total</b>	<b>13</b>	<b>7</b>

- 4.10 This breakdown of the data gives a clearer picture about which Council service the upheld and not upheld LGO complaint outcomes relate to, and allow us to accurately identify service failures and improvements by carrying out root cause analysis.

4.11 Of the 13 upheld complaints, one relates to Adult Social Care and two relate to Education & Children's Services which do not fall under the Have Your Say complaints process. The other cases do fall within the Have Your Say process.

4.12 In 2021/22, it is reported the Council has agreed to make improvements to services following an investigation from the LGO on 3 cases, relating to Children's Care Services, Parking Enforcement and Housing Aid These are highlighted on the Council's performance page on the LGO website here:

<https://www.lgo.org.uk/your-councils-performance/nottingham-city-council/serviceimprovements>

4.13 No Public Interest Reports were published against Nottingham City Council by the LGO in 2021/22. Details of historical reports are available for viewing at

<https://www.lgo.org.uk/your-councils-performance/nottingham-city-council/publicreports>

## 5. HYS COMPLAINTS – KEY FACTS AND FIGURES

5.1 At Nottingham City Council every effort is made to deliver a huge range of services to the highest standards, but inevitably in a city of over 300,000 residents, the Council won't always get it right or meet everyone's expectations particularly where customers have complained about policy or statutory decisions.

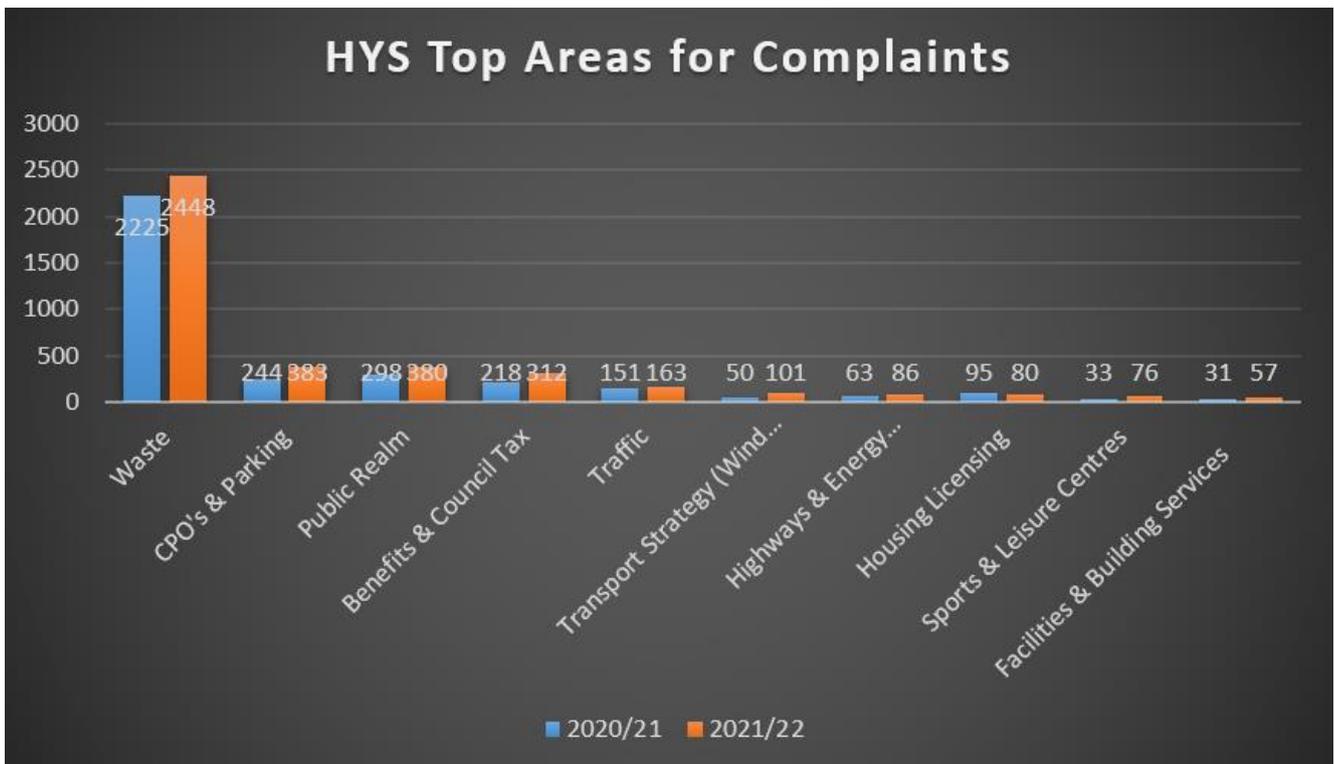
5.2 The Have Your Say complaints process focuses on early resolution and as such the vast majority of issues are resolved in this way. The Council have helped to minimise the number of cases being referred to and upheld by the Local Government Ombudsman by also offering people who remain unsatisfied an independent review to resolve things, before involving the Ombudsman.

5.3 From April 1<sup>st</sup> 2021 to 31<sup>st</sup> March 2022 the HYS service have processed 4888 Stage 1 complaints and 86 Stage 2 complaint reviews.

5.4 The top ten areas for complaints dealt with by HYS were:

• Waste	2448
• CPO's & Parking	383
• Public Realm	380
• Benefits & Council Tax	312
• Traffic	163
• Transport Strategy (Wind Scooters)	101
• Highways & Energy Infrastructure	87
• Housing Licensing	80
• Sports and Leisure Centres	76
• Facilities and Building Services	57

5.5 This is comparable to the previous year's reporting, with seven of the top ten areas for complaints remaining the same areas as 2020-21.



- 5.6 Compared with last year's figures, the Council can see there has been an increase in the volume of complaints dealt with by HYS from 4157 Stage 1's in 2020-21 to 4888 in 2021-22, although the number of stage 2 Complaint Reviews has decreased from 102 in 2020-21 to 86 in 2021-22.
- 5.7 Looking at the top areas for complaints the Council can see that the level of complaints have remained on par with last year in most areas, with Waste (Neighbourhood Services) remaining the dominant area citizens contact NCC to make a complaint about.
- 5.8 The high volume of HYS complaints for Waste are primarily residents complaining about issues with their bin collection such as complaints about frequently missed collections, the Assisted Pull Out service and replacement bins. For 2021-22 the highest volume of complaints were in relation to replacement bins and missed domestic bin collections. During the Covid pandemic and following the lifting of restrictions, Waste faced various difficulties as case numbers increased and staff self-isolated. A limited service was implemented for missed bins and the garden service was restricted to make sure statutory services of general household waste and recycling collections had minimum disruption.
- 5.9 The Council can identify from the HYS data that the primary reason for complaints over the last three years continues to be around service delivery by Neighbourhood Services. However as there were no detailed investigations by the LGO for complaints within this service area, it is evident that the complaints were resolved at stage 1 or stage 2 within the HYS process. As there is a high level of complaints for this area, with the Services support the Council aim to resolve these at the earliest stage as possible.
- 5.10 Of the 4888 Stage 1 complaints handled through the HYS process, 86 were reviewed by the Customer Experience Lead at Stage 2. With only 1.8% of the total complaints progressing to Stage 2, this demonstrates that an overwhelming majority of complaints were resolved at the early stages and that the HYS quality assurance of complaint responses is an effective process. This is an improved position on the previous year's percentage which was 2.5%.

5.11 There were 10 upheld decision for LGO complaints that was covered by the HYS process. This is a positive indicator that the HYS two-stage complaint handling process ensures most complaints are remedied at the early stages. Only a very small percentage (0.2%) of the total complaints dealt with have been investigated and upheld by the LGO.

## **6. Social Care Complaints – Key Facts and Figures**

6.1 The Social Care Complaints Service manages the statutory social care complaints procedure for both Children and Adult services. The statutory processes are different for both service areas.

### **Children’s integrated Services**

6.2 In 2021/2022 a total of 252 new complaints were received and considered about Children’s Integrated Services. This is a decrease compared with the previous reporting period when 280 complaints were received.

6.3 The children’s statutory social care procedure has three distinct stages; local resolution, investigation and independent review.

6.4 At the first stage, (local resolution) the Social Care Complaints Service refers complaints onto operational managers in order for them to consider and respond to the complaint. The Social Care Complaints Service records and monitors these responses. As with previous years, 95% of complaints were resolved at this stage. At stage two the Social Care Complaints Service allocates an independent investigator to investigate the complaint. There were 24 stage two investigation requests received during the last reporting period, compared with 22 in the previous year. Most of these were resolved or withdrawn and only 5 required an investigation. 100% of investigations were completed within the statutory timescale.

6.5 The final stage is an Independent Complaints Review Panel comprising of three Independent People. There were 2 stage three panels during the last reporting period. The panels were held via Zoom; all the panels agreed with the Independent Investigators’ findings and ratified their recommendations.

### **Resolutions offered**

6.6 Stage 1: Stage one complaints received a written explanation and where a complaint was upheld or partly upheld an apology was also provided. New or review assessments were undertaken in some instances.

Stage 2: Of the 3 stage two investigations where an element of the complaint was partly upheld, all were offered an apology.

Stage 3: The panels accepted the investigators’ findings, and one panel made one additional recommendation.

### **Local Government Ombudsman investigations**

6.7 Complainants can make a complaint to the Ombudsman at any time but the Ombudsman will usually ask complainants to complete the local authority complaints process before considering complaints himself.

6.8 The Ombudsman considered nine new complaints, of which four were investigated. The Ombudsman found maladministration and injustice in two cases, but a recommendation was only made in respect of one investigation. Of the two cases where maladministration and injustice was found one was an adult social care case in which the Ombudsman recommended

a financial payment be made to the complainant in recognition of the injustice and distress caused. This related to the citizen's care at a care home in Essex which was commissioned by the Council. The other case concerned Children's Integrated Services and related to the placement of children with the complainant and resulted in a financial payment being made to him in recognition of distress and his time and trouble. The Ombudsman also recommended a review be carried out by a senior manager into the decisions taken before the children's move to the complainant's care which was completed.

## Adult Services

- 6.9 In 2021/2022 a total of 187 complaints were considered about adult social care services, which is a marked increase from 128 in the previous year, but marks a return to customary levels, following the lifting of many COVID restrictions.
- 6.10 The Adult procedure has a one-stage process, which allows flexibility within the management of a complaint. The Complaints Team usually refers complaints in the first instance to operational managers or commissioned services for their consideration and response. Where the complaint has potentially serious implications for either an individual or the Department or it is complex, it may be necessary to undertake/commission an investigation.

Category of Complaint	Number
Unwelcome or disputed decision	24 (29)
Concern about the quality or appropriateness of the service	63 (32)
Delay in Decision Making	7 (4)
Delivery or non-delivery of services including complaints procedures	16 (1)
Quantity, frequency, change or cost of a service	1 (5)
Attitude or behaviour of staff	27 (21)
Application of eligibility and assessment criteria	1 (0)
Impact on an individual of a local authority policy and Assessment, care management and review	0 (1)
Not Recorded	48 (35)

Note: Previous reporting period's figures in brackets

- 6.11 Complaints about the quality and/or appropriateness of a service continued to be the most common complaint.
- 6.12 The breakdown of complaints was broadly similar to the previous reporting period; however, there was an increase in complaints about the failure to deliver a service. Where the category of complaint was "not recorded" it is because these were mostly out of jurisdiction complaints, including complaints made by professionals; complaints about other agencies e.g. the NHS or another council; complaints where a citizen's consent was not forthcoming; and complaints made by those who lacked the sufficiency of interest to be able to make a complaint on someone else's behalf etc.
- 6.13 19% of complaints about Adult Social Care were either fully or mostly upheld, which is slightly less than in previous years. All complaint responses were provided within timescale.

6.14 Complaints are often resolved by way of a written response, an investigation or mediation, except for 6 that were considered by the Ombudsman. The Ombudsman only investigated 2 of the 6 complaints he received; he found maladministration in one and recommended a £300 payment be made to the complainant. The maladministration related to the care provided by a care home outside of Nottingham City, but as the care was commissioned by the council, it was found to be responsible.

## 7. National Comparisons

7.1 Although there are many differences in how local authorities across England will deliver their services, and in the varying demographic of customers they serve, it is still important to consider how Nottingham City Council compares to other city councils.

7.2 Comparisons for complaints as whole are currently available. The Council will continue to seek to source this data.

7.3 Nottingham is 1 of 11 core cities in the UK (8 in England). Due to the low numbers of complaints investigated for each core city, the variation year on year in upheld rate can be significant and a city can go from best to worst performing on this statistic or vice versa in successive years, without the underlying performance of the systems concerned being responsible. The table below shows a comparison of Nottingham City Council's LGO statistics against the other English core city authorities of Birmingham, Bristol, Manchester, Liverpool, Leeds, Sheffield and Newcastle:

	Nottingham City Council	Birmingham City Council	Bristol City Council	Manchester City Council	Leeds City Council	Sheffield City Council	Newcastle upon Tyne City Council	Liverpool City Council
<b>Total LGO Investigations</b>	20	128	34	47	41	20	8	25
<b>Total Upheld Decisions</b>	13	100	22	33	26	15	4	18
<b>% Upheld</b>	65%	78%	65%	70%	63%	75%	50%	72%

7.4 As reflected in the Annual LGO Letter and Council Performance Map, Nottingham City Council has performed extremely well to authorities deemed similar with only Newcastle having done better. This is great result for Nottingham City Council.

## 8. Summary and Action

8.1 The information compiled in this report aims to provide a clearer understanding of the published LGO statistics for Nottingham City Council in 2021-22. It is important to remember, when looking at the figures, that the Annual Review should form the start of the conversation about measuring corporate health, and low/high volumes do not solely indicate good or bad performance.

8.2 On reflection of the key facts and figures, it is clear that NCC's complaints policy works well and the Council resolve the vast majority of the complaints it receives at the early stages. It is worth noting that the LGO statistics can show a complaint as upheld even if it has already been resolved by the Council. The Customer Experience Lead previously raised this with the LGO who provided the following comment in 2019:

'A complaint is upheld where there is evidence of maladministration, this is normally following a

detailed investigation. However, there are cases where an authority will have already accepted fault and without needing to carry out a detailed investigation the Council decides the authority has done all it can to put things right. The Council still mark these cases as upheld, because fault has been identified in a complaint that has come to us. The decision statement, your annual statistics and our interactive map all reflect these cases in a positive light. While the complaint was upheld, the authority provided a satisfactory remedy before the complainant reached the Ombudsman. If an authority has 10 upheld complaints, but has satisfactorily remedied 8, the Council sees that as a positive message where the authority is putting things right early. By then using the learning from upheld complaints, the authority can continue to improve its local services to prevent the same thing happening again.

- 8.3 The Customer Charter commits to citizens that the Council will listen to them and use their feedback to improve services across the Council, work together as one Council, and aim to get it right first time. It is important the Council utilises the Have Your Say data to effectively deliver those commitments and continuously improve Council services. Looking at the areas of high complaints, such as those in Waste, Customer Service is actively engaging with Service Heads to identify complaint trends and root causes to improve the customer experience and reduce complaint figures for the next reporting period. To improve how the Council does this in the future, the Customer Charter is being refreshed alongside a new Customer Insight Strategy with the aim to deliver even better results for citizens based on their needs.
- 8.4 The Customer Experience team engages in continuous development opportunities both with the LGO and as best practice amongst other councils. Relevant learning has been used to improve complaint handling across the council and embedded in our corporate learning and development packages with an aim for greater understanding of our complaint policies and practices, improved consistency in our delivery and service to customers. Customer service, complaint handling and using customer insight to shape service delivery are all part of the Council's mandatory training package. Support and Information is available on the Intranet to all colleagues and the Have Your Say team continues to support services with complaint handling processes.
- 8.5 As part of Customer Services transformation journey, the Council are using customer insight to add value to the customer experience. Performance dashboards have been created to give an easy to view overview of comments, compliments and complaints together with other key performance indicators, in order to develop methods to analyse and identify trends, improve the customer journey and enable our service delivery to be more efficient. This will enable us to engage with services to give them further detailed understanding into what our citizens are telling us so the Council are able to be more effective in resolving key issues and to make changes in how the Council provides services for the better and to reduce complaints.
- 8.6 The work being undertaken through the Together for Nottingham Plan recognises the importance of customer insight and the Customer First Programme focuses on how our customers access our services, particular our 'front door' and encompasses a range of improvement milestones.
- 8.7 Due to the COVID-19 pandemic, the period of 2020-21 was an extremely challenging year for Council services. Despite there being a 3 month period where LGO casework paused, NCC have continued to maintain effective complaints handling through 2020-2021 and additionally 2021-2022 where parts of the year were still affected by the pandemic for example the challenges faced by Waste as noted in point 5.8.

## **9. Published Documents Referred to in Compiling this Report**

9.1 The published documents referred to in this report are:

- The Local Government & Social Care Ombudsman Annual Review Letter 2022  
*Published 27<sup>th</sup> July 2022*
- The Local Government & Social Care Ombudsman Review of Local Government Complaints 2021-22  
*Published 27<sup>th</sup> July 2022*

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20 July 2022

*By email*

Mr Barrett  
Chief Executive  
Nottingham City Council

Dear Mr Barrett

### **Annual Review letter 2022**

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022. The information offers valuable insight about your organisation's approach to complaints. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

### **Complaint statistics**

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

**Complaints upheld** - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

**Compliance with recommendations** - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

**Satisfactory remedy provided by the authority** - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 27 July 2022. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

### **Supporting complaint and service improvement**

I know your organisation, like ours, will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. It is my continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the pandemic. Through the lens of this recent upheaval and adjustment, I urge you to consider how your organisation prioritises complaints, particularly in terms of capacity and visibility. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.

I want to support your organisation to harness the value of complaints and we continue to develop our programme of support. Significantly, we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. We are aiming to consolidate our approaches and therefore simplify guidance to enable organisations to provide an effective, quality response to each and every complaint. We will keep you informed as this work develops, and expect that, once launched, we will assess your compliance with the code during our investigations and report your performance via this letter.

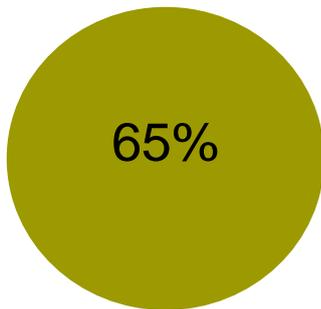
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. We adapted our courses during the Covid-19 pandemic to an online format and successfully delivered 122 online workshops during the year, reaching more than 1,600 people. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

### Complaints upheld



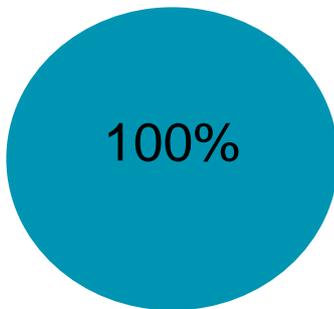
**65%** of complaints we investigated were upheld.

This compares to an average of **64%** in similar organisations.

**13**  
upheld decisions

Statistics are based on a total of **20** investigations for the period between 1 April 2021 to 31 March 2022

### Compliance with Ombudsman recommendations



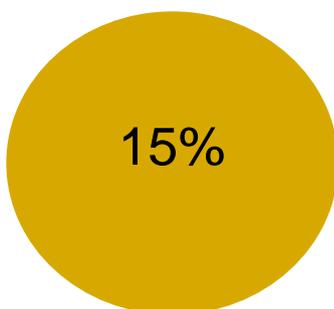
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **99%** in similar organisations.

Statistics are based on a total of **9** compliance outcomes for the period between 1 April 2021 to 31 March 2022

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

### Satisfactory remedy provided by the organisation



In **15%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **12%** in similar organisations.

**2**  
satisfactory remedy decisions

Statistics are based on a total of **13** upheld decisions for the period between 1 April 2021 to 31 March 2022

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***Review of Local  
Government  
Complaints  
2021-22***

**July 2022**

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# Ombudsman's foreword



I am pleased to present our Review of Local Government Complaints for 2021-22.

Following disruption to our casework during 2020, the volume of our work returned to pre-pandemic levels and our complaint statistics for 2021-22 tell us:

- > We continue to uphold around two thirds of complaints we investigate
- > Complaints we investigate about Education and Children's Services have the highest uphold rate (77%)
- > We are recommending more service improvements than ever before, with 1,848 recommendations focused on policies, procedures and staff training

- > We issued 43 public interest reports about local authorities. Three quarters of which were about Education and Children's Services and Adult Care Services.
- > Compliance with our recommendations was at 99.7%

I am reassured to see that compliance with our recommendations remains high, signalling the system of redress we operate in is in good health. While it can sometimes be challenging to achieve compliance with our recommendations we cannot, and do not want to, override the local democratic process. Elected members play a significant role and are vital to the integrity of the process. I have been encouraged by several examples during the year of councillors holding officer decisions to account and striving to achieve the best outcomes for the people they represent.

While a small minority of councils failed to implement recommendations, a larger number failed to consistently complete recommendations within the timescales they had agreed.

Although we know delays can happen for a range of reasons, I encourage authorities to pay close attention to this final, but crucial, step in the complaints process; doing what you have agreed to do on time can help to rebuild complainants' trust and confidence after things have gone wrong. Additionally, delay in implementing our service improvement recommendations leaves authorities at risk of repeated failings. A complaint is not closed until the remedy is delivered; invest the time in this last step and keep sight of both the person and the opportunity to improve.

“

***I have been encouraged by several examples during the year of councillors holding officer decisions to account and striving to achieve the best outcomes for the people they represent.***

”

Despite this concern, I am often impressed by authorities' commitment to significant service changes and reviews that ensure others will not be similarly affected by the faults our investigations uncover. Later in this report, I have detailed case examples that demonstrate authorities' commendable approach. I hope others can learn from the added value these councils are gaining from their complaints.

We have kept a close eye on our casework and the impact the pandemic has had on complaints and authorities' ability to respond to them. We issued a [report on our findings](#) earlier in the year and concluded that, overall, councils adapted well in the challenging circumstances with few issues uniquely attributable to the pandemic.

We did, however, find existing concerns were exacerbated, including the capacity of complaints teams to deliver a responsive, high-quality service. It is with this concern in mind that we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. I am often asked what 'good' looks like in complaint handling and this code will offer a clear framework for authorities to work within and measure themselves against. We will keep you updated as this work develops.

Alongside this report, we publish our complaints data at local authority level, and upload annual data to the [your council's performance map](#). Now with four years' worth of data on councils' complaint outcomes and commitments to improve, I encourage you to take a look at how your authority is performing.



**Michael King**  
**Local Government and**  
**Social Care Ombudsman**  
**July 2022**

# Putting things right

**2,231**

cases with  
recommendations to  
put things right

**15,826**

complaints and  
enquiries received

**1,848**

recommendations  
to improve services  
for everyone\*

**11%**

upheld cases where  
we agreed with the  
authority's remedy

**4,130**

recommendations  
to remedy  
personal injustice\*

*\* In many cases, we will recommend more than one type of remedy. For example, we may recommend an authority makes an apology, pays a sum of money, and reviews a policy or procedure.*

# Compliance with recommendations

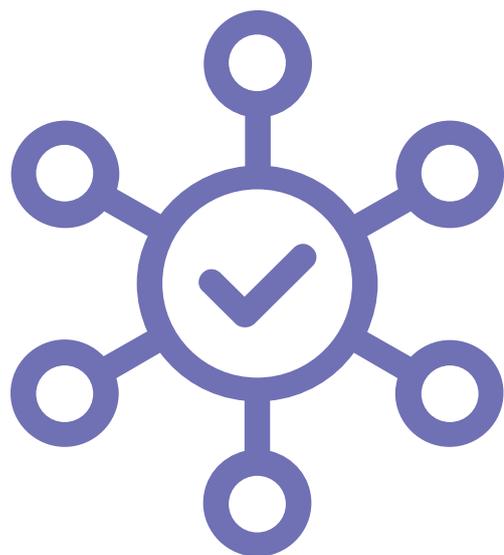


Our recommendations to put things right are non-binding and in most cases authorities agree to comply with our remedies.

We were satisfied with authorities' compliance with our recommendations in 99.7% of cases. But, in 18% of cases, compliance was not within the agreed timescales and was late. To ensure remedies are implemented on time, consider the following:

- > The timescales proposed for implementing recommendations at the draft decision stage to ensure they are achievable
- > Keep track and keep in touch; inform us of any delays
- > When a remedy is completed, let us know promptly and provide evidence
- > Apologies and payments to complainants should be simple to complete on time. Ensure your processes allow for swift action of these important remedies
- > The service improvement recommendations authorities agree to are reported publicly on our website; delay in implementation risks others being affected by the same fault.

There were seven cases where we were not satisfied that the authority had complied with our recommendations. When an authority fails to implement our recommendations, we can consider a range of actions, including issuing a public interest report and opening a new investigation into the authority's failure to provide the agreed remedy. Non-compliance is also reported publicly on our website.



# Learning from complaints

Our casework provides a unique insight into the concerns of people who use local services. Where we identify recurrent problems across authorities, we will publish a [focus report](#) to feed back the learning from the complaints we investigate to the sector. These reports shine a spotlight on issues and help authorities to learn from others' mistakes and improve services. The reports also act as a useful tool for elected members; we include [suggested questions](#) councillors can use as part of their role to scrutinise services.

These were the topics we commented on during the year:

## [Unprecedented pressure: Learning from complaints about council and care provider actions during the COVID-19 pandemic](#)



We look at the first 18 months of investigations to reveal how council and care providers coped with the unprecedented pressures and conclude the pandemic exposed fault lines that were already present.

While acknowledging the personal tragedies we heard, our investigations

did not suggest a systemic collapse of services, with evidence that councils and care providers pulled together under stress to maintain services as far as could be reasonably expected.

Authorities can use the report as a tool to help reflect and learn on how they worked differently during COVID.

## [Help! Learning to improve council services for domestic abuse victims](#)



As councils take on more responsibility under the Domestic Abuse Act, we urge them to reflect on their practices and procedures using the lessons from our casework.

Issues highlighted include councils questioning victims' lived experiences and

downplaying the impact of the trauma they have endured, failing to work with other local services to keep victims safe, and leaving people at risk for longer than necessary.

Councils should use the learning from the report to drive action and improvement.

# Decisions and reports

We are one of the only Ombudsman schemes to publish the decisions we make. We do this to share learning and be transparent.

Our decisions are published at [www.lgo.org.uk/decisions](http://www.lgo.org.uk/decisions) and can be searched by theme, key word, category, decision outcome, date and organisation.

Cases that raise serious issues or highlight matters of public interest are given extra prominence and issued as public interest reports.

Our press releases highlight our public interest reports and can be found at [www.lgo.org.uk/information-centre/news](http://www.lgo.org.uk/information-centre/news)



## Education & children's services

**1,069** detailed investigations  
**77%** upheld

### 21 published reports

[Birmingham City C: Disabled Facilities Grant](#)

[LB Haringey: Disabled Facilities Grant](#)

[Birmingham City C: Education - Transport](#)

[LB Lewisham - Care of Looked After Child](#)

[Birmingham City C: Education - Transport](#)

[LB Redbridge: Education - SEN provision and EHC Plans](#)

[Bournemouth, Christchurch and Poole Council: Children's Services - Family and Friends carers](#)

[Leeds City C: School Admissions](#)

[Central Bedfordshire Council: Education - SEND](#)

[Manchester City C - Education - SEN assessment and reviews](#)

[City of Wolverhampton Council: Children's Services - Adoption](#)

[Staffordshire CC: Education - Transport](#)

[Devon CC: Education - SEND](#)

[Staffordshire CC: Children's Services - Leaving Care](#)

[Hertfordshire CC: COVID-19](#)

[Staffordshire CC: Education - SEN assessments and reviews](#)

[Isle of Wight C: Education - SEN provision and EHC Plans](#)

[West Sussex CC: Children's Services - Adoption](#)

[LB Camden: Child Protection](#)

[Wirral MBC: Education - SEN provision and EHC Plans](#)

[LB Croydon: Children's Services - Other](#)



## Adult care services

**990** detailed investigations  
**69%** upheld

### 13 published reports

[Devon CC: Charging](#)

[LB Ealing: Safeguarding](#)

[Dudley MBC: Home care](#)

[Lincolnshire CC: Charging](#)

[Essex CC: Assessment](#)

[North Yorkshire CC: Charging](#)

[Gloucestershire CC: Assessment](#)

[Northumberland CC: Charging](#)

[Kent CC: Assessment](#)

[Nottinghamshire CC: Safeguarding](#)

[LB Bexley: Charging](#)

[Rotherham MBC: Safeguarding](#)

[LB Croydon: Care plan](#)

# Decisions and reports

 **Housing**

**397** detailed investigations  
**71%** upheld

Two published reports  
[Birmingham City C: Allocations](#)  
[LB Bromley: Homelessness](#)

 **Highways & transport**

**212** detailed investigations  
**55%** upheld

No reports published

 **Corporate & other**

**108** detailed investigations  
**62%** upheld

One published report  
[LB Haringey: Land](#)

 **Benefits & tax**

**327** detailed investigations  
**59%** upheld

Three published reports  
[Cotswold DC: COVID-19](#)  
[LB Camden: COVID-19](#)  
[LB Camden: COVID-19](#)

 **Planning & development**

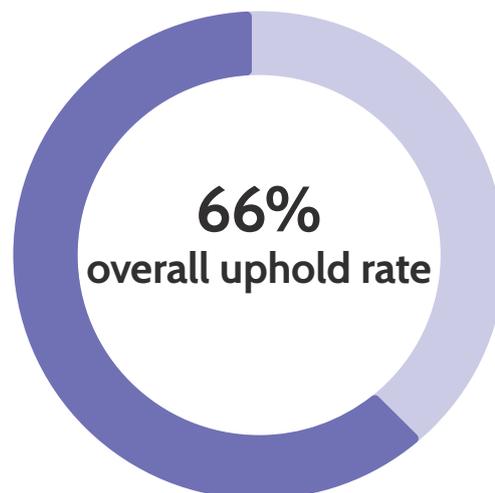
**565** detailed investigations  
**45%** upheld

No reports published

 **Environment & public protection**

**380** detailed investigations  
**68%** upheld

Three published reports  
[Birmingham City C: Refuse & recycling](#)  
[Calderdale MBC: COVID-19](#)  
[Luton BC: Antisocial Behaviour](#)



# The impact of a single complaint



A single complaint can make a difference to many people. During our investigations, we will assess if others could be affected by the same issue and recommend ways for services to improve. The most positive outcomes are achieved when authorities commit to our service improvements and the case summaries below are great examples of this. By sharing them here, we are giving all authorities the opportunity to learn and check their own practice in these areas.

Full details of these cases can be found by clicking on the links, or you can search the case reference numbers at [www.lgo.org.uk/decisions](http://www.lgo.org.uk/decisions)



## Fairer treatment of family foster carers

Case reference: [19 014 589](#)

Our investigation found that Bournemouth, Christchurch & Poole Council failed to properly consider an aunt and uncle as family foster carers meaning they missed out on the financial support they were entitled to.

We recommended, and the council agreed, to backdate fostering allowance for the couple as well as make payments for distress caused.

The council also agreed to consider complaints from other family carers who may have been disadvantaged in a similar way; as a result, a further six families received a remedy for the support they had missed out on.



**76% of Family  
& Friends carers  
complaints upheld**

***“A further six families received a remedy for the support they missed out on.”***

# The impact of a single complaint



**Housing register delay reduced**  
Case reference: [20 007 658](#)

An investigation into significant delay in processing an application to Birmingham City Council's housing register found the case was not an isolated event.

We found systemic delay, resulting in a wait time of up to 12 months for the council to deal with applications. The council agreed to our recommendations to apologise to the complainant and backdate the application. It also agreed to improve its service for future applicants by committing to an application processing time of four to six weeks and to reviewing its Housing Allocations Policy to ensure any delay by the council did not impact on an applicant's priority band date.

Within three months of our report the council reported it had succeeded in reducing the wait time to four months and was on course to achieve its goal.



**69% of housing  
allocations  
complaints upheld**

***“Within three months the council reported it had reduced the wait time to four months and was on course to achieve its goal.”***

# The impact of a single complaint



## Affordable care home placements offered

Case reference: [20 003 362](#)

Our investigation found that Dudley Metropolitan Borough Council failed to offer a care home placement within the personal budget it had set, leaving the complainant with no choice but to pay a third-party top-up fee.

The council agreed to apologise and refund the top-up fees paid. We also asked it to review its procedures to ensure people were always offered an affordable care home placement within their personal budget.

The council agreed and volunteered to make further improvements by carrying out staff training and procedural changes that would help avoid the same faults from recurring.

To determine if others had already been similarly affected, we asked the council to review other cases. As a result, it reimbursed a further 29 families.



81% of residential care complaints upheld

***“We asked the council to review other cases.***

***“As a result, it reimbursed a further 29 families.”***



# The impact of a single complaint



## Education for out of school pupils reviewed

Case reference: [19 018 501](#)

Our investigation found Central Bedfordshire Council failed to provide alternative education to a young boy who was unable to attend regular school, meaning he missed out on a year of education.

We recommended payments to the boy's family and a review of its policy for pupils out of school to ensure that decisions and actions about non-attendance are taken quickly, named officers are assigned to cases and alternative education provision is made available.

In light of the complaint, the council also agreed to review the cases of other pupils out of school who may have been similarly impacted.



**90% of Alternative  
Provision complaints  
upheld**

***“The council also agreed to review the cases of other pupils who may have been similarly impacted.”***

# Raising the profile of complaints

Listening to public concerns is an essential component of a well-run, accountable authority that is committed to public engagement, learning and improvement. We encourage officers and elected officials to use the information we publish to determine the health of their local complaints system.

**Complaints officers** can use the range of information we publish to support their own complaint handling, learning from cases we have published and the remedies we have recommended. They can raise the profile of complaints in their authority by feeding relevant information into service areas, management teams and to elected members.

**Elected members** have important roles in scrutinising local performance and retain the final decision on whether to accept our non-binding remedies and service improvements. They can champion the voice of complainants and use local democratic processes to hold officers to account where appropriate.

## Resources to use

- > Our [council performance map](#) places all our council complaint statistics in a single, interactive hub. It is a mine of searchable information and allows comparisons to be made between similar councils.
- > Each council page also includes our annual review letters, links to decisions we have made, public interest reports published, and every service improvement the council has agreed to make. Annual review letters of other authorities can be found here.
- > We also publish [data tables](#) providing complaints information at local authority level, which can be freely analysed and segmented.

## What to look for

- > **Uphold rates** show the proportion of investigations in which we find some fault and can indicate problems with services. How does your authority compare against the national averages or other similar authorities?
- > **Offering a suitable remedy** for a complaint before it comes to us is a good sign your authority can accept fault and offer appropriate ways to put things right. How often does your authority do this, and how does it compare with others?
- > **Compliance rates** show the proportion of cases in which we are satisfied our recommendations have been implemented (based on the evidence authorities give us). Compliance below 100% is rare. Does your authority have a 100% compliance rate – if not, what is it doing to scrutinise complaints where it failed to comply?
- > **Service improvement recommendations** show what your authority agrees to do to make things better for everyone. Do you track the service improvements your authority agrees to make? How are they being implemented, and their impact monitored?

We want authorities to operate, and benefit from, excellent complaint systems. Where support is needed to achieve this, we offer online complaint handling training.

To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

## Local Government and Social Care Ombudsman

PO Box 4771

Coventry

CV4 0EH

Phone: 0300 061 0614

Web: [www.lgo.org.uk](http://www.lgo.org.uk)

Twitter: [@LGOmbudsman](https://twitter.com/LGOmbudsman)

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**Audit Committee – 30 September 2022**

<b>Title of paper:</b>	Treasury Management 2021-22 Annual Report	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy, Interim Corporate Director of Finance and Resources and Section 151 Officer	<b>Wards affected:</b> (all)
<b>Report author(s) and contact details:</b>	Debbie Middleton, Interim Director of Finance and Deputy Section 151 Officer <a href="mailto:debbie.middleton@nottinghamcity.gov.uk">debbie.middleton@nottinghamcity.gov.uk</a> Glyn Daykin, Senior Accountant – Treasury Management <a href="mailto:glyn.daykin@nottinghamcity.gov.uk">glyn.daykin@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>	Members of Treasury Management Panel: Clive Heaphy, Interim Corporate Director of Finance and Resources Debbie Middleton, Interim Director of Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader Glyn Daykin, Senior Accountant – Treasury Management Tom Straw, Senior Accountant – Capital Programmes	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	To note the Treasury Management performance for 2021/22.	

**1. Reasons for recommendations**

- 1.1 The Treasury Management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice. Under the latter Code, an annual report is required to be submitted to and considered by councillors.
- 1.2 The Council's Treasury Management Strategy for 2021/22 was approved by full Council on 8 March 2021.
- 1.3 The Council borrows and invests substantial sums of money as part of its business as usual activity. In common with all local authorities, it is therefore exposed to financial risks including the loss of invested funds and the revenue account impact of changing interest rates. This report covers performance in relation to treasury management activity and the associated monitoring and control of risk.

**2. Background****2.1 Treasury Management**

The Council is required to operate a balanced budget, which broadly means cash raised during the financial year will meet its cash expenditure. Treasury management operations ensure that this cash flow is adequately planned, with surplus monies being invested by prioritising low risk counterparties and ensuring liquidity of funds before considering and optimising investment return.

The treasury management function also services the financing of the Council's capital expenditure plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, Treasury Management is defined as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead. Receipt by Executive Board of a Mid-year Review Report and an Annual Report, covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of Treasury Management Strategy and Policies to a specific named body. For this Council the delegated body is the Audit Committee.

2.3 This Annual report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, and prudential indicators;
- A review of the Council's investment portfolio for 2021-22;
- A review of the Council's borrowing strategy for 2021-22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021-22.

### 3. **Other options considered in making recommendations**

3.1 Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of the Council's debt

whilst maintaining an even debt profile in future years and to maximise investment returns within stated security and liquidity guidelines.

#### 4. Treasury Management Activity in 2021-22

##### 4.1 The UK Economy, Growth, Monetary Policy and Inflation:

4.1.1 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022. The UK economy has now opened up and nearly back to business-as-usual, and the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the Monetary Policy Committee (MPC) to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 7.0% as at 29 April 2022 with inflation indicators indicating CPI inflation will peak over 10% later this year.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

**Appendix 2** shows the money market interest rates and the Public Works Loans Board (PWLB) borrowing rates for 2021/22.

##### 4.2 Local Context

4.2.1 During 2020-21 the Government commissioned a non-statutory review of the City Council with the findings published on the 17 December 2020. The published review highlighted the level of risk and the planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

Following the review, the Council has published the Nottingham City Council Recovery & Improvement Plan and on 10 January 2022 approved an updated version the Together For Nottingham Plan. They directed a review of the 2021-22 Capital Strategy and Treasury Management Strategy and the inclusion of the Voluntary Debt Reduction Policy (VDRP) with the aim to support the Council in returning to financial and operational stability. The borrowing and debt management strategies aim to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR), and to reduce the level of debt held by the Council.

4.2.2 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources based on robust financial modelling, the capital expenditure will give rise to a borrowing need, however this route is strictly limited by the Capital Strategy.

4.2.3 The CFR is a gauge of the Council's indebtedness and results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021-22 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

At 31 March 2022 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,374.2m.

Table 1 below shows the original and the actual financing arrangements of the capital programme. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need will also be increased by maturing debt and other treasury requirements.

<b>TABLE 1: CAPITAL EXPENDITURE</b>	<b>2021-22 Original Estimate £m</b>	<b>2021-22 Mid-year Estimate £m</b>	<b>2021-22 Actual £m</b>	<b>% Change original to actual %</b>
<b>Total capital expenditure</b>	<b>181.841</b>	<b>173.110</b>	<b>100.746</b>	<b>(45%)</b>
<b>Financed by:</b>				
Capital receipts	12.516	10.866	13.509	8%
Capital grants & Contributions	83.663	85.303	47.514	(43%)
Internal Funds / Revenue (inc. Major Repairs Reserve)	43.372	35.859	24.382	(44%)
Total financing	139.551	132.028	85.405	(39%)
<b>Borrowing requirement</b>	<b>42.290</b>	<b>41.082</b>	<b>15.341</b>	<b>(64%)</b>

Note to table: Original estimate was Q3 2020-21 used for the 2021-22 Treasury Management Strategy Report.

The reduction in capital expenditure against previous estimates includes slippage on capital projects and the associated financing of the slippage schemes has been moved from 2021-22 to 2022-23.

### 4.3 Borrowing

4.3.1 To finance the Council's overall borrowing requirement, also known as the Capital Financing Requirement (CFR), the Council may borrow externally from the Public Works Loans Board (PWLB) or the market, or from its own internal balances on a temporary basis (internal borrowing), by using its cash balances that are not immediately needed for the delivery of services. The balance of external and internal borrowing is generally driven by market conditions.

4.3.2 During 2021-22, the Council continued its strategy to reduce the CFR and external debt balances by repaying maturing loans with its cash balances and by internal borrowing. This means that the overall CFR has not been fully funded by taking external loan debt.

4.3.3 Total outstanding external loans debt in 2021-22 decreased by £31.8m (3.4%) to £900.9m at 31 March 2022. The total long term debt decreased by £16.8m and the temporary borrowing decreased by £15.0m at 31 March 2022. The average rate of interest on total external loan debt increased, from 3.379% at 31 March 2021 to 3.431% at 31 March 2022 due to repayment of the temporary borrowing element of the portfolio.

At the same time the long term debt average rate continued to decrease. The reduction in debt realised a revenue cost saving of c£0.825m. Table 2 below analyses the debt portfolio:

<b>TABLE 2: DEBT PORTFOLIO</b>					
	<b>01-Apr-21</b>		<b>31-Mar-22</b>		<b>Movement</b>
<b>DEBT</b>	<b>£m</b>	<b>Average Interest %</b>	<b>£m</b>	<b>Average Interest %</b>	<b>£m</b>
PWLB borrowing	866.5	3.387	849.7	3.385	-16.8
Market loans inc LOBO	49.0	4.348	49.0	4.348	0
Temporary borrowing & other	17.2	0.219	2.2	0.768	-15.0
<b>TOTAL LOANS DEBT</b>	<b>932.7</b>	<b>3.379</b>	<b>900.9</b>	<b>3.431</b>	<b>-31.8</b>
Other including PFI	181.3		170.2		-11.1
<b>TOTAL DEBT</b>	<b>1,114.0</b>		<b>1,071.1</b>		<b>-42.9</b>

4.3.4 In 2021-22 the Council did not take any further long term borrowing from the Public Works Loans Board (PWLB).

4.3.5 The Council's internal borrowing position at 31 March 2022 was £303.0m. This meant that c.25% of the overall capital borrowing need including prior year capital expenditure, but excluding PFI liabilities (known as the Underlying Borrowing Requirement or Loans Capital Financing Requirement), was not funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure.

The strategy of using internal borrowing avoids the cost of interest payable on external borrowing in the short term until actual new borrowing is taken or the borrowing requirement reduces. For example, £300m of external borrowing would cost around £6.3m per year using the 2021-22 average PWLB 25 year loan interest rate of 2.10%.

The Council expects to retain this internal borrowing position as a prudent and cost effective approach in view of the reducing CFR and the current forecast for balances available to support this position. A c£4.370m Treasury Management Reserve is maintained to smooth the impact of reducing the internal borrowing position should this be required.

The continuation of this existing strategy will further support managing the Council's cost of financing in the coming years and supports the aims of the VDRP in reducing the Council's debt levels.

#### 4.3.6 Compliance with the Voluntary Debt Reduction Policy

Table 3 reflects the reduction in the Total CFR from £1,411.610m to £1,374.209m during the 2021/22 financial year and the forecast reduction based upon current approved plans to £1,254.309m by March 2025.

The underlying borrowing requirement excluding PFI/Finance leases stands at £1,203.985m at 31 March 2022 and is forecast to reduce by £83m (6.9%) to £1,120.899m by March 2025 based upon current approved plans.

External borrowing is forecast to reduce from £900.939m at 31 March 2022, to £840.605m by March 2025 as maturing debt is not replaced with new borrowing.

<b>Table 3</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Summary of CFR and internal/ external borrow</b>	<b>31-Mar-21</b>	<b>31-Mar-22</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>	<b>31-Mar-25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Financing Requirement					
HRA	298.047	298.732	303.230	304.911	305.232
General Fund	1,113.563	1,075.477	1,048.453	1,004.899	949.077
<b>CFR Total</b>	<b>1,411.610</b>	<b>1,374.209</b>	<b>1,351.683</b>	<b>1,309.810</b>	<b>1,254.309</b>
Less PFI / Finance Leases	(181.335)	(170.224)	(158.262)	(146.228)	(133.410)
<b>Underlying Borrowing Requirement</b>	<b>1,230.275</b>	<b>1,203.985</b>	<b>1,193.421</b>	<b>1,163.582</b>	<b>1,120.899</b>
External Borrowing	(932.782)	(900.939)	(885.863)	(861.824)	(840.605)
Internal Borrowing	(297.493)	(303.046)	(307.558)	(301.758)	(280.294)
<b>Total Borrowing</b>	<b>(1,230.275)</b>	<b>(1,203.985)</b>	<b>(1,193.421)</b>	<b>(1,163.582)</b>	<b>(1,120.899)</b>

4.3.7 Table 4 sets out the MRP (annual principal repayments driven by the underlying borrowing requirement) together with the interest incurred on external borrowing which represent the total revenue cost of borrowing. These costs are forecast to rise from £49.505m at 31 March 2022 to £52.881m by March 2025.

<b>Table 4</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>General Fund MRP and Interest</b>	<b>31-Mar-21</b>	<b>31-Mar-22</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>	<b>31-Mar-25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund Proportion of External Debt	(634.735)	(602.207)	(582.633)	(556.913)	(535.373)
<b>Annual MRP / VRP (exc. PFI)</b>					
Supported borrowing*	0.077	0.077	0.077	0.077	4.756
Unsupported borrowing	30.172	31.015	31.762	31.970	31.970
<b>Annual MRP / VRP (exc. PFI)</b>	<b>30.249</b>	<b>31.092</b>	<b>31.839</b>	<b>32.047</b>	<b>36.726</b>
<b>General Fund Interest Incurred (exc. PFI)**</b>	<b>19.264</b>	<b>18.413</b>	<b>19.564</b>	<b>16.902</b>	<b>16.155</b>
<b>Total Capital Financing Cost</b>	<b>49.513</b>	<b>49.505</b>	<b>51.403</b>	<b>48.949</b>	<b>52.881</b>
Net Revenue Budget (**)	248.059	243.744	227.649	262.509	268.045
<b>Capital Financing Costs as % Net Revenue Budget</b>	<b>19.96%</b>	<b>20.31%</b>	<b>22.58%</b>	<b>18.65%</b>	<b>19.73%</b>

\* medium term benefit of MRP policy change to 50 years ends 31-3-2024, hence the increase in MRP from 24-25

(\*\*) From 1st April 23, Based on: (2223 budget / 31-Mar-22 external debt) \* Debt closing balance

4.3.8A The increase in 2024-25 is due to the expiry of the medium-term benefit of a change in the Council's MRP Policy in 2017-18 to spread principal repayments over and increased term of 50 years. The Medium-term benefit of the policy change expires at 31 March 2024 and the increased cost continues in the long term.

4.3.9 An indicator of affordability of this level of borrowing is to measure the annual total capital financing cost as a percentage of the net revenue budget. At 31 March 2022, this stood at 20.31% and is forecast to be 19.73% by March 2025 based upon current approved plans.

4.3.10 The greater the proportion of the revenue budget that is committed to debt repayment over the long term, the less flexibility the Council has to manage the financial pressures that impact general service delivery. It should be noted that the capital financing costs associated with PFI are not included in these figures as those costs are incorporated into the Unitary Charge the Council incurs for its long term PFI contracts which are charged to the relevant service department's budget.

4.3.11 Work is being undertaken to consider the long term financial sustainability and affordability of the current and forecast levels of borrowing and associated revenue costs, together with the options available to the Council to achieve a further reduction in

the proportion of the revenue budget tied up in long term debt repayment. Further reports will come forward in due course.

#### 4.4 Lender Option Borrower Option (LOBOs)

4.4.1 The Council holds £34.000m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £14.000m of these LOBO loans had options during the year, none have been exercised by the lender.

4.4.2 The Council holds £15m of long term fixed rate loans with Barclays Bank. These were originally LOBO loans but the Bank cancelled all the embedded options within the loans.

#### 4.5 Borrowing in advance of need

4.5.1 The Treasury Management Code of Practice states an organisation may only borrow in advance of the need in order to reduce financing and interest rate risks i.e. not purely in order to profit from the investment of the extra sums borrowed.

The Council has complied with the Code in this respect.

#### 4.6 Debt Rescheduling

4.6.1 The PWLB continued to operate a spread of approximately 1% between “premature repayment rate” and “new loan” rates so the premium charge for early repayment of PWLB debt has made rescheduling unviable for the existing loans in the Council’s portfolio. No rescheduling activity was undertaken as a consequence.

#### 4.7 Housing Revenue Account (HRA) Borrowing

4.7.1 From 1 April 2002, the Council’s HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. No new HRA borrowing was taken in 2021-22.

4.7.2 The HRA element of the CFR was £298.7m at 31 March 2022 and is fully financed at an average rate of 4.38%. This includes £53.161m of long term fixed rate loans from the General Fund (known as internal loans). The HRA interest charge for 2021-22 was £13.1m.

4.7.3 Table 5 sets out the capital financing costs incurred by the HRA in relation to borrowing associated with investment in public sector housing stock.

Table 5 HRA VRP, Interest and Interest Cover	Actual 31-Mar-21 £m	Actual 31-Mar-22 £m	Forecast 31-Mar-23 £m	Forecast 31-Mar-24 £m	Forecast 31-Mar-25 £m
HRA Fund Proportion of External Debt	(298.047)	(298.732)	(303.230)	(304.911)	(305.232)
HRA VRP	1.754	2.012	2.197	2.446	2.630
HRA Interest Incurred	13.408	13.130	12.988	13.432	13.447
<b>Total Capital Financing Cost</b>	<b>15.162</b>	<b>15.142</b>	<b>15.185</b>	<b>15.878</b>	<b>16.077</b>
Net Revenue Budget	105.766	107.252	111.153	112.905	114.496
Capital Financing Costs as % Net Revenue Budget	14.34%	14.12%	13.66%	14.06%	14.04%

4.7.4 In October 2018 the Government announced the HRA debt cap was to be abolished, but the now notional cap has been retained as a useful indicator shown in Appendix 1. Any capital expenditure financed by borrowing needs to comply with the requirements of the CIPFA prudential code including ensuring the scheme was affordable, sustainable and in proportion to the resources available.

#### 4.8 Investments

4.8.1 The Council's investment policy is governed by the Department of Levelling Up, Housing and Communities (DLUHC) investment guidance, which has been implemented in the annual investment strategy approved by the Council on 8 March 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

4.8.2 The Council has had increased cash and investment balances during 2021-22 averaging £265.0m as further Government grants were received throughout the year.

4.8.3 The Council held £368.2m of investments at 31 March 2022 (£150.6m at 31 March 2021) and the investment portfolio yield for the year was 0.658%, exceeding the benchmark (Average 7-day LIBID) of -0.070% for the period up to 31 December 2021 when this was replaced with sterling overnight index average % (SONIA). The 2021/22 average 7-day backward looking SONIA was 0.14%.

Table 6 below summarises investment activity in 2021-22.

<b>Table 6 - Investment Activity for 2021-22</b>	<b>Balance on 01-04-2021 £m</b>	<b>Balance on 31-03-2022 £m</b>	<b>Avg Rate / Yield (%) Avg days to maturity as at 31-03-22</b>
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- of Higher	20.0	90.0	0.94% / 170
- Debt Management Office	0.0	52.0	0.55% / 6
- Local Authorities	85.0	142.0	0.51% / 133
Long Term Investments	10.0	34.9	0.72% / 410
Money Market Funds	35.6	49.3	0.57% / 1
<b>TOTAL INVESTMENTS</b>	<b>150.6</b>	<b>368.2</b>	<b>0.66% / 157</b>
Increase / (Decrease) in Investments		217.6	

#### 4.9 External advisors

4.9.1 External treasury management advisors are retained to provide additional input on treasury management matters. The service comprises economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on other matters, as required.

4.9.2 The Council has retained Link Group as its treasury management advisors.

#### 4.10 Compliance with Prudential Indicators

4.10.1 The Council confirms compliance with its Prudential Indicators for 2021-22 set on 8 March 2021 as part of the Council's Treasury Management Strategy Statement. The Prudential Indicators can be found in Appendix 1.

4.10.2 The Council measures and manages its exposures to treasury management risks using the following indicators.

4.10.3 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The limits variable rate interest rate exposures are:

	2020-21 £m	2021-22 £m	2022-23 £m
Upper limit on variable interest rate exposure	350.0	300.0	200.0
Actual	48.1	41.3	

4.10.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	3%
12 months and within 24 months	0%	25%	4%
24 months and within 5 years	0%	25%	8%
5 years and within 10 years	0%	25%	16%
10 years and within 25 years	0%	50%	7%
25 years and within 40 years	0%	50%	35%
40 years and above	0%	50%	27%

4.10.5 **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2020-21 £m	2021-22 £m	2022-23 £m
Limit on principal invested beyond year end	100	100	100
Actual	10	35	

4.10.6 **Operational Boundary and Authorised Limit for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum

amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	2021/22 Original Estimate £m	2021/22 Max Debt in year £m
Borrowing	992.0	932.8
Other Long-term Liabilities *	170.7	181.3
Total External Debt	1,162.7	1,114.1
Operational Boundary	1,415.2	
Authorised Limit	1,445.2	

\* Includes PFI and Lases liabilities

#### 4.11 Treasury Management Reserve

4.11.1 The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year including new technical accounting entries relating to IFRS 9 (which stipulates the treatment of expected loss model based impairments on Treasury related investments and capital investments such as loans to third parties and financial guarantees).

The reserve is maintained for interest equalisation specifically to balance the risk of having to secure new long term loans at higher interest rates than anticipated including the unwinding of internal borrowing position detailed in section 4.3.

There was a total of £0.625m of transfers to reserves relating to treasury management activity. The balance on these reserves at 31 March 2022 is £25.369m. There was £4.024m budget transfer to the MRP Transformation of Services reserve as part of the planned transfer as per the prior year decision to change MRP policy.

In 2021-22 further technical adjustments totalling £0.888m were made to account for the annual impairment review on non-treasury investments as at 31 March 2022 under the IFRS 9 requirements. There was no expected loss impairment made to treasury investments.

#### 4.12 Risk Management

4.12.1 Risk Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

4.12.2 The treasury management risk register's overall risk rating at 31 March 2022 was 4.23, (Likelihood = unlikely, Impact = minor) and is a lower rating than as at 31 March 2021, but it remains over the targeted risk rating of 2.94 (Likelihood = remote, Impact = minor). The risk rating reflects reduced risks around the capital programme, impacts of Covid-19, working from home arrangements and the changes to the PWLB lending arrangements. The Treasury Management Working Group of senior Finance Managers with responsibility for Treasury Management (including Section 151 Officer and deputy

151 Officer) meet quarterly to manage this risk register and take appropriate actions as required.

#### 4.13 Other Issues

4.13.1 CIPFA published the revised Treasury Management Code and Prudential Code in December 2021. Both revised codes and guidance notes must be adopted within the 2023-24 Treasury Management Strategy, with the principles to be applied from the publication date of December 2021.

The Treasury Management Code key proposals – update to the Treasury management practices (TMP) TMP10 training requirements; TMP 12 Corporate Governance; Environmental, Social and Governance investment considerations to be included within the credit and counterparty risk management policies and amendments to Maturity Structure of Borrowing indicator.

The Prudential Code key proposals:

- revision to Borrowing in Advance of Need criteria, including in respect of primarily yield generating investments;
- inclusion of proportionality in key capital expenditure objectives;
- process and governance sections to incorporate further changes in respect of commercial activity;
- three new prudential indicators:
  - External Debt to Net Revenue Stream (NRS),
  - Income from Commercial and Service Investment to NRS;
  - Liability Benchmark;
- Proposal to abolish Gross Debt to Capital Financing Requirement indicator.
- Council investments are to be split and reported by code definitions for Service Investments, Treasury Management investments and Commercial Investments.

#### 5. Finance colleague comments (including implications and value for money/VAT)

##### 5.1 General Fund Revenue Implications

5.1.1 Revenue costs associated with borrowing and lending can be volatile, being affected by a number of factors including movements in interest rates, the timing of capital spending, the extent of reserves held and actual cash flows during the year.

5.1.2 The General Fund outturn in 2021-22 for treasury management costs was £73.235m comprising of interest charges less receipts, provisions for the repayment of debt, IFRS 9 expected loss allowances and PFI related expenditure. A proportion of the Council's debt relates to capital expenditure on HRA housing and £13.065m of these costs was charged to the HRA. The PFI expenditure accounted for £27.501m which includes the NET (the Nottingham Tram Network) lines 1 & 2.

The General Fund budget latest for 2021-22 for treasury management costs was £77.185m, the outturn was £73.235m an underspend of £3.9m which is included within the General Fund Corporate Budget Outturn.

##### 5.2 Value for Money

- 5.2.1 Management of borrowing and investments is undertaken in conjunction with our appointed external advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

Advice provided by Glyn Daykin and Sue Risdall, Technical Accounting, on 30 May 2022.

**6. Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)**

- 6.1 This report seeks authority to note the Treasury Management Performance for 2021/22.
- 6.2 The City Council has power to invest in accordance with section 12 of the Local Government Act 2003 ('the Act').
- 6.3 Section 12 provides a power for Local Authorities to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. "Investment" also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture or to a third party.
- 6.4 In accordance with section 15 and Part 1 of the Act, Local Authorities are required to "have regard" to "such guidance as the Secretary of State may issue". Statutory guidance on local authority investments has been issued by the Secretary of State in accordance with this provision.
- 6.5 This report details how the Council has complied with the relevant guidance and provides an update on the performance of the Council's treasury management function for 2021/22, against the Treasury Management Strategy which was approved by Full Council in March 2021.

**Advice provided by Dionne Screatton, Senior Solicitor, Contracts and Commercial, 21st June 2022**

**7. Background papers other than published works or those disclosing exempt or confidential information**

- 7.1 None

**8. Published documents referred to in compiling this report**

- 8.1 Treasury Management Strategy 2022-23 and Capital Investment Strategy 2022-23
- 8.2 Treasury Management Strategy 2021-22 and Capital Investment Strategy 2021-22
- 8.3 Together for Nottingham Plan
- 8.4 Money Market and PWLB loan rates
- 8.5 Treasury Management in the Public Services Code of Practice 2017 & 2021–CIPFA
- 8.6 Prudential Code 2017 & 2021 -CIPFA
- 8.7 Treasury Management in the Public Services Guidance Notes 2018 & 2021– CIPFA
- 8.8 Statutory guidance on local government investments 3rd Edition 2018
- 8.9 Statutory guidance on Minimum Revenue Provision (MRP) 2018

PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2020-21 Actual £m	2021-22 Estimate £m	2021-22 Outturn £m
<b>1) Prudence indicators</b>		Per TMSS 21-22	
<b>i) Capital Expenditure</b>			
General Fund	112.5	116.9	62.8
HRA	37.5	65.0	37.9
	<b>150.0</b>	<b>181.8</b>	<b>100.7</b>
<b>ii) CFR at 31 March</b>			
General Fund	1,113.6	1,101.2	905.3
HRA	298.0	314.0	298.7
PFI notional 'debt'	181.3	170.2	170.2
	<b>1,411.2</b>	<b>1,415.2</b>	<b>1,374.2</b>
<b>iii) External Debt at 31 March</b>			
Borrowing	932.8	992.0	900.9
PFI & leasing notional 'debt'	181.3	170.7	170.2
<b>Gross debt</b>	<b>1,114.1</b>	<b>1,162.7</b>	<b>1,071.1</b>
Less treasury investments	(150.6)	N/A	(368.2)
<b>Net Debt</b>	<b>963.5</b>	<b>N/A</b>	<b>702.9</b>
<b>2) Affordability indicators</b>			
<b>i) Financing costs ratio</b>			
General Fund	17.63%	18.17%	16.45%
General Fund (Inc PFI costs)	27.25%	N/A	26.34%
HRA	14.06%	15.29%	12.68%
	<b>Max in year</b>		<b>Max in year</b>
<b>ii) Authorised limit for external debt</b>	1,265.9	1,445.2	1,114.1
<b>iii) Operational limit for ext. debt</b>	1,265.9	1,415.2	1,114.1
<b>iv) HRA limit on indebtedness</b>			
HRA Debt Cap (abolished)	319.8	319.8	319.8
HRA CFR	298.0	314.0	298.7
<b>3) Treasury Management indicators</b>			
<b>i) Limit on variable interest rates</b>	48.1	300.0	41.3
<b>ii) Fixed Debt maturity structure</b>			
- Under 12 months	4%	0-25%	3%
- 12 months to 2 years	3%	0-25%	4%
- 2 to 5 years	8%	0-25%	8%
- 5 to 10 years	16%	0-25%	16%
- 10 to 25 years	7%	0-50%	7%
- 25 to 40 years	31%	0-50%	35%
- 40 years and above	31%	0-50%	27%
	<b>Max in year</b>		<b>Max in year</b>
<b>iii) Max sum invested for &gt;365 days</b>	10	100.0	35

NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS

## 1) Prudence Indicators

- i) *'Estimate of total capital expenditure'* – a “reasonable” estimate of total capital expenditure to be incurred, split between the General Fund and the HRA.
  - This estimate takes into account the current approved asset management and capital investment strategies.
- ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required.
  - This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
  - The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.
- iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet.

## 2) Affordability Indicators

- i) *'Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes revenue raised from the Workplace Parking Levy.
  - These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of the extension of the NET capital scheme, funded from specific Government grant and the Workplace Parking Levy income streams.
- ii) *'Authorised limit for external debt'* – this represents the maximum amount that may be borrowed at any point during the year.
  - This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any temporary borrowing as a result of adverse cash flow. This represents a 'worst case' scenario.
- iii) *'Operating boundary for external debt'* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.

- iv) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The MHCLG have now abolished the 'cap' on the maximum level of HRA debt, but this indicator shows the notional difference between this limit and the actual HRA CFR i.e. notional headroom available for future new borrowing.

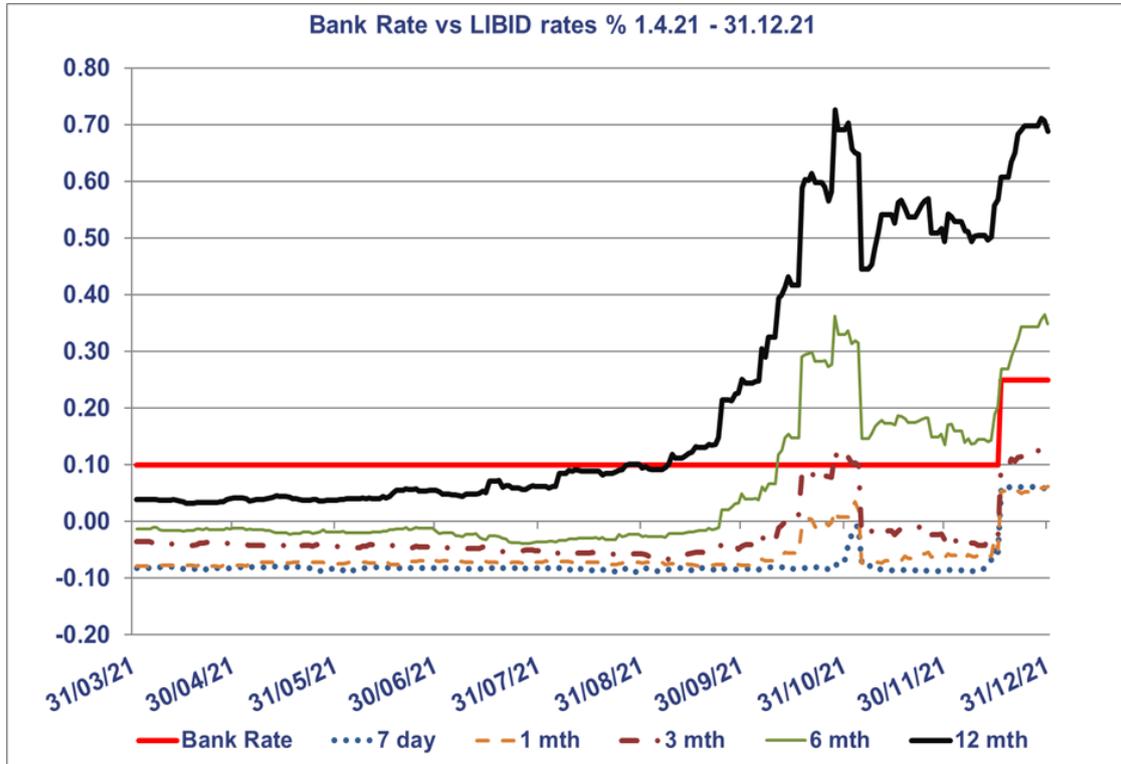
### 3) **Treasury Management Indicators**

- i) *'Upper limit on variable interest rate exposure'* - is set to control the Authority's exposure to interest rate risk. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed.
- A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.
- ii) *'Upper and lower limits with respect to the maturity structure of the authority's borrowing'* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.
- This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.
- iii) *'Total sums invested for periods of greater than 365 days'* – a limit on investments for periods longer than 1 year.
- This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.

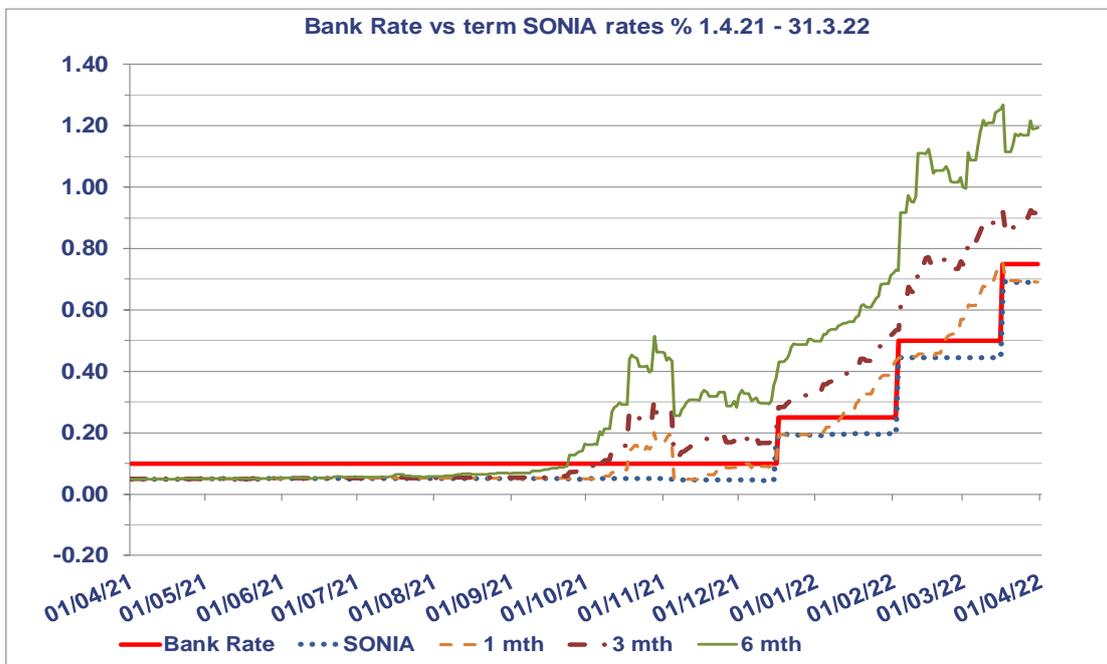
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**Money Market Interest Rates, PWLB rates in 2021/22 & Forecast at 31/03/22**

For the purpose of consistency, and for comparatives the LIBID data to 31st December 2021 is shown below followed by the replacement SONIA rates for 2021/22.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.25	0.06	0.06	0.14	0.36	0.73
<b>High Date</b>	17/12/2021	29/12/2021	31/12/2021	31/12/2021	30/12/2021	28/10/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.04
<b>Low Date</b>	01/07/2021	27/08/2021	17/09/2021	08/09/2021	27/07/2021	08/07/2021
<b>Average</b>	0.11	-0.07	-0.05	-0.01	0.09	0.31
<b>Spread</b>	0.15	0.15	0.14	0.20	0.40	0.68



	Bank Rate	SONIA	1 mth	3 mth	6 mth
<b>High</b>	0.75	0.69	0.75	0.93	1.27
<b>High Date</b>	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
<b>Low</b>	0.10	0.05	0.05	0.05	0.05
<b>Low Date</b>	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
<b>Average</b>	0.19	0.14	0.17	0.24	0.34
<b>Spread</b>	0.65	0.65	0.71	0.88	1.22

### Changes in Interest Rate Environment in 2021-22

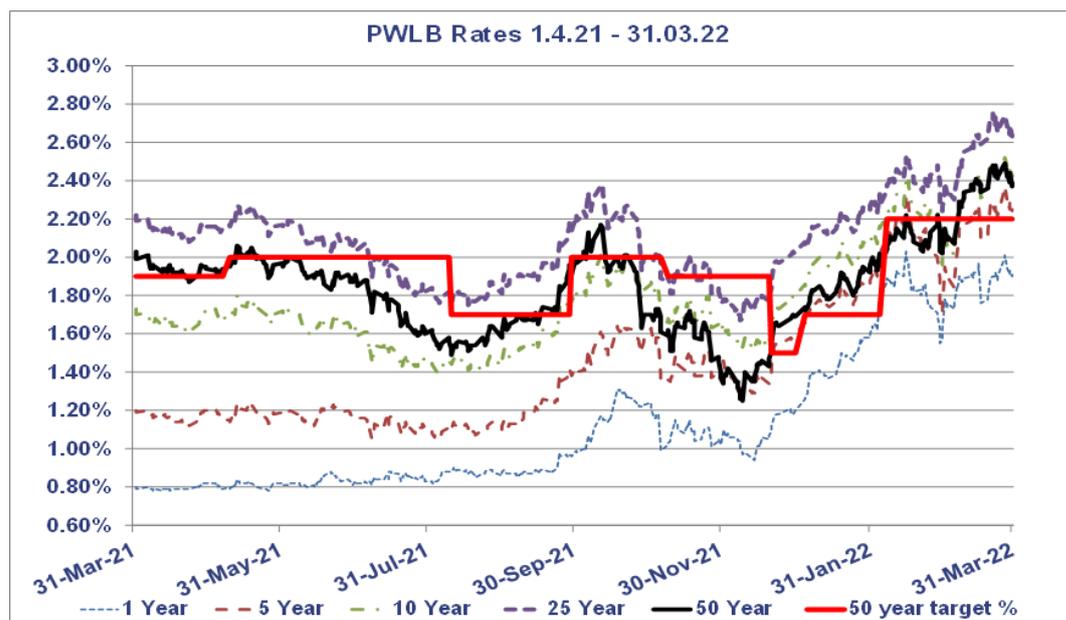
To show the change in market expectations the forecast outlook for money market interest rates and PWLB Certainty rates dated 8.02.2021 used in the Treasury Strategy for 2021-22 are shown below followed by the latest forecast dated 10.05.2022 which shows forecast rates have significantly increased – Bank rate is currently 1.00%.

Link Group Interest Rate View		8.2.21											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.90	0.90	0.90	0.90	1.00	1.00	1.10	1.10	1.10	1.20	1.20	1.20	1.20
10 yr PWLB	1.30	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.50	1.60	1.60	1.60	1.60
25 yr PWLB	1.90	1.90	1.90	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.20
50 yr PWLB	1.70	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00

Link Group Interest Rate View		10.5.22												
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	
<b>BANK RATE</b>	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75	
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70	
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90	
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10	
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50	
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80	
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00	
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70	

## PWLB Interest Rates during 2021-22

The graph and table below show the actual 2021/22 PWLB rates.



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

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**Audit Committee – 30 September 2022**

<b>Title of paper:</b>	<b>Audit Committee Annual Report 2021/2022</b>	
<b>Director(s)/ Corporate Director(s):</b>	Councillor Sajid Mohammed Chair of the Audit Committee	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Councillor Sajid Mohammed Chair of the Audit Committee Email: <a href="mailto:Sajid.Mohammed@nottinghamcity.gov.uk">Sajid.Mohammed@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	To note the work undertaken and approve the report at <b>Appendix 1.</b>	

**1 Reasons for recommendations**

- 1.1 This report outlines the work undertaken by the Audit Committee in 2021/22 and explains how the Committee has filled its designated role within the Constitution and how this work relates to its core responsibilities.

**2 Background**

- 2.1 The Committee is a key component of corporate governance. CIPFA guidance for audit committees states that :
- ‘The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.’
- Meaning that taking actions towards this purpose helps fulfil the statutory obligations of the Council under the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972
- 2.2 The overall aim of good governance is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities
  - there is sound and inclusive decision making
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3 The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.
- 2.4 Whilst the Audit Committee exists partly to oversee proposed and actual changes to the council’s policies and procedures pertaining to governance, the executive and senior management have responsibility for implementing these arrangements. In order to support this the Committee has approved a strategy, clear frameworks and processes for managing risk.

- 2.5 Good governance maintains and increases public confidence in the objectivity and fairness of financial and other reporting, and service planning, delivery, and improvement. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.
- 2.6 An effective audit committee both supports and challenges, and in doing so 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.
- 2.7 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 in 2021/22. It aims to develop the Council's commitment to improving corporate governance.
- 2.8 The report at **Appendix 1** summarises the work undertaken by the Committee during 2021/22, 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. The report categorises the work under the broad themes below :
- Assurance Statements and Governance;
  - Risk Management;
  - Performance Management and Value for Money;
  - External Audit, Inspection and Assurance;
  - Internal Audit and Counter Fraud; and
  - Financial Reporting.

It also comments on the Committee's :

- Independence; and
- Training and Development.

- 2.9 The work undertaken is crosscutting, however, and the work covered in each theme is complimentary to that reported in the other themes.
- 2.10 CIPFA Guidance referred to in this paper and its Appendix is the guidance which was current in 2021/22 as shown below. CIPFA published a new position statement on Audit Committees in May 2022 and is due to publish revised Guidance in September 2022, but this had not yet been published at the date of preparing this report.

### **3 Background papers other than published works or those disclosing exempt or confidential information**

- 3.1 None.

### **4 Published documents referred to in compiling this report**

- Accounts and Audit Regulations 2015
- CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018
- CIPFA Delivering Good Governance In Local Government – Guidance Notes for English Authorities 2016 Edition

# **Audit Committee**

## **Annual Report**

### **2021/22**

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**Appendix C – Recommendations Made by Audit Committee**

## Foreword by the Chair

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2021/2022. The Council is requested to take note of the work conducted by the Audit Committee in improving and enhancing the governance arrangements throughout the Council. The report illustrates how the Audit Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting. The Committee continues to be well supported by officers, providing a high standard of reports and presentations, and officers have taken on suggestions to ensure the benefits of this Committee are passed onto our citizens. I would like to thank Councillor Audra Wynter for chairing the Committee during 2021/22, and the Internal Audit and the External Audit teams for their input. In particular I would like to wish our retiring external audit partner John Gregory well in the future, and thank him for his clarity and objectivity in reporting to us and responding to our questions. I look forward to a similarly productive working relationship with his successor. I should also like to take this opportunity to give my personal thanks to all the officers, and all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year. Audit Committee Members have supported and challenged officers to ensure our risk, control and governance processes are effective, open, and transparent.



Key highlights of the Committee's work in 2021/22 included

- Reports from theme leads on progress, governance, risk and control in the Together for Nottingham Plan
- Recognising the issues raised in the S151 Officers S114 report
- Progress towards production of Financial Statements and in the statutory audit
- Improvement plans and progress resulting from Limited Assurance Internal Audit Reports and external assurance provider reports

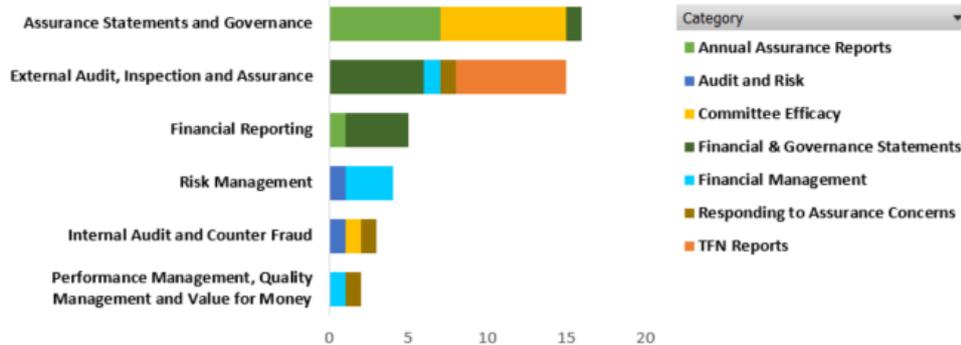
For 2022/23, as Audit Committee Chair I look forward to continuing to support the Council by ensuring that the Committee

- continues to recognise issues that require its focus
- prioritises the most significant corporate risks and issues
- seeks to gain assurance and challenges weaknesses in
  - governance,
  - risk management, and
  - control
- works to improve its efficacy, being proactive and forward thinking

How we risk manage our priorities, resources and partnerships will continue to be vital. The Audit Committee holds a distinctive position to challenge and scrutinise the activities of the Council, and together with the support of officers and my fellow Councillors, I seek for this to continue to bring value to the Council.

## Introduction

This report summarises the work performed over the year 2021/2022



The committee has contributed to the effectiveness of the Council by the work it has done including 45 reports as follows:

17

Reports

### Assurance Statements and Governance

- Monitoring and approving the Annual Governance Statement and associated activity
- Considering governance, risk and control arrangements for
  - high level financial strategy and reserves
  - governance risks connected to asset realisation
  - governance of capital programme and projects
  - value for money and delivering objectives
  - governance of linked incorporated bodies (and in particular our wholly owned Companies)
- Receiving and making recommendations in respect of Annual Assurance Reports from key corporate specialisms
- Scrutinising non-executive amendments to the Constitution

4

Reports

### Risk Management

- Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks and considering key risks
- Overseeing the Council's Treasury Management arrangements

2

Reports

### Performance Management, Quality Management and Value for Money

- Reviewing assurances provided including in respect of Exemption from Contract Procedure Rules
- Reviewing actions taken by services as a result of Limited Assurance Internal Audit Reports

15

Reports

### External Audit, Inspection and Assurance

- Managing a good working relationship with the external auditor, ensuring appropriate action is taken on its recommendations
- Receiving cross-cutting external inspections and assurance reports, ensuring appropriate action is taken on their recommendations

3

Reports

### Internal Audit and Counter Fraud

- Approving arrangements and monitoring performance of Internal Audit and Counter Fraud
- Ensuring internal audit independence and that findings are actioned by managers and consequently help to improve the Council's effectiveness and governance arrangements;

4

Reports

### Financial Reporting

- Monitoring of, and contribution to, the development of the Council's Statement of Accounts

## **The Purpose of Audit Committees**

The Audit Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high - level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

By overseeing internal and external audit, it makes a significant contribution to ensuring that effective assurance arrangements are in place.

## **Terms of Reference**

The Council reviewed and updated the Audit Committee's terms of reference in 2021 as required by the Report in the Public Interest. As part of this process, CIPFA was engaged to review these terms of reference and suggest improvements. CIPFA provided the committee with assurance that the terms continued to be appropriate and more extensive than comparator authorities, including detailed functions within them to support compliance with the Public Sector Internal Audit Standards. The Council has delegated some of its non-executive functions to the Audit Committee. These are defined in the committee's terms of reference.

Good governance is ultimately the responsibility of those charged with governance, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, Corporate Directors, the Chief Financial Officer and the Monitoring Officer. The Audit Committee plays a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and risk management and financial reporting.

Good corporate governance requires the Council to undertake its functions with integrity and in a way that is accountable to the people of Nottingham, transparent, effective and inclusive. My role as 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;
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors and gain assurance that recommended improvements meet the needs identified and are being delivered to an appropriate timescale;
- 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;

- 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 approval of the Internal Audit's strategy, plan and monitor performance.
- Support Internal Audit and contribute to Peer Review
- 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; and
- Lead the Audit committee in procuring external audit if required.

### **Committee Aims**

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 to ensure that Council objectives are met. As part of this role it approves Audit Plans, the Statement of Accounts, and Annual Governance Statement and monitors the robustness of performance management systems. The benefits gained from operating an effective committee are that it:

- contributes to the development of an effective control environment including arrangements for management of risk;
- increases stakeholder confidence in the objectivity and fairness of financial and other reporting by promoting transparency and accountability;
- reinforces the importance and independence of internal and external audit and any other similar review process (e.g. providing a view on the AGS) and the implementation of audit recommendations;
- advises on the adequacy of the assurance framework and considers whether assurance is deployed efficiently and effectively to give assurance that business objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

### **Membership**

The Audit Committee was made up of 9 non-executive councillors appointed to reflect the political balance of the Council. The members of the committee for 2021/2022 were:

Councillor Audra Wynter (Chair)  
 Councillor Sajid Mohammed (Vice Chair)  
 Councillor Graham Chapman  
 Councillor Michael Edwards  
 Councillor Jane Lakey  
 Councillor AJ Matsiko  
 Councillor Anne Peach  
 Councillor Ethan Radford  
 Councillor Andrew Rule

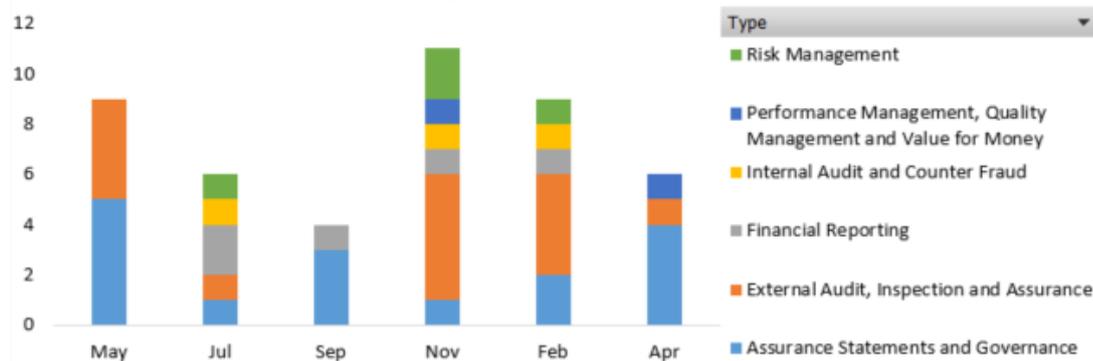
## Work Undertaken

During 2020/21, the Council received two very significant reports which continued to impact the committee's activity during 2021/22:

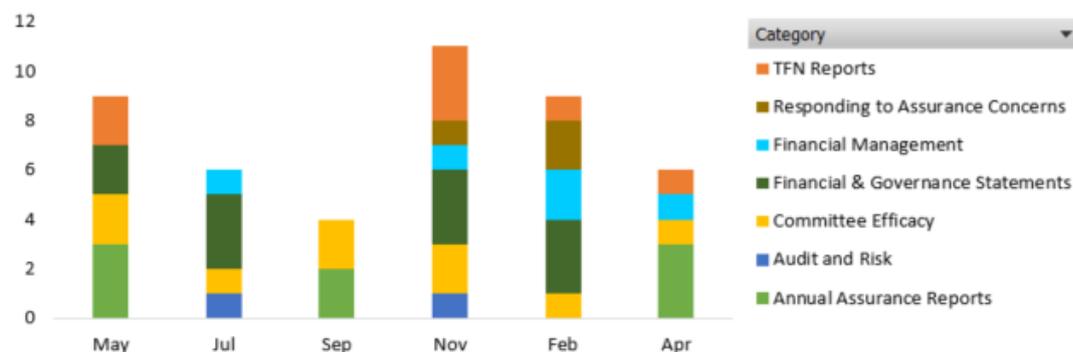
- The external auditor's Report in the Public Interest.
- The Non-Statutory Review by Max Caller which was commissioned by the Secretary of State.

As a result of these reports a programme of improvement actions was undertaken one strand of which led in 2021/22, to a further significant report:

- The Section 114 report by the Chief Financial Officer regarding illegal transactions connected to the Housing Revenue Account



2021/2022 has continued to be a testing time for all Councils with the resources available becoming more important. It has, however, been a year when the Audit Committee has seen noticeable improvements in the impact of its activities. Several services have reported on activity to respond to concerns raised by Internal Audit at the request of the Committee. Also there has been a broader focus in Directorates on compliance with our framework of rules, and on completing actions arising from assurance reports. I expect to see further improvements as 2022 progresses.



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 and cross-referenced to the elements of the annual work programme. The analysis has been derived from the reports and presentations set before the committee in the period, which are shown in **Appendix B**.

### Assurance Statements and Governance

The Audit Committee Work Programme shown in **Appendix A** 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. In addition the

Audit Committee formed informal working groups to help the committee to better understand and consider the following areas:

- Capital
- Companies
- Fraud (Anti-fraud, anti-bribery, and anti-corruption)
- Risk & Assurance

Having gained this understanding, in future these groups will focus only on specific tasks.

Reports on the following areas were considered by the committee during the year:

- The Together for Nottingham Plan
- Section 114 Notice – HRA ring-fence
- Companies Governance
- Council Plan and Corporate Performance Assurance
- The Transformation Programme
- Culture & Ethics
- COVID-19 and Emergency Planning
- Risk Management and Corporate Risk and Assurance Register
- External Audit
- Retender of External Audit for 2023/24 to 2027/28
- Statements of Accounts & Accounting Policies
- Annual Governance Statement
- Information Compliance and Information Security
- Treasury Management
- Contract Management and Procurement including Exemption from Contract Procedure Rules
- Health and safety within the council
- HR & EDI
- Have Your Say Complaints & Local Government Ombudsman Annual Letter
- East Midlands Shared Service
- SEND Transport
- Internal Audit
- Role of the Audit Committee, Annual Work Programme & Performance

The Committee considered these reports and made resolutions in respect of each as set out in Appendix C.

### **Looking Forward**

The Audit Committee will amongst other activities

- continue to seek assurance on the implementation of the Together for Nottingham Plan including theme milestones and outcomes
- monitor progress in bringing the Council's external audits up to date and ensuring future external audit cycles progress smoothly and on time
- receive an update on the current procurement cycle for external audit
- have oversight of the Corporate Risk Register and associated management assurance frameworks including examination of key risks as needed
- provide challenge to the executive and senior officers to encourage implementation of improvements and delivering best value

## **Independence**

The key criterion in assessing the independence of the committee is that its members are non-executives and their conduct on the committee is independent of political allegiances. Councillors have sought advice from legal and governance officers to achieve this requirement, and made declarations or have left the meeting where a conflict of interest was apparent, as appropriate. We accept the observations of the external auditor about the conflicts of interest that arise when councillors act as directors on council owned companies and the Council continues to make appropriate arrangements including for councillors on the Audit Committee as part of the Constitution theme of its Together for Nottingham Plan. The Audit Committee terms of reference now allow for 2 independent members.

## **Training & Development**

Training has been provided to committee members during the year on:

- the Role of the Audit Committee and its members (CIPFA – March 2021)
- Risk management (Zurich – March 2021)
- Constitution eLearning (available October 2021)
- Treasury Management (Link Asset Management – December 2021)

## **Conclusion**

Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken over the period since the last annual report, it is my assessment that the committee has carried out its roles effectively during 2021/22. The committee has made several changes to its activity during 2021/22 to respond to the Public Interest Report and Non-Statutory Review in 2020/21 and suggestions by the members of the Improvement & Assurance Board and will continue to aim to improve its effectiveness during 2022/23.

## Appendix A - Analysis of Audit Committee Work Programme

Description	Report	Meeting			
<b>Purposes:</b>					
a. The Audit Committee is a key component of Nottingham City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.	Annual Audit Committee Report			SEP	
b. Provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.	External Audit reports, Annual Audit Committee Report, Annual Governance Statement (AGS) reports	MAY	JUL	SEP	
			FEB		
c. Provide independent review of the Council's governance, risk management and control frameworks.	AGS, Risk Management & External Audit reports		JUL		NOV
			FEB		
d. Oversee the financial reporting and annual governance processes.	Budget, Statement of Accounts, Accounting Policies & AGS reports		JUL		NOV
			FEB		
e. Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.	Annual IA Plan and updates & EA Updates	MAY	JUL	SEP	NOV
			FEB		
f. Consider assurance of 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 including emphasis on: <ul style="list-style-type: none"> <li>Governance risks around high level financial strategy and reserves</li> <li>Governance risks connected to asset realisation</li> <li>Governance of Capital Programme and projects</li> <li>Value for Money and Delivering Objectives</li> <li>Governance of linked incorporated bodies</li> </ul>	Budget, Statement of Accounts, EA Updates, IICSA, OFSTED, Ombudsman, Companies, Assurance & Corporate Risk reports and presentations	MAY	JUL	SEP	NOV
			FEB	APR	

Description	Report	Meeting			
g. Oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.	Audit Committee Terms of Reference, Public Interest Report, Companies Governance, Councillor Directors, Non-Statutory Review and Recovery & Improvement Plan, Interim AGS & Governance Updates connected to Action Plans	MAY		SEP	NOV
			FEB	APR	
<b>Objectives:</b>					
<b>Governance, Risk &amp; Control</b>					
a. Review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	AGS reports		JUL		
			FEB		
b. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	AGS		JUL		
c. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	Annual Audit Letter & VfM Report				
			FEB	APR	
d. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	Assurance Reports (H&S, ITG, Complaints, HR)	MAY		SEP	
			FEB	APR	
e. Receive and consider the results of reports from external inspectors, Ombudsman and similar bodies and from statutory officers.	Budget, Annual summary of External Assurances, IICSA, OFSTED, Complaints & LG Ombudsman,		JUL	SEP	
			FEB		

Description	Report	Meeting					
f. Monitor the effective development and operation of risk management in the Council.	Risk Management Reports, Brexit, Covid-19 & Emergency Planning	MAY			NOV		
g. Monitor progress in addressing risk-related issues reported to the committee.	IICSA, Ofsted, Budget, Risk Management Updates, External Audit updates, Corporate Action Plans, Companies & Brexit	MAY			NOV		
h. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	IA Progress Updates & Service presentations, Companies reports	MAY	JUL	SEP	NOV		SEP
i. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	Annual IA Report & Annual Audit Letter		JUL				
j. Monitor the counter fraud strategy, actions and resources.	Annual IA Report & progress update		JUL		NOV		
k. Review the governance and assurance arrangements for significant partnerships or collaborations, including the Partnership Governance Framework, annual health checks and the Register of Significant Partnerships.	Audit Committee Terms of Reference	MAY		APR			
l. Commission work from internal and external audit.	Culture & Ethics	MAY					
m. Consider arrangements for and the merits of operating quality assurance and performance management processes.	Customer Experience, EMSS, Council Plan and Corporate Performance Assurance			SEP	NOV		
n. Consider the exercise of officers' statutory responsibilities and of functions delegated to officers.	e.g. S114A & S5A reports			FEB			

Description	Report	Meeting			
o. Effectively scrutinise, review and monitor treasury management strategies and policies in accordance with guidance issued to local authorities, and make appropriate recommendations to the responsible body.	TM 2019/20 Annual Report, TM Strategy and Capital Strategy, TM Half-Yearly update		JUL		NOV
p. Consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.	[Audit Committee will be advised by officers if/when it is required to carry out this role]	Not applicable in 2020/21			
<b>Financial Reporting</b>					
q. Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	Statement of Accounts		JUL		
r. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	Audit Findings Report, Auditor's Report to members of NCC (both with Statement of Accounts), Public Interest Report	MAY			
s. Approve the Council's Statement of Accounts and associated governance and accounting policy documents	Accounting Policies, Statement of Accounts, external audit outcome and Public Interest reports & Annual Governance reports		JUL		
<b>External Audit</b>					
t. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	Annual Audit Letter	MAY			
			FEB		

Description	Report	Meeting			
u. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	Annual Audit Letter	MAY			
			FEB		
v. Consider specific reports as agreed with the external auditor.	Public Interest Report	Not applicable in 2021/22			
w. Comment on the scope and depth of external audit work and to ensure it gives value for money.	EA reports	MAY	JUL		NOV
			FEB		
x. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	Annual Audit Committee Report			SEP	
<b>Internal Audit</b>					
y. Undertake the duties of the Board mandated by PSIAS as identified in Appendix 2.	PSIAS duties are listed below		JUL	SEP	NOV
			FEB	APR	
z. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services, and the head of internal audit's annual report.	IA Progress Reports		JUL		NOV
			FEB		
aa. Consider summaries of specific internal audit reports as requested.	Annual IA Report		JUL		NOV
			FEB		
<b>PSIAS Duty of the Board</b>					
1000 Approve the Internal Audit Charter	Annual IA Report		JUL		
1110 Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	Annual IA Report		JUL		
1110 Approve decisions relating to the appointment and removal of the Chief Audit Executive	[If required the S151 Officer will provide a report]	Not applicable in 2021/22			

Description	Report	Meeting			
1110 Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Annual IA Report		JUL		
1110 Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Annual IA Report		JUL		
1110 The Chair to provide feedback for the Chief Audit Executive's performance appraisal	Annual Audit Committee Report			SEP	
1111 Provide free and unfettered access to the Audit Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.	Annual IA Report		JUL		
1112 Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.	Annual IA Report		JUL		
1130 Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	IA Progress Reports		FEB		NOV
1312 Contribute to the QAIP and in particular, to oversee the external quality assessment of internal audit that takes place at least once every five years.	Annual IA Report		JUL		
1320 Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Annual IA Report		JUL		
2020 & 2030 Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Annual IA Report		JUL		
2060 Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Annual IA Report		JUL		NOV
			FEB		

Description	Report	Meeting			
2600 Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Annual IA Report			SEP	NOV
				APR	

## Appendix B – List of Reports to Audit Committee by Date

### 28 May 2021

Working Group Updates  
Verbal update from the Chairs of each Working Group

Annual Audit Letter 2018/19  
Update from the External Auditor

Verbal Update from External Auditor  
A verbal update from the External Auditor on progress of the 19/20 and 20/21 audit process

Annual Report of health and safety within the council  
Report of the Director of Legal and Governance

COVID-19 and Emergency Planning  
Report of the Director of Legal and Governance

Culture & Ethics  
Report of the Interim Corporate Director Finance and Resources

HR Annual Assurance  
Report of the Director for HR & Equality, Diversity and Inclusion

Audit Committee Terms of Reference  
Report of the Interim Corporate Director of Finance & Resources

Companies Governance Update  
Report of the Interim Corporate Director of Finance & Resources

### 30 Jul 2021

Working Group Updates  
Verbal update from the Chairs of each Working Group

2019/20 Accounts update  
Report of the Interim Corporate Director of Finance and Resources

Draft Statement of Accounts 2020/21 and Draft Annual Governance Statement 2020/21  
Report of the Interim Corporate Director of Finance and Resources

External Audit Update  
Verbal update from External Auditors, Grant Thornton

Treasury Management 2020/21 Annual Report  
Report of the Interim Corporate Director of Finance & Resources and S151 Officer

Internal Audit Annual Report and Opinion  
Report of the Interim Corporate Director of Finance and Resources

### 24 Sep 2021

Working Group Updates  
Verbal update from the Chairs of each Working Group

Audit Committee Annual Report 2020/2021  
Report of the Chair of Audit Committee

Have Your Say Complaints Annual Assurance Report – Including Local Government Ombudsman Annual Letter 2020-21  
Report of the Interim Corporate Director of Finance and Resources

East Midlands Shared Service Annual Report 2020-21  
Report of the Head of East Midlands Shared Services

25 Nov 2021

Working Group Updates

Verbal update from the Chairs of each Working Group

Update on the Audit of the Councils Statutory Accounts 2019/20 and 2020/21

Report of the Interim Corporate Director of Finance and Resources

External Audit Update

Verbal update from the External Auditor, Grant Thornton

Council Plan and Corporate Performance Assurance

Report of the Interim Director Strategy and Policy and the Interim Corporate Director of Finance and Resources

Internal Audit Update

Report of the Interim Corporate Director of Finance & Resources

Contract Management and Procurement Audits 2021

Report of the Interim Corporate Director Finance and resources

Retender of External Audit for 2023/24 to 2027/28

Report of the Interim Corporate Director of Finance and Resources

Treasury Management 2021/22 Half Yearly Update

Report of the Interim Corporate Director of Finance & Resources and S151 Officer

Companies Governance Update

Report of the Interim Corporate Director of Finance and Resources

Recovery and Improvement - Culture Update

Report of the Director of HR, and EDI, and the Interim Corporate Director Finance and Resources

Risk Management and Corporate Risk and Assurance Register Update

Report of the Chief Executive, and the Interim Corporate Director of Finance & Resources

25 Feb 2022

Working Group Updates

Verbal update from the Chairs of each Working Group

Review of Accounting Policies 2021/22

Report of the Corporate Director for Finance and Resources

Annual Governance Statement – Process For Producing 2021/22 Statement

Report of the Corporate Director for Finance and Resources

Internal Audit Update

Report of the Corporate Director for Finance and Resources

External Audit Update

Report of the External Auditor, Grant Thornton

Update on Section 114 Notice

Verbal update from the Corporate Director for Finance and Resources

Treasury Management Strategy 2022/23 and Capital Strategy 2022/23

Report of the Corporate Director for Finance and Resources

SEND Transport Monitoring Report 2022

Report of the Director of Education Services

Refresh of the Together for Nottingham Plan

Report of the Leader of the Council

29 Apr 2022

Exemption from Contract Procedure Rules

Report of the Interim Corporate Director for Finance and Resources

Working Group Updates

Verbal update from the Chairs of each Working Group

Service Design and Delivery (including the Transformation Programme)

Report of the Chief Executive

Equality and HR Assurance annual report

Report of the Director for HR & EDI

Annual Report of Health and Safety within the Council

Report of the Interim Corporate Director for Finance and Resources

Information Compliance and Information Security Annual Assurance Report  
2022

Report of the Interim Corporate Director for Finance and Resources

## Appendix C – Resolutions Made by Audit Committee

### 28 May 2021

Verbal Update from External Auditor

**The committee noted the update provided by the External Auditor.**

Annual Report of Health and Safety within the Council

**(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**

Covid-19 and Emergency Planning

**(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**

Culture & Ethics

**(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**

**(2) refer the report to both the Chairs of the Standards Committee and Overview and Scrutiny Committee and to Executive Panel to consider further action.**

HR Annual Assurance

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

Companies Governance Update

**(1) Note the report on progress against the Recovery and Improvement Plan**

Audit Committee Terms of Reference

**(1) 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)**

30 Jul 2021

2019/20 Accounts update

**(1) Resolved to note the progress in respect of the 2019/20 Statement of Accounts and associated Audit.**

Draft Statement of Accounts 2020/21 and Draft Annual Governance

**(1) Note the progress of the draft 2020/21 Statement of Accounts; and  
(2) Note draft 2020/21 Annual Governance Statement and the expectation of an updated Annual Governance Statement to be brought to a future committee meeting reflecting the suggestions of this committee, alongside the final statement of Accounts for 2020/21.**

Treasury Management 2020/21 Annual Report

**(1) Resolved to note the performance information in relation to treasury management for 2020/21**

Internal Audit Annual Report and Opinion

**(1) Note the audit work completed during the year, including the use of other resources of assurance and reliance on those sources;  
(2) Note the Head of Audit and Risk's Annual Opinion;  
(3) Note the proposed Audit Plan for 2021/22;  
(4) Approve the Internal Audit Charter; and  
(5) Note the Counter Fraud Strategy**

24 Sep 2021

Working Group Updates

**(1) Resolved to request that the Chair of the Audit Committee writes to the Chief Finance Officer and relevant Portfolio Holder to request that they establish a target saving from fraud detection to be included in the budget.**

Audit Committee Annual Report 2020/2021

**(1) Resolved to request that the Chair and Vice-Chair, working with the Head of Audit and Risk, amend the report to make it more outcome focused.**

Have Your Say Complaints Annual Assurance Report – Including Local Government Ombudsman Annual Assurance 2021

**(1) Resolved to request an additional report to respond to the questions raised by the Committee.**

26 Nov 2021

Update on the Audit of the Councils Statutory Accounts 2019/20 and 2020/21

**(1) Having sought assurance on continued progress and issues the Committee noted the update on the progress of the Audit of the Statutory Accounts for 2019/20 and 2020/21**

External Audit Update

**(1) The committee noted the update**

Treasury Management 2021/22 Half Yearly Update

**(1) Resolved to note and acknowledge the treasury management actions taken in 2021/22 to 30 September 2021.**

Council Plan and Corporate Performance Assurance

**(1) Note the progress made on the Council's new Performance Management Framework;  
(2) Note plans for full implementation of the Performance Management Framework and improvements in performance reporting across the Council  
(3) To invite corporate performance officers to attend the Risk Working group to receive feedback on the scope of the Critical Indicators; and  
(4) Receive an informal Teams briefing from the Interim Corporate Director of Finance and Resources on the Oracle fusion system.**

Internal Audit Update

**(1) Receive an update from the Head of IT and Portfolio Holder for Finance and Resources on the Limited Assurance report for IT Security at the next Audit Committee meeting;  
(2) Note the progress reported in respect of high priority recommendation; and**

**(3) Note other areas marked as Limited Assurance and review these within working groups and those of particular concern be selected to come back to a future meeting for more detailed consideration.**

Contract Management and Procurement Audits 2021

- (1) Note the actions already completed in response to the internal audits, and the impact of these actions on assurance;**
- (2) Note the actions planned and being implemented, and the impact that these will have on future assurance; and**
- (3) Note the use of PWC to support improvements.**

Retender of External Audit for 2023/24 to 2027/28

- (1) Resolved to endorse the proposal to Council that it accepts Public Sector Audit Appointments invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for 5 financial years from 1 April 2023.**

Companies Governance Update

- (1) Resolved to note the progress and future plans for ongoing development and implementation of companies governance in accordance with the Recovery and Improvement Plan.**

Recovery and Improvement - Culture Update

- (1) Note the actions referred to in relation to embedding good practice outlined in the Internal Review Report of Culture and Ethics brought to the Audit Committee in May 2021; and**
- (2) Note that future updates and assurance on the Culture workstream in the Recovery and Improvement Plan will be undertaken through the existing monitoring and assurance that take place through the Improvement and Assurance Board.**

Risk Management and Corporate Risk and Assurance Register Update

- (1) Resolved to note the progress made to review existing processes and further embed Risk Management across the Council**

## 25 Feb 2022

Review of Accounting Policies 2021/22

- (1) Agree the Statement of Accounting Policies for inclusion in the 2021/22 annual accounts (within appendix 1 of the report).**
- (2) Agree the proposals where International Financial Reporting Standards (IFRS) allowed a degree of choice.**

Annual Governance Statement - Process for Producing 2021/22 Statement

- (1) Note the process and timetable for compiling and completing the 2021/22 Annual Governance Statement.**

Internal Audit Update

- (1) Note the progress reported in respect of high priority recommendations.**
- (2) Note the areas marked as Limited Assurance and request that at the next meeting the Head of IT reports progress in respect of issues raised in the Limited Assurance reports on IT Security and ICT Procurement.**
- (3) Note the progress made on the Internal Audit Plan 2021/22.**

External Audit Update

- (1) Note the report.**

Treasury Management Strategy 2022/23 and Capital Strategy 2022/23

- (1) Accept the Treasury Management Strategy for 2022/23, attached as Appendix 1 of the report, and, in particular:**
  - (a) the strategy in relation to debt repayment (Minimum Revenue Provision Statement) in 2022/23 (section 5.2 of the report);**
  - (b) the Borrowing Strategy for 2022/23 (section 3.4 of the report);**
  - (c) the Investment Strategy for 2022/23 (section 4 of the report);**
  - (d) the Prudential Indicators and Limits for 2022/23 to 2024/25 (section 5.1 of the report);**
- (2) Accept the Treasury Management Policy Statement (section 5.3 of the report).**
- (3) Accept the Capital Strategy 2022/23 (Appendix 2 of the report) including the Voluntary Debt Reduction Policy Statement and Debt Policy (Appendix B of the report).**

**(4) Note the content of the exempt appendices.**

SEND Transport Monitoring Report 2022

**(1) Note the improvements made.**

**(2) That a further annual Monitoring Report was not required to be presented in 2023.**

Refresh of the Together for Nottingham Plan

**(1) Note the contents of the report, and invite individual theme leads within the Together for Nottingham Plan to provide assurance to the Committee.**

29 Apr 2022

Exemption from Contract Procedure Rules quarter three 2021/22

**(1) Note the number of exemptions from Contract Procedure Rules during quarter three of 2021/22.**

**(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.**

Working Group updates

**(1) Request a paper on District Heating and Waste Infrastructure.**

Together for Nottingham Plan – Theme 7 Service Design and Delivery

**(1) Note this report.**

Equality & HR Assurance

**(1) Note the work being done within the division to deliver on Theme 6 Organisation and Culture workstream of the Together for Nottingham Plan**

**(2) Note the work being done within the division to ensure the Council's statutory and non-statutory obligations relating to people management and Equality, Diversity and Inclusion are being met and/or progressed.**

**(3) Request an update in around 6 months on the challenges of staffing resourcing.**

Annual Report of health and safety within the council

**(1) All Corporate Directors ensure their directorate colleagues can demonstrate up to date training in the mandatory health and safety courses, and, where appropriate, asbestos management, by Friday 8th July 2022.**

**(2) All Corporate Directors ensure that all outstanding Accident/Violence/Audit recommendations are completed and recorded on the corporate system by Friday 8th July 2022**

**(3) Note the absence of any HSE intervention in the council in the past three years.**

Information Compliance and Information Security Annual Assurance Report 2022

**(1) Chair to email concerns regarding staffing resources to the Director of HR & EDI.**



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**Audit Committee – 30 September 2022**

<b>Title Of Paper:</b>	<b>Internal Audit Annual Report and Opinion</b>	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy Corporate Director Finance and Resources	<b>Wards affected: All</b>
<b>Report author(s) and contact details:</b>	Shail Shah Head of Audit and Risk 0115 8764245 shail.shah@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	<p>Note the following as detailed in Appendix 1</p> <ul style="list-style-type: none"> <li>• The audit work completed during the year, including the use of other sources of assurance and reliance upon those other sources.</li> <li>• The Head of Audit and Risk’s Annual Opinion</li> <li>• The parameters for the proposed Audit Plan for 2022/23</li> <li>• The results of the recent external assessment of Internal Audit by Sheffield City Council</li> <li>• The progress reported in respect of high priority recommendations.</li> </ul>	
<b>2</b>	Approve the Internal Audit Charter in Appendix 2	
<b>3</b>	Endorse the Counter Fraud Strategy in Appendix 3	

**1 Reasons for recommendations**

- 1.1 This report outlines the work of the Internal Audit (IA) service for the year 2021/22. The report includes the Head of Audit & Risk’s annual opinion on the effectiveness of the internal control systems operating within the City Council and its significant partnerships and the Audit Charter.
- 1.2 The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.3 The Audit Committee’s Terms of Reference include the following Public Sector Internal Audit Standards (PSIAS) requirements for the “Board” (see 1.4):
- Approve the risk-based internal audit plan
  - Approve the Internal Audit Charter
  - Receive an annual confirmation from the Head of Audit and Risk with regard to the organisational independence of the internal audit activity
  - Making appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations

- Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters
- Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.
- Receiving the results of the Quality Assurance and Improvement Programme from the Head of Audit and Risk

1.4 The PSIAS require the responsibility for the management of Internal Audit to be 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. Internal Audit assists the Corporate Director of Finance & Resources in fulfilling his duties under Section 151 of the Local Government Act 1972 which requires each local authority to make arrangements for the proper administration of their financial affairs.

1.5 The PSIAS require the Head of Audit & Risk to deliver an annual audit opinion and report that can be used to inform the Annual Governance Statement. The annual report should include a summary of the work supporting the opinion.

1.6 This report seeks endorsement of the City Council's Counter Fraud Strategy (CFS).

1.7 The report supports the Audit Committee in fulfilling purpose and function elements of its terms of reference including Public Sector Internal Audit Standard (PSIAS) duties.

## **2 Background**

2.1 The Internal Audit 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.

2.2 The coverage set out in the 2021/22 Internal Audit Plan has been substantially achieved and key performance indicator targets have been met.

2.3 The assurance gained from this activity together with that gained from a review of other control and assurance mechanisms, has enabled the Head of Audit & Risk to give limited assurance that the internal control systems are operating effectively within the Council and its significant partnerships.

2.4 We are experiencing staff turnover and recruitment to vacant positions has so far proven unsuccessful and will limit the resources we are able to apply to provide assurances during 2022/23. We have established that the existing Internal Audit pay grades are uncompetitive with respect to the local government sector and other sectors. During the forthcoming year the section intends to restructure and whilst the team have many skills and significant levels of experience we have identified areas for development as we move forward and we will need to agree competitive grades for all roles to ensure resilience.

2.5 Good governance policies and procedures are essential when allocating and controlling Council resources and supporting effective delivery of the Council's strategic and operational objectives.

- 2.6 A cornerstone of the Council's governance policies is the CFS, which brings together the key strands of governance into an overarching strategy document. The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity.
- 2.7 An effective CFS provides the basis for developing a counter fraud culture in the Council and, as part of the Council's control system, the elements of the CFS contribute positively to the assurance received by the Committee in respect of the effectiveness of the control environment.
- 2.8 The CFS is the main strategy statement geared towards protecting public funds and assets by requiring compliance with regulations, rules, procedures and guidelines designed to promote the highest standards of conduct and behaviour.
- 2.9 The changes to the strategy and response plans include a general update and clarifications in terms of roles and responsibilities.
- 2.10 The CFS will continue to evolve and develop to reflect changes in legislation and best governance practice.

### **3 Background papers other than published works or those disclosing exempt or confidential information**

None

### **List of Appendices**

**Appendix 1** Internal Audit Annual Report And Opinion 2021-22

**Appendix 2** Internal Audit Charter

**Appendix 3** Counter Fraud Strategy

### **4 Published documents referred to in compiling this report**

- Accounts and Audit Regulations 2015
- Internal Audit Plan 2020/21
- CIPFA SOLACE Delivering Good Governance in Local Government
- Public Sector Internal Audit Standards 2017
- Local Government Act 1972 Section 151

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# NOTTINGHAM CITY COUNCIL

## INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22

Date: 30 September 2022

### Contents

1. Introduction
2. Head of Internal Audit Opinion
3. Basis of Opinion
4. Public Sector Internal Audit Standards
5. Internal Audit Plan 2022/23

Annual Audit Report

- Appendix A Internal Audit Plan 2022/23
- Appendix B Final Reports Issued 2021/22
- Appendix C External Assurances
- Appendix D Definitions of Levels of Assurance & Recommendations

Quarterly Update

- Annex A1 Final Audit Reports Issued Q4 (from last update)
- Annex A2 Audits concluded in 2020/21 & 2021/22
- Annex B Tracking of High Priority Recommendations
- Annex C Executive Summaries Q4 Audit Reports

## 1. Introduction

### Internal Audit and the Annual Reporting Process

1. Under the Accounts and Audit Regulations 2015 (See Box) the Council has a duty to maintain an effective internal audit of its risk management, control and governance processes. The Public Sector Internal Audit Standards (PSIAS) are the mandated professional standards for internal audit in local government and govern the work undertaken by the Internal Audit Service.
2. The PSIAS sets out the requirement for the Chief Audit Executive to provide an annual internal audit report with an overall opinion that can be used by the organisation to inform its governance statement. The Internal Audit Charter and the Council's Financial Regulations re-inforce this requirement. The role of Chief Audit Executive has been assigned to the Head of Audit and Risk at Nottingham City Council.
3. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The opinion must be supported by sufficient, reliable, and relevant information.
4. The following report provides a summary of the internal audit activity undertaken throughout the year and seeks to provide an objective assessment of the control environment to support the annual internal audit opinion. This report has been produced by the Head of Audit and Risk who is responsible for the Internal Audit (IA) and Corporate Fraud teams.

### Confirmations – Resources, Independence and Limitations of Scope

5. Members of the team hold various qualifications including ACCA, AAT and PINS. Most colleagues participated in personal development reviews and received a minimum of three days training. The 2021/22 audit plan contained 2318

days and I am satisfied that there were adequate staffing resources available to me to deliver the plan despite a restriction on recruitment and some long-term sickness occurring in the latter part of the year.

6. I am required to highlight instances where the work of Internal Audit has been subject to any limitations of scope and to this end, I can state that the programme of work for 2021/22 was affected to an extent by some limitations of scope. These limitations specifically relate to some of the key financial systems that are either operated directly by NCC or by EMSS on behalf of the council and during the year, internal auditors have experienced difficulties in obtaining access to key staff, information and systems which has resulted in reduced efficiency and an inability to fully complete reviews as initially intended, with a consequence that the level of assurance for each review is negatively impacted. These limitations are due to operational pressures / staffing issues within the areas under review. Details of those reviews affected are included later within this document.
7. Discussions will be held within senior management with regard to rectifying the position moving forward and I am planning to review the approach for the future reviews of systems that are operated by EMSS/NCC. I will ensure that reference to these limitations will also be included in the Annual Governance Statement for 2021/22.
8. The 2022/23 Plan in Appendix A has been matched to an assumed level of resources. We are experiencing staff turnover and recruitment to vacant positions has so far proven unsuccessful and will limit the resources we are able to apply to provide assurances during 2022/23. We have established that the existing Internal Audit pay grades are uncompetitive with respect to the local government sector and other sectors. During the forthcoming year the section intends to restructure and an important part of the process will be to assess what skills and experience exist currently in the section and what needs to be developed as we move forward and to agree competitive grades for roles.
9. The PSIAS require that the Head of Audit and Risk must confirm to the Audit Committee at least annually regarding the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations re-inforce this requirement.
10. The Internal Audit Charter specifies that the Head of Audit and Risk must report to a level within the council that allows internal audit to fulfil its responsibilities. Appropriate reporting and management arrangements are in place within NCC

that preserve the independence and objectivity of the Head of Audit and Risk who has direct access to the Chair of the Audit Committee, Leadership of the Council, External Auditors, the Chief Executive, the Section 151 Officer, the Monitoring Officer, the Standards Board, and all councillors, as he considers appropriate.

11. The reporting and management arrangements in place are appropriate to ensure the organisational independence of the internal audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired the Head of Audit and Risk's personal independence or objectivity. There have however, been some instances where the scope of Internal Audit reviews has been limited.

### **Reports to Audit Committee**

12. An important part of the IA service is to inform the Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the IA service. The following summarises the information the Committee has received from the Head of Internal Audit and Risk during the last year.

- Annual Governance Statement and Update – an evaluation of the governance system and update on significant issues
- Internal Audit Quarterly Reports including a summary of reports issued and recommendation tracking
- Role of Audit Committee, Terms of Reference and Work Programme
- Internal Audit Charter – the rules and organisational requirements in place to ensure an effective Internal Audit function
- Internal Audit Annual Report – summary of work in 2020/21 including Head of Internal Audit & Risk's Opinion
- Internal Audit Annual Plan – a summary of work proposed for 2021/22
- East Midlands Shared Services (EMSS) Annual Report and Head of Audit & Risk Opinion on assurance
- Support for the committee's informal subgroups to benefit informed consideration of Risk & Assurance and Counter Fraud

## **2. Head of Internal Audit Opinion 2021/22**

## Scope of the Opinion

13. The opinion has been prepared by the Head of Audit and Risk and is based upon the requirements of the Public Sector Internal Audit Standards (PSIAS).
14. Throughout 2021/22, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the Internal 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 2021/22, which has included ICT work, and he has drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control risks to the Council's objectives. Other sources of assurance have included the AGS Statement, the Ombudsman Report and Grant Thornton (the Council's external auditor). External assurance sources such as OFSTED, and the Care Quality Commission have been reviewed, and where necessary further information has been sought, in order to assess these assurances.

## Issues Relevant to the Annual Governance Statement

15. The draft financial statements for 2021/22 and consequently the draft Annual Governance Statement have not yet been published. The Head of Audit and Risk has identified the following significant issues, many of which are also in the Together for Nottingham plan or have been raised by the IAB, that at this point he considers should be reported in the Annual Governance Statement:
  - Medium Term Financial Strategy (MTFS)
  - Asset Management
  - Companies & Debt Management
  - Capital Programme
  - Governance and Decision Making, including Constitution
  - Organisation & Culture
  - Delivery Options
  - Policy Framework
  - Ofsted Focussed Visit & Improvement Programme
  - Energy & Waste Infrastructure

- Housing management & HRA ring-fence
- Delays in finalisation of annual accounts
- Oracle Fusion payroll implementation

## Opinion 2021/22

16. The opinion given is based on internal audit work undertaken.

17. No systems of control can provide absolute assurance, nor can IA give that assurance, significant issues (as defined in the CIPFA Code of Practice) were identified in audit work undertaken and reported by IA as part of the 2021/22 Audit Plan including our review of external sources of assurance. The overall internal audit opinions provided across the Council in 2021/22 are illustrated below and also attached at Appendix B

18. IA experience, covering financial systems, risk and governance, Ofsted's report and the concerns raised by the External Auditor, together with those raised by the Improvement and Assurance Board leads the HoIA to conclude that whilst many internal control systems are operating effectively within the Council, its significant partners and associated groups, the areas of weakness identified as significant above lead to an overall **limited level of assurance** for the systems in place during 2021/22.

19. The Council has set out its requirements for improvement in the Together for Nottingham Plan. Internal Audit will prioritise activity in 2022-23 to align with the Together for Nottingham Plan and continue to identify issues within financial control to assist management in maintaining the effectiveness of the framework.



## **Impact of Covid-19 on Internal Audit work / Management Responses**

20. In a similar fashion to 2020/21, in 2021/22 we again experienced difficulties in obtaining responses from some managers to our draft reports as they were impacted by Covid issues and staff shortages. The issues within these reports are followed up as a matter of course and relied upon for the purposes of the Head of Audit Opinion.

## **3. Basis of Assurance for the Annual Audit Opinion**

### **2021/22 Audit Plan**

21. The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit. The audit plan is fluid and has been changed to reflect differing risks and priorities arising during the year. The details of the audits finalised in quarter 4 are provided within appendices A and B and a list of all finalised audit reports issued for 2021/22, issued by 17<sup>th</sup> May 2022, is provided in Appendix B.

22. The final outturn for 2021/22 is summarised in the table below that shows the outturn against planned resources.

Internal Audit Plan against Actual 2021/22

<b>Audit Title</b>	<b>Planned Days</b>	<b>Actual Days</b>
<b>Governance</b>	275	287
<b>Organisation</b>	155	102
<b>Key Financial Systems</b>	185	122
<b>Procurement &amp; Projects Programme Management</b>	70	76
<b>Risk Based Service Reviews</b>	120	137
<b>Compliance / Challenge</b>	130	91
<b>ICT and Information Governance</b>	174	123
<b>Counter Fraud Responsive</b>	400	502
<b>Corporate Fraud Proactive / Strategy</b>	85	173
<b>Companies / Other Bodies</b>	189	161
<b>Consultancy, Advice and Support</b>	375	381
<b>Development , Redesign &amp; Quality</b>	160	148
<b>Total Days</b>	<b>2318</b>	<b>2301</b>

**A summary of the audit work from which the opinion is derived**

23. During 2021/22, the Audit Committee was provided with summaries of all reports, levels of assurance and the associated high-rated recommendations as part of its annual work programme. We have endeavoured to improve the type of reporting to committee to better explain the type of work we undertake and at the same time, encourage client departments to respond positively to recommendations made. The latest such report is included as Annexes A to C at the end of this report.

24. Internal Audit reports are normally comprised of a number of findings and recommendations. Dependent on the nature of these findings, the recommendations are classified as High, Medium or Low. In addition, an opinion or level of assurance, which ranges from 'No Assurance', 'Limited Assurance', Moderate Assurance or 'Significant Assurance' also features in each report.

25. The analysis below identifies the level of assurance for those reports issued to Corporate Directors during the 2021/22 audit year excluding grants and independent examiners reports.

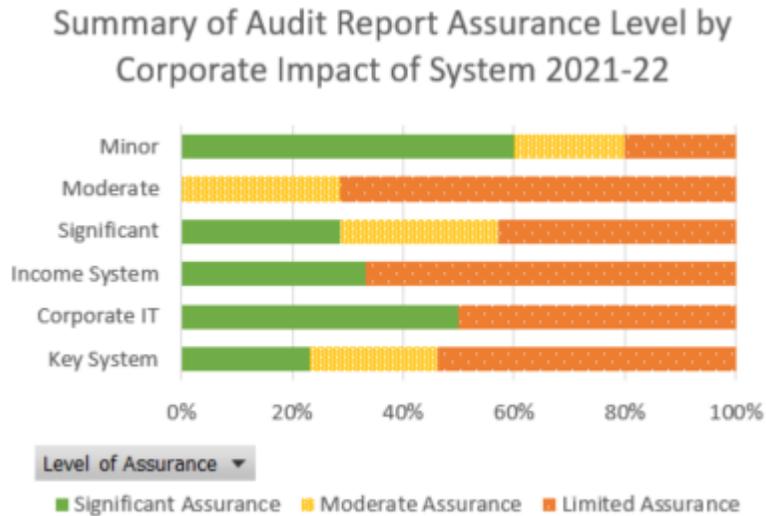
Analysis of assurance levels by department

26. We have not issued any reports that have featured a 'No Assurance' opinion i.e. where we believe that there is a poor system of internal control or consistent non-compliance with key controls that presents serious risks to the council. A full list of the final reports issued can be found in Appendix B.

27. We have also responded to ad hoc requests throughout the year and provided feedback and guidance as necessary.

28. We have also analysed the outcomes by corporate impact as shown below in order to contribute to the Head of Audit & Risk's opinion. This analysis includes the results of all key systems reviews for 2021/22, including those reported upon in 2021.

Analysis of assurance levels by corporate impact



### Key Financial Systems

29. Our work on key systems during 2021/22 has been challenging. This year the limitations to the scope of our work included:

- Council Tax and Business Rates – we were unable to complete these due to extreme staffing shortages within these sections
- Payroll & HR (EMSS) – work pressures experienced by colleagues in ESC since go live of the new ‘Fusion’ system in 2021, has resulted in limitations to the time and information provided to us.

30. The audit of all key systems has shown an overall deterioration when compared to the previous year, with many systems now featuring Limited Assurance.

31. We intend to work with management at an early stage to agree their prioritisation of an approach for 2022/23 to enable the work programme to be completed on time and in its entirety.

### **Procurement / Contract Management**

32. During the year we have completed a number of audits in this area and they have all been given limited assurance opinions. All of our recommendations are addressed in Procurement Transformation Programme.

### **Risk Management**

33. We have reviewed the implementation of risk management within several audits and have made recommendations where appropriate.

### **Information Governance / ICT**

34. Information, Communication and Technology (ICT) plays a critical role in supporting all the services provided by the Council.

35. The audit work that has been drawn upon by the Head of Internal Audit to form his opinion includes:

<b>Audit</b>	<b>Level of Assurance</b>
PCI Compliance Follow Up	Limited Assurance
IT Change Management Follow Up	Significant Assurance
Use of Social Media Follow Up	Significant Assurance
Civica Income Management Application Review	Significant Assurance
Governance and use of Telematics	Significant Assurance

<b>Audit</b>	<b>Level of Assurance</b>
PCI Compliance Follow Up	Limited Assurance
IT Change Management Follow Up	Significant Assurance
Use of Social Media Follow Up	Significant Assurance
Civica Income Management Application Review	Significant Assurance
IT Security	Limited Assurance
ECINS Follow Up	Moderate Assurance
Civica - Income Management - application review	Significant Assurance

### **Other Risk Based Audits**

36. In accordance with our annual plan, we have undertaken reviews across all departments and the audits have been summarised in Appendix B.

### **Grants**

37. During 2021/22 a number of grant certifications were subject to routine work by Internal Audit including Better Care Fund - DFG 2020/21, LA Bus Subsidy Grant Claim 2020/21, NPIF Grants 2020/21, Local Transport Capital Grant 2020/21, Travel Demand Management, Supporting Families 2021/22, Future Transport Zone Grant and Transforming Cities Grant. We have certified all grant declarations submitted to us in 2021/22 and provided feedback to relevant services.

### **Corporate Reviews**

38. We completed several reviews on behalf of the Chief Executive and the Section 151 Officer to support them in their roles.

## **Ethics & Counter Fraud**

39. Internal Audit includes a Corporate Counter Fraud Team (CCFT) that was established to investigate suspected financial irregularities, conduct pro-active counter fraud exercises and ultimately, save the council money.
40. As with the previous financial year, the team provided support for NCC with regard to the processing of business grant applications. A large proportion of the cashable income achieved was in respect of proactive and reactive work completed in respect of Business Rates and Council Tax accounts.
41. The team will be co-ordinating the responses to internal and the National Fraud Initiative data matching exercise which requires data submissions from all local authorities.
42. Internal Audit acts as a first point of contact for most whistleblowing concerns and supports the Council's Monitoring Officer who leads on the management of the complaints received. We assess all reported irregularities or whistleblowing concerns that are consequently investigated either by Internal Audit & Counter Fraud, the relevant directorate or HR colleagues, as appropriate.

## **Data Analytics**

43. We aim to use data analytics in our planning process to allow us to understand the total population within each data area, to identify issues, focus the scope of our work, target sampling etc. We have used it on our work on Housing Benefits, pro-active counter fraud exercises, Payroll, Accounts Receivable and vehicle usage and have started to further expand our use of planned and systematic data analytics on a routine basis.

## **Follow-Up of Recommendations**

44. The Committee sees summaries of all reports issued and the associated recommendations as part of its quarterly review of IA performance. Systems are in place to monitor these recommendations, and those outstanding beyond their target date are reported to the responsible colleague nominated in the agreed action plans for their follow up. Our programme of activity to follow-up recommendations during the 2021/22 year has identified a range of implementation outcomes. We continue to follow up High priority recommendations until we assess the actions as complete or no longer relevant. The latest update regarding implementation of recommendations can be found in the Annexes to this report.

### **External and Other Assurance Providers**

45. We have reviewed information from external providers of assurance during 2021/22 and identified further requirements in order to be able to assess the assurance concerns identified. These are found within Appendix C.

46. Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2021/22. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, and other 2<sup>nd</sup> line functions and group companies, and have also been informed by independent external reviews, including those carried out by the external auditor. The AGS for 2021/22 will be published with the 2021/22 draft financial statements once they are complete.

47. We rely upon the assurance provided by external audit and where appropriate follow up any issues identified. We continue to rely on the external assurance commissioned by the Chief Executive and Chief Finance Officer.

### **Changes to Internal Audit Plan**

48. There have been no major changes to the 2021/22 Audit Plan since it was previously approved by the committee.

## **4. Public Sector Internal Audit Standards (PSIAS)**

49. In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective and they were updated in 2017. PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional

Practices Framework (IPPF). The standards apply to Internal Audit in all parts of the public sector in the UK and are mandatory. They seek to secure 'a professional, independent and objective internal audit' that makes an effective contribution to governance arrangements.

50. The PSIAS introduced a mandatory requirement for an external assessment of an organisation's internal audit function, which has to be completed once every five years by a qualified, independent reviewer from outside of the organisation.
51. The assessment of NCC's Internal Audit function against the requirements of the Standards was recently completed by the Head of Internal Audit from Sheffield City Council. The full report has been shared with the Chair of the Audit Committee and the review found that NCC Internal Audit '**generally conforms**' with the requirements of the Public Sector Internal Audit Standards, which is the highest rating and we have no areas of non-conformance.

#### **Quality Assurance & Improvement Plan (QAIP)**

52. 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.
53. The Standards require that the Heads of Internal Audit develop and maintain a Quality Assurance and Improvement Programme (QAIP) which covers all types of Internal Audit activities, including work with external clients. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years; as mentioned previously.
54. We can confirm that the section has ongoing monitoring of the performance of the internal audit activity which refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
55. During 2021 and into 2022, a self-assessment took place to ensure that there has been compliance with all agreed processes and with the requirements of the PSIAS. Issues highlighted by this process have been shared with the team

and corrections/improvements made. The improvement plan from the previous external assessment has been re-visited on a number of occasions and we can confirm that with the exception of some longer term aims which we continue to work towards, Internal Audit has implemented the recommendations.

56. The results of the self-assessment formed the basis for the external review. We have agreed to address the action plan that is contained within the report provided by the external assessor which includes ensuring that visible ongoing and periodic quality assurance is happening within the section.

## **5. Internal Audit Plan 2022-23**

57. The number of days allocated in the plan for 2022/23 to provide the Head of Internal Audit with the necessary evidence for the opinion on the control environment is 2287, which includes the resources required to provide internal audit services to EMSS. A summary of the IA Plan for 2022/23 is provided in Appendix A of this report. The total days for this year assumes that we will successfully recruit to vacant roles in the team.

58. As part of our approach to the 2022/23 audit plan, we will aim to concentrate our resources on those areas which are of greater concern to the Council's Section 151 Officer; reviewing the high level risks identified by the Council, assessing compliance with the Council's financial processes, supporting the Council's Together for Nottingham Plan, supporting the Council's development of its assurance framework, supporting the Council's group of companies and generally looking for the basic controls to be in place within existing council services and encouraging more effective governance / assurance reporting. In addition to local issues, we have considered national issues or areas that have been flagged as an essential part of audit plans, these areas include Cyber and Information Security / Digitalisation Programmes, Risk Management, Agile Working, Business Continuity, Governance / Decision Making (including companies) and Procurement & Contract Management

59. We continue to expand our use of data analytics to provide greater assurance for management from our work and we plan to continue this trend. Key systems work will be developed to incorporate elements of this approach will give a better understanding of assurances.

60. As with previous years, the plan was compiled in consultation with stakeholders across the council and has taken into account our professional judgment, our assessment of risk and the requirements of external auditors. The plan is centered on the need to align audit activity to Council objectives and to meet the requirements of effective corporate governance, including the requirement for the Head of Audit Opinion in the Annual Governance Statement (AGS) on internal controls.

## Internal Audit Plan 2022/23

## Appendix A

<b>Category of Audit</b>	<b>Planned Days</b>
<b>Key / Significant NCC Systems</b>	<b>205</b>
<b>EMSS (Key Systems)</b>	<b>210</b>
<b>Governance</b>	<b>200</b>
<b>Risk Management</b>	<b>60</b>
<b>Organisation / Culture &amp; Ethics</b>	<b>95</b>
<b>Compliance / Challenge/Assurance</b>	<b>177</b>
<b>Ring Fenced Grants / Income / Expenditure</b>	<b>135</b>
<b>Procurement</b>	<b>50</b>
<b>ICT and Information Governance</b>	<b>122</b>
<b>Counter Fraud</b>	<b>470</b>
<b>Consultancy / Advice / Support / Other Bodies</b>	<b>308</b>
<b>Follow Up</b>	<b>40</b>
<b>Development , Transformation &amp; Quality</b>	<b>215</b>
<b>Total Days</b>	<b>2287</b>

**Final Audit Reports issued during 2021/22 (1/04/21 to 17/05/22)**

**Appendix B**

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
NCC Corporate	HR, Equalities, Diversity & Inclusion	Gifts & Hospitality 2020/21	Limited Assurance	↔	2	2	0	
Finance & Resources					<b>5</b>	<b>2</b>	<b>0</b>	
Finance & Resources	HR, Equalities, Diversity & Inclusion	Coronavirus Job Retention Scheme (Furlough)	Significant Assurance	-	0	0	2	
		Disciplinary Process Follow-up 2021/22	Limited Assurance	↑	2	5	0	
		NCC Payroll & HR 2020/21	Moderate Assurance	↔	0	2	0	
		Pay Policy Compliance - Overtime	Moderate Assurance	↔	0	2	0	
		Sickness Management Follow-up 2021/22	Limited Assurance	↑	2	3	0	
	<b>HR, Equalities, Diversity &amp; Inclusion Total</b>					<b>4</b>	<b>12</b>	<b>2</b>
	Information Technology	ICT Procurement 2021/22	Limited Assurance	↔	3	11	0	
		IT - Service Desk	Significant Assurance	-	0	1	1	
		IT Change Management - Follow-up	Significant Assurance	↔	0	0	0	
		IT Security 2020/21	Limited Assurance	↔	6	11	0	
	<b>Information Technology Total</b>					<b>9</b>	<b>23</b>	<b>1</b>
	Procurement and Commissioning	Contract Management 2020/21 Follow-up	Limited Assurance	↔	5	2	0	
		IR35 Compliance	Moderate Assurance	-	1	3	1	
		Procurement Dispensations 2021/22	Limited Assurance	↔	3	0	0	
	<b>Procurement and Commissioning Total</b>					<b>9</b>	<b>5</b>	<b>1</b>

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
Finance & Resources	Strategic Finance	Better Care Fund - DFG 2020/21	Grant Claim	-				
		Business Rates 2020/21	Limited Assurance	↔	2	6	4	
		Capital Programme 2020/21	Moderate Assurance	↑	6	7	0	
		Civica - Income Management - application review	Significant Assurance	-	1	2	0	
		Council Tax 2020/21	Moderate Assurance	↓	0	10	1	
		Cultural Recovery Fund Grant	Grant Claim	-				
		Derby & Nottingham Future Transport Zone 2019-20	Grant Claim	-				
		Harvey Hadden Stadium Trust 2020/21	Independent Examiner's Report	-				
		Highfields Leisure Park Trust 2020/21	Independent Examiner's Report	-				
		Housing Benefits 2020/21	Moderate Assurance	↑	3	1	1	
		LA Bus Subsidy Grant 2020/21	Grant Claim	-				
		Local Transport Capital Grant 2020/21	Grant Claim	-				
		PCI Compliance - Follow-up	Limited Assurance	↓	4	8	1	
		Supporting Families 2021/22	Grant Claim	-				
		Transforming Cities Grants 2019/20 & 2020/21	Grant Claim	-				
		Travel Demand Management	Grant Claim	-				
		Treasury Management 2020/21	Significant Assurance	↔	0	0	0	
		<b>Strategic Finance Total</b>					<b>16</b>	<b>34</b>
	Strategy and Policy	Use of Social Media - Follow-up	Significant Assurance	-	0	3	0	
<b>Strategy and Policy Total</b>					<b>0</b>	<b>3</b>	<b>0</b>	
<b>Finance &amp; Resources Total</b>					<b>38</b>	<b>77</b>	<b>11</b>	
Growth & City Development	Housing	Housing Rents 2021/22	Limited Assurance	↓	7	3	0	
	<b>Housing Total</b>					<b>7</b>	<b>3</b>	<b>0</b>

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low
	Major Projects & Public Transport	Broadmarsh Car Park & Bus Station Handover	Limited Assurance	-	3	2	0
		Public Transport Smart Ticketing Procurement follow-up	Limited Assurance	↔	3	0	0
		OR05 Redevelopment of Broadmarsh Shopping Centre	Significant Assurance	-	1	0	0
	<b>Major Projects &amp; Public Transport Total</b>				<b>7</b>	<b>2</b>	<b>0</b>
	Traffic & Transport	Transforming Cities Fund Tranche 2 2021/22	Moderate Assurance	↓	4	1	0
<b>Traffic &amp; Transport Total</b>				<b>4</b>	<b>1</b>	<b>0</b>	
<b>Growth &amp; City Development Total</b>				<b>18</b>	<b>6</b>	<b>0</b>	
People	Adult Social Care Quality and Change	Deputyship 2021/22	Moderate Assurance	↑	0	3	5
	<b>Adult Social Care Quality and Change Total</b>				<b>0</b>	<b>3</b>	<b>5</b>
	Children's Integrated Services	Supporting Families 2021/22 (summary of controls opinion from quarterly grant claims)	Significant Assurance	↔	0	0	0
		Fostering, Adoption and External Placements Follow Up	Moderate Assurance	↑	2	1	0
	<b>Children's Integrated Services Total</b>				<b>2</b>	<b>1</b>	<b>0</b>
<b>People Total</b>				<b>2</b>	<b>4</b>	<b>5</b>	

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
Resident Services	Community Protection	ECINS - Follow-up 2021/22	Limited Assurance	↔	8	9	0	
		Selective Landlord Licensing Follow-up 2020/21	Moderate Assurance	↑	4	5	1	
	<b>Community Protection Total</b>					<b>12</b>	<b>14</b>	<b>1</b>
	Neighbourhood Services	Governance & Use of Telematics	Significant Assurance	-	0	1	0	
		Vehicle Utilisation 2021/22	Limited Assurance	-	2	7	0	
	<b>Neighbourhood Services Total</b>					<b>2</b>	<b>8</b>	<b>0</b>
	Sports, Culture & Parks	Royal Centre & Concert Hall 2019-20 - Follow-up	Limited Assurance	↑	9	5	2	
	<b>Sports, Culture &amp; Parks Total</b>					<b>9</b>	<b>5</b>	<b>2</b>
<b>Resident Services Total</b>					<b>23</b>	<b>27</b>	<b>3</b>	
<b>Total</b>					<b>86</b>	<b>116</b>	<b>19</b>	

## External Assurances

## Appendix C

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
LGA & NCSC	<p><b>National:</b>  <b>LGA cyber security programme newsletter (Dec2021)</b></p> <ul style="list-style-type: none"> <li>• LGA highlighted NCSC alerts</li> <li>• NCSC guidance to mitigate cyber attacks and cyber defence tools. NCSC provide guidance, tools and alerts online.</li> </ul>	<p>Mandatory IT Security training has been implemented across the Council for all staff using computers. Training compliance for the Council is reported quarterly to the Information Compliance Assurance Board.</p> <p>The Annual Information Governance and Compliance Assurance Report was presented to Audit Committee on 29 April 2022. This report included</p> <p>Internal Audit continue to provide a range of IT audits throughout the year including assessments concerning cyber security.</p>
LGA	<p><b>Nottingham City Council Corporate Parenting Peer Diagnostic April 2022</b></p> <p>Peer interviews and a board observation took place in January 2022.</p> <p>Areas for consideration included:</p> <ul style="list-style-type: none"> <li>• Lack of articulated single coherent aspiration or vision</li> <li>• Corporate Parenting Board meets in public, which is quite unusual and can be problematic.</li> <li>• Improvements made in silos, the Corporate Parenting Board could act as the bridge.</li> <li>• The Corporate Parenting Board mode of operation could be enhanced.</li> <li>• Partners attend but are unsure of their role, membership is unclear.</li> <li>• Meetings dominated by lengthy reports and presentations from officers. Needs better balance with discussions.</li> </ul>	<p>This was reported to Corporate Parenting Board in May 2022</p> <p>The Board's response will be tracked in next year's External Assurance</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> <li>Adopting a variety of means to hear the voices of children</li> </ul>	
Grant Thornton	<p><b>Nottingham:</b></p> <p><b>Financial Statements Audits</b> – In February 2022 the Council’s external auditors Grant Thornton provided an update in respect of their financial statements audit stating 3 significant weaknesses in respect of 2019/20 and 2020/21 financial statements:</p> <ul style="list-style-type: none"> <li>financial sustainability,</li> <li>company governance and</li> <li>delays in finalisation of annual accounts</li> </ul> <p><b>External Audit of Housing Benefit subsidy</b> – There is a significant backlog in completion of external audits of Housing Benefit subsidy claims. Claim audits from 2018-19 onwards remain incomplete.</p>	<p>The first 2 of these issues are covered within TFN. The 3rd points to resourcing of accounts preparation and strengthening of valuation records. Work to strengthen valuation records has been procured and the council is awaiting the full results. This will allow the council to rework the financial accounts that have not been fully audited, after which Grant Thornton will be able to form a view on their adequacy.</p> <p>Officers and NRB continue to work with Grant Thornton to conclude outstanding years’ subsidy audits.</p> <p>Internal Audit continue to review the outturn of subsidy audits and the associated systems as part of our internal audits of Housing Benefits and make recommendations for improvements where appropriate.</p>
CQC – Setting Inspection Reports	<p><b>Nottingham:</b></p> <p><b>CQC Inspections in 2021/22</b></p> <p>Cherry Trees Resource Centre – Rated Outstanding by CQC. Last full inspection dated 30March2021. After a review of data in June2022 CQC found no evidence of need to reassess the rating.</p> <p><b>CQC Inspections in previous years</b></p> <p>5 services inspected – all rated Good at last inspection except Cherry Trees Resource Centre rated Outstanding</p> <p>1 new service not yet inspected</p>	No further assurance required
CQC – Adult Social Care:	<p><b>2020 REPORT</b></p> <p><b>National:</b></p>	Assurance updates in Directorate newsletter confirm that:

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p><b>CQC State of Care report (Oct 2021)</b></p> <p>The report noted the social care sector continued to be fragile as a result of long-term funding, investment and workforce planning issues but welcomed the Social Care Levy.</p> <p>The vital role of adult social care was made clear during the pandemic, but urgent action is needed to tackle staffing issues and the increased pressures and stresses caused by staff shortages. Monthly data from information submitted to CQC by providers of residential care shows their staff vacancy rate increasing steadily from 6.0% in April 2021 to 10.2% in September 2021. Some care homes whose attempts at recruitment have failed are now having to cancel their registration to provide nursing care, leaving residents looking for new homes in local areas that are already at, or close to, capacity.</p> <p>CQC noted the need to strengthen and embed system working and innovation in the care sector including a personalised model of digital or remote care needs. It also noted that better and consolidated data with improved collection was needed in social care.</p> <p>The report highlights tackling inequality as a continuing challenge, emphasising particular challenges in meeting the needs of people with learning disabilities.</p>	<p>During the pandemic ways of working have been adjusted to ensure that the care and support needs of citizens have been maintained, including redeploying staff to areas of priority and working closely with care providers around the city. The Social Care Reablement service was able to establish a Temporary Emergency Support Team (TEST). This service was established using redeployed staff and an external recruitment drive for temporary contracts. This invited staff that had lost their jobs or were furloughed to come and work for the Council to support vulnerable adults to remain at home safely.</p> <p>The 'Grow Your Own' initiative in partnership with Manchester Metropolitan University continues to be used to support colleagues within the department to become qualified Social Workers.</p> <p>The Council has a specialist Adult Safeguarding Quality Assurance Team who for several years have overseen both safeguarding investigations and closures of care homes, so we have a tried and tested procedure which effectively coordinates such critical incidents. The closure required prompt coordination and collaboration both within Adult Social Care, and with the CCG, police, County, CQC and Age UK. Strong commitment and partnership whilst supporting relatives, identifying alternative placements and aiming to keep the location Covid-free, ensured that residents were supported and safely moved to new locations.</p>
IICSA Independent Inquiry into Child Sexual Abuse	<p><b>Nottingham:</b></p> <p>On 31st July, the Independent Inquiry into Child Sexual Abuse (IICSA) published its findings into the extent of any institutional failures to protect children in the care of Nottingham City and Nottinghamshire County councils from sexual abuse.</p>	<p>The Children's and Young People Scrutiny Committee received a report from the Corporate Director for People in July 2021 and as a consequence of this report and previous reports together with evidence, explanations and assurances provided the Committee concluded that the Council has learnt lessons from the IICSA Inquiry and built that learning, and outstanding issues from the Action Plan</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>There were two key recommendations, for which NCC needed to publish its response by 29<sup>th</sup> February 2020:</p> <ol style="list-style-type: none"> <li>1. Nottingham City Council should assess the potential risk posted by current and former foster carers directly provided by the council in relation to the sexual abuse of children. They should also ensure that current and former foster carers provided by external agencies are assessed by those agencies. Any concerns which arise should be referred to the appropriate body or process, including the Disclosure and Baring Service, the local authority designated officer (LADO) or equivalent, the fostering panel and the police.</li> <li>2. Nottingham City Council and its child protection partners should commission an independent, external evaluation of their practice concerning harmful sexual behaviour, including responses, prevention, assessment, intervention and workforce development. An action plan should be set up to ensure that any recommendations are responded to in a timely manner and progress should be reported to City's Safeguarding Children Partnership.</li> </ol>	<p>into core practice and the Service's wider Improvement Plan; and given the management and oversight arrangements in place there is no need for further specific scrutiny by the Committee.</p>
<p>Competition and Markets Authority</p>	<p><b>Children's social care market study - March 2022</b> Children's Placements</p> <p><b>National:</b> The CMA launched its study in response to concerns raised (Children's Commissioner report in 2020)</p> <ul style="list-style-type: none"> <li>• LAs too often unable to access appropriate placements</li> <li>• Prices paid place significant strain on LA budgets and limit funding of other important activities</li> </ul>	<p>CIS have previously confirmed attention to the theme of children's placements in relation to the Children's Commissioner report.</p> <p>The Children's Placements Manager confirmed that Placement stability is considered and referenced throughout all placement specifications and highlighted as a success criteria/desired outcome for all external contracts</p> <p>CIS have responded to the CMA Children's Social Care Market Study. CIS have identified work strands to improve commissioning practice, detailed within the CiC Placements Commissioning and Sufficiency</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>The CMA found significant problems with the functioning of the placement market, particularly in England and Wales.</p> <ul style="list-style-type: none"> <li>• lack of placements of the right kind, in the right places, means that children do not consistently get access to care and accommodation that meets their needs</li> <li>• the largest private providers of placements make materially higher profits, and charge materially higher prices, than expected if this market were functioning effectively</li> <li>• some of the largest private providers carry very high levels of debt, creating a risk that disorderly failure of highly-leveraged firms disrupt the placements of children in care.</li> </ul> <p>Recommendations fall in 3 categories, in England for LAs these are:</p> <p><b>Commissioning</b></p> <ul style="list-style-type: none"> <li>• Larger scale market engagement – this is to be developed through the government setting up sub-national bodies with each LA participating in one. Duty of LAs to understand and be able to report on when a placement does not fit need (sufficiency).</li> <li>• National support for purchaser engagement with the market – LAs duties to include providing relevant data for forecasting activity to the engagement body and on sufficiency.</li> <li>• Support for increases in LA foster care – targeted funding for innovative projects by LAs, or groups of LAs, aimed at recruiting and retaining more foster carers to reduce reliance on private placements, subject to careful evaluation to support future policy.</li> </ul>	<p>Strategy – and have worked closely with the County and with Health partners to achieve more collaborative commissioning to support improved outcomes for this group.</p> <p>Expansion of the Fostering Service was one of the reviews commissioned as part of People Directorate transformation within theme 7 of NCC Together for Nottingham plan. Improvement of recruitment processes for foster carers is an identified action in the Children’s Social Care Service Redesign, and Executive Board approved procurement of a delivery partner in February 2022.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p><b>Market Barriers / Capacity</b></p> <ul style="list-style-type: none"> <li>(all UK government recommendations regarding regulation, planning and sector review)</li> </ul> <p><b>Provider Failure</b></p> <ul style="list-style-type: none"> <li>(all UK government recommendations regarding oversight regime and managed exit)</li> </ul>	
HM Inspectorate of Probation: Inspection of youth offending services	<p><b>Youth Offending Inspection Nottingham:</b></p> <p><b>Youth Justice Service (YJS) Inspection</b></p> <p>Nottingham Youth Offending Service was subject to a full three week joint inspection in November and December 2019. This inspection is part of a four-year programme with ratings across three broad areas:</p> <ol style="list-style-type: none"> <li>the arrangements for organisational delivery of the service;</li> <li>the quality of work done with children and young people sentenced by the courts; and</li> <li>the quality of out-of-court disposal work.</li> </ol> <p>Overall, Nottingham City YJS is rated as 'Requires improvement' as reported 19 Mar2020.</p> <p>The following recommendation were made to the Youth Justice Service Management Board:</p> <ol style="list-style-type: none"> <li>review the out-of-court disposal process, making sure that cases are presented on time, and that decisions are consistent, based on an assessment of the child or young person, and are agreed by a multi-agency panel</li> <li>ensure the partnership reviews the number of very young children known to the YJS, and that policies and practices do not</li> </ol>	<p>A Nottingham City Youth Justice Service Improvement Plan has been developed. This is monitored by the Youth Justice Management Board which includes the Nottingham Youth Justice Service, Nottingham City Council, the National Probation Service, Nottinghamshire Police and Nottinghamshire Healthcare NHS Foundation Trust. The improvement plan has seven key objectives each with actions that are RAG rated and updates regarding progress.</p> <p>Progress on the improvement plan was reported to the Youth Justice Management Board in May 2021, 1 of 7 actions was reported complete, with 12 elements of a further 4 actions completed and 2 with no elements completed but considered likely to complete on time. 1 element (a review requiring an effective YJS structure) is considered unlikely to complete on time without significant further action. The last programmed element completion date falls at the end of 2021.</p> <p>The Children &amp; Young People Scrutiny Committee is due to review improvements in November 2022.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>result in children entering the criminal justice system unnecessarily</p> <p>3. develop victim and restorative justice processes to ensure full consideration of the wishes and needs of victims, and opportunities for restorative justice are applied in every relevant case.</p> <p>The Youth Justice Service heads of service should:</p> <p>4. improve staff's access to clinical supervision and reconsider the use of mandatory interventions while promoting a trauma-informed practice approach to working with children and young people</p> <p>5. seek the views of children and young people, their parents/carers and other stakeholders, so that they can inform future service delivery</p> <p>6. review the quality assurance processes and improve the effectiveness of management oversight in all cases.</p>	
HM Inspectorate of Probation	<p>HMIP The experiences of black and mixed heritage boys in the youth justice system Oct2021</p> <p>In this thematic report HMIP found that many of the boys concerned had experienced multiple adverse childhood experiences and had high levels of need. It set out recommendations including some for local authorities as follows</p> <p><b>Local authorities should:</b></p> <p>8. provide suitable and timely accommodation placements and support packages for black and mixed heritage boys who are facing remand or being released from custody</p> <p>9. make sure that, where children and families are moved to a new location as a result of concerns about their safety, the accommodation and placements provided are suitable and sustainable to meet their needs</p>	<p>Youth Justice Service (YJS) has set out the approach to responding to these recommendations:</p> <p>8 The Local Authority (LA) has introduced the 16/17 Homeless Panel with the specific aim to support children in transition and consider and review the experience of all children at risk of homelessness and who require support from CIS and Housing Aid.</p> <p>This is not specifically aimed at children from black and mixed heritage boys, or those children in the custodial estate, but it is a new process where actions can be taken to address identified need.</p> <p>The High Cost/Transition (formerly the Placements Panel) is chaired by the Director of Children's Services or Head of Service for Children in Care, this panel actively reviews children who are in the process of, or are due to, change placements.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>10. ensure that black and mixed heritage boys are receiving their legal entitlement to education, including alternative provision when this is deemed necessary, and that the placements are suitable to meet their needs.</p> <p><b>YOS partnership boards should:</b></p> <p>11. have a vision and a strategy for improving outcomes for black and mixed heritage boys, and make sure these are known and understood by YOS staff and partner agencies</p> <p>12. ensure that all board members contribute data from their individual services that identifies areas of disproportionality and the action being taken to address them, and that this data is used to develop a joint strategic needs assessment</p> <p>13. have a joint set of partnership targets, for example with schools and children's services, for improving service delivery to black and mixed heritage boys, and make sure mechanisms are in place to track, monitor and evaluate outcomes.</p> <p><b>YOS managers should:</b></p> <p>14. establish effective processes for gaining feedback from black and mixed heritage boys on the services they receive and use this feedback to assess, review and improve the quality and suitability of service provision</p> <p>15. make sure that staff understand what is expected of them in their work with black and mixed heritage boys and that they are inducted, trained and supported to work effectively with this group of children</p> <p>16. improve the quality of management oversight to make sure that it is sufficiently focused on diversity and what this means in practice and that there are clear escalation routes to address any barriers to black and mixed heritage boys accessing the services they need</p> <p>17. address gaps in specialist provision for black and mixed heritage boys, either by delivering it in-house or by commissioning</p>	<p>9 The LA completes all relevant checks and assessments to match children and families with suitable providers. The assessment for suitability and sustainability of placement is completed by the allocated Social Worker supported by partnership collaboration and sharing of information to ensure the process is robust.</p> <p>10 The LA utilise the Fair Access (FAP) and School Attendance Order process (SAO) to ensure children are in receipt of a suitable education. Ethnicity is not identified through the school admissions process however the LA has a clear statutory responsibility to ensure all children are in receipt of a suitable full-time education. Alternative Provision (AP) access and suitability is the responsibility of the commissioner and the LA only rarely directly commissions alternative provision.</p> <p>The LA currently do not have the mechanisms or resources to ensure that all black and mixed heritage boys across the city are receiving their legal entitlement to education and if in AP are in a suitable placement as we do not hold the information and access to school data systems. Work is underway to improve data sharing and access that may enable clearer reporting at a city, academy trust, school, and pupil level.</p> <p>Specifically, with black and mixed heritage boys in the YJS, key points of contact with all city schools and academies have been established as YJS single points of contact (SPOC) to support any concerns or issues relating to educational provision or placements. The LA's Complex Placement Coordinator and Head of Access to Learning along with the Education Welfare Service are available to support, provide advice to YJS colleagues or to manage any escalations with regards to lack of education in line with legal entitlement.</p> <p>11 Within the Youth Justice Plan is a clear strategy to address disproportionality, this objective is translated into a number of targets within the Operational Delivery Plan. Both the YJ Plan and Operational Delivery Plan have been shared with partners at board level and to staff across the service. The plan is updated every quarter demonstrating progress against the objectives. The Disproportionality</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>it from appropriate local community organisations and evaluate referral and uptake rates for the services provided</p> <p>18. offer suitable and appropriate support and intervention to the parents and/or carers of black and mixed heritage boys and regularly review the uptake and suitability of this provision.</p>	<p>working group within the service, that has membership from across the partnership, is leading on the objectives.</p> <p>12 All partners within the partnership regularly share data across a range of demographics, including race and ethnicity at a strategic level. The partnership needs to make improvements on sharing of this data at an operational level to reduce duplication and enable improved service design.</p> <p>13 YJS has a clear set of targets that has been approved by the partnership board which includes Children’s Integrated Services and Education. Board members feedback on their activities that specifically relate to the children being supported by the YJS.</p> <p>14 While we haven’t specifically targeted Black and Mixed Heritage boys in the recent feedback exercise that has been undertaken, we have increased our use of service user feedback and engagement surveys with specific regard to the induction experienced by all children on open YJS interventions. We now have an established feedback process that is currently being used to gather responses from children and will be used to review and improve the quality and suitability of service provision. This process can now be targeted thematically and towards specific demographics of service user.</p> <p>15 All staff have attended and completed the Unconscious Bias and Cultural Competency training recently provided by the OPCC and VRU, the feedback from staff has been universally positive. The application of this training into operational practice includes the development of our Quality Assurance processes that evidences our recorded work and observed practice, including use of language in meetings, discussions about children in supervision and multi-agency meetings. We are exploring further training opportunities within this subject matter.</p> <p>16 All quality assurance tools, for Assetplus, OOCd reports and PSRs include questions regarding diversity and identity to ensure that the report is appropriately focused. The YJS has a clear escalation policy as part of Children’s Integrated Services. This is monitored through the Children’s Safeguarding Partnership, all relevant, recorded escalations</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
		<p>have been audited by this group as part of their audit and quality assurance framework.</p> <p>17 All children subject to YJS intervention following comprehensive assessment receive an holistic and individualised service ensuring there are minimal gaps in service provision on an individual level. If unmet additional needs are identified, staff access local community and voluntary sector provision, including those directly commissioned by the OPCC to support the work being delivered by the YJS. The YJS Service Manager sits on the OPCC Stakeholder Panel that oversees the initial stages of the commissioning process.</p> <p>18 This is a significant gap in service delivery, there are no specific programmes offered by the YJS and the YJS does not have a parenting service. Staff access parenting support available through the Children's Integrated Services. YJS staff take a whole family approach to ensure that parents and carers are fully involved in their child's intervention and support.</p>
Ofsted	<p><b>Nottingham</b></p> <p>Ofsted and the DfE have continued to work closely regarding improvements with Nottingham following its Ofsted focused visit of February 2020.</p> <p>An <b>Inspection of Nottingham City local authority children's services</b> took place in July 2022 and the report was published in September 2022. Inspectors rated Services for children who need help and protection as inadequate because there are serious failures, leaving children at continued risk of harm when they are first presented as in need of support.</p> <p>Inspectors stated that the following areas need improvement:</p> <ul style="list-style-type: none"> <li>• Effectiveness and timeliness of responses to children's needs when first presented to the multi-agency safeguarding hub (MASH).</li> </ul>	<p>All of Nottingham City Council Local Authority Children's homes are understood to have achieved an Ofsted Inspection result of either Good or Outstanding.</p> <p>An action plan to address the areas for improvement identified in the <b>Inspection of Nottingham City local authority children's services</b> is now being drawn up, NCC recognises the areas for improvement identified, and has taken some swift action where it has been needed.</p> <p>The inspectors acknowledged that improvements had already been made in Children's Services. In particular, they found:</p> <ul style="list-style-type: none"> <li>• Children are well-supported once they are allocated a social worker. Strong relationships are formed between the social worker and the families they help</li> <li>• A clear process is in place to intervene when a child's circumstances are not improving</li> </ul>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> <li>• Management oversight and direction of front-line work and the local authority designated officer (LADO).</li> <li>• Social work capacity, so that social workers and first-line managers can respond effectively to children in need of help and protection, and that children in care have greater consistency of social worker.</li> <li>• Placement sufficiency for children in care and those with complex needs.</li> <li>• The service response to care leavers aged 21 and over.</li> <li>• The service response to young people who are aged 16 and 17 who present as homeless.</li> <li>• The quality and timeliness of return home interviews.</li> <li>• Oversight of children missing from education and those who are electively home educated.</li> </ul> <p><b>Children’s Homes Inspections</b> Beckhampton, Mettham Street, Chippenham Road, Wood View &amp; Edwards Lane homes have been judged as GOOD. Crocus Fields judged OUTSTANDING. All judgements are now Good or Outstanding.</p>	<ul style="list-style-type: none"> <li>• Children are matched for adoption much more quickly and siblings are often adopted together</li> <li>• Foster carers provide consistent, good quality care</li> <li>• The emotional and mental health needs of children are being met</li> <li>• Unaccompanied asylum-seeking children are well supported</li> <li>• The service works well with partners to provide the best outcomes for children and young people</li> </ul> <p>During the visit, Inspectors also noted that NCC remains committed to improving the quality of Children’s Services, despite the financial challenges being faced.</p> <p>The Council works closely with the LGA, DfE and Ofsted to keep them updated on progress.</p> <p>During the improvement journey since the 2020 report assurances have been provided to CLT, Leadership Group, Executive Panel, Executive Board, Audit Committee and the Children’s and Young People Scrutiny Committee in July 2020, March and September 2021. An Action Plan was created with the Children at the Heart Improvement Board including key partners established to drive its delivery. The action plan was agreed with Ofsted and includes support from LGA, DfE and Essex County Council (as a Partner in Practice since May 2020 to support improvement).</p> <p>Transformation plans have been developed in 2021/22, and reported to various council forums, which aim to achieve improvement in outcomes and cost effectiveness.</p> <p>The Corporate Parenting Board receives quarterly performance tracking reports in respect of work with Children in Care and Children Leaving Care.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
Ofsted and Care Quality Commission	<p><b>Nottingham: SEND Local Area Review</b></p> <p>The inspection did not identify any significant weaknesses in Nottingham City's SEND provision that would require the inspectorates to issue a Written Statement of Action.</p> <p>The report included strengths and areas for improvement. Areas for improvement are listed below.</p> <p>Identifying needs</p> <ul style="list-style-type: none"> <li>• Strategy for early identification not communicated well enough</li> <li>• The system to identify and meet needs is not well-enough understood by all parents.</li> <li>• Strategy to transfer from children's services into adult services not yet in place. Support needs improvement.</li> <li>• Too long a wait for assessments to identify possible autism spectrum disorder</li> <li>• Some parents are resorting to paying for private assessments and therapies due to assessment waiting times</li> </ul> <p>Meeting needs</p> <ul style="list-style-type: none"> <li>• Lack of consistent quality assurance process for EHC plans.</li> <li>• Health and social care contributions to EHC plans are often lacking in detail. Some descriptions of educational needs are overly complex.</li> <li>• Most parents do not know where to find the extensive published information available for parents.</li> </ul>	<p><b>SEND</b></p> <p>Nottingham City LA has a statutory responsibility to ensure that there is sufficient, high quality provision available locally to meet the needs of learners with SEND.</p> <p>Actions in respect of the report's findings were reported to the Children and Young People Scrutiny Committee in January 2022.</p> <p>Among these were:</p> <ul style="list-style-type: none"> <li>• Aligning future SEND plans and the Joint Strategic Needs Assessment with findings</li> <li>• Developing a local communications strategy</li> <li>• Commissioning a 3 bed unit for the most complex children and families experiencing crisis</li> </ul> <p>The November meeting had heard about action to improve inclusion. The Minister for Children and Families has written to colleagues at NCC congratulating them on the findings in the NCC Ofsted and CQC SEND inspection report. A further review of progress in relation to SEND is scheduled for March 2023.</p> <p>The Children's Partnership Board received a report on learning from the SEND report in March 2022.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> <li>• Until very recently, that professionals accessing the electronic records were not alerted to a child or young person’s additional needs, due to lack of template or icon.</li> <li>• There are significant recruitment difficulties within some therapy teams.</li> <li>• The BEMH pathway is not communicated well enough to parents.</li> </ul> <p>Improving outcomes</p> <ul style="list-style-type: none"> <li>• There are limited social and recreational opportunities in the community that children and young people with SEND can access.</li> <li>• Recent improvements to the management of resources and funding for CAMHS has yet to make a difference long SEND waiting times</li> <li>• The short-break offer does not currently meet the range of diverse needs and disabilities of children and young people and their families.</li> <li>• The health services available to adults with SEND are not equivalent in quality to those available to children and young people with SEND.</li> <li>• Educational outcomes for children and young people with SEND in Nottingham are improving but are still too low.</li> <li>• Information to understand area leaders’ strategy</li> <li>• Leaders have not ensured that key information for parents is widely disseminated and fully accessible.</li> </ul>	
National Association of Virtual	<p><b>Nottingham:</b></p> <p><b>Virtual School Peer review challenge (March 2021)</b></p>	<p>Actions from the peer review were included in the Virtual School’s annual School Improvement Plan (SIP) 2021/22</p> <p>The following areas of activity related to the Peer Review are shown as complete or substantially complete in the SIP.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
School Heads	<p>The peer review recognised strengths and made the following recommendations</p> <ul style="list-style-type: none"> <li>• Ensure arrangement for Post 16 young people and Early Years in your care are as strong as all other cohorts.</li> <li>• Ensure there is a balance between compliance and quality of PEPs as you move through this transition period. Both areas require improvement.</li> <li>• With the planned reduction in DSG support for the Virtual School team in future years – Explore the most effective ways to maintain staffing levels for the benefit of children in your care</li> </ul> <p>The challenge also invited consideration of</p> <ul style="list-style-type: none"> <li>• use of data to inform practice (at case work level) and the interventions provided by the Virtual School.</li> <li>• consider allocating SENCO responsibility</li> <li>• how the Virtual School might support those placed outside of areas requires clarification so that children placed out of city receive equitable services.</li> <li>• contact for a short period when the young person starts attending school again.</li> <li>• transition for care leavers and 18-25 support</li> <li>• consistent analysis and use of data to track children who are excluded, out of area and without a school place</li> </ul>	<ul style="list-style-type: none"> <li>• Use of data</li> <li>• PEP quality assurance framework</li> <li>• Education within placement planning</li> </ul> <p>The remaining areas in the SIP related to the Peer Review are</p> <ul style="list-style-type: none"> <li>• support for children in care placed out of area</li> <li>• distribution of Early Years Pupil Premium funding and the subsequent monitoring of impact</li> <li>• identifying and celebrating best practice use of PPP</li> <li>• Post 16</li> <li>• Early Years</li> </ul>
LGA - Early Years Peer Challenge	<p><b>Nottingham:</b>  <b>Local Government Association Peer Challenge Programme October 2019.</b></p> <p>The Local Government Association's (LGA) Peer Challenge programme came to Nottingham from 15-18 October 2019, focusing on speech, language and communication in the early</p>	<p>The Children and Young People Scrutiny Committee received a progress report in March 2021 from Early Years on an SLC Strategy which is in development. It is expected that joint commissioning of SLC support including therapy will be a key element of the strategy. Colleagues are working with Derby and Leicester to centralise SLC resources for the city and to support parents, carers and</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<p>years of a child's life (0–5). The Peer Challenge is part of the DfE's Unlocking Talent, Fulfilling Potential: a plan for improving social mobility through education programme, and ambition one is to close the word gap in the early years.</p> <p>The programme found that Nottingham City Council has a very strong and well informed political leadership and management who are championing the early years agenda for the city. There is a committed workforce across the Council, partners and the private, voluntary and independent childcare sector. There is clear evidence of integration across the city, however there are opportunities for providers and commissioners to further develop this work and the need for a city-wide speech, language and communication strategy to provide greater clarity on pathways for families, appropriate referrals to services and more timely interventions.</p> <p>The following key recommendations were made:</p> <ul style="list-style-type: none"> <li>• Develop an area wide 0 – 5 Early Years Strategy with a particular focus on speech, language and communication including a shared outcomes framework and data dashboard and a clear offer from children’s centres</li> <li>• Co-produce a parenting journey from a child’s conception through to school</li> <li>• Review the Speech and Language Therapy (SALT) offer to include group sessions (‘Chatterbox’ or ‘Home Talk’) with the aim of supporting triage, upskilling wider workforce, avoiding unnecessary assessments and providing input whilst awaiting specialist assessment</li> </ul>	<p>professionals to navigate what is available, so that they can help children to develop their SLC skills. Information has been centralised in one place, called the Balanced System pathway, providing clear guidance and support. Data analysis is a key element of the approach to improvement.</p> <p>In January 2022 the Schools Forum approved measures to change the funding distribution criteria from April 2022 to ensure settings were supported with SEND needs and fully distribute previous underspends to support heightened Speech Language &amp; Communication needs.</p> <p>In September 2021 the Children and Young People Scrutiny Committee received a report on Early Years Entitlements Funding including measures to encourage take up of entitlement, work on the Speech Language and Communication Strategy, and sufficiency of childcare provision.</p>

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> <li>• Review the use of children’s centres as venues for childminder groups, voluntary sector, peer led groups, other partners and more universal provision</li> <li>• Accelerate the integrated approach for the 2 ½ year checks – pilot with nurseries and CityCare the joint completion of the check</li> <li>• Increase the take up of 2, 3 and 4 year old funding, working with partner agencies to identify eligible children and parent champions to engage families</li> <li>• Review the approach to identifying and addressing needs of targeted cohorts not reaching GLD through effective data analysis</li> <li>• Consider developing a local authority cohort tracker for the return of summative EYFS data to evidence progress and inform intervention</li> <li>• Ensure that speech, language and communication needs inform Integrated Care System (ICS) long term planning to improve children’s outcomes and reduce inequalities</li> <li>• Creation of moderation hubs across the city</li> <li>• Use the documents that were provided for this peer challenge as the basis for a resource for your own workforce</li> </ul>	

External Assurance Provider	Assurance Scope : Concerns	Further Assurance Activity
Office of the Public Guardian	<p><b>Nottingham:</b>  <b>Office of the Public Guardian (OPG) Assurance Visit</b>            OPG uses assurance visits as a means of supervising public authority deputies. Assurance visits look at specific cases selected for review and also at how a deputy ensures the proper management and administration of their deputyship caseload.</p> <p>The visit emphasised that the Deputyship systems and review documents are extremely well organised. Consistent praise was provided from the Clients and their placements in regard to communication with the Deputyship Team. It is clear that the Deputyship team is dedicated to their Clients and ensuring all their needs are met</p>	No further assurance required

## Definitions of Levels of Assurance & Recommendations

## Appendix D

### Levels of Assurance

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

<b>Significant Assurance</b>	There is a generally sound system of control designed to meet the organisation's objectives and that controls are being applied consistently in the areas reviewed.
<b>Moderate Assurance</b>	Generally a sound system of internal control designed to achieve the organisation's objectives with some exceptions and / or evidence of non-compliance with some controls that may put some of the system objectives at risk
<b>Limited Assurance</b>	Weaknesses identified in the procedures and controls in key areas and / or non-compliance with key procedures and controls which constitutes a risk to the achievement of the organisation's objectives
<b>No Assurance</b>	Poor system of internal control or consistent non-compliance with key controls which could result in failure to achieve the organisation's objectives

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

<b>High Priority</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor VFM or failure to achieve organisational objectives. Such risks could lead to an adverse impact on the business
<b>Medium Priority</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor VFM. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low Priority</b>	Weaknesses that individually have no significant impact but where management would benefit from improved controls and / or have the opportunity to achieve greater effectiveness and / or efficiency.

## Annex A1 – Summary of Audits concluded in 2021/22 and reported since last update

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low
Finance & Resources	Procurement and Commissioning	IR35 Compliance	Moderate Assurance	-	1	3	1
	Strategic Finance	Cultural Recovery Fund Grant	Grant Claim	-			
		Derby & Nottingham Future Transport Zone 2019/20	Grant Claim	-			
		Supporting Families 2021/22	Grant Claim	-			
		Transforming Cities Grants 2019-20 & 2020/21	Grant Claim	-			
<b>Finance &amp; Resources Total</b>					<b>1</b>	<b>3</b>	<b>1</b>
Growth & City Development	Housing	Housing Rents 2021/22	Limited Assurance	↓	7	3	0
	Major Projects	Broadmarsh Car Park & Bus Station Handover	Limited Assurance	-	3	2	0
<b>Growth &amp; City Development Total</b>					<b>10</b>	<b>5</b>	<b>0</b>
People	Children's Integrated Services	Supporting Families 2021/22 (summary of controls opinion from quarterly grant claims)	Significant Assurance	↔	0	0	0
<b>People Total</b>					<b>0</b>	<b>0</b>	<b>0</b>
Resident Services	Community Protection	ECINS - Follow-up 2021/22	Limited Assurance	↔	8	9	0
	Neighbourhood Services	Vehicle Utilisation 2021/22	Limited Assurance	-	2	7	0
<b>Resident Services Total</b>					<b>10</b>	<b>16</b>	<b>0</b>
<b>Total</b>					<b>21</b>	<b>24</b>	<b>1</b>

## Annex A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
NCC Corporate	HR, Equalities, Diversity & Inclusion	Gifts & Hospitality 2020/21	Limited Assurance	↔	2	2	0	
	Legal & Governance	Decision Making	Limited Assurance	-	3	0	0	
<b>NCC Corporate Total</b>					<b>5</b>	<b>2</b>	<b>0</b>	
Finance & Resources	HR, Equalities, Diversity & Inclusion	Coronavirus Job Retention Scheme (Furlough)	Significant Assurance	-	0	0	2	
		Disciplinary Process Follow-up 2021/22	Limited Assurance	↑	2	5	0	
		NCC Payroll & HR 2020/21	Moderate Assurance	↔	0	2	0	
		Pay Policy Compliance - Overtime	Moderate Assurance	↔	0	2	0	
		Sickness Management Follow-up 2021/22	Limited Assurance	↑	2	3	0	
	<b>HR, Equalities, Diversity &amp; Inclusion Total</b>					<b>4</b>	<b>12</b>	<b>2</b>
	Information Technology	Cloud based applications (Software as a Service)	Moderate Assurance	-	4	8	0	
		ICT Procurement 2021/22	Limited Assurance	↔	3	11	0	
		IT - Service Desk	Significant Assurance	-	0	1	1	
		IT Change Management - Follow-up	Significant Assurance	↔	0	0	0	
		IT Security 2020/21	Limited Assurance	↔	6	11	0	
	<b>Information Technology Total</b>					<b>13</b>	<b>31</b>	<b>1</b>
	Procurement and Commissioning	Contract Management 2020/21 Follow-up	Limited Assurance	↔	5	2	0	
		IR35 Compliance	Moderate Assurance	-	1	3	1	
		Procurement Dispensations 2021/22	Limited Assurance	↔	3	0	0	
<b>Procurement and Commissioning Total</b>					<b>9</b>	<b>5</b>	<b>1</b>	

## Annex A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low
Finance & Resources	Strategic Finance	Bank Reconciliation 2020/21	Significant Assurance	↔	0	0	0
		Better Care Fund - DFG 2019/20	Grant Claim	-			
		Better Care Fund - DFG 20-21	Grant Claim	-			
		Budget Monitoring 2020/21	Moderate Assurance	↓	0	1	0
		Business Rates 2020/21	Limited Assurance	↔	2	6	4
		Capital Programme 2020/21	Moderate Assurance	↑	6	7	0
		Civica - Income Management - application review	Significant Assurance	-	1	2	0
		Council Tax 2020/21	Moderate Assurance	↓	0	10	1
		Cultural Recovery Fund Grant	Grant Claim	-			
		Derby & Nottingham Future Transport Zone 2019/20	Grant Claim	-			
		Harvey Hadden Stadium Trust 2020/21	Independent Examiner's Report	-			
		Highfields Leisure Park Trust 2020/21	Independent Examiner's Report	-			
		Housing Benefits 2020/21	Moderate Assurance	↑	3	1	1
		LA Bus Subsidy Grant 2020/21	Grant Claim	-			
		LA Bus Subsidy Grant Claim 2019-20	Grant Claim	-			
		Local Transport Capital Grant 2019-20	Grant Claim	-			
		Local Transport Capital Grant 2020/21	Grant Claim	-			
		Main Accounting 2020/21	Significant Assurance	↔	0	0	0
NCC Accounts Receivable 2020/21	Significant Assurance	↔	0	0	0		

## Annex A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
Finance & Resources	Strategic Finance	NPIF Grants Audit 2019-20	Grant Claim	-				
		PCI Compliance - Follow-up	Limited Assurance	↓	4	8	1	
		Supporting Families 2021/22	Grant Claim	-				
		Transforming Cities Grants 2019-20 & 2020/21	Grant Claim	-				
		Travel Demand Management	Grant Claim	-				
		Treasury Management 2020/21	Significant Assurance	↔	0	0	0	
	<b>Strategic Finance Total</b>					<b>16</b>	<b>35</b>	<b>7</b>
	Strategy and Policy	Performance Management 2019-20	Moderate Assurance	↔	1	3	0	
		Use of Social Media - Follow-up	Significant Assurance	-	0	3	0	
	<b>Strategy and Policy Total</b>					<b>1</b>	<b>6</b>	<b>0</b>
<b>Finance &amp; Resources Total</b>					<b>43</b>	<b>89</b>	<b>11</b>	
Growth & City Development	Economic Development & Property	Corporate Property Maintenance	Significant Assurance	↔	1	5	0	
	<b>Economic Development &amp; Property Total</b>					<b>1</b>	<b>5</b>	<b>0</b>
	Energy Sustainability & Carbon Neutrality	NCC Carbon Neutral Commitment	Limited Assurance	-	6	14	0	
	<b>Energy Sustainability &amp; Carbon Neutrality Total</b>					<b>6</b>	<b>14</b>	<b>0</b>
	Housing	Housing Rents 2021/22	Limited Assurance	↓	7	3	0	
	<b>Housing Total</b>					<b>7</b>	<b>3</b>	<b>0</b>
	Major Projects & Public Transport	Broadmarsh Car Park & Bus Station Handover	Limited Assurance	-	3	2	0	
Public Transport Smart Ticketing Procurement follow-up		Limited Assurance	↔	3	0	0		

## Annex A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
Growth & City Development	Major Projects & Public Transport	OR05 Redevelopment of Broadmarsh Shopping Centre	Significant Assurance	-	1	0	0	
	<b>Major Projects &amp; Public Transport Total</b>					<b>7</b>	<b>2</b>	<b>0</b>
	Traffic & Transport	Public Transport follow up		Limited Assurance	↔	0	0	0
		Traffic & Safety Capital Projects 2020/21 Follow-up		Limited Assurance	↔	6	1	0
		Transforming Cities Fund Tranche 1		Significant Assurance	-	0	0	0
		Transforming Cities Fund Tranche 2 2021/22		Moderate Assurance	↓	4	1	0
<b>Traffic &amp; Transport Total</b>					<b>10</b>	<b>2</b>	<b>0</b>	
<b>Growth &amp; City Development Total</b>					<b>31</b>	<b>26</b>	<b>0</b>	
People	Adult Social Care Quality and Change	Deputyship 2021/22	Moderate Assurance	↑	0	3	5	
	<b>Adult Social Care Quality and Change Total</b>					<b>0</b>	<b>3</b>	<b>5</b>
	Children's Integrated Services	Supporting Families 2021/22 (summary of controls opinion from quarterly grant claims)		Significant Assurance	↔	0	0	0
		Fostering, Adoption and External Placements Follow Up		Moderate Assurance	↑	2	1	0
	<b>Children's Integrated Services Total</b>					<b>2</b>	<b>1</b>	<b>0</b>
	Education	Nottingham Schools Trust follow up 2020/21		Moderate Assurance	↑	4	4	0
<b>Education Total</b>					<b>4</b>	<b>4</b>	<b>0</b>	
<b>People Total</b>					<b>6</b>	<b>8</b>	<b>5</b>	

## Annex A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Medium	Low	
Resident Services	Community Protection	ECINS - Follow-up 2021/22	Limited Assurance	↔	8	9	0	
		Selective Landlord Licensing Follow-up 2020/21	Moderate Assurance	↑	4	5	1	
	<b>Community Protection Total</b>					<b>12</b>	<b>14</b>	<b>1</b>
	Neighbourhood Services	Governance & Use of Telematics	Significant Assurance	-	0	1	0	
		Parks, Open Spaces Contracting	Moderate Assurance	-	0	6	3	
		Vehicle Utilisation 2021/22	Limited Assurance	-	2	7	0	
	<b>Neighbourhood Services Total</b>					<b>2</b>	<b>14</b>	<b>3</b>
	Sports, Culture & Parks	Royal Centre & Concert Hall 2019-20 - Follow-up	Limited Assurance	↑	9	5	2	
	<b>Sports, Culture &amp; Parks Total</b>					<b>9</b>	<b>5</b>	<b>2</b>
	<b>Resident Services Total</b>					<b>23</b>	<b>33</b>	<b>6</b>
<b>Total</b>					<b>108</b>	<b>158</b>	<b>22</b>	

 Denotes reported for the first time here

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
NCC Corporate	HR, Equalities, Diversity & Inclusion	Gifts & Hospitality 2020/21	Limited Assurance	↔	2	1	0	1		1	↓
	Legal & Governance	Decision Making	Limited Assurance	-	3	2		1		1	↑
<b>NCC Corporate Total</b>					<b>5</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	
Finance & Resources	HR, Equalities, Diversity & Inclusion	Coronavirus Job Retention Scheme (Furlough)	Significant Assurance	-	0						
		Disciplinary Process Follow-up 2021/22	Moderate Assurance	↑	2			2	2	0	↑
		NCC Payroll & HR 2020/21	Moderate Assurance	↔	0						
		Pay Policy Compliance - Overtime	Moderate Assurance	↔	0						
		Sickness Management Follow-up 2021/22	Limited Assurance	↑	2		2	0			
	<b>HR, Equalities, Diversity &amp; Inclusion Total</b>					<b>4</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend	
						Complete	Not Yet Due	Overdue	Complete	Overdue		
Finance & Resources	Information Technology	Cloud based applications (Software as a Service)	Moderate Assurance	-		see next line						
		ICT Procurement 2021/22	Limited Assurance	↔	3			3		3	↓	
		IT - Service Desk	Significant Assurance	-	0							
		IT Change Management - Follow-up	Significant Assurance	↔	0							
		IT Security 2020/21	Limited Assurance	↔	6	5		1		1	↔	
	<b>Information Technology Total</b>					<b>9</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	
	Procurement and Commissioning	Contract Management 2020/21 Follow-up	Limited Assurance	↔	5	1	4	0				↑
		IR35 Compliance	Moderate Assurance	-	1	1		0				
		Procurement Dispensations 2021/22	Limited Assurance	↔	3	2	1	0				↑
	<b>Procurement and Commissioning Total</b>					<b>9</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend	
						Complete	Not Yet Due	Overdue	Complete	Overdue		
Finance & Resources	Strategic Finance	Bank Reconciliation 2020/21	Significant Assurance	↔	0							
		Better Care Fund - DFG 2019-20	Grant Claim	-								
		Better Care Fund - DFG 20-21	Grant Claim	-								
		Budget Monitoring 2020/21	Moderate Assurance	↓	0							
		Business Rates 2020/21	Limited Assurance	↔	2			2		2		
		Capital Programme 2020/21	Moderate Assurance	↑	6	5		1		1		
		Civica - Income Management - application review	Significant Assurance	-	1			1		1		
		Council Tax 2020/21	Moderate Assurance	↓	0							
		Cultural Recovery Fund Grant	Grant Claim	-								

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
Finance & Resources	Strategic Finance	Derby & Nottingham Future Transport Zone 2019-20	Grant Claim	-							
		Harvey Hadden Stadium Trust 2020/21	Independent Examiner's Report	-							
		Highfields Leisure Park Trust 2020/21	Independent Examiner's Report	-							
		Housing Benefits 2020/21	Moderate Assurance	↑	3	1		2		2	↔
		LA Bus Subsidy Grant 2020/21	Grant Claim	-							
		LA Bus Subsidy Grant Claim 2019-20	Grant Claim	-							
		Local Transport Capital Grant 2019-20	Grant Claim	-							
		Local Transport Capital Grant 2020/21	Grant Claim	-							

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
Finance & Resources	Strategic Finance	Main Accounting 2020/21	Significant Assurance	↔							
		NCC Accounts Receivable 2020/21	Significant Assurance	↔	0						
		NPIF Grants Audit 2019-20	Grant Claim	-							
		PCI Compliance - Follow-up	Limited Assurance	↓	4	1		3		3	↔
		Supporting Families 2020/21	Grant Claim	-							
		Transforming Cities Grants 2019-20 & 2020/21	Grant Claim	-							
		Travel Demand Management	Grant Claim	-							
		Treasury Management 2020/21	Significant Assurance	↔	0						
		<b>Strategic Finance Total</b>					<b>16</b>	<b>7</b>	<b>0</b>	<b>9</b>	<b>0</b>

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend	
						Complete	Not Yet Due	Overdue	Complete	Overdue		
Finance & Resources	Strategy and Policy	Performance Management 2019-20	Moderate Assurance	↔	1	1		0			↔	
		Use of Social Media - Follow-up	Significant Assurance	-	0							
	<b>Strategy and Policy Total</b>					<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Finance &amp; Resources Total</b>					<b>39</b>	<b>17</b>	<b>7</b>	<b>15</b>	<b>2</b>	<b>13</b>		
Growth & City Development	Economic Development & Property	Corporate Property Maintenance	Significant Assurance	↔	1	1		0			↑	
	<b>Economic Development &amp; Property Total</b>					<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Energy Sustainability & Carbon Neutrality	NCC Carbon Neutral Commitment	Limited Assurance	-	6	1		5		5	↓	
	<b>Energy Sustainability &amp; Carbon Neutrality Total</b>					<b>6</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>	
	Housing	Housing Rents 2021/22	Limited Assurance	↓	7		6	1		1	↓	
	<b>Housing Total</b>					<b>7</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	
	Major Projects & Public Transport	Broadmarsh Car Park & Bus Station Handover	Limited Assurance	-	3	3		0			↑	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend	
						Complete	Not Yet Due	Overdue	Complete	Overdue		
Growth & City Development	Major Projects & Public Transport	Public Transport Smart Ticketing Procurement follow-up	Limited Assurance	↔	3	3		0			↑	
		OR05 Redevelopment of Broadmarsh Shopping Centre	Significant Assurance	-	1	1		0			↑	
	<b>Major Projects &amp; Public Transport Total</b>					<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Traffic & Transport	Public Transport follow up	Limited Assurance	↔	0							
		Traffic & Safety Capital Projects 2020/21 Follow-up	Limited Assurance	↔	6			6		6		↔
		Transforming Cities Fund Tranche 1	Significant Assurance	-	0							
		Transforming Cities Fund Tranche 2 2021/22	Moderate Assurance	↓	4			4		4		↔
	<b>Traffic &amp; Transport Total</b>					<b>10</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>	
	<b>Growth &amp; City Development Total</b>					<b>31</b>	<b>9</b>	<b>6</b>	<b>16</b>	<b>0</b>	<b>16</b>	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
People	Adult Social Care Quality and Change	Deputyship 2021/22	Moderate Assurance	↑	0						
	<b>Adult Social Care Quality and Change Total</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Children's Integrated Services	Fostering, Adoption and External Placements Follow Up	Limited Assurance	↔	2			2		2	↔
		Supporting Families 2021/22	Significant Assurance	↑	0						
	<b>Children's Integrated Services Total</b>					<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>
	Education	Nottingham Schools Trust follow up 2020/21	Moderate Assurance	↑	4	2		2		2	↔
	<b>Education Total</b>					<b>4</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>People Total</b>					<b>6</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
Resident Services	Community Protection	ECINS - Follow-up 2021/22	Limited Assurance	↔	8	2		6		6	↑
Resident Services	Community Protection	Environmental Health & Safer Housing - Selective Landlord Licensing Follow-up 2020/21	Moderate Assurance	↑	4	4		0			↔
	<b>Community Protection Total</b>				<b>12</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>	
	Neighbourhood Services	Governance & Use of Telematics	Significant Assurance	-	0						
	Neighbourhood Services	Parks, Open Spaces Contracting	Moderate Assurance	-	0						
	Neighbourhood Services	Vehicle Utilisation 2021/22	Limited Assurance	-	2		1	1		1	
	<b>Neighbourhood Services Total</b>				<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	

## Annex B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 17May2022

Department	Division	Activity	Level of Assurance	DoT	High	Audit Assessed			Management Assessed		Trend
						Complete	Not Yet Due	Overdue	Complete	Overdue	
Resident Services	Sports, Culture & Parks	Royal Centre & Concert Hall 2019-20 - Follow-up	Limited Assurance	↑	9	4		5	4	1	↑
	<b>Sports, Culture &amp; Parks Total</b>				<b>9</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>1</b>	
<b>Resident Services Total</b>					<b>23</b>	<b>10</b>	<b>1</b>	<b>12</b>	<b>4</b>	<b>8</b>	
<b>Total</b>					<b>104</b>	<b>41</b>	<b>14</b>	<b>49</b>	<b>6</b>	<b>43</b>	

## Annex C – Audit Executive Summaries issued since last update

### IR35 Compliance 2020/21

<p>Department: HR / Finance</p>	<p>Overall Opinion: <b>Moderate Assurance</b></p>	<p>Direction of Travel: N/A Not previously audited</p>
<p>Previous review: None.</p>	<p><u>Scope and Approach:</u> This review considered the following aspects of the IR35 system:</p> <ul style="list-style-type: none"> <li>• Review of guidance and policies in place to ensure fit for purpose and available for all staff.</li> <li>• Ensure processes are in place to establish whether individuals are employed or self-employed.</li> <li>• Review what assurance is undertaken to ensure legislation is being adhered to.</li> </ul>	
<p><b>High Priority Recommendations</b></p> <p>R1 The Recruitment Hub should include links to information regarding IR35.</p>		

## Annex C – Audit Executive Summaries issued since last update

### Housing Rents 2021/22

Department: <b>Development and Growth</b> Previous review - Housing Rents 2020/21	Overall Opinion: <b>Limited Assurance</b>	Direction of Travel: <b>Deteriorating</b>
<p><u>Scope and Approach:</u> This review considered the following aspects of the rents system:</p> <ul style="list-style-type: none"> <li>• Annual rents approval</li> <li>• HRA ring-fence legislation applied when leasing</li> <li>• Access controls to Housing System</li> <li>• Rent income collected reconciliation</li> <li>• Follow Up on previously raised recommendations and relevant actions arising from section 114 notice</li> <li>• Performance management of void properties</li> <li>• HRA 30 Year Business Plan</li> <li>• Low or nil rent properties monitoring and compliance with ring-fence</li> <li>• Annual housing stock reconciliation including ring-fence assessment</li> </ul>		
<p><b>High Priority Recommendations</b></p> <p>2021/22 R1 The accounting and recording transactions should be corrected to provide for the correct treatment of all these properties, including:</p> <ol style="list-style-type: none"> <li>1. Income to HRA in error (to be reversed)</li> <li>2. Capital asset transfer to general fund (transfers between general fund and HRA in respect of the asset and associated balance sheet values)</li> <li>3. Costs to HRA in error (e.g. cost of debt, repairs, grounds maintenance – to be transferred to general fund)</li> <li>4. Correct reconciliation of HRA and other properties to show properties held under general fund within Peoples</li> <li>5. Make appropriate provisions for repair and maintenance within general fund</li> </ol> <p>R2 Confirmation of resourcing for legal advice about housing and in particular the HRA should be obtained so that in future decisions take proper account of the Council's powers in this regard.</p> <p>R3 Annual controls in accounting for housing stock should ensure that housing stock is used in compliance with the HRA ring-fence.</p> <p>R4 Any innovative arrangements for use of housing stock should be subject to legal advice on compliance with the HRA ring-fence.</p> <p>R5 Arrangements should be made to ensure ongoing revenue and capital costs in respect of these properties are correctly apportioned and allocated to general fund.</p> <p>R6 In order to reflect the principles in the Financial Management Code, the 30 year HRA Business Plan should be renewed.</p> <p>2020/21 R3 Alternative arrangements should be available to maintain reconciliations where a colleague is absent. A process for assurance to be provided to the system owner of status and last date reconciled for key reconciliations should be introduced. This should ensure that reconciliations are carried out in a timely way and that the system is operating effectively and as intended.</p>		

## Annex C – Audit Executive Summaries issued since last update

### Broadmarsh Car Park & Bus Station Handover

Department: Neighbourhood Services Previous review: N/A	Overall Opinion: <b>Limited Assurance</b>	Direction of Travel: N/A
<u>Scope and Approach:</u> The aim of this audit was to review the handover process, including governance, the budget position and the risk register process.		
<u>High Priority Recommendations:</u> R1 A risk register should be drawn up which aligns with Council practice. This should be monitored and updated on a regular basis. R2 A strong governance framework needs to be in place going forward that includes clear decision making hierarchies, good risk management and adequate monitoring to ensure effective operational management of the project and to ensure that any issues can be addressed without delay. R5 The concerns highlighted in our review around the budget, the risk register and overall governance, should be considered with all future capital projects.		

**Annex C – Audit Executive Summaries issued since last update**

**Supporting Families 2020/21**

<p>Department: People</p>	<p>Overall Opinion:  <b>Significant Assurance</b></p>	<p>Direction of Travel:  No changes</p>
<p>Previous review: Annual</p>	<p><u>Scope and Approach:</u> This review considered the following aspects of the grant claim:</p> <ul style="list-style-type: none"> <li>• the family was eligible for the scheme</li> <li>• the PBR criteria had been met and was suitably evidenced / documented</li> </ul>	
<p><b>High Priority Recommendations</b></p> <p>None</p>		

## Annex C – Audit Executive Summaries issued since last update

### Vehicle Utilisation 2021/22

<p>Directorate Resident Services Division Neighbourhood Services Previous review: Governance and use of Telematics – July 2021</p>	<p>Overall Opinion: <b>Limited Assurance</b></p>	<p>Direction of Travel: This area has not been previously reviewed</p>
<p><u>Scope and Approach:</u> This review considered the following</p> <ul style="list-style-type: none"> <li>• Identification of records of detailing all vehicles owned / utilised by NCC</li> <li>• Review Telematics data to identify the nature of existing assurance reporting regarding vehicle utilisation</li> <li>• Ascertain what reviews are undertaken by system users, their frequency and action taken.</li> <li>• Assess the potential for producing a high level analysis of vehicle usage which might indicate a potential for making savings?</li> <li>• Select a sample of vehicles to scrutinise in detail, including fuel records.</li> </ul>		
<p><b>High Priority Recommendations</b></p> <p>2021/22 R1    A business case and a costed transformational plan should be produced to support Fleet Management's goal in being able to ensure that the Council is making the best use of its assets.</p> <p>2021/22 R2    The concerns in respect of the regular usage of the van should be investigated.</p>		

## Annex C – Audit Executive Summaries issued since last update

### Governance and use of Telematics 2020/21

Directorate: Resident Services Previous review: None	Overall Opinion: <b>Significant Assurance</b>	Direction of Travel: This area has not been subject to any previous review
<p><u>Scope and Approach:</u> This review considered the following aspects of use of telematics within the Council:</p> <ul style="list-style-type: none"> <li>• Policies &amp; procedures governing the use of telematics data</li> <li>• Access controls to systems</li> <li>• System security</li> <li>• Governance arrangements and reporting</li> </ul>		
<p><b>High Priority Recommendations</b></p> <p>There are no high priority recommendations resulting from this review.</p>		

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### ECINS – Follow-up 2020/21

Directorate Resident Services and Peoples	Overall Opinion:	Direction of Travel:
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## Annex C – Audit Executive Summaries issued since last update

Division Community Protection and Adult Social Care Previous review: ECINS – November 2020	<b>Limited Assurance</b>	Some improvements have been made, however key issues still exist.
<p><u>Scope and Approach:</u> A follow-up review has been undertaken of the ECINS application in order to provide management and the OPCC with assurance that an appropriate control framework is in place.</p>		
<p><b>High Priority Recommendations</b></p> <p>2020/21 R1 System ownership and governance structures should be established in order that there is clear accountability for its current and future use.</p> <p>2020/21 R3 In order that all partners are aware of their responsibilities a formally signed and an up to date version of the ISA should be obtained.</p> <p>2020/21 R4 The City Council should nominate a SPOC to ensure compliance with the ISA in order that the terms and conditions of the ISA are complied with.</p> <p>2020/21 R11 Team Admin accounts should be subject to periodic review.</p> <p>2020/21 R14 All user accounts should be reviewed annually to ensure that the user base meets the operational requirements</p> <p>2020/21 R15 The system owner should receive assurance from the Team Admins that the ECINS user reports have been reviewed and action taken where dormant accounts have been identified.</p>		

## Deputyship 2021/22

Directorate: People Division: Adult Health Social Care, Children and Families Previous review: Deputyship 2015-16 & 2011-12	Overall Opinion: <b>Moderate Assurance</b>	Direction of Travel: <b>Improving</b>
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## Annex C – Audit Executive Summaries issued since last update

Scope and Approach: This review considered the following aspects:

- Policies and procedures in place within the Service Area to include Training, Recording and Supervision plans and policies specifically
- Compliance with Office of the Public Guardian / Court of Protection regulations
- Decisions and the decision-making process to include escalation procedures
- Pre-payment cards used within the Service Area
- Processes carried out for deceased citizens
- Charges made by the Service Area
- Access Controls for the IT system used by the Service Area
- Assurance reporting within and provided by the Service Area
- A follow-up of recommendations made in the previous Internal Audit report

### High Priority Recommendations

None

**Annex C – Audit Executive Summaries issued since last update**

**OR05 Redevelopment of Broadmarsh Shopping Centre 21/22**

Directorate: Corporate and Growth & City Development Previous review: n/a	Overall Opinion: <b>Significant Assurance</b>	Direction of Travel: N/a
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> <li>• Review of the mitigating actions of the risk to identify if appropriate</li> <li>• Review of some actions to establish if being undertaken</li> <li>• Establish mitigating actions that remain outstanding</li> <li>• Review of reporting arrangements</li> <li>• </li> </ul>		
<p><b>High Priority Recommendations</b></p> <p>2021/22 R1 The project manager should have complete information provided through periodical project monitoring arrangements to give assurance on responsibilities assigned and met in respect of site testing.</p> <p>Testing should be recorded in an accessible way for Property and Project colleagues.</p> <p><b>Action complete</b></p>		

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## 1. **Introduction**

1.1. This charter sets out the purpose, authority and responsibility of the internal audit activity at Nottingham City Council. It establishes the position of internal audit and the chief audit executive within the organisation, including reporting relationships with the 'board'. It covers the arrangements for appropriate resourcing; defines the scope of internal audit activities and role of internal audit in any fraud-related work. It includes arrangements for avoiding conflicts of interest (**for example** if internal audit undertakes non-audit activities). It also sets out the objectives, framework and services delivered by internal audit (which are in accordance with the mandatory Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing as outlined in the Public Sector Internal Audit Standards (PSIAS)).

## 2. **Purpose, Authority & Responsibilities**

### **Definition of Internal Auditing**

- 2.1. Internal audit's purpose is to provide an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2. In accordance with the PSIAS internal audit shall have right of access to all
- records, documents, correspondence, data or information systems, including those of third parties,
  - assets including those held on behalf of others,
  - personnel, and
  - premises or land and
  - such information, explanations or assistance as it considers necessary to fulfil its responsibilities from any employee, contractor, supplier, customer, partner
  - Senior Management and Statutory Officers, the Executive and Audit Committee

The rights above apply equally to organisations which have links with or provide services on behalf of Nottingham City Council, its group companies, joint ventures and partnerships (e.g.: wholly owned companies, voluntary

organisations or other agents acting on behalf of the Council) where the City Council has a statutory or contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered into with such organisations.

**3. Responsibilities**  
**The Board (Audit Committee)**

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority an Audit Committee may satisfy the role of the Board. At Nottingham City Council the Audit Committee fulfils the role and responsibilities of the Board as laid out in the PSIAS. The Audit Committee helps to demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.

**3.1. The key duties of the Board as laid out in the PSIAS and how compliance is achieved are as follows:**

PSIAS ref	Duty of the Board	Compliance or Explanation
1000	Approve the Internal Audit charter	Comply
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant* changes	Comply (budget and resources to be approved by S151 officer)
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive	This role is fulfilled by S151 officer but NCC recruitment process allows  the Chair to be a stakeholder representative on recruitment panel. The Chair would also be consulted on any decision to remove the CAE.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Comply
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Comply

PSIAS ref	Duty of the Board	Compliance or Explanation
1110	The chair to provide feedback for the Chief Audit Executive's performance appraisal	Comply
1130	Approve significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	Comply
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Comply
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Comply
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Comply

\*Significant is taken to mean 5% of the audit plan in days.

### **Senior Management**

3.2. The role of Senior Management includes the following:

PSIAS Ref	Role
1000	Approve the internal audit charter
1100	Allow the Chief Audit Executive direct and unrestricted access to meet with them and report to them
1111	The chief executive to provide feedback for the Chief Audit Executive's performance appraisal
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
2010	Input to the risk based Internal Audit plan
2060 & 2500	Receive periodic reports from the Chief Audit Executive on internal audit activity that includes follow up reports
1312	Act as sponsor for external assessments of the Internal Audit function

PSIAS Ref	Role
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the impact of any resource limitations and other matters
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board
2330 & 2440	Approve release of engagement records or results to external parties, as appropriate

3.3. Within Nottingham City Council 'Senior Management' is defined as the Section 151 Officer, Statutory Officers, Corporate Directors and Directors. These officers will meet with the Chief Audit Executive on request (Standard 1100).

3.4. At Nottingham City Council the Chief Finance Officer (and S151 Officer) has line management responsibilities for the Chief Audit Executive at the time of approval of this report. The officer with line management responsibilities for the Chief Audit Executive will

PSIAS Ref	Role
1000	Approve the internal audit charter
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
1312	Act as sponsor for external assessments of the Internal Audit function
1320	Receive the results of the quality assurance and improvement programme
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters
2330 & 2440	Approve release of engagement records or results to external parties, as appropriate

**Chief Audit Executive**

- 3.5. The Chief Audit Executive is a professionally qualified (CMIIA, CCAB or equivalent) person with suitable experience in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS Definition of Internal Auditing, the Code of Ethics and the Standards. Within Nottingham City Council the Head of Audit & Risk is the designated 'Chief Audit Executive'.
- 3.6. The Chief Audit Executive will maintain an effective working relationship with the Audit Committee, this will include:

PSIAS ref	Role
1000	Prepare and submit for approval the internal audit charter
1110	Prepare an annual confirmation with regard to the organisational independence of the internal audit activity
1110	Report on whether there are inappropriate scope or resource limitations
1130	Report for approval significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted
1312	Discuss the form of external assessments and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest
1320 & 1322	Report the results of the Quality Assurance and Improvement Programme including the assessor's evaluation with respect to degree of conformance and disclosure of non-conformance and its impact
2020 & 2030	Communicate internal audit's audit plan and resource requirements including the approach to using other sources of assurance, any significant* changes and the impact of any resource limitations and other matters
2060	Report on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.
2450	Deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement

PSIAS ref	Role
2500	Establish a follow up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action
2600	Communicate to senior management and if necessary the board where concluding that management has accepted a level of risk which is unacceptable to the organisation
1000	Attend board meetings and contribute to the agenda.
	Arrange for the provision of training and technical support to keep board members informed of relevant legislation, good practice and governance issues.
	Participate in the board's review of its own remit and effectiveness.
	Access to all reports. Those considered to be of the highest risk will be highlighted and brought to their attention.

- 3.7. Progress reports will include the outcomes of internal audit work in sufficient detail to allow the board to understand what assurance it can take from that work, and / or what unresolved risks or issues it needs to address.
- 3.8. The annual internal audit report will include an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.
- 3.9. In addition the Chief Audit Executive will:

PSIAS ref	Role
2330	Control access to and develop retention requirements consistent with the organisation's guidelines and other requirements for engagement records and obtain approval of senior management prior to releasing such records to external parties, as appropriate.
2340	Ensure that engagements are properly supervised
2440 & 2421	Review and approve communication of results of engagements to parties who can ensure that the results are given due consideration and correct any final communication error or omission to all relevant parties. Control release of results to parties outside the organisation.

### **Internal Audit**

- 3.10. Internal Audit's responsibilities include looking at how risk management, control, governance processes, and other resources are managed, and working with managers to add value, and improve the security, efficiency and effectiveness of their processes.
- 3.11. Individual auditors are responsible for ensuring that they operate with due professional care. This means they will follow the Nottingham City Council Internal Audit Code of Ethics in section 12 of this charter.
- 3.12. Internal auditors will make every effort to ensure a high quality service that complies with the PSIAS.

### **4. Position within the Organisation (including reporting relationship with the board)**

- 4.1. Internal Audit will remain independent of the areas audited to ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Internal Audit will not have any operational responsibilities.
- 4.2. Accountability for the response to advice, guidance and recommendations made by Internal Audit lies with management. Management can either accept or implement the advice and recommendations or reject it, having regard to any statutory responsibilities and overriding instructions of the Council. Internal Audit retain the right to review the relevant policies, procedures, controls and operations at a later date, notwithstanding any advice, guidance or recommendations made.
- 4.3. The Chief Audit Executive will report the results of audit work in accordance with responsibilities set out in this charter and mandated by PSIAS including reporting to senior managers and the board.

*Note: The terms 'senior managers and the board' are defined above.*

### **5. Resourcing**

- 5.1. The service will be delivered to professional standards by appropriately qualified, knowledgeable, experienced and skilled staff. The Chief Audit Executive will define the mix of these attributes through the Internal Audit Training Strategy, which will be updated on an annual basis to maintain an effective and agile audit service, support the audit plan and performance appraisals.

- 5.2. Internal Audit will seek more efficient and effective ways to deliver the audit service, provide assurance to councillors and help improve value for money and quality of Council services. Internal Audit will work to introduce continuous audit with the aim of evaluating control effectiveness across key systems on an ongoing basis and highlight high risk transactions or events on a timely basis.
- 5.3. Internal Audit will work with partners from local government and other sectors as necessary to ensure we have the right skills and resources to deliver a quality driven professional service to the Council.
- 5.4. Internal Audit will work in partnership with other inspection bodies to ensure that we get the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.
- 5.5. If the Chief Audit Executive or those charged with governance consider that the adequacy and sufficiency of internal audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of Internal Audit, they will advise Senior Management and, if appropriate, the Executive accordingly.
- 5.6. Sufficiency of Internal Audit resources will be determined in accordance with the Internal Audit Planning Methodology.

## **6. Scope**

- 6.1. The scope for Internal Audit is the control environment comprising risk management, control and governance of Nottingham City Council, and includes all of the council's, its partners', group and associate companies' operations, resources, services and responsibilities in relation to other bodies.. It covers all financial and non-financial related activities, systems and resources of the Council at all levels of its structure.
- 6.2. The internal control system is defined as including the whole network of systems and controls established by management to ensure that the objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the Chief Audit Executive will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving its objectives. Internal Audit may contribute to this by identifying elements of an appropriate corporate assurance framework.

- 6.3. Internal Audit will consider the results of the Council's risk management processes. Where the results indicate adequate action has already been undertaken to manage the risks / opportunities Internal Audit will take this into account. Where the results indicate that insufficient work has been done then Internal Audit may undertake a separate review.
- 6.4. The scope of audit work extends to services provided through partnership arrangements. The Chief Audit Executive will decide, in consultation with all parties, whether Internal Audit conducts the work to derive the required assurance or rely on the assurances provided by others. Where necessary, the Chief Audit Executive will agree appropriate access rights to obtain the necessary assurances.
- 6.5. Internal Audit will not undertake tasks, which are likely to compromise its independence, internal control functions or certification processes.
- 6.6. To enable Internal Audit to meet its objectives, it will undertake work within a scope of activities including but not limited to any of the following:
- review of controls within existing systems and systems under development
  - compliance with policies and procedures including Financial Regulations
  - transactions testing to ensure accuracy of processing
  - contract audit
  - establishment reviews
  - computer audit including data analytics
  - anti-fraud work
  - investigation of suspected fraud and irregularities
  - value for money reviews and transactions testing
  - provision of advice to Directorates and establishments including consulting services
  - provision of audit services to external clients.

#### **Consulting Service**

- 6.7. The PSIAS defines consulting services as follows: "Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training." No non-audit activities will be undertaken. The terms of reference of any consulting services will be designed to avoid impairment of objectivity for future audits.

- 6.8. The PSIAS requires that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within Nottingham City Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Audit Committee for approval. The decision to include it in the plan will depend on the level of risk identified and whether reliance can be placed on opinions provided by others.

### **Fraud & Corruption**

- 6.9. The primary responsibility for the prevention and detection of fraud and corruption lies with management, who are also responsible for the management of fraud risks. In support of this, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They will also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.
- 6.10. The arrangements within the City Council's Counter Fraud Strategy and Fraud Response Plan, requiring that the Chief Audit Executive is notified of all suspected or detected fraud, corruption or impropriety, immediately. This enables the response plan to be implemented and helps to inform the Chief Audit Executive's annual internal audit opinion and the risk-based plan
- 6.11. The role of Internal Audit in any fraud-related work will be determined in accordance with the Fraud Response Plan.

## **7. Avoiding Conflicts of Interest**

- 7.1. Internal audit staff will maintain an impartial, unbiased attitude to their work and will avoid conflicts of interest.
- 7.2. The Chief Audit Executive will maintain a register of interests for Audit staff. Any interests declared will be taken into account when planning and delivering work.
- 7.3. Arrangements exist to enable audit managers to report directly to the Section 151 Officer on any activities that are managed by the Chief Audit Executive.
- 7.4. Assignment arrangements preclude internal auditors from assessing specific operations for which they were previously responsible or where

a substantive conflict of interest is identified including previous consulting activity that could be seen as impairing objectivity.

## 8. Business Plan Objectives

- *To deliver an internal audit service that meets professional and mandatory standards and delivers suitable assurance to the Council.*
- *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*
- *To deliver an effective counter fraud service to prevent, detect and deter fraud and error.*

## 9. Statutory Requirements

- 9.1. There is a statutory requirement for Local Authorities to have **an** internal audit and counter fraud function. This service is provided for the Council in-house. The **Chief Audit Executive** provides a continuous internal audit and counter fraud service and reviews the Council's controls and operations.
- 9.2. The services provided are in accordance with the following legal and professional requirements subject to any enacted amendments:

*Legal:*

- *Accounts and Audit Regulations 2015* [requirement for an internal audit and requirement for officers or councillors to provide information and records requested, the requirement to take account of PSIAS]
- *Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013* [powers to require information in relation to council tax offenders]
- *Criminal Justice Act 2003*
- *Criminal Procedures Investigation Act 1996*
- *Data Protection Act 2018 & General Data Protection Regulation*
- *Fraud Act 2006*
- *Bribery Act 2010*
- *Freedom of Information Act 2000*
- *Human Rights Act 1998*
- *Local Government Acts*
- *Police & Criminal Evidence Act 1984*
- *Proceeds of Crime Act 2002 & Criminal Finances Act 2017*
- *Regulation of Investigatory Powers Act 2000*
- *Social Housing Fraud (Power to Require Information) Regulations 2014*
- *The Protection of Freedoms Act 2012*
- *Theft Act 1978*
- *Welfare Reform Act 2012*
- *Public Interest Disclosure Act 1998*

*Professional Requirements:*

- *Relevant CCAB professional guidance including the Public Sector Internal Audit Standards*
- *Department for Work & Pensions (DWP) Performance Standards Framework*
- *Information Security - BS EN ISO27001:2013*

- 9.3. The Chief Audit Executive reports to the Section 151 Officer under the Local Government Act 2002.
- 9.4. The Council adopted the CIPFA / SOLACE code of corporate governance in July 2002. This code together with the Statement of Recommended Practice (SORP) 2002 introduced the requirement for an annual statement of assurance to be made. The Council has subsequently reviewed / revised their Local Code of Governance in accordance with successive updates to the CIPFA / SOLACE Framework - Delivering Good Governance in Local Government. This means that the Chief Executive and Leader are required to sign a formal corporate assurance statement (known as the Annual Governance Statement (AGS)) on the effectiveness of the Council's governance arrangements and identify any significant governance issues.
- 9.5. Internal Audit has a role to play in advising Directors regarding the processes, and reporting mechanisms needed to compile their own assurance statements, which the AGS will be based on. An assurance framework has been introduced which places greater reliance on 'management assurance'. This is obtained from individual officers around specific areas of risk and the assurance documentation completed annually at both directorate and business unit level.
- 9.6. In addition the Council is developing an assurance framework and assurance mapping in order to better achieve its objectives.
- 9.7. The audit plan is risk based and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place. The Chief Audit Executive opinion will be prepared using the following sources of assurance, Internal / External Audit work, the AGS process, Risk Management processes and assurances identified in the assurance framework. Internal Audit will work with other assurance providers to improve overall coverage and avoid duplication of effort.
- 9.8. The Chief Audit Executive gives an opinion on the internal control environment, which forms part of the AGS, which the Council is legally

required to produce as part of the final accounts. The work undertaken by Internal Audit makes an important contribution to providing assurance around the control environment, and the content of the AGS. The categories of work include but are not limited to: -

- *Section 151 work around the major and significant financial systems*
- *IT Governance*
- *Audit around the major risks and the risk management process*
- *Audit of corporate governance / business control assurance arrangements*
- *Evaluating the assurance available from other sources*
- *Counter fraud activities*
- *Work to ensure adequate whistleblowing arrangements*

## **10. The Annual Audit Plan**

10.1. The Internal Audit Planning Methodology involves the following steps:

1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
2. **Understand departmental risks** by reviewing departmental risk registers
3. **Consider local and national issues, horizon scan and consider approaches taken by others and national guidance on current areas of risk and how Nottingham City Council is affected**
4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions
5. **Utilise the Assurance Framework** to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan, this will include external providers including external auditors
6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.

10.2. The number of days allocated in the plan will include the resources required to provide internal audit services to external clients.

- 10.3. Following discussions with the External Auditors Internal Audit agreed that each of the systems they designate as 'key financial systems' would feature in the audit plan, unless otherwise directed.
- 10.4. Internal Audit will assess the Council against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Prevention and detection of fraud remains a priority for the Council.
- 10.5. Internal Audit will continue to develop its approach to audit work following best practice to put more emphasis on reducing the risk of fraud. Counter fraud activity will include both reactive and proactive fraud work and providing further assistance to officers to better manage the risk of fraud through prevention, detection and deterrence. This will include work in relation to the NFI.
- 10.6. The Internal Audit service will be developed through:
- Keeping its plans under close review so it can respond flexibly to changes in the City Council's priorities and risks
  - Feedback from users of the service including management, the Audit Committee and the External Auditor
  - The QAIP and internal self-assessment of compliance with the PSIAS with periodic external validation of the self-assessment
  - Having due regard to other sources of good practice such as CIPFA and the IIA
  - Sharing of good practice and benchmarking with the Internal Audit services of the Core Cities Local Authorities
  - Training and development for staff identified through the Council's employee performance management scheme, through management supervision and by Internal Audit staff themselves
  - Seeking to work more efficiently, including expanding the use of technology.
- 10.7. Internal Audit operate a number of documents that govern or guide the way in which it operates as a team and with clients. These policies will be reviewed periodically and can be made available to senior management or the Audit Committee upon request. These documents include an Audit Protocol, Rotation Policy, Escalation Policy and Follow Up Policy which ensures compliance with PSIAS requirements.

- 10.8. Consultancy work will be undertaken within the limitations of existing resources and will require the same level of compliance from those allocated to the task.
- 10.9. A Charging Policy has been implemented. An appropriate charge will be made based on the type of work involved, priority and resources required. Requested work will be refused if in the opinion of the Chief Audit Executive, it fails to provide an adequate level of prioritised assurance.

## **11. Quality Assurance and Improvement**

- 11.1. In accordance with PSIAS the Chief Audit Executive (CAE) has developed and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity.
- 11.2. The Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders that Internal Audit:
  - a) Performs its work in accordance with its Charter, which is consistent with the PSIAS
  - b) Operates in an effective and efficient manner; and
  - c) Is perceived by stakeholders as adding value and improving Internal Audit's operations.
  - d) To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity (PSIAS Attribute Standard 1300).
- 11.3. The Chief Audit Executive is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.
- 11.4. All members of the Internal Audit team have responsibility for maintaining quality.

## **12. NCC IA Code of Ethics**

The code of ethics is a mandatory element of public sector internal audit as a result of the Public Sector Internal Audit Standards. The following requirements are set out by the standards and apply to NCC IA.

### **Components**

1 Principles that are relevant to the profession and practice of internal auditing;

2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

### **Applicability and Enforcement**

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

#### **1 Integrity**

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

1.1 Shall perform their work with honesty, diligence and responsibility.

1.2 Shall observe the law and make disclosures expected by the law and the profession.

1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

#### **2 Objectivity**

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

#### Rules of Conduct

Internal auditors:

2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3 Confidentiality**

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

#### Rules of Conduct

Internal auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

### **4 Competency**

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

#### Rules of Conduct

Internal auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, which are as follows:

### The Seven Principles of Public Life

The Principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

#### Selflessness

Holders of public office should act solely in terms of the public interest.

#### Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

#### Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### Honesty

Holders of public office should be truthful.

#### Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## **Nottingham City Council - Counter Fraud Strategy**

### **1. BACKGROUND**

- 1.1 The Council aims to operate and maintain a clear system of integrated policies and procedures to assist in preventing fraud and hence minimise losses to the public purse. An overview of these arrangements will be maintained and good practice promoted through the use of regulation and various colleague and Councillor Codes.
- 1.2 The Council will put procedures in place to enable citizens and colleagues to raise concerns in the knowledge that these concerns will be properly and thoroughly investigated. These procedures will be continuously developed to improve the Council's response to fraud. Incidents of fraud will be published, sanctions will be imposed and redress will be sought where appropriate.
- 1.3 The Counter Fraud Strategy will continue to evolve and develop as circumstances change. Such circumstances will include changes in legislation, procedure, accountability within services and the Council's requirements. Substantive changes to the Strategy will be reported to Councillors for endorsement.
- 1.4 Figures from the National Crime Agency (NCA) estimate that fraud costs the UK around £190bn annually of which the cost to the public sector is estimated at least £40bn.

### **2. COUNTER FRAUD IN CONTEXT**

- 2.1 Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering offences, offences under the Identity Cards Act 2006, possession, making or supplying of articles for use in fraud or obtaining services dishonestly. The term is also used in respect of civil offences where claims can be made under the torts of deceit or negligence, breach of trust, or where a fidelity insurance claim may be made.
- 2.2 Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the City Council has developed this Strategy to deter fraud whether it is attempted from outside or within the Council.
- 2.3 This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that Council resources are not diverted away from delivery of the priorities within the Council Plan.

2.4 This Strategy is based on:

- the seven Nolan Principles for Public Life;
- three additional principles in the Relevant Authorities Order 2001;
- best practice as previously defined by professional bodies;
- legal requirements including that incorporated in the, Public Interest Disclosure Act 1998, Competition Act 1998, Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Fraud Act 2006, Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013, Public Contracts Regulations 2006, Local Government Act 1972, Prevention of Social Housing Fraud Act 2013, Serious Crime Act 2007 and the Bribery Act 2010.

2.5 This Strategy is based on a series of inter-related procedures designed to frustrate any act of fraud. These cover:

Culture	Section 3
Prevention	Section 4
Detection and Investigation	Section 5
Training	Section 6

### 3. CULTURE / ETHICS

- 3.1 The City Council expects the culture of the Council to be one of honesty, transparency and opposition to fraud. Councillors and colleagues at all levels are expected to lead by example by personally complying with and ensuring wider and comprehensive adherence to rules, procedures and practices which should feature straightforward, effective, well documented controls that are legally sound and honest.
- 3.2 There is a requirement, because of the use of public monies, that all individuals and organisations associated in any way with the Authority will act with integrity, without thought to or actions involving fraud. Any allegation of fraud will be dealt with in accordance with the Council's Fraud Response Plan (**Appendix B**) (see Financial Regulations 17.72). Fraud is likely to be considered as a serious issue if proven in disciplinary, standards or other inquiries.
- 3.3 Bribery is a criminal offence. The Council has a zero-tolerance towards bribery and does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council will not accept bribes or improper inducements, or use a third party to channel bribes to others and is committed to the prevention, deterrence and detection of bribery.
- 3.4 All individuals (irrespective of their formal employment status) working for or with the Council are an important element in the Authority's stance on bribery and fraud. They are encouraged through established procedures detailed in Financial Regulations , the People Management Handbook, Code of Conduct for Employees and the Code of Conduct for Councillors (Part 6 of the Council's Constitution) and the Confidential Reporting Code (Whistle Blowing Procedure) to raise any concerns that they may have on fraud issues where they are associated with the Authority's activities. The Council will support Councillors and colleagues in bringing such issues to its attention.

- 3.5 Councillors and colleagues can raise such issues in the knowledge that they will be treated in confidence and properly investigated. The "How to raise a concern" section of the Confidential Reporting Code details the reporting options available to colleagues.
- 3.6 If Councillors or colleagues are not satisfied with the Council's response to concerns they have raised, they have the right to refer the issue to external agencies. Possible contact points are listed in the "How the matter can be taken further" section of the Confidential Reporting Code.
- 3.7 Citizens are also encouraged to report concerns through any of the routes included in the Confidential Reporting Code. Alternatively they can use the Council's complaints procedure or the dedicated fraud lines advertised in the Council's entries in relevant telephone directories.
- 3.8 The Council will respond to all allegations as outlined in the "How the Council will respond" section of the Confidential Reporting Code and in accordance with the requirements of Financial Regulations 17.73-74.
- 3.9 However, it is important that colleagues avoid possible abuse of this process. If allegations are unfounded and malicious this is likely to be considered to be a serious disciplinary matter.

## **4. PREVENTION**

### **4.1 Colleagues**

- 4.1.1 The Council recognises that a key measure in preventing fraud is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential colleagues in terms of their propriety and integrity. In this regard, temporary and contract colleagues should be treated in the same manner as permanent colleagues.
- 4.1.2 Procedures for the recruitment of colleagues are detailed in the Recruitment Policy Statement, which is included in the Recruitment One Stop Shop website on the Council's intranet. Only colleagues who have attended an in-house recruitment and selection training course should be involved in recruitment.
- 4.1.3 Where references are requested, the candidate's suitability for the post needs to be in accordance with the person specification. Honesty and integrity is recognised in law as a duty owed by the employee to the employer, and the Council requires all prospective and current employees to deal with the Council honestly.
- 4.1.4 Managers should discuss dishonest applications in the first instance with colleagues from HR, Internal Audit and Legal Services with a view to considering the evidence and making a decision on referring the matter for criminal investigation.
- 4.1.5 Colleagues of the Council are also expected to abide by the Council's Code of Conduct for Employees which is included in the People Management Handbook. The requirement to observe the Code of Conduct is contained within the disciplinary procedure that forms part of the contract for all colleagues. The consequences of breaching the Code of Conduct are contained within the Council's disciplinary

procedures. In addition, if colleagues are members of a professional body they are also expected to follow the Code of Conduct relating to their professional qualifications.

- 4.1.6 The Code of Conduct includes the requirement for colleagues to formally declare any pecuniary interest in contracts or service provided as prescribed in Section 117 of the Local Government Act 1972.

## **4.2 Suppliers**

4.2.1 The City Council is under a mandatory obligation to remove from its select lists any supplier of work, goods, materials or services that has been found to infringe “the Chapter 1 prohibition” of the Competition Act 1998 as it relates to anti-competitive agreements, decisions and concerted practices.

4.2.2 The City Council is also under a mandatory obligation detailed in the UK Public Contracts Regulations 2015 to exclude certain suppliers of work, goods, materials or services, from bidding for public sector contracts under the EU public procurement regime. Mandatory reasons include criminal conviction for certain offences and failure to pay taxes.

4.2.3 The City Council must enforce the obligations set out in 4.2.1 and 4.2.2 above when involved with the procurement of work, goods, materials or services. Guidance on enforcement is available from the Council’s Contracting and Procurement service.

## **4.3 Association with other organisations**

4.3.1 When dealing with external organisations and/or partners, the City Council expects the highest level of integrity. Where this is not the case the Council will re-examine the relationship it has with these organisations and take any action deemed necessary to protect the public resources and demonstrate its intolerance to fraud.

## **4.4 Councillors**

4.4.1 Councillors are required to operate within:

- The Council's Standing Orders
- The Councillors’ Code of Conduct currently adopted by the Council
- The Council's Councillor/Colleague protocol
- National Standards for Councillors, England & Wales

4.4.2 These documents are in both the Year Book and the Council’s Constitution. They include requirements for Councillors to:

- act according to principles and rules set out in the Councillors’ Code of Conduct
- disclose and register interests, including employment, business and property interests
- ensure they are not involved in matters or decisions where they have a conflict of interest.

Breaches of these requirements may be referred to the appropriate standards body.

4.4.3 Councillors should raise any concerns about fraud through the avenues detailed in the Strategy but must avoid raising unfounded malicious allegations which would breach the Code.

## **4.5 Systems**

4.5.1 The Council's Strategic Director of Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs and has developed Financial Regulations, Contract Procedure Rules and financial processes to assist in discharging this responsibility. In addition, there is a requirement to comply with the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2014 and the Local Government Act 2003 relating to accounting records, control systems and audit.

4.5.2 The Financial Regulations and Contract Procedure Rules require colleagues, when dealing with the Council's financial affairs, to act in accordance with sound practices and outlines systems, procedures and responsibilities of colleagues. Colleagues involved in finance are required to attend relevant and effective departmental training programmes which promote and endorse the requirements of Financial Regulations. This programme of training will be developed to include a formal accreditation process to ensure that only appropriately trained colleagues can access main financial systems unsupervised.

4.5.3 Corporate Directors are responsible for the financial systems in their departments and are required to comply with Financial Regulations, which establish the rules through which they must operate. This responsibility includes considering the risk of fraud as defined by this strategy when making changes to financial systems and processes and when making changes to their department structures. Corporate Directors should consider how different fraud risks can affect the department's aims, objectives and service users. In this respect, Corporate Directors should consult Finance colleagues and/or Internal Audit to discuss new systems or changes to systems, where a fraud risk may be present.

4.5.4 The Council has developed and is committed to continuing with systems and procedures that incorporate efficient and effective internal controls that include adequate separation of duties. Their existence and effectiveness is independently monitored and assessed by the Council's Internal Audit service, which carries out a comprehensive programme of audits targeted at key risk areas.

4.5.5 The City Council has appointed the Strategic Director of Finance to act in compliance with the Money Laundering Regulations and as part of this Strategy has imposed a maximum level for cash transactions of £1000. This level will be reviewed and updated from time to time.

4.5.6 Corporate Directors are responsible for ensuring that colleagues handling cash transactions have been recruited appropriately and are aware of their responsibilities as detailed in the relevant legislation.

4.5.7 In relation to Cyber Crime, emerging IT fraud threats will be monitored by the NCC IT Service to ensure our systems are able to robustly deflect and detect external cyber-crime attempts. Examples include, but are not limited to ;

- Hacking, to access the data held in our systems.
- Phishing, where external parties attempt to obtain passwords, bank account details, etc.
- Whaling, where an external party pretends to be an NCC employee, requesting another NCC employees makes a financial transaction
- Ransomware, where hackers access and ‘freeze’ an organisation’s systems, expecting payment for the systems to be unlocked.

#### **4.6 Combining with Others**

4.6.1 Arrangements are in place and continue to develop, to encourage the exchange of information between the Council and other agencies on national and local fraud activity in relation to Local Authorities. These include but are not limited to:

- The Police
- The Cabinet Office (National Fraud Initiative) or its equivalent
- National Counter Fraud Network
- DWP – Job Centre Plus
- The European Institute for Combatting Corruption and Fraud (TEICCAF) can delete
- UCAS (Student Awards)
- Auditors’ networks, locally and nationally
- National Investigation officers Group

4.6.2 The National Fraud Initiative (NFI) is part of the statutory audit process currently undertaken by the Cabinet Office. Local government, health and other public bodies are required to provide data from key systems which is cross matched to identify inaccuracies or potential fraud. The City Council will continue to actively participate in the NFI or similar exercises and will provide all mandatory data sets and all optional data sets where practical and effective. The Council will allocate appropriate resources for the investigation of the data matches returned and to respond promptly to queries from other participating bodies. The data sets provided or to be provided include:

- Payroll, Housing Benefits, Creditor Payments, Housing Tenants and Right to Buy, Council Tax, including CTRS, Personal budgets (direct payments), Electoral Register, Insurance Claims, Blue Badge Holders, Private Residential Care Home Residents, Market Traders, Taxi Drivers, Concessionary Travel Passes, Residents Parking, Personal Alcohol Licenses and Covid-19 related payments.

4.6.3 These arrangements provide a valuable means of combating potential criminal activity of a fraudulent nature against the Council and other public sector bodies. Such collaboration has been very successful in reducing the risk of external fraud.

## **5. Roles and Responsibilities**

- 5.1 **Appendix A** sets out the key roles and responsibilities of those within the organisation for delivering this strategy
- 5.2 Overall responsibility for the delivery of the Counter Fraud Strategy resides with the Strategic Director of Finance (S151 Officer) and the Head of Audit and Risk.
- 5.3 Service areas also contribute to the delivery of the strategy, including but not limited to Revenues and Benefits, Blue Badges, Trading Services and Enforcement Teams as these teams lead the prevention and detection of error, irregularity and fraud in their areas of responsibility.
- 5.4 Expert, corporate support in addressing fraud and irregularity risks is provided by Corporate Procurement, IT, Legal Services and Finance.
- 5.5 All Corporate Directors, managers and colleagues have a responsibility to maintain an awareness of the risks of fraud and irregularity, for obtaining assurance that these are being appropriately addressed and for raising risks or issues with senior management and Internal Audit.
- 5.6 Councillor roles and responsibilities in relation to the prevention of fraud and corruption are discharged through the Standards Committee, these roles are detailed within the Council's Constitution.

## **6. Detection and Investigation**

- 6.1 The number and extent of preventative measures, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 6.2 As part of its proactive programme of work, the Council will undertake data matching exercises to assist in the detection of fraudulent activity. Using resources and information available, this work will be carried out in accordance with the Data Matching Strategy and Policy of the Council (**Appendix C**). Once these exercises are complete, the Council will allocate sufficient resources to provide a prompt resolution to any queries or apparent fraudulent activity.
- 6.3 It is often the alertness of colleagues and citizens to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud may be in progress.
- 6.4 Despite the best efforts of managers and auditors, many internal frauds are discovered by chance or third party information, and the Council has in place arrangements to ensure that such information is properly dealt with as set out in Section 3 of this Strategy.
- 6.5 The investigation of suspected internal irregularities such as fraud is normally carried out or directed by Internal Audit on behalf of the CFO and Monitoring Officer. The investigation of irregularities and personal responsibilities of colleagues and councillors

are outlined in paragraph 17.74 and 17.7-12 of Financial Regulations respectively. The CFO has a responsibility for deciding on the course of the investigation. If the CFO, Head of Internal Audit or responsible Corporate Director considers that a loss may have occurred as a result of irregular expenditure or fraud, they may refer it to the Corporate Counter Fraud Team (CCFT) for criminal investigation.

- 6.6 Requesting, agreeing to receive or accepting an advantage, whether or not it is actually received, linked to improper performance of a function or activity and requesting, acquiescing to, or assenting to improper performance of a function or activity in anticipation of an advantage are serious criminal offences. The Code of Conduct for Employees will reflect and incorporate this. It is normal practice for any such allegation to be referred for criminal investigation.
- 6.7 Corporate Directors will arrange for all instances of suspected fraud to be reported to the Head of Audit & Risk or his Corporate Counter Fraud Team, who will maintain a central register in line with expected best practice and monitor the progress of each case. The most appropriate approach to investigating each case should be discussed and agreed at this point plus consultation with the CFO and the Council's Monitoring Officer may be necessary.
- 6.8 This reporting procedure is essential as it ensures:
  - Consistent treatment of information regarding any suspected fraud.
  - An effective investigation by an experienced colleague and/or appropriate direction provided by Internal Audit/CCFT.
  - The proper implementation of a structured response to any suspected act of fraud including improvements to identified weaknesses in internal controls
- 6.9 The Head of Internal Audit will report back to the CFO on the current fraud cases recorded over the period plus the Head of Internal Audit will also provide an update at periodic meetings of Statutory Officers.
- 6.10 Dependent upon the nature and anticipated extent of the allegations, auditors and investigators will normally work closely with management and other agencies such as Nottinghamshire Police to ensure that all allegations and evidence are properly investigated and reported upon. Where a criminal investigation is running concurrently with an internal investigation, the requirements of the criminal investigation will take precedence over the internal investigation. This is necessary to minimise any impact the internal investigation has on the criminal investigation and the integrity of the evidence collected.
- 6.11 Within the context of 6.10, the Council will normally undertake a criminal investigation after review by its Corporate Counter Fraud Team whenever it considers that it has discovered strong evidence of fraud.
- 6.12 The Council's Disciplinary Procedures will be used where the outcome of an investigation indicates improper behaviour, whether or not the matter has been criminally investigated.
- 6.13 Sometimes the Council's external auditors may also carry out investigation into suspected fraud and will do so in accordance with their established procedures.

6.14 The City Council will seek the strongest available sanctions against any individual or organisation who commits fraud against the Council. The full range of sanctions will be applied consistently and fairly, taking a cost effective approach, making robust and transparent decisions. Actions may include prosecution, civil proceedings, disciplinary action and publication of investigation outcomes. The City Council expects contractors and partners to take similarly robust action.

## **7. Covid-19**

7.1 Since 2020, the City Council has been required to provide a rapid response with respect to services and assistance to citizens and businesses. There is a view nationally that the speed at which arrangements have been put in place has increased the risk of fraud occurring, even though it is expected that any new arrangements should feature adequate control measures.

7.2 Work will take place to review these arrangements throughout the year with a view to identifying any fraudulent activity.

## **8. Training**

8.1 It is recognised that the success of this Strategy and the organisation's general credibility will depend largely on the effectiveness of communication, programmed training, and responsiveness of colleagues throughout the Authority.

8.2 The Council supports management in the provision of ongoing financial awareness training at both corporate and departmental level, and the mandatory training of colleagues dealing with finance.

8.3 New and existing colleagues and Councillors are also expected to participate in fraud awareness training which is available via the Council's Learning Zone.

8.4 These training requirements should be incorporated into colleague induction training, the personal assessment process and any formal accreditation for colleagues involved in financial processes. Accreditation will require colleagues to acknowledge an understanding of their responsibilities within the procedures.

8.5 Appropriate training will be provided to auditors and other investigators regarding the investigation of suspected fraud, and this will be reflected in their individual training plans.

## Key Responsibilities for Delivering the Strategy

## Appendix A

ACTION	Internal Audit	Chief Exec	S151 Officer	Mon Officer	Directors Manager TLeaders / HR	SMT	Audit Cmttee	Colleagues / Contractors & Partners
<b>Strategy, Development, Maintenance and Reporting</b>								
Maintain the Counter Fraud Strategy	X							
Carry out Annual Fraud Risk Assessment	X							
Compile the Annual Fraud Report	X							
Review and approve the strategy, risk assessment and fraud report						X	X	
<b>Deter</b>								
Publication of the Counter Fraud Strategy	X						X	
Design and implement a periodic fraud awareness programme	X							
Participation in fraud awareness surveys	X		X		X	X	X	X
Publication of successes in dealing with fraud	X						X	
<b>Prevent</b>								
Review the preventative controls in key Council systems.	X				X			
Implement agreed actions to strengthen internal controls			X		X	X		X
Ensure consistent compliance with established controls to prevent fraud			X		X	X		X
Consider the implications for counter fraud controls in new and changing	X				X			

<b>ACTION</b>	<b>Internal Audit</b>	<b>Chief Exec</b>	<b>S151 Officer</b>	<b>Mon Officer</b>	<b>Directors Manager TLeaders / HR</b>	<b>SMT</b>	<b>Audit Cmttee</b>	<b>Colleagues / Contractors &amp; Partners</b>
systems and procedures								
<b>Detect</b>								
Review the relevant controls in key Council systems and carry out targeted, analytical review in high risk areas of activity.	X							
Implement agreed actions to strengthen controls			X		X	X		X
Ensure consistent compliance with established controls to detect fraud			X		X	X		X
Publicise the Whistleblowing Policy	X			X				
Raise fraud and corruption concerns promptly through the Whistleblowing Policy with a line manager/senior manager or directly with Internal Audit	X	X	X	X	X	X	X	X
Participate in the National Fraud Initiative and other counter-fraud groups	X				X			
<b>Pursue</b>								
Follow the Fraud Response Plan in all cases where fraud and corruption are suspected.	X	X	X	X	X	X	X	X
Decision to refer to the Police for investigation or prosecute internally	X		X	X	X			
Decision to invoke the Council's					X			

<b>ACTION</b>	<b>Internal Audit</b>	<b>Chief Exec</b>	<b>S151 Officer</b>	<b>Mon Officer</b>	<b>Directors Manager TLeaders / HR</b>	<b>SMT</b>	<b>Audit Cmttee</b>	<b>Colleagues / Contractors &amp; Partners</b>
disciplinary process								
Consider options for seeking recovery of loses incurred			X	X	X			

**Nottingham City Council**

# **Fraud Response Plan**

Nottingham City Council, last updated June 2022

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# 1 Introduction and Objective

Nottingham City Council is committed to protecting public funds. Minimising the losses to fraud and corruption is an essential part of ensuring that all of our resources are used for the purpose for which they are intended - the provision of high quality services to citizens. We have a range of policies and procedures that facilitate the 'zero tolerance' approach adopted. These include the:

- The City Council constitution
- Accounting procedures
- Financial regulations and Standing Orders
- Colleague Code of Conduct
- Fraud Awareness Training
- Counter Fraud Strategy
- Prosecution Policies
- Confidential Reporting (Whistleblowing) Policy

The public is entitled to expect the City Council to conduct its affairs with integrity, accountability, honesty and openness, and demand the highest standards of conduct from those working for it and with it. Therefore one of the Council's main objectives, to combat fraud and corruption, is to identify and maintain good practices, address weaknesses in current processes and introduce improved systems for the management of those processes. This will ensure that the potential for fraud is kept to an absolute minimum. It applies to all Councillors and all personnel whether direct employees of Nottingham City Council, agency staff or contractors.

NCC Financial Regulations require that matters involving any suspected financial irregularities are referred to the Head of Internal Audit. The decision as to whether or not the irregularity should be investigated will be taken at his direction. All referrals are taken seriously and the action to be taken guided by an assessment of the risk. Where fraud is found, appropriate criminal investigation, disciplinary action and police involvement will be pursued. Losses will be recovered wherever possible and incidents of successful prosecution publicised.

Management and colleagues are likely to have little experience in dealing with fraud and, when suspected cases arise, may be unsure of the appropriate action to take. This document is intended to provide direction and help to colleagues in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern.

The objective is to safeguard the proper use of the City Council's finances and resources.

## 2 Reporting fraud suspicions

### 2.1 Initial guidance if you suspect a fraud.

A fraud may be uncovered in a variety of ways, from your own observations, someone from inside or outside blowing the whistle, ongoing controls throwing up a discrepancy, internal or external audit discovering a problem, or external regulators and inspectors finding something. It is important for you to know how to deal with your suspicions.

#### Things to Note

- Stay calm – remember you are a witness not a complainant. Write down your concerns immediately – make a note of all relevant details such as what was said in phone or other conversations, the date, the time, the names and contact details of anyone involved. Consider the possible risks and outcomes of any action you take. Make sure your suspicion is supported by facts, don't just allege.
- Do not become a private detective and personally conduct an investigation or interviews. Do not approach the person involved (this may lead to him/her destroying evidence). Do not discuss your suspicions or case facts with anyone other than those persons referred to below unless specifically asked to do so by them. Do not use the process to pursue a personal grievance.
- You may be mistaken or there may be an innocent or good explanation – this will come out in the investigation. The process may be complex and you may not be thanked immediately and the situation may lead to a period of disquiet or distrust in the organisation despite your having acted in good faith.
- Where there is clear evidence of a theft of physical assets or cash, the police should be notified immediately.

### 2.2 Reporting your suspicions

The following reporting lines are to be used regardless of the potential magnitude of the fraud, which it would be difficult to quantify at an early stage. 2.4 overleaf illustrates the thought processes to be considered in determining the most appropriate reporting route. The following points may be useful

- **Your line manager**  
Generally this is your first port of call. Fraud prevention is their responsibility in particular. They will know the systems, the people, what is at risk. They should know whom to bring in.
- **A more senior manager or your Director**  
If you think your manager might be involved in the fraud or if you feel they have wrongly dismissed your concerns, then you should go to a more senior manager or your Director.

- **Fraud reporting email / internet**

If you do not wish to make the report directly to your line manager the Council has in place electronic methods of reporting your concerns. If you want to be assured of absolute confidentiality or wish to remain anonymous, you can report to the Head of Audit & Risk or his Corporate Counter Fraud Team. You may do this directly or by using fraud@nottinghamcity.gov.uk, (corporatecounterfraud@nottinghamcity.gov.uk) or the reporting buttons available on the Council's websites.

- **Whistleblowing**

The Whistleblowing Policy on the intranet provides advice on reporting criminal acts (such as fraud). You should acquaint yourself with this policy before deciding to report the incident under the policy or as a fraud. If you wish to make a report under this policy you should contact the appropriate person identified in the policy who will then liaise with the Monitoring Officer or Audit Manager within Internal Audit. You may of course access the Monitoring Officer or the Audit Manager within Internal Audit directly or use the appropriate electronic mechanism on the Council's websites. Provided reports are made in good faith, you are protected by the Council and the law against retribution, harassment or victimisation and your confidentiality will be preserved.

If you feel unable to use Council's procedure for your disclosure you can contact an independent "prescribed" person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the Council, since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

### **2.3 Guidance for line managers on receiving a report of fraud:**

- Listen to the concerns of your colleagues and treat every report you receive seriously and sensitively. Make sure that all colleagues concerned are given a fair hearing.
- You should reassure your colleagues that they will not suffer because they have told you of their suspicions.
- Obtain as much information as possible from the colleague. Do not interfere with any evidence and make sure it is kept in a safe place.
- Request the colleague to keep the matter fully confidential in order that senior management are given time to investigate the matter without alerting the suspected/alleged perpetrator.
- Report the matter immediately to the Head of Internal Audit who will arrange a full investigation of the matter and ensure an appropriate response is made.

## **2.4 Decision Tree and Actions**

**Identified a Potential Fraud or Whistleblowing issue?**

Refer to Financial Regulations and Whistleblowing Policy

## **3 Fraud Response Plan**

### **3.1 Introduction**

It is important that managers and others know what to do in the event of a fraud so that they can act without delay. The Fraud Response Plan covers the action required when fraud is suspected and to whom the fraud or suspicion should be reported. The Fraud Response Plan is a guide to how and by whom the fraud suspicion will then be investigated, reported and closed.

The Fraud Response Plan provides an outline of many of the areas that will need to be considered when investigating a large and complex fraud. For smaller less complex frauds, there will be parts of the plan that will not be applicable. It is however important to keep an open mind and consider whether a small fraud is concealing a much larger fraud.

### **3.2 Immediate Action**

All cases must be notified to the Head of Internal Audit and may also be reported to the Director or Line Manager

The Head of Internal Audit will ensure that all suspected fraud is recorded in the Fraud / Whistleblowing Register and updated as the investigation progresses (see appendix 5).

### **3.3 Head of Internal Audit - Fraud Response**

The Head of Internal Audit will arrange for the most appropriate response, including the provision of investigative resources from the department and where required from the Corporate Counter Fraud Team (CCFT) and the Legal Service. For small or less complex frauds, a large investigative resource may not be required, but the Head of Internal Audit should always be kept informed of progress at all stages of the investigation.

- Investigative Resources should be established as part of agreeing and signing off the Fraud Response Plan.
- Investigators should quickly determine the following:
  - whether an investigation is necessary
  - who will lead the investigation (the person chosen to lead the investigation should be appropriately experienced and independent of the activity affected by the alleged fraud).
  - any necessary additional resource to support the investigation
  - any immediate need for police involvement
  - any additional support requirements (eg IT facilities, a secure room, secure fax and phone facilities, administrative support etc)
  - any immediate need for legal advice
  - any immediate need for external, technical advice or support (eg forensics)
  - any immediate need to establish a PR/media strategy for dealing with the case (both internally and externally)
  - any immediate need to suspend colleagues; conduct searches and remove access (eg to files, buildings, computers/systems etc)
  - any immediate need to report the potential fraud externally (eg external auditors, tax authorities etc)
  - whether insurers need to be informed

- whether the chair of the Audit Committee should be informed
  - a timetable for the lead investigator to report back progress on the investigation.
- The objectives of the investigation should be documented and approved by the Head of Internal Audit at the outset. Likely objectives would be to:
    - establish if a fraud has taken place
    - identify the culprit(s)
    - establish the facts surrounding the fraud and ascertain total losses
    - remove the threat of further losses. (Note: in some exceptional cases it may be necessary to allow further losses, in order to gain additional evidence and increase the chances of successful criminal, civil, or disciplinary action. This should normally only be allowed under police guidance).
    - obtain sufficient evidence for successful disciplinary, criminal, or civil action
    - Certain action may need to take place immediately to prevent further losses.
  - The Director/Head of HR & EDI should be involved on any decisions and action regarding suspensions and removal of access to files, systems and offices.
  - The date of the next meeting and review of the first investigation progress report should be agreed.
  - The Head of Internal Audit should be updated on a regular basis, to oversee progress of the investigation and to take major decisions relating to the case.

### **3.4 The Lead Investigator's Plan**

- The lead investigator should prepare an investigation plan, which should be submitted to the Head of Internal Audit for approval.
- The Plan should be fairly short term, as developments in the investigation will invariably result in changes. It should clearly show what work/tasks need to be completed, why they are necessary, by whom and by when.
- The Plan may cover some or all of the following:
  - identification and recording of the persons involved and facts of the case
  - handling internal and external communications
  - actions to prevent further losses
  - actions to secure evidence. Normally, evidence should be secured in a way that will be least likely to alert the suspect(s) or others
  - liaison with Human Resources and dealing with colleagues under suspicion
  - interviews to be conducted
  - timetables for involving the police or other external experts
  - analysis of evidence
  - internal reporting (eg to Management Team, Audit Committee, etc)
  - reporting to regulatory/government bodies and or the Police
  - target dates for reporting back to the Head of Internal Audit

### **3.5 Communications during and after the investigation**

The effectiveness of the Plan depends on good quality communication at all stages.

#### **Internal communications**

- Investigators need to ensure that everyone with a need to know is kept suitably briefed throughout the investigation and at the reporting, acting on findings and debriefing stages. Communication with any person(s) about whom concerns are raised needs to be conducted in accordance with the Council's HR policies. The person who raised concerns should be kept up to date, with due regard to confidentiality.
- There will always be a balance to be struck between communication and confidentiality therefore those persons or categories of persons who need to know should be clearly identified at each stage of the Plan, so that assurances on confidentiality can be given where required

#### **External communications**

- Third parties who may need to be alerted or informed might include the Police, regulatory authorities, insurers, legal advisors and external auditors. The Plan should make clear who is mandated to communicate with these third parties, and under what circumstances.
- The Council is prepared for the fact that frauds may attract media attention and the Plan should identify which colleague is mandated to deal with the press and what action any other colleagues contacted by the press should take. The current media communication channels and procedures should be used where possible

#### **Inappropriate communication**

The Plan should make clear any form of communication that is considered inappropriate, for example:

- discussing the case outside the Council
- confrontation between the person reporting the fraud and the suspected perpetrator(s). (Note that the Whistleblowing Policy provides assurances for the safety and confidentiality of the person making the report.)

### **3.6 Securing evidence**

- In securing and handling evidence it should be assumed that all evidence may need to be examined forensically and presented in court and should therefore be treated accordingly. (Even if criminal or civil action is not planned, it is sensible to adopt this approach.)
- Normally, all evidence should be kept securely under lock and key, with access limited to those working on the investigation. If necessary, locks to secure rooms should be changed. Evidence should be handled appropriately and a record should be maintained of anyone handling it.
- Evidence such as computer data, transferable media, videotape etc, should only be handled by suitably trained and skilled personnel. Where there is any doubt, professional/Police advice should be sought.

- Where evidence, or other relevant information, is to be shared with another body, careful consideration should be given to any data protection (confidentiality) requirements. Where there is any doubt, expert advice should be sought from the Council's Legal Services or Information Governance team.
- Evidence can take different forms and will need to be handled in different ways, for example:

#### **Original Documents**

- handle as little as possible
- put in protective folder and label the folder
- do not mark in any way
- assign responsibility to one person for keeping the documents
- keep a clear record of how and where the documents were obtained
- keep a record of anyone who subsequently handles the documents

#### **Computer Held Data/Transferable Media**

- keep secured in an appropriate environment
- data should only be retrieved from computers by those who are technically qualified

#### **Photocopied Documents**

- in some cases it may be preferable or necessary to leave original documents in situ and take photocopies for further analysis and investigation
- photocopies should be clearly marked as such
- photocopies should be signed and dated, and certified as a true copy of the original

#### **Other physical evidence (including Video/DVD/CD Rom)**

- keep secured in an appropriate environment (eg protective bag)
- videos should not be viewed until technical and legal advice is sought in order that they can be treated in accordance with the rules of evidence

#### **External evidence**

- There are potential external sources from which evidence or information to support an investigation can be obtained, such as the tax authorities, supplier records, government registers of companies, donor records etc.

### **3.7 Colleagues under suspicion**

- It should always be remembered that an allegation of fraud may be unfounded and in order to respect the colleague and ensure good working relations after an investigation, any action taken, such as suspension, and interviewing should be handled very carefully.
- Suspension from work is an opportunity to protect both the employer and colleague, providing the necessary space and opportunity to plan the investigation, investigate the facts and speak to other colleagues without the colleague being present. It should be made clear that suspension is not a judgement.

- The key factors in deciding to suspend colleagues will normally be prevention of further losses and removal or destruction of evidence. In some cases, it may be preferable to not suspend even at the risk of further losses (e.g. to gather further evidence).
- Any colleagues under suspicion who are allowed to remain at work should be closely monitored. This may include: physical surveillance of movements, monitoring of IT usage, monitoring of telephone, email and internet usage etc. (Note: it is advisable to seek legal advice regarding the use of surveillance techniques, to ensure compliance with local laws such as the Regulation of Investigatory Powers Act in the UK).
- Where a suspect offers to resign during the investigative process the consequences must be considered and a decision to reject or accept the resignation made only after consultation with HR, Legal Services and the Head of Internal Audit. By accepting the resignation the Council's ability to investigate the incident and gain proper redress may be limited.
- Other matters to consider include:
  - A review of HR records (e.g. to check references, employment history, qualifications etc, but with due regard to any data confidentiality / protection requirements)
  - Searching the suspect's work area; desk, cabinets, files, computer etc
  - Restricting access by the suspect to files, computers etc.

### **3.8 Interviews/statements**

- When interviewing colleagues under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that you have no pre-set view, the suspicion should be outlined and the colleague given adequate time to respond.
- If it is decided that formal questioning is needed because involvement in a criminal offence is suspected, then the CCFT should be consulted to consider whether the interview should be conducted in accordance with the principles of the UK Police and Criminal Evidence Act (PACE). Guidelines can be found on the Home Office Website.
- Interviews should only be carried out with the approval of senior management/the Head of Internal Audit.
- Early consideration should be given to Police involvement, or consultation.
- There are strict rules relating to tape recorded interviews and investigators must be suitably skilled and experienced, where these are used.
- Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record – the witness can be given a copy of the statement if desired.
- It is very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal, disciplinary hearing). Such notes should always show: date of interview; time started; time finished; and be signed and dated by the interviewer.

### **3.9 Police involvement**

- The Council has the authority to prosecute criminal offences under section 222 of the Local Government Act 1972. Consultation should take place at the earliest opportunity between IA/CCFT, Legal Services and the relevant department in order to establish the most efficient manner of dealing with any potential criminal offences. This may include internal investigation and prosecution or referral to the police.
- Where a decision is taken to pass the matter to the police, the lead investigator should prepare an evidence pack that can be handed to the police at the time the fraud is reported. The pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and including photocopies of key supporting documents and contact details of the person leading the investigation.
- Where practical a record of everything that is handed to the Police should be kept
- All contact with the police should be channelled through one person (ie the person leading the investigation). A record should be maintained of all contacts with the Police, the details of the officers, and the crime reference number.
- The Police have knowledge of similar cases of fraud and their advice should be sought regarding measures to prevent further losses or future incidents.

### **3.10 Prevention of Further Losses**

- Once actual or potential losses have been identified it is important that effective and timely action is taken to prevent further losses. It may however be decided that a better standard of evidence can be obtained by allowing limited further losses.
- The person in charge of the investigation should, at an early stage in the process, complete a preliminary assessment of the potential for further losses and how best to prevent them. He should make recommendations to senior management as to what if any immediate actions are necessary.
- Actions taken at an early stage may have to be circumspect so as not to alert suspects who have yet to be suspended or cautioned. It may also be important not to lose or compromise the forensic value of data by precipitate action. It may nevertheless be necessary to act quickly e.g. to stop payments to suspects who are being investigated.
- As the investigation continues, and more information emerges, further recommendations for action may be needed. At the end of the investigation, Internal Audit should review all the actions taken to prevent further losses and to report on this in the Review of Findings.

### **3.11 Recovery of Losses**

Once the identity of the perpetrator(s) and the size of the fraud has been determined, management must consider whether or not any of the loss can be recovered and take any further action that is necessary. This may require advice from the Insurers.

### **Reimbursement offered during the investigation**

- An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The person in charge of the investigation should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). The lead investigator should record any offer made and refer the individual to the Head of Internal Audit who in turn will consult with the Chief Finance Officer and Director of HR & EDI.

### **Reimbursement offered during disciplinary or legal proceedings**

- If an offer of restitution is made while disciplinary or legal proceedings are still under way, management must seek legal advice before such an offer is accepted.

### **Reimbursement after completion of disciplinary proceedings**

- Where a colleague is to be dismissed, the manager should consider recovery of amounts due from any outstanding salary or expense payments. It will be necessary to take legal advice about the right to do this, as it is unlikely to be clear in the colleague's contract of employment.

### **Recovery of loss**

- Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible for fraud.
- Where a colleague is a member of Nottinghamshire County Council's Pension scheme, and is convicted of fraud, NCC may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme, which are then reduced as advised by the actuary.

### **Court Order**

- Where a criminal case is taken against an individual a formal claim for restitution (where the court orders the defendant to give up gains) or alternatively a compensation claim made within a proceeds of crime claim should be made through the Police. Seek advice from Legal to determine the appropriate claim. Any monies due will be recovered via a Court Order.

### **Civil Action**

- Funds lost due to fraud can be recovered from the perpetrator by suing them for damages in a civil court. The level of proof required in civil cases is lower than that required in criminal cases and management may regard a civil action as a more effective use of their time than trying to persuade the Police to investigate and the courts to prosecute. If this approach is successful, the perpetrator will also have to pay the Council's legal costs. Seek advice from Legal to determine the appropriateness of the claim.
- A civil action can still be brought even if a criminal prosecution has failed. If a criminal prosecution is successful a civil action may be necessary to force the person convicted to repay the sums stolen.

- It is important to remember that the person being sued may be unable to make the repayment. In situations in which repayment is unlikely senior management approval should be obtained before additional legal costs are incurred.

### **Commercial Negotiation**

- Where the fraud has been committed by the employee of a contractor or supplier, all or part of the loss may be recoverable from the business concerned. It may be possible to reach an agreement that the loss can be deducted from any outstanding debts or that additional goods/services will be supplied free of charge.
- Third parties may want to agree a negotiated settlement in order to retain the goodwill of their customer and/or to avoid damaging publicity and legal costs. They may subsequently be able to recover these costs from their employees or their insurers

### **Insurance**

- The insurers should be informed as soon as a suspicion is raised. In certain circumstances it may be possible to make a claim against the insurers. The person who led the investigation should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

### **3.12 Administration**

- Careful administration of the investigation is of vital importance. A disordered investigation, without clear records and logs of events, communications, key dates etc, will cause problems at any court hearing, employment tribunal, or disciplinary panel.
- Maintain a chronological record of all events on a main file. This should include all correspondence, telephone calls and emails sent/made and received, interviews, visits, tests/checks undertaken etc.
- Maintain a list of all contacts (eg internal, Police, lawyer, donors/funders, peer organisations, government bodies, and technical advisers).
- Maintain a list of emergency contact numbers and ensure that this is shared with all those on the list.
- Maintain a log of anyone who handles evidence obtained, including the Police.
- Consider whether there is a need for dedicated administrative support; dedicated phone and email address; secure fax machine; secure room etc.
- Do not keep any unnecessary records or copies. Carefully shred any papers that are not needed (e.g. extra copies of progress reports).
- Establish internal and external communication protocols. Discourage the use of email to communicate sensitive information; avoid internal mail and hand deliver highly confidential information, opting for double-enveloped post for less sensitive information. Where email is used for communication, consider entering subject names that have no direct link to the investigation.

- Provide update reports as appropriate to the Head of Internal Audit

### **3.13 Reporting**

- Every investigation of suspected fraud or financial irregularity should result in a report written by the person who led the investigation. This should be done regardless of whether any colleagues are dismissed or prosecutions made and details entered in the fraud register.
- The register will record the scale of the fraud, when and how it was perpetrated and by whom. In addition the report will record; what action has been taken against the perpetrator, the actions to prevent further similar losses and to recover what has been lost. It will also usually be pertinent to note how the fraud was detected and whether or not existing controls were effective.
- Since the report may be used internally for disciplinary hearings or externally for civil or criminal proceedings, conclusions and opinions should be substantiated by evidence.
- It is important to strictly limit the distribution of the report. Copies will not be provided automatically to suspects or their representatives. If a disciplinary hearing takes place the individual and their representative may be entitled to receive a copy subject to obtaining legal advice.

### **3.14 Review, communication and action on Findings**

#### **Review of findings**

- The findings reported by the person in charge of the investigation should be reviewed by relevant managers and in particular the lessons learned to avoid future frauds.
- Senior Managers should satisfy themselves that, so far as is practically possible, a similar fraud could not occur again and /or the amount of potential loss has been minimised, the perpetrators have been properly dealt with and recovery has been pursued robustly.
- Managers and supervisors should be disciplined if they have not properly enforced existing controls and procedures.

#### **Communicating outcomes**

- Responsibility for communicating findings and actions to those involved and others who need to know should be set out in the Plan. The Council will hold a debriefing once outcomes have been finalised, to ensure that proper closure has been achieved.
- It may be necessary to manage the expectations of the person who raised concerns. The Whistleblowing Policy provides guidance on what may be communicated.

#### **Action on Findings**

- Any actions arising from the final report should be allocated to named individuals with appropriate due dates for completion.

- The final details of the fraud should be added to the entry in the Fraud Register.

### **3.15 Closure**

#### **Communication that the case has been closed**

- It is important that any decision to close the case is clearly documented and communicated to those involved.
- The case may be closed for a number of reasons, including:
  - All action points that arose from the final report have been completed.
  - The Head of Internal Audit decides there is insufficient evidence to support the allegations.
  - The Council does not wish to incur further costs investigating the case.
  - The decision to close the case and the reason for doing so should be documented by the person leading the investigation and should be added to the investigation file and the fraud register.

#### **Learning from experience**

- Following completion of the case, the Head of Internal Audit will prepare a summary report on the outcome and lessons learned, circulating it to all other relevant parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud or theft.

#### **Archiving**

- All documents associated with the investigation should be archived in a secure location with adequately restricted access, and be retained in line with the document retention guidelines.
- Any redundant documents and papers, or duplicate copies, should be carefully shredded.

## Appendix 1 - Examples of fraud

**Theft:** the illegal taking of someone else's property without that person's freely-given consent. Apart from the obvious theft of Council physical assets such as computers, shop stock and money, it includes:

- Misappropriation of funds
- Misuse of assets, including cash, stock and other assets, for example “borrowing” petty cash, use of photocopiers for private purposes
- Theft from a client or supplier
- Theft of intellectual property (eg unauthorised use of the Council name/logo, theft of product/software designs and client data)

**Bribery:** this implies a sum or gift given or sought that alters the behaviour of the person in ways not consistent with the duties of that person. It includes offering, giving, receiving or soliciting any item of value in order to influence an action.

**Corruption:** this is a general concept describing any organised, interdependent system in which part of the system is either not performing duties it was originally intended to, or performing them in an improper way, to the detriment of the system's original purpose.

**Deception:** to intentionally distort the truth in order to mislead others. It would include obtaining property, services or pecuniary advantage by deception or evading liability. Deceptions include:

- misrepresentation of qualifications to obtain employment
- obtaining services dishonestly via technology eg where a credit card that has been improperly obtained is used to obtain services from the internet, or any other situation where false information is provided to a machine
- possessing, making and supplying articles for use in fraud via technology eg computer programs designed to generate credit card details that are then used to commit or facilitate fraud
- undeclared and unauthorised private and consultative work
- failure to properly declare interests that may materially affect the carrying out of their role
- failure to observe, or breaches of, established Council / Service policies, procedures, or practices can in some circumstances constitute an irregularity
- money laundering (see below)
- providing misleading information in order to obtain funds, such as overstating activity

**Forgery:** this is the making or adapting objects or documents with the desire to deceive.

**Extortion:** this occurs when a person obtains money or property from another through coercion or intimidation.

**Embezzlement:** this is the fraudulent appropriation by a person to their own use of property or money entrusted to that person's care but owned by someone else.

**False Accounting:** this is dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive. It includes:

- Manipulation or misreporting of financial information
- Fraudulent completion of official documents (eg VAT receipts)

**Conspiracy:** this is an agreement between two or more persons to break the law at some time in the future. It includes breaches of regulations.

**Collusion:** the term “collusion” covers any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes of fraud.

**Money laundering:** this is the term used to describe the ways in which criminals process illegal or ‘dirty’ money derived from the proceeds of any illegal activity (eg the proceeds of drug dealing, human trafficking, fraud, theft, tax evasion) through a succession of transactions and deals until the original source of such funds has been obscured and the money take on an appearance of legitimate or ‘clean’ funds.

There are three internationally accepted phases to money laundering:

**Placement** – this involves the first stage at which funds from the proceeds of crime are introduced into the financial system or used to purchase goods. This is the time at which the funds are most easily detected as being from a criminal source. Such ‘dirty money’ will often be in the form of cash or negotiable instruments such as travellers cheques.

**Layering** – this is where the funds pass through a number of transactions in order to obscure the origin of the proceeds. These transactions may involve entities such as companies and trusts (often offshore).

**Integration** – this is when the funds are available via a legitimate source and allow the criminal to enjoy access to the funds again, with little fear of the funds being detected as being from a fraudulent source.

## **Appendix 2 - Terrorist Financing (Terrorism Act 2000)**

Under the Terrorism Act 2000 the assets of charities can be frozen if they are shown to have funded terrorists. Colleagues should therefore be aware of terrorist organisations posing as legitimate entities which can conceal the diversion of funds to terrorist organisations.

### *Example 1:*

An employee working for a charity used his occupation to support the on-going activities of a known terrorist organisation. The employee had secretly made contact with those involved in terrorist activity and used his position to hide weapons and bomb making equipment.

### *Example 2:*

An employee working for a charity obtained surplus funds from the Council to fund terrorism by padding the number of children it had claimed to care for by providing the names of children who were either dead or did not exist. Funds were then diverted to local terrorist organisations. The charity also employed members of the terrorist organisations and facilitated their travel.

## Appendix 3 - Examples of controls to prevent and detect fraud

- Thorough recruitment procedures.
- Physical security of assets.
- Clear organisation of responsibilities and reporting lines.
- IT access controls over data
- Adequate staffing levels.
- Supervision and checking of output.
- Separation of duties to ensure that key functions and controls are not performed by the same colleague.
- Rotation of colleagues.
- Random spot checks by managers.
- Regular activity by auditors.
- Complete and secure audit trails.
- Performance monitoring by management.
- Budgetary and other financial reports.
- Reviews by independent bodies such as the the external auditor and Internal Audit.
- Data matching.

## Appendix 4 - Warning signs for fraud

There are warning signs that can indicate a fraud may be taking place eg:

- Colleagues under stress without a high workload.
- Reluctance to take annual leave.
- Being first to arrive in the morning and last to leave in the evening.
- Refusal of promotion.
- Unexplained wealth.
- Sudden change of lifestyle.
- Suppliers/contractors who insist on only dealing with one colleague.
- A risk taker or rule breaker.
- Disgruntled at work/not supportive of organisations mission.
- Colleagues with serious financial problems.
- Colleagues whose lifestyle is disproportionate to their income.
- Unusual concerns about visits made by senior managers or auditors.
- Colleagues who often break the rules or fail to comply with procedures.
- Managers/colleagues who cut corners.
- Complaints about colleagues from customers or other colleagues.
- The lack of effective internal controls in an area.
- Unexplained falls in income levels or increases in expenses.
- Deliveries of stocks or orders to other buildings or non-Council buildings.
- Increases in the number of insurance claims.
- A general disregard by management and colleagues towards security.

Fraud Indicators can include:

- Colleagues exhibiting unusual behaviour (see list above).
- False entries in attendance records such as flexi sheets.
- Missing key documents (invoices/contracts).
- Inadequate or no segregation of duties.
- Documentation which is photocopied or missing key information.
- Missing expenditure vouchers.
- Excessive variations to budgets/contracts.
- Bank and ledger reconciliations not regularly performed and balanced.
- Unexplained or unreasonable balancing items in reconciliations
- Numerous adjustments or exceptions.
- Overdue pay or expense advances.
- Duplicate payments.
- Ghost colleagues on payroll.
- Large payments to individuals.
- Crisis management coupled with a pressured work environment.
- Lowest tenders or quotes passed over without adequate explanation.
- Single vendors.
- Climate of fear/low colleague morale.
- Consistent failure to implement key controls.
- Management frequently overriding controls.

## Appendix 5 - Fraud / Whistleblowing Register

The Fraud Register contains the following headings:

- Logged By
- Reference Number
- Referred By
- Date Referred
- Details of Referral (Brief)
- Contact Details
- Reported to Monitoring Officer
- Date Acknowledgement letter sent
- Agreed By
- Date Agreed
- Investigating Officer
- Stage / Status of Investigation Outcome
- Date Outcome Reported to Monitoring Officer
- Date Outcome reported to the Whistleblower
- Type of Whistleblowing Date action taken after case finished
- Type of fraud
- Value (£)
- Brief details of the fraud / corruption
- Fraud or Corruption
- Did the case involve an employee or a Councillor?
- Was the person prosecuted?
- Guilty Outcome?
- Outcome
- Perpetrator
- Type of Fraud

**Nottingham City Council**

# **Data Matching Strategy and Policy**

**Nottingham City Council August 2020**

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## **DATA MATCHING STRATEGY**

### **1. Introduction**

- 1.1 Nottingham City Council is committed to providing the best possible service to its citizens by continually making improvements and utilising resources efficiently and effectively. The Council has access to vast amounts of information and, by making better use of this information across the Council it can enhance services, increase income and work efficiently.
- 1.2 The ability to match data across the many Council databases can highlight gaps in service provision, identify possible fraudulent activity or streamline processes. The Cabinet Office under its statutory powers has collected data from many public bodies to carry out data matching exercises for the prevention of fraud. This National Fraud Initiative (NFI) has already proved successful by identifying frauds of £1.93 billion since its inception in 1996. Such has been the success of the initiative that many private sector clients now use the service.
- 1.3 Within the Council, Internal Audit uses data matching techniques in the course of some of its audit investigations. Following the success of data matching exercises it is appropriate that its use be expanded to support the enhanced use of information in the most efficient and effective way to improve the delivery of the service. It is a key objective of Internal Audit to enhance the Council's ability to proactively seek out fraud and error through rigorous, programmed data matching exercises and data mining on areas identified as high risk. Internal Audit will also be seeking a more targeted approach through the better use of intelligence.
- 1.4 Looking forward, Internal Audit's vision is to expand the use of data matching techniques to include activity on data from other relevant public sector bodies.

### **2. The key objectives of the Data Matching Strategy**

The key objectives of the strategy are:

- Nottingham City Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. Continuous use of data matching in conjunction with auditing will be a pro-active approach to identifying and where possible preventing fraud and corruption. It will:
  - Provide an effective internal control and a means of helping to prevent or identify fraudulent or corrupt activities.
  - Develop an internal tool to help identify errors, inconsistencies, irregularities and risk to financial resources within the Council.
  - Ensure that the Council fully utilises the data held within its systems to best possible effect.
  - Aid the audit planning process and other audit projects.
  - Improve the control environment within the Council.
  - Identify potential weaknesses in design and operation of internal controls that may be creating the risk of fraud or irregularities occurring.
  - Identify potential weaknesses in the design of Information Systems that currently may not provide adequate assurances that they will prevent error or fraud.

- The Council is committed to ensuring its citizens have access to all services they are entitled to. The interrogation of data can highlight areas where there are gaps in service.
- Act in accordance with legislative obligations under the National Fraud Initiative.
- The audit process should be enhanced by:
  - improving the audit planning process and deployment of Audit colleagues
  - using the matching and interrogation of data to highlight areas for further investigation
  - highlighting errors, inconsistencies, irregularities and/or financial risk
- The Council will work within the relevant legislative framework including the General Data Protection Regulations, Data Protection Act, and Nottingham City Council Information Security policies.

### 3. Scope of Data Matching

- 3.1 Data matching and analysis may be performed on any City Council data system.
- 3.2 Data matching and analysis may be performed on data received from other public bodies by agreement and within relevant legislation.
- 3.3 In exceptional circumstances data matching and analysis may be performed on data received from other external systems where deemed appropriate to the furtherance of the City Council's anti-fraud objectives and where relevant legislation permits.
- 3.4 Data matching will be performed routinely to support our planned work or on an ad-hoc basis;

**Routine Data matching** – scheduled data matches may take place on a daily, weekly, monthly or quarterly basis. Datasets will be collected from core or significant systems.

**Ad-hoc data matching** – data matches may be required for work of a special nature when routine data matching activities would not be appropriate. Also, data collected for routine data matching activities may also be used as a by-product to drive and support the audit of large information systems.

### 4. Legal Basis for Data Matching

- 4.1 In order for the City Council to undertake data matching it must operate within the legislative framework. Internal Audit will work with colleagues in Information Compliance and Legal Services to keep abreast of new or amended legislation and ensure the correct procedures are in place to drive improvement.

- 4.2 Data is currently matched under legislation including:
- Local Audit and Accountability Act 2014
  - Local Government Act 1972
  - Accounts and Audit Regulations 2015
  - Benefit Counter Fraud – Social Security Act.
- 4.3 To support internal pro-active anti-Fraud activities, data matching takes place to assist the Section 151 Officer achieve their responsibilities. These are outlined in the Local Government Act 1972 and supported by the internal audit right of access stated in the Accounts and Audit Regulations 2015.
- 4.4 The City Council will adhere to the General Data Protection Regulations and the Data Protection Act 2018 by ensuring there are the relevant fair processing notices in place to inform the data subjects that data matching may take place to help detect and identify fraud.

## **5. Approach to data matching**

- 5.1 The balance of work carried out between routine and non-routine data matching will integrate with existing Nottingham Internal Audit planning objectives.
- 5.2 Routine data matching will be subject to one time approval as part of the planning process. The approval will be reviewed on an annual basis to verify that it remains valid and appropriate. All approvals will require a justification to be produced, outlining the data requirements and data field definitions.
- 5.3 The overall approach to data matching consists of an extraction of data from any system or data warehouse held by the Council, and then subsequently cross matching or exception testing this data to another data set to help identify potential errors, irregularities or suspect matches.
- 5.4 Non-routine (ad-hoc) data matches will require approval from the Audit Manager each time a data match is carried out. This will be done prior to approaching the data owner.

## **6. Retention of data**

- 6.1 The City Council will ensure that data is not held for longer than is necessary for the purpose it was obtained. In establishing retention and archiving periods we will consider both the possibility of complaints and the legal requirements.
- 6.2 All successful data matches that result in a fraud referral will be documented and retained in line with normal operating procedures.
- 6.3 Datasets used to carry out data matches will be retained for a maximum of six months after their planned use, subject to the need to conserve evidence.
- 6.4 All data refreshes will take place on a regular basis i.e. daily, weekly, monthly or quarterly as relevant to operational needs. Consequently, as the existing dataset will be overwritten, data will only be retained until the following scheduled refresh occurs.

## **7. Storage of data**

- 7.1 Data is held in secure computer files, which have restricted access.
- 7.2 Manual records will be held securely in locked filing cabinets.
- 7.3 Output reports and files that do not highlight a match will be securely destroyed.
- 7.4 Once the data matching exercise has been completed the extracted source data file will be deleted. Matches which do not identify fraudulent activity will also be deleted. Matches which subsequently highlight fraudulent activity will be maintained for analytical review.

## **8. Links to Audit Controls and Risk Registers**

- 8.1 Where significant fraudulent activities have occurred through poor system controls, the details will be fed to both the directorate and team responsible, and into the relevant risk register.
- 8.2 Details will be recorded by Internal Audit to help assess the implications on the annual assurance statement and for future trend analysis.

## **9. Management Action**

- 9.1 The Head of Internal Audit will make arrangements for follow-up of all positive data matches where a fraud has occurred but no action has yet been taken against the perpetrator(s) of the fraud. It is expected that colleagues and line-management will co-operate with this process.
- 9.2 If no action is taken by a line manager when a fraud or irregularity is proven, the Head of Internal Audit reserves the right to review the fraud circumstances and refer the matter to the City Council's Audit Committee.

## **DATA MATCHING POLICY**

### **1. Introduction**

- 1.1 Nottingham City Council is committed to quality service provision, reducing the number and value of errors, and reducing the level of financial risk and is continually looking to introduce more efficient and effective techniques to combat fraud. Processes within Internal Audit are designed, where practicable, to add value through techniques including data matching.
- 1.2 The benefits of data matching are well documented through government initiatives such as the National Fraud Initiative (NFI) run by the Cabinet Office. The NFI forms part of the statutory external audit process for councils, Police and fire authorities in England and Wales. Data matching under the NFI is a legal requirement and audited bodies and other participating organisations supply data for cross-matching between systems to identify cases where fraud may be occurring. Data matching has also been used to identify inconsistencies, for example, where similar information is stored in two different systems and errors resulting from data input.
- 1.3 Investing in improvement is a key priority for the Council to help it to manage resources economically, efficiently, effectively, flexibly and responsively. Consequently, errors or fraud identified via the data matching route will also help the Council to improve services and the internal control environment, supporting the Council's aspiration to be one of the best run Local Authorities in England.
- 1.4 Performing data matching and data analysis internally and informing suppliers, partners, colleagues and citizens that it is being carried out may act as a deterrent and create an anti-fraud and corruption culture within the City Council.

### **2. Definitions**

- 2.1 Data Matching – The computerised comparison of two or more data sets which relate to the same or similar individuals or elements to identify similarities or differences.
- 2.2 Data Analysis – The process of examining data with the aim of extracting some useful information and identifying anomalies.
- 2.3 Continuous Auditing – The method that is used to perform control and risk assessments in an automated manner on a more frequent schedule.

### **3. Purpose of Policy**

- 3.1 To ensure that a consistent data matching approach is adopted across Nottingham Internal Audit by making effective use of a clearly defined strategy and procedures.
- 3.2 To establish procedures that ensure data matching and analysis is conducted in a controlled, robust and approved manner.

#### **4. Principles of data matching**

- 4.1 The Council will only match and analyse data where relevant legislation permits, in order to avoid unlawful processing of data.
- 4.2 Data extracted will be obtained in accordance with the Data Protection Act and, where required, with the consent of the data owner.
- 4.3 To support the Council's determination to reduce fraud and error it will be Council policy to include a standard declaration in forms or input screens concerning the potential use of data provided to the Council in data matching exercises.
- 4.4 Only data actually needed to perform the data matching exercise is collected and processed.
- 4.5 Data matches will be fed into a structured and prioritised programme of activity.
- 4.6 Source and matched data is only seen by colleagues who need it in the course of their duties.
- 4.7 The results of a matching exercise do not automatically imply that fraudulent activity has taken place. It highlights areas for further investigation. The investigation team will conduct a thorough review of all results and ensure the accuracy of the data.
- 4.8 Data found to be inaccurate will be corrected in an appropriate manner so that decisions affecting individuals highlighted in the data matching routine are made on the basis of reliable and up to date data.
- 4.9 Data matching processes will be refined for future use where indicated by a review of results.
- 4.10 Data matching outputs are fed, where relevant and appropriate, into the Internal Audit planning process.
- 4.11 Source data and matched data outputs are protected from unauthorised or accidental disclosure.
- 4.12 Data is retained only for as long as it is required.

#### **5. Approval**

- 5.1 This policy forms part of the Council's Counter Fraud Strategy which is approved by the Council's Audit Committee.
- 5.2 The Head of Internal Audit will maintain the policy and review mechanisms set in place to ensure its principles are delivered.

## **6. Compliance**

6.1 Compliance with the policy will be required as part of the Council's Counter Fraud Strategy.

6.2 All relevant colleagues should receive appropriate training to provide an assurance that this policy is understood and followed effectively.

## **7. Data Retention and Disposal**

7.1 Data retention/disposal standards will be in line with Council Information Security Policies.

7.2 Personal information will be safeguarded from accidental and deliberate threats to confidentiality and integrity

## **8. Policy Review**

This policy will be reviewed by the Head of Internal Audit periodically and when relevant legislative changes are enacted.

## **9. Contact Officer / Guidance**

For clarification or guidance in connection with this policy, please use the following contact details

Shail Shah - Head of Audit & Risk  
Tel: (0115) 8764245  
[email:shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)

22 June 2022

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**Audit Committee – 30 September 2022**

<b>Title of paper:</b>	Business Rates Limited Assurance Internal Audit Report (2020-21) – Improvement Plans	
<b>Director(s)/ Corporate Director(s):</b>	Interim Corporate Director – Finance and Resources Interim Director of Finance Head of Customer Services	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Debbie Middleton – Interim Director of Finance, email: Debbie.middleton@nottinghamcity.gov.uk Lucy Lee – Head of Customer Services, email: Lucy.Lee@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	Lisa Black – Director of Operations, Nottingham Revenues and Benefits Ltd.	
<b>Does this report contain any information that is exempt from publication?</b>		
<p><b>YES</b> The information in the Appendix of this report has been identified as exempt under paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not in the public interest to disclose this information because it contains commercially sensitive information that may be used to prevent the Council from achieving its legitimate aims in respect of business rates income.</p>		
<b>Recommendation(s):</b>		
<b>1.</b>	That the Committee 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.	

**1. Reasons for recommendations**

- 1.1 The report sets out the actions taken by the new management to address the Internal Audit recommendations, stabilise the service and actions to strengthen the service going forward as required by the Committee.

**2. Background**

- 2.1 Internal Audit issued a 'Limited Assurance' Audit report on 16 August 2021 incorporating findings and recommendations from both the 2019/20 and 2020/21 audit of the Business Rates systems. A total of 12 recommendations are outstanding of which 2 are high priority, 6 are medium priority and 4 are low priority.
- 2.2 Internal Audit have not received a management response from the former Head of Commercial Finance and former Business Support Manager who were responsible and accountable for the performance of this service. The Audit Committee has invited the current officers responsible for the Business Rates service to present to the Committee:
- A high level overview of the service
  - An explanation of the current position including key issues

- Controls in place within the service, governance arrangements and risk management including any gaps in the service
  - The plan for improvement.
- 2.3 The Business Rates Service is concerned with billing and collecting Non-Domestic Rates (NNDR) Income from businesses within the City. In 2020-21, the gross income of circa £182.2m collected on behalf of Government from more than 11,500 businesses, resulting in circa £144m of income to the City Council. As a major source of income to fund the Council's service delivery it is important that the Council has robust processes and procedures in place to ensure the timely billing and collection of all income due from business rate payers.
- 2.4 The Business Rates Service is currently delivered as an in-house service and the staffing establishment comprises 7.13 FTE. The service currently has 5.33 FTE vacant posts and lacks adequate management and technical capacity to ensure deliver all of the functions required of the service. The service has been subject to volatility over recent years due to the turnover of staff, inability to recruit to vacancies and the deletion of a number of posts to deliver budget savings. This has resulted in some aspects of the service not being delivered to the standards or timescales that would be expected from an adequate service. This coupled with the pandemic, administration of numerous Government Business Grant initiatives, has resulted in limited recovery activity.
- 2.5 The Corporate Director of Finance and Resources (s151 Officer) has taken action to strengthen the management of the Business Rates Service through a partnership arrangement with Nottingham Revenues & Benefits Ltd, Director of Operations on a temporary basis in order to stabilise the service. This will enable a comprehensive review of the service to be undertaken to develop long term plans for establishing and delivering a robust, efficient and cost-effective Business Rates function.
- 2.6 To achieve the latter, the Head of Customer Services is liaising with the interim Director of Finance (deputy s151 officer) in relation to this work and is benefitting from the advice and support of the Director of Operations within Nottingham Revenues and Benefits Services as a Subject Matter Expert for the Business Rates in order to assess the adequacy of the function, systems and processes to ensure robust internal control and effective customer service going forward.
- 2.7 The improvements for the Business Rates service will be phased under 2 categories:
- Stabilise: - This work stream focusses on establishing the resources in the team based on current structure. Current progress includes:
    - Recruitment to the vacant Team leader post. This exercise concluded on 25 August 2022 and the successful candidate is being on-boarded. It is expected that the new post holder will take up the position early November (subject to notice period).
    - Recruitment to operational grades: Approval has been granted to approve to the next level of grade in the structure (Grade F). Adverts for 2 FTE will be placed in September with a view to the recruitment exercise concluding by 31 October 22.
    - Recruitment to the remaining posts will be concluded by end of December 2022, subject to the necessary approval.
    - In addition to the above, the interim management is preparing recommendations for specialist posts that the team has not had in place previously to support effective collection and build workforce resilience.

These recommendations will be available by end of November 2022, to enable the newly appointed team leader to have input and influence.

- Transform: - This work stream will commence once the service has resources in place to support the following:
  - Process mapping and review to identify opportunities to improve administration and recovery routines
  - Digital developments to improve the level of access to service for business and automation where appropriate
  - Service developments to modernise the approach to identify, maximise and prevent fraud for business rates in the City.

2.8 A review of the internal control weaknesses and recommendations included in the 20-21 Internal Audit report has been undertaken and the recommendations together with the management response is set out at Appendix A.

3. **Background papers other than published works or those disclosing exempt or confidential information**

3.1 None

4. **Published documents referred to in compiling this report**

4.1 None.

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