

Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 22 March 2024 from 9.31 am - 12.17 pm

Membership

Present

Councillor Samuel Gardiner (Chair)
Councillor Michael Edwards
Councillor Sulcan Mahmood (Vice Chair)
Councillor Eunice Regan
Councillor Andrew Rule
Councillor Naim Salim
Councillor Adele Williams

Absent

Councillor AJ Matsiko

Colleagues, partners and others in attendance:

Councillor Audra Wynter - Deputy Leader and Portfolio Holder for Finance and HR
Beth Brown - Head of Legal and Deputy Monitoring Officer
Ross Brown - Corporate Director for Finance & Resources
Glenn Hammons - Interim Finance Lead – Technical Finance
Shabana Kausar - Director of Finance
Lucy Littlefair - Head of EMSS
Naomi Matthews - Data Protection Officer
Kate Morris - Scrutiny and Audit Support Officer
John Slater - Group Assurance & Audit Governance Manager
Damon Stanton - Scrutiny and Audit Support Officer
Simon Salmon - Head of IT
Andrew J Smith - Grant Thornton
Shail Shah - Head of Audit and Risk
Joanne Taylor - Grant Thornton

80 Apologies

Councillor AJ Matsiko – Work Commitments.

81 Declarations of interest

None.

82 Minutes

The Minutes of the meeting held on 23 February 2024 were confirmed as a true and accurate record and signed by the Chair.

83 Work Programme

The Chair presented the Committee's current Work Programme. The following points were made:

- a) Work is underway in planning the Work Programme for the 2024/25 municipal year with a view to reducing the number of reports and length of meetings.
- b) A full draft of the 2024/25 Work Programme will be circulated in advance of the next meeting in the new municipal year.

84 Recommendation Tracker

The Committee noted the recommendation tracker.

85 Change in Order of Agenda Items

With the agreement of the Chair, there was a change in the order of agenda items as set out within these Minutes.

86 Statement of Accounts Progress Update

Glenn Hammons, Interim Finance Lead – Technical Finance, provided an update on the Statement of Accounts. The following points were highlighted:

- a) The draft accounts for 2019/20 and 2020/21 are complete.
- b) Progress has been made since the last meeting with the accounts for 2021/22 and these are expected to be available in draft format after April.
- c) Further progress has been made with the 2022/23 accounts since the last meeting.
- d) In regards to the consultation on the local audit backlog, the Council has submitted a response to the government consultation. A consultation has also been issued by CIPFA and officers are reviewing the proposals.
- e) The report highlights some indicative timelines for the outstanding accounts in order to meet the backstop dates. There are some risks to these indicative timelines, including the timeliness of concluding the 2019/20 audit and also the finalisation of the national backstop dates and any related requirements.
- f) In regards to the 2023/24 closedown position of the draft accounts, there is an indicative timeline which would take the Council to meet the backstop date of 31 May 2025.
- g) The Council has been working with Grant Thornton in respect of their preparation and planning work for the closedown of accounts and work has been done with senior management, budget managers, and finance staff.

The Committee raised the following points in discussion:

- h) Members queried the timeframes for external sign off of the 2019/20 accounts. It was explained that Grant Thornton are aiming to complete the work and draft the audit findings report by the end of April.

- i) The Committee sought assurance on the resources allocated to completing the outstanding accounts. The Council has brought in additional resource over the past 12 months, however, there has been some staff turnover which has caused some disruption. There is also a lot of work to do in regard to resolving the outstanding accounts and that has taken time. The Council welcomed the timelines established to resolve the outstanding accounts so that the Authority and Grant Thornton can work together and avoid delays which bring cost. Finance regularly reviews capacity and skills and bring them in if needed to work to the indicative timelines.
- j) The Committee agreed to call an extraordinary meeting, if required, to approve the finalised 2019/20 accounts.

Resolved:

- 1) To note the current position with the statement of accounts for the years 2019/20 through to 2023/24.**
- 2) To note the indicative timeline and associated risks for publishing the statement of accounts for financial years 2020/21, 2021/22, and 2022/23 to meet the proposed national backstop dates.**
- 3) To note the indicative timeline and associated risks for publishing the draft statement of accounts for 2023/24 to ensure the outstanding accounts from previous years can be completed ahead of the proposed national backstop date dates.**

87 Annual Governance Statement - Process for producing 2023/24 Statement & prior year updates

John Slater, Group Assurance and Audit Governance Manager, presented a report which gave an overview of the Council's governance arrangements measured against standards and set out plans to improve compliance and to prepare an annual governance statement. The following information was highlighted:

- a) The report set out
 - a process for compiling the 2022/23 and 2023/24 Annual Governance Statements (AGS),
 - the process for completing drafting of the 2021/22 AGS and updating the 2019/20 and 2020/21 AGS
 - proposals to review the local code of governance and establish a Corporate Assurance Framework, and
 - a summary of changes to the governance environment since the last update.
- b) The Local Code of Governance is a summary of the Council's governance arrangements and was last updated in 2017. It is based on good practice and principles of good governance as put forward by CIPFA which was updated in 2016.

- c) CIPFA has produced more recent guidance on local authority assurance frameworks and they are working with the LGA to provide new guidance this year. It was proposed to review the Local Code of Governance and to establish a Corporate Assurance Framework by October 2024.
- d) In regard to the production of the AGS, these are consistent with the indicative timelines as proposed with the Statement of Accounts.
- e) An AGS is required to be produced by the Accounts and Audit Regulations 2015 for each set of draft and final accounts.
- f) For 2022/23 and 2023/24 a combined AGS compilation process will take place with the aim of completion by June or July.
- g) A number of key governance changes were outlined such as government intervention, external auditor recommendations, and the section 114 (3) report issued in 2023.

The Committee raised the following points in discussion:

- h) The Committee welcomed the establishment of a Corporate Assurance Framework.
- i) Members discussed the interpretation of the latest CIPFA guidance and whether local authorities have interpreted the guidance varyingly. It was explained that the Council will be looking to conform with the guidance, but that other local authorities may have made more progress in its implementation. The Council will be looking to other local authorities to assess best practice.
- j) The new model will be a live process and thus assurances will be generated on an ongoing basis across all lines of activity which will be available to assess any issues.
- k) The Committee discussed areas of control such as performance management, financial controls, system controls and business continuity controls.
- l) Members commented that the Council needs to ensure that reporting is focussed and proportionate to the levels of risk and challenges that the Council faces.
- m) The Committee sought assurance on how the proposed frameworks are adding value to the Organisation. It was explained that the aim is to give senior managers assurances and an understanding of the issues that their specialisms face. It reflects best practice on what should be in place in all Councils. It is hoped that the majority of the control information will be automated and therefore would not be a burden on staff.
- n) It was clarified that the changes will allow Audit Committee to receive a clearer focus on any issues identified and this will allow it to add more value.

Resolved:

- 1) To note the proposed establishment of a Corporate Assurance Framework by October 2024 following a review of the local governance framework, complying with the CIPFA, Leadership Assurance Frameworks guidance (December 2023), and the LGA Improvement and Assurance Framework for Local Government currently in consultation.**
- 2) To note the process to update prior year Annual Governance Statements for 2019/20 and 2020/21 to support statutory requirements for the financial statements outlined in the report.**
- 3) To note the process and timetable for compiling and completing the 2021/22, 2022/23, and 2023/24 Annual Governance Statement and associated risks as detailed in the report.**
- 4) To note the summary changes to Governance as outlined in the report.**

88 Combined 2019/20, 2020/21, 2021/22 and 2022/23 Value For Money Report

Andrew Smith and Joanne Taylor, representing the Council's External Auditors Grant Thornton, presented the Auditor's Annual Report focussing on arrangements for Nottingham City Council covering the financial years 2020/21, 2021/22 and 2022/23. The following information was highlighted:

- a) The report highlights a number of significant weaknesses and a number of recommendations made. The report covers several key areas.
- b) The report sets out in detail progress made by the Council on the recommendations made by Grant Thornton in previous years.
- c) There has been some positive movement in some areas such as the Covid-19 response, procurement, and risk management, where good arrangements had been in place.
- d) The external debt position has remained static from the start to the end of the reporting period.
- e) OFSTED have rated the Council's children's services as inadequate despite the service receiving higher levels of investment when compared to its nearest statistical neighbours.
- f) As previously reported, misappropriation of funds between the Housing Revenue Account (HRA) and General Fund had been discovered.
- g) There had been various other issues surrounding governance processes such as incorrect handling of client money through the appointeeship function.
- h) Overspends have occurred in each year of the reporting period.

- i) The programme to dispose of capital assets and generate receipts to fund the Council's Transformation Programme was slower than anticipated.
- j) External consultants were brought in to assess the control environment and their conclusions were not positive.

The following points were raised in discussion:

- k) The Committee commented that large parts of the Council's external debts had been supported as it allowed the funding of the expansion of the City's transport network. The S151 Officer explained that the Council does continue to reduce the amount of overall debt in-line with the Voluntary Debt Repayment Policy and that it did have a large amount of external debt when compared with peers due to the supported debt that assisted in funding infrastructure as well as commercial debt that brought an income. The Council's external debt was complex.
- l) Members agreed that the increased levels of funding for children's services reflected the challenging local context which the City found itself in including demand and market sufficiency. An improvement board is targeting improved Ofsted rating.
- m) The Committee received assurance from the Corporate Director of Finance & Resources that the misappropriations of funds is a matter that has been fully addressed. Control measures and practices are now in place to ensure it does not occur again and plans for reimbursements between the respective areas have been made which have been signed off by the Improvement and Assurance Board (IAB).
- n) The Committee received assurance from the Corporate Director of Finance & Resources that incorrect handling of client money through the appointeeship function has been resolved and the majority of that money either returned to individuals or where appropriate the Treasury.
- o) Members were reminded that the predominant driving force for the Council requiring Exceptional Financial Support (EFS) has been the increased demand and costs for social care for children and adults.
- p) The Committee received assurance that the asset sales trajectory does not present a risk to the level of transformation investment that the Council can afford to make.
- q) The Council has made good progress on implementing the recommendations made in the Ernest Young (EY) report but accepts the Finance vacancy rate is a concern, progress across these issues and the control environment will be outlined in further detail in the Financial Improvement Plan update.
- r) The Committee and Portfolio Holder for Finance agreed that more foresight could have been included in the report due to the progress the Council has made recently. The External Auditors commented that this report outlines the position statement up until October 2023 and that recent progress made will

be outlined in the 2023/2024 Value for Money Report and considered by Members.

- s) The Committee discussed the delays to the signing off of the accounts and the factors behind them. There was a consensus that delays had been caused by both the Council and the External Auditors due to the volume of issues.
- t) There still remains some uncertainty in regards to the backstop dates for resolving the outstanding accounts.
- u) The Committee expressed disappointment that the Council's Audit Committee had not been consulted prior to the issuing of the Section 24 Notice by Grant Thornton and queried why concerns had not been raised in meetings which the External Auditors had attended. Andrew Smith, Grant Thornton, commented that there was no requirement to consult the Audit Committee when issuing a statutory recommendation, however, would endeavour to consult the Committee if time allowed either at a full meeting or informally with the Chair.

The Committee noted the report.

89 Financial Improvement Plan Update

Shabana Kausar, Director of Finance and Deputy S151 Officer presented a report and provided an update on progress made to date on the Council's Financial Improvement Plan (FIP). The following information was highlighted:

- a) There has been substantial progress to date with 83.5% of the 248 financial deliverables/actions identified as of February 2024 completed, embedded into business as usual, or in progress.
- b) Despite resourcing issues in finance, priority has been placed on delivering the improvement plan.
- c) the FIP will continue for a few years, more work will be done over the next 12 months on fundamentals such as the financial accountability framework, whilst actions addressing control weaknesses and value for money have either happened or are in progress.
- d) Greater openness has led to additional weaknesses being highlighted.

The following points were raised in discussion:

- e) The Chair and Portfolio Holder for Finance commented that the report highlights consistent improvement and actions work recommended by the External Auditors. Officers were thanked for the improvements made.
- f) The Committee sought assurance on the work generated by the section 114 spending controls and its impact on workloads given declining resources. The S151 Officer explained that the spending controls were a necessary and proportionate measure to put in place following the S114 (3) report. The

process continues to be refined and works as well as can be expected. There are between 300-400 transactions approved daily by the S151 Officer. He believed it was important to maintain this financial grip given the scale of the financial challenge even though it was resulting in resourcing issues but it was intended that approvals would be returned to more junior level officers. The S151 Officer informed the committee that as a result of the controls useful insight had been gained, in particular from a procurement perspective which provided opportunities for future savings. Controls would evolve to avoid the administrative burden.

- g) There is a scheme of delegation where if the S151 Officer is not present decisions will be taken by Deputy S151 Officer.
- h) The S151 Officer has rejected fewer than 50 transactions. It was stated that most rejected transactions take place at Corporate Director level. A projected overspend of £23.6m had been reduced to £19.6m over the course of the S114 spending control implementation period.
- i) The Budget Monitoring process, particularly period 12 data, will ascertain the overall level of success and impact of the spend prohibition period to date.
- j) The S151 Officer was asked whether as a result of delaying or stopping £100 grants to voluntary community groups there would be increased costs and agreed to respond separately to councillors on this issue.
- k) The Committee queried what was being done to address the delivery risks to the FIP. It was explained that the main risk is capacity and resources and that activities within the FIP sometimes needed to be re-prioritised. Due to the Council's financial situation it is a constant risk that needs to be managed.
- l) The Committee discussed wider resourcing within the Council and how it can continue to balance activities such as financial improvement and other strategic responsibilities whilst simultaneously funding adult's and children's social care and temporary accommodation services which continue to increase in demand and cost. Members noted that this was a considerable demand and was a constant challenge for senior officers. An improvement plan will be produced following the appointment of commissioners and a budget refresh will further outline how that balance can be made. The aim in the new financial year would be to shift deployment of resource to enable more strategic capacity. The Council had improved in its forecasting and work continued to take place with Corporate Directors to ensure it remains accurate.
- m) Members queried the delivery of capacity building and training actions within the FIP and that a substantial number remained outstanding. It was explained that a refresh was due to take place soon and new training will be introduced at the start of the new financial year and first quarter whilst also embedding the new financial structure. The capacity issues would remain ongoing due to the wider challenging recruitment and retention environment within local government. Agency staff would be used but Finance would also look to implement permanent recruitment to its structure.

Resolved:

- 1) The Committee note the progress to date on the Financial Improvement Plan and remediation controls project.**
- 2) The Committee note the progress in achieving the City Council's Finance Improvement Plan (FIP).**
- 3) The Committee note the specific improvements delivered since the last update to the Committee in February 2024 and the planned activities within the FIP to the end of March 2024.**
- 4) The Committee note the update on the other finance related activities listed in paragraph 1.2.**

90 Audit Committee Improvement Plan

The Chair presented a report which outlined actions to allow a structured and trackable programme of work to start to address improvements identified on the work of the Council's Audit Committee. The following points were raised:

- a) Audit Committee should be self-reflective to drive an improvement plan. The CIPFA self-assessment guide has been completed by the Committee. Plans are now in place to work on any weaknesses identified.
- b) The Committee now has a dedicated support officer and it receives briefing papers and notes in-line with the support given to the Council's Scrutiny Committees.
- c) The improvement plan formalises the work underway to improve how the Committee operates. It will have input from Committee Members alongside colleagues in finance and external audit.
- d) There will be an opportunity for a co-opted member to join the Committee.

The Committee approved the Audit Committee Improvement Plan.

91 Exclusion of the Public

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

92 Annual Information Compliance and Information Security Assurance Report

Simon Salmon, Head of IT, and Naomi Matthews, Data Protection Officer, presented the Annual Information Compliance and Information Security Assurance Report

The Committee asked a number of questions, and made recommendations, as detailed in the exempt minutes.

93 East Midlands Shared Services - Annual Report 2022/23

Lucy Littlefair, Head of East Midlands Share Services (EMSS), presented the Annual Report of EMSS that provided the Committee with an update on the people, customer, operational, and technological priorities and performance for EMSS for 2022-23

Committee members asked a number of questions and received detailed answers as set out in the exempt minutes.

The Committee noted the report.

94 Exempt minutes

The Exempt Minutes of the meeting held on 23 February 2024 were confirmed as a true and accurate record and signed by the Chair.