

Nottingham City Council

Audit Committee

Minutes of the meeting held remotely via Zoom -
<https://www.youtube.com/user/NottCityCouncil> on 26 March 2021 from 10.32
am - 1.24 pm

Membership

Present

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

Absent

Councillor Leslie Ayoola

Colleagues, partners and others in attendance:

Richard Beckett - Head of Major Projects
Beth Brown - Head of Legal and Governance
Theresa Channell - Head of Strategic Finance
John Gregory - Grant Thornton External Auditors
Jackie Handley - Insurance & Risk Manager
Clive Heaphy - Interim Director of Strategic Finance
Naomi Matthews - Data Protection Officer and Information Compliance Team
Leader
Sue Risdall - Team Leader, Technical Finance
Shail Shah - Head of Audit and Risk
John Slater - Group Auditor
Simon Salmon - Head of IT
Caroline Stevens - Principal Risk Specialist
Kate Morris - Governance Officer

78 Apologies

Councillor Leslie Ayoola – Personal

79 Declarations of Interests

None

80 Minutes

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

81 Work Programme and Action Log

The Committee considered the Work Programme and Action Log and the following points raised:

- (a) The Ministry of Housing, Communities and Local Government has confirmed that 2020/21 accounts have to be published in September 2021 so the work programme is likely to change because of this announcement;
- (b) Committee members queried the companies governance update item, which is a twice yearly update on the work of the Executive Board Companies' Governance Sub Committee, and the reference to the Companies working group which refers to the separation of the Capital and Commercial working group into two different groups, one to focus on Capital and one to focus on Companies. Further information will be circulated to Committee members by email;
- (c) Committee members also raised concerns about the volume of reports brought to the Audit committee and questioned whether Audit Committee is always the most appropriate place for them to be heard;

The Committee noted the Work Programme.

82 Update from Working Groups

The Chair invited updates from the Working groups.

Councillor Graham Chapman gave an update on the Fraud working group. He highlighted these points:

- (a) The TOR have been set for the group with a focus on recovering income to the Council and emerging issues;
- (b) The group confirmed that the main areas they will focus on is Council Tax fraud and Business Rates as well as East Midland Shared Services billing and debt collection. The group will look at how systems can prevent fraud and when detected how it will be followed up systematically;
- (c) Nottingham City Council is one of the only Local Authorities in the Country that has a dedicated fraud team. Resourcing is important and there may be cost benefits to expanding the team in the longer term if their work continues to be successful;

Councillor Edwards gave an update on the Risk and Assurance working group highlighting the following points:

- (d) The group has reviewed the Corporate risk register, raising one issue that the group feel should be on the register that is not. Suggestions for accurately reflecting the information associated with risks have been made to risk owners and the group has also highlighted elements of risk for focus to senior officers;

- (e) There has been a debate on how risk information is presented to members making it readable within papers for the committee.

83 Recovery and Improvement Plan Implementation – Process and Controls

Richard Beckett, Head of Major Programmes, introduced the report highlighting the control and processes around the Recovery and Improvement Plan. He highlighted the following points:

- (a) Following the non statutory review in November 2020 one of the recommendations made was the creation of a 3 year recovery and improvement plan to be overseen by an independent Improvement and Assurance board. The plan covers areas across finance, the Council plan, amendments to the constitution and cultural change;
- (b) A programme management process has been put into place to ensure delivery of the plan and incorporate change management and risk management. The plan is split into 8 themes, each allocated to an officer at Director level or above and a responsible portfolio holder. These officers are accountable to the Chief Executive for delivery and the Chief Executive is accountable to the Leader of the Council;
- (c) The Improvement and Assurance Board is required to provide quarterly reports to the Ministry of Housing Communities and Local Government detailing the progress against the Plan. It can meet more frequently if the members feel it is necessary;
- (d) An internal governance route has been established to ensure that information provided to the Board is robust and accurate, it includes an Officer Board chaired by the Chief Executive and a Member Board chaired by the Leader, both of which meet monthly. Each individual theme has a separate structure tailored to the requirements of the work;
- (e) Progress is monitored through monthly reports to the Programme Management Office, who provide a check and challenge function to the themes. This process allows for escalation of issues where necessary, highlights interdependencies and identifies risks and mitigations following the corporate standard method. These are include within departmental and corporate risk registers as appropriate. There will be coordination with Risk Management to ensure consistency and link with corporate reporting. Interdependencies have been plotted to enable effective management and risk and interdependencies are standing items at the officer board meetings;
- (f) The plan is a 3 year plan and it is likely that changes will be needed throughout the life of the plan. Change management arrangements will ensure the changes are justified, and well-understood including their implications. They will be recorded and considered using a standard template. any changes to be made will need to be approved by the Officer and Member Board.

Following detailed comments and questions from Committee members the following points were made:

- (g) Audit committee need to be satisfied that the processes put in place are effective at making change, and that the changes are the correct focus;
- (h) Given the complexity of the programme management a flowchart detailing the themes and how Audit connects into the reporting mechanisms would be beneficial for subsequent reports. Audit Committee need to be able to feed into the process and raise issues if necessary;
- (i) The key issue is ensuring that these transformations occur in the correct culture and Audit Committee needs to ensure that the culture facilitates and works with processes put in place. The Plan does include a number of milestones where new documents have been approved, however culture is key to enacting the changes. Audit Committee need to be assured around cultural change as well as process change;
- (j) Members would like to see a focus on outcomes, to then address the process where the outcomes are not being achieved. The Risk working group will continue to consider the Corporate Risk Register and will review the risks that are identified by the Programme Management Office that do not then appear on the risk register;

Councillor Michael Edwards moved that the recommendations be amended as follows, this was seconded by Councillor Graham Chapman:

- 1) To agree that arrangements are in place for the management of the Recovery and Improvement Plan;
- 2) To receive additional risk information identified by the Programme Management Office to the Risk Working Group, this information will be fed into the corporate risk register and outcome orientated and further reported back to the Audit Committee;
- 3) to establish a way to feedback, critique, observations and recommendations on recommendations made by the Improvement Board to the Council, to the Improvement Board;

After discussion and revision the amendment was put to the vote and was carried

Resolved to

- (1) Agree that arrangements are in place for the management of the Recovery and Improvement Plan;**
- (2) Receive additional risk information identified by the Programme Management Office to the Risk Working Group, this information will be fed into the corporate risk register and outcome orientated and further reported back to the Audit Committee; and**

(3) Establish a way to feedback, critique, observations and recommendations on recommendations made by the Improvement Board to the Council, to the Improvement Board;

84 Statement of Accounts 2018/19 and Addendum to Annual Governance Statement

Theresa Channell, Head of Strategic Finance, introduced the Statement of Accounts 2018/19, addendum to Annual Governance Statement 2018/19 and Audit Findings– Value for Money and going concern report to the Committee. She reminded the Committee that the unaudited accounts had been approved in July 2019. The External Audit report had been presented in 2020, but the value for money conclusions were delayed due to the Report in the Public Interest, and the non-statutory review. The following points from the report were highlighted:

- (a) The External Audit report issues an adverse value for money conclusion stating that in 18/19 there were not adequate arrangements in place. Issues set out include financial stability, company governance and management of significant projects, all of which have been included within the Recovery and Improvement Plan;
- (b) A revised version of the Draft Statement of Accounts was presented to this committee in July 2020 (minute 18) with changes as suggested by the External Auditor. These have subsequently been signed off by the Chair of the Audit committee (as per the authority granted in Resolution 2 minute 18 2020/21);
- (c) There were no changes to the core statements within the Accounts. Changes were made, with the agreement of the External Auditors, to post balance sheet events to take into account Covid-19 impacts and the going concern conclusions, along with presentations changes to the financial asset notes;
- (d) The Annual Governance statement is required to be published with the Statement of Accounts and the changes made reflect those made to the Statement of Accounts;

During discussion, comments from Committee members and questions highlighted the following points:

- (e) This is the Statement of Accounts for 18/19 and the information within the report relates to that time period. A refreshed general statement about the city will be produced for this years statement of accounts reflecting the changes in demographics, the nature of the city and its needs especially in light of the Covid pandemic;
- (f) The Value for money report distinguishes between the Broadmarsh Shopping and Leisure Centre project from the Broadmarsh Car Park, bus station and Library project. These two projects were considered as part of the initial audit work in the summer of 2019 and were examples of large scale, live projects to use as examples. The view at the time was that here were strong processes in place but here were some concerns around how these were being applied and

the culture of the Council. This point around culture also becomes apparent again looking at issues around RHE and is addressed within the Recovery and Improvement plan;

- (g) Although there were strong systems in place these were overridden by the culture and the tendency for both officers and politicians to become involved in a group way of thinking. This then reduced the ability for the statutory officers to raise concerns without triggering a Section 114 notice. Separate mechanisms need to be established to ensure that statutory officers are able to intervene without triggering a Section 114 notice;
- (h) Members of the Committee commented that Corporate Governance Inspections were beneficial in the running of Local Authorities;

Resolved to

- (1) Consider the external Audit finding for Nottingham City Council and Value for Money and going concern Report;**
- (2) Note the changes to the statement of Accounts from the version presented to the Committee in July 2020; and**
- (3) Note the Addendum to the Annual Governance Statement 2018/19.**

85 Annual Governance Statement - Process for Producing 2020/21 Statement

Shail Shah, Head of Audit and Risk introduced the report updating the committee on the process for producing the 2020/21 Annual Governance Statement (AGS). He highlighted that the most notable change to previous years is the requirement to evaluate compliance with the CIPFA Financial Management Code. The requirement is that the Council reports in the AGS how it assesses itself against the code and work for this assessment is already underway.

Resolved to note the process and timetable for compiling and completing the 2020/21 Annual Governance Statement.

86 Risk Management and Corporate Risk Register Update

Jackie Handley, Insurance and Risk Manager and Caroline Stevens, Principle Risk Specialist, introduced the Risk Management and Corporate Risk Register Update to the Committee. She highlighted the following points:

- (a) The main changes within the Risk Management frame work include
- Inclusion of reference to companies as part of risk identification
 - Clear illustration on the escalation process for risks through the different Council risk registers and how company risk feeds into the structure through the Finance register
 - Update of the risk strategy and implementation plan for 2021
 - Update of roles and responsibilities for groups and individuals based on feedback received;

- (b) The Risk and Assurance Working Group has now met twice and work is ongoing to include and address the suggestions made by the Risk and Assurance working group, in particular the mechanism used to report to this committee
- (c) Risk training has been delivered by Zurich to Audit Committee members and Risk workshops are being planned for the Corporate Leadership Team to further embed the risk register and set the risk appetite;
- (d) Benchmarking work is taking place with other Core Cities with the aim to establish a Core Cities Risk Management Group.

Committee members asked a number of questions and made comments and the following points highlighted:

- (e) Committee members commented favourably on the inclusion of context to likelihood and impact judgement. This follows best practice and has been approved by Zurich Insurance. Feedback from risk owners has been positive. This has influenced the 5 x 5 scores given by risk owners which then impacts how the risk is managed.
- (f) Setting the Risk appetite is a difficult process. Zurich will be assisting to bring the global view and once work has taken place with CLT feedback can be sent to the committee;
- (g) Culture is changing. Discussion of risk is far more open and is not considered to be just a “tick box” exercise.

Resolved to

- (1) Note the refreshed Risk Management Framework and provide views and feedback on the framework and implementation plan**
- (2) Note the progress made to review existing processes and embed Risk Management across the Council**

87 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(s) 3 of Part 1 of Schedule 12A to the Act.

88 Exempt Minutes

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

89 Risk Management and Corporate Risk Register Update - Exempt appendices

The Committee considered the exempt appendices presented by Jackie Handley, Insurance and Risk Manager. Following discussion, an additional recommendation was moved and agreed.

Resolved to approve the recommendations as recorded in the exempt minute

90 Information Compliance Annual Assurance Report

The Committee considered the Information Compliance Annual Assurance Report presented by Naomi Matthews, Data Protection Officer, and Simon Salmon, Head of IT.

Resolved to approve the recommendations as recorded in the exempt minute