

Governance and Ethics Committee

Thursday, 15 June 2017 at 13:00

County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- 1 Apologies for Absence
- 2 Declarations of Interests by Members and Officers:- (see note below)
 - (a) Disclosable Pecuniary Interests
 - (b) Private Interests (pecuniary and non-pecuniary)
- 3 To note the appointment of Councillor Bruce Laughton and Councillor Andy Sissons as Chairman and Vice-Chairman of the Committee respectively
- 4 Membership and Terms of Reference 3 - 6
- 5 Follow-Up of Internal Audit Recommendations 7 - 18
- 6 Internal Audit Plan 2017-18 19 - 32
- 7 Draft Local Code of Corporate Governance and Draft Annual Governance Statement 33 - 56
- 8 External Audit - KPMG Audit Fees 2017-18 and Progress Report and Technical Update 57 - 74
- 9 Mandatory Inquiries - 2016-17 Statement of Accounts 75 - 78
- 10 Work Programme 79 - 82

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

15 June 2017**Agenda Item: 4**

REPORT OF THE CORPORATE DIRECTOR, RESOURCES

TERMS OF REFERENCE AND MEMBERSHIP

Purpose of the Report

1. To note the membership and terms of reference of the Governance and Ethics Committee.

Information and Advice

2. The following councillors have been appointed to the committee:

Chairman – Councillor Bruce Laughton
Vice-Chairman – Councillor Andy Sissons

Councillor Nicki Brooks
Councillor Steve Carr
Councillor Kate Foale
Councillor John Handley
Councillor Tony Harper
Councillor Errol Henry
Councillor Rachel Madden
Councillor Mike Quigley
Councillor Phil Rostance

3. The County Council on 25 May 2017 established the committee with the following terms of reference:
 1. The exercise of the powers and functions set out below are delegated by the Full Council to the Committee in relation to governance and ethics:
 - a. All decisions within the control of the Council including but not limited to those listed in the Table below
 - b. Policy development in relation to governance and ethics, subject to approval by the Policy Committee or the Full Council
 - c. Review of performance in relation to the services provided on a regular basis
 - d. Review of day to day operational decisions taken by Officers

- e. Approval of relevant consultation responses except for responses to day-to-day technical consultations which will be agreed with the Chairman and reported to the next available Committee following their submission.
 - f. Approval of relevant staffing structures as required
 - g. Approving all Councillor attendance at conferences, seminars and training events within the UK mainland for which a fee is payable including any expenditure incurred, within the remit of this Committee and to receive quarterly reports from Corporate Directors on departmental officer travel outside the UK within the remit of this Committee.
2. If any report comes within the remit of more than one committee, to avoid the report being discussed at several committees, the report will be presented and determined at the most appropriate committee. If this is not clear, then the report will be discussed and determined by the Policy Committee.
 3. As part of the detailed work programme the Committee will receive reports on the exercise of powers delegated to Officers.
 4. The Committee will be responsible for its own projects but, where it considers it appropriate, projects will be considered by a cross-committee project steering group that will report back to the most appropriate Committee.

Table
Responsibility for advising Full Council on the adequacy of the Council's systems of internal control and overseeing the external auditor's annual audit of the accounts
Responsibility for approving the Annual Statement of Accounts
Responsibility for recommending the Annual Governance Statement to Full Council for approval and keeping it under review on a regular basis
Responsibility for maintaining an overview of the Council's Financial Regulations and anti-fraud and anti-corruption strategies, and for recommending the Financial Regulations to Full Council for adoption
Responsibility for ensuring high standards of conduct by the County Council, its Councillors, co-opted members and Officers
Responsibility for dealing with all matters relating to alleged breaches of the Code of Conduct for Councillors and Co-opted Members
Responsibility for the implementation of and revision to all codes of conduct and practice of the County Council
Responsibility for Information Governance including but not limited to Data Protection and Freedom of Information
Responsibility for resolving any issues arising from the Members' Allowances Scheme
Responsibility for monitoring the Councillors' Divisional Fund
Responsibility for approving the recruitment process for any independent members of committees and panels required by statute

Table
Responsibility for the Council's risk management strategy
Responsibility for Legal, Democratic and Complaints Services

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To inform the committee of its membership and terms of reference.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

That the committee's membership and terms of reference be noted.

Jayne Francis-Ward
Corporate Director, Resources

For any enquiries about this report please contact:

Paul Davies, Democratic Services
T: 0115 977 3299

Constitutional Comments

7. As this report is for noting, no constitutional comments are required.

Financial Comments (NS 6/6/17)

8. There are no financial implications arising from this report.

Background Papers and Published Documents

None.

Electoral Division(s) and Member(s) Affected

All.

15 June 2017

Agenda Item: 5

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

Purpose of the Report

1. To report progress with the implementation of agreed management actions to address Internal Audit recommendations.
2. With regard to the actions around Interim Homecare, Caroline Baria (Service Director, Strategic Commissioning, Access & Safeguarding) and Michael Fowler (Category Manager, Corporate Procurement) to give a verbal update on actions agreed by management.

Information and Advice

3. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

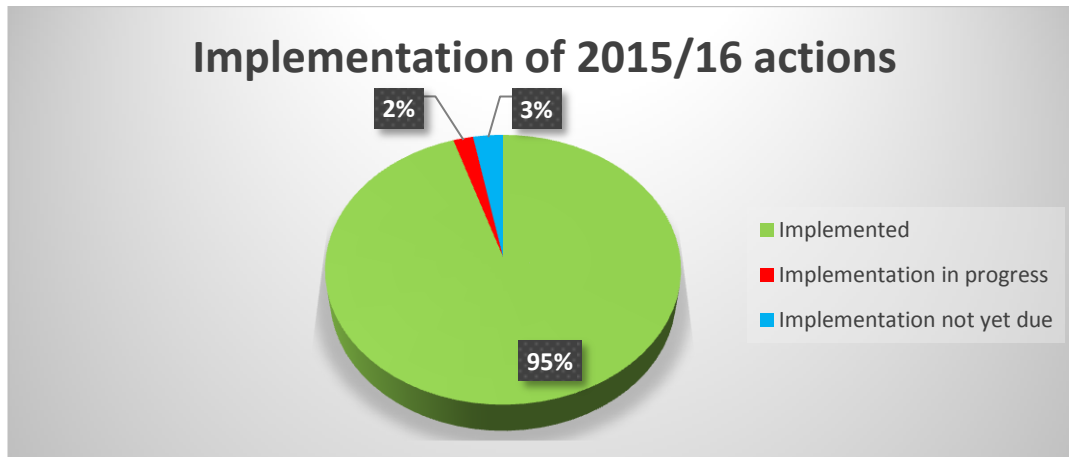
Priority rating of recommendation	Management assurance	Internal Audit assurance
High	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Medium		Compliance testing is scheduled for selected medium priority actions
Low		No Internal Audit compliance testing is carried out
Value For Money (VFM)		Compliance testing may be scheduled for the more significant VFM recommendations

4. During each quarter, Internal Audit carries out the following work to provide an update on progress:
 - For recommendations agreed in audit reports issued since the date of the previous meeting, seeking assurance from management that agreed actions have been taken in accordance with the proposed timescales

- For actions previously confirmed to have been taken by management, carrying out compliance testing to confirm satisfactory implementation.

Update position with 2015/16 actions

5. The follow-up process has now matured sufficiently that it is possible to report separately on the agreed actions from distinct financial years. The revised process was implemented by going back to all audit reports issued from April 2015, and the final position with 2015/16 actions is summarised below.

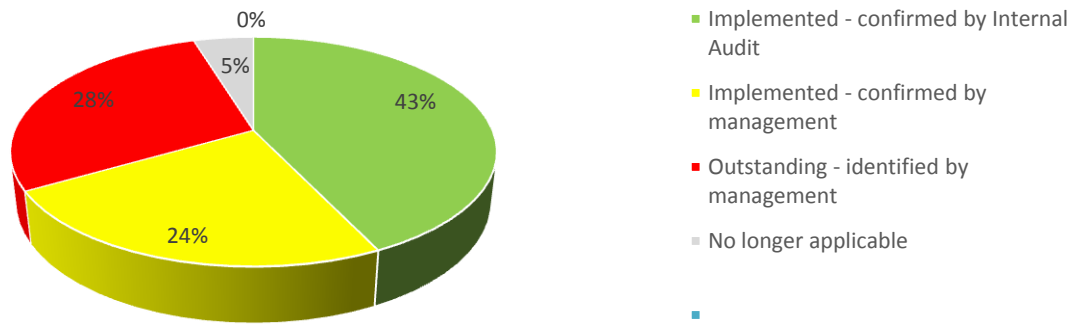


6. This presents a highly positive implementation rate and provides good evidence that Internal Audit's work is contributing well to the control, risk and governance framework of the Council. Within the above figures, all high priority actions have been implemented. The outstanding issues concern the following:
 - In progress -two medium priority actions concerning compliance with the payment card industry standards
 - Not yet due – one action to be implemented with the next revision of the ICT strategic plan and two to be put in place with the implementation of Mosaic, the timescale for which has been rescheduled
7. With regard to 2016/17 actions, the current position is summarised in the following paragraphs.

High Priority Actions

8. **Appendix 1** sets out the updated position with the high priority actions that have still to be cleared through the follow-up process. This sets out details of the agreed management actions, the management assurances received and the outcome of Internal Audit's follow-up testing to date. The appendix also indicates the proposed timing for follow-up testing by Internal Audit in future quarters. The current status of the high priority actions is summarised in the following chart:

Status of High Priotiy Actions 2016/17



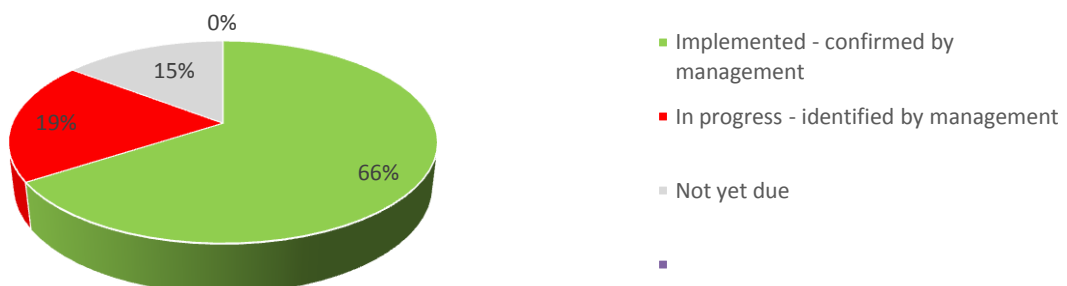
9. Follow-up testing and management assurances since the previous update in March 2017 have focused on the following:

- a) ASCHPP Dept.: Procurement of Interim Homecare Service – management responses provide assurance that the agreed actions have been taken, and senior managers will attend the Committee meeting to provide a verbal update on the progress being made. Internal Audit follow-up testing is scheduled for the 4th quarter of 2017/18, to allow for a reasonable period over which consistent compliance with the revised procedure may be tested.
- b) CFCS Dept.: External Placements - implementation of compliant procurement procedures. Further progress has been made in this area since the previous update in March 2017. Management assurance is now provided that the agreed actions are in place. Internal Audit testing of this area is also scheduled for the 4th quarter.
- c) Place Dept: Catering – compliance tests identified that progress is continuing with the re-introduction of sample checking of suppliers' consolidated invoices, in particular with regard to deliveries to schools.
- d) Cross-cutting: Information Governance – Internal Audit testing confirmed that one action has been dealt with, concerning the vetting checks for system administrator staff.

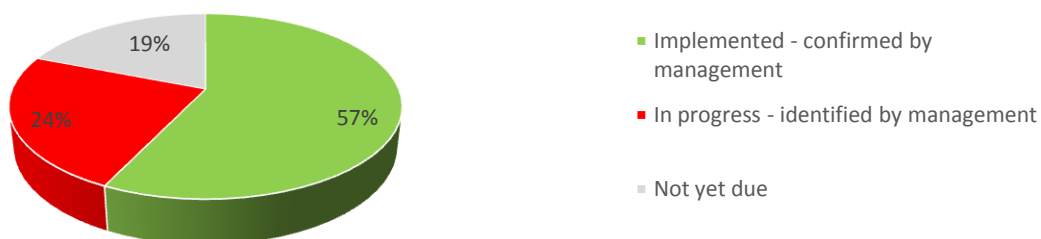
Medium, Low & VFM Priority Actions

10. Progress with implementation of these recommendations is summarised in the following charts.

Status of Medium Priotiy Actions 2016/17



Status of Low & VFM Priortiy Actions 2016/17



11. The position above relates to the assurance updates received from management. Internal Audit's follow-up testing of selected medium priority actions has not identified any on which no progress has been made. This continues to provide a positive level of assurance that improvements to the Council's system of internal control are being made as a result of Internal Audit's work.

Management updates to the Governance & Ethics Committee

12. Arising from the details presented in this report, the Committee may consider that it requires further updates and assurances from management at its next meeting in relation to one or more of the areas in which agreed actions remain outstanding.

Other Options Considered

13. Given the recent approval by the former Audit Committee for the change in procedure for the follow-up of Internal Audit recommendations, no other options for obtaining the required assurances were considered at this time.

Reason/s for Recommendation/s

14. To enable the Governance & Ethics Committee to consider whether it has received sufficient assurance that actions in response to Internal Audit's recommendations are being implemented as agreed, or whether it considers that further and more detailed updates from management are required.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

Many of Internal Audit's recommendations are made with specific financial implications in mind. Such recommendations, and the associated management actions, are designed to secure effective governance, internal control and risk management.

RECOMMENDATION/S

- 1) The progress detailed in the report and its appendix are noted.
- 2) The progress detailed in the verbal update about Interim Homecare is noted and the Committee determines whether it wishes to receive further and more detailed updates on progress from relevant managers in any of the other areas of activity covered by this report.

Nigel Stevenson

Service Director – Finance, Procurement and improvement

For any enquiries about this report please contact: Rob Disney, Head of Internal Audit

Constitutional Comments [SLB 30/5/17]

16. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments [SES 24/5/17]

17. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Action Description	Implementation date (original & revisions)	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Department: Adults' Social Care, Health and Public Protection						
Service Area: Homecare						
Audit: ASC1706 Procurement of interim homecare service						
Competitive tendering: Staff should discuss contract requirements with the Market Management Team (in ASCH&PP Dept) and with Corporate Procurement (Resources Dept) to find a solution for each service area. A waiver from tendering requirements should be applied for as a last resort.	Immediate	A re-procurement exercise is currently in progress for a 'Hospital Discharge Service South' which is a remodelled interim homecare service and (as at 20/3/17) is in the evaluation stage. The preferred provider will be announced w/c 20/3/17 and it is planned to award contract by 1 st April – there will be an implementation/transition phase between April to start of the new service on 1 st July 2017. The new contract will be under a Framework agreement for initially 2 years.	Testing scheduled for Q4, 2017/18		Confirmed by management	
Partnering approach between Corporate Procurement and departments, and monitoring arrangements: Establishment of the Contracts and Payments Overview Group to improve communications between the department and Corporate Procurement and to keep procurement activity under review.	Nov-16	The Contracts and Payments Overview Group is meeting regularly to ensure appropriate procurement of contracts.	Testing scheduled for Q4, 2017/18		Confirmed by management	

Action Description	Implementation date (original & revisions)	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Department: Children, Families and Cultural Services						
Service Area: Access to Resources						
Audit: CFCS1612 External Placements						
Compliance with Council tendering regulations through use of the following hierarchy of options: 1 internal provision; 2 use of existing framework contracts; 3 issue contracts for specialist placements and invite the providers to join the existing frameworks	April 2016 (original); Sept 2016 (revised)	A pro forma is now in place to allow requests for spot contracting to be captured, considered and approved. Meetings have been held between officers in Procurement and Social Care Placements to discuss the pro forma and all were in agreement of how it should be used. All are aware that the compliant routes for securing placements/education should be followed before asking for a spot contract arrangement. Legal Services have drafted a standard form spot contract and this will now be applied for social care placements. There has also been a Financial Regulations waiver signed off to cover this process, with Procurement reporting back at the end of the financial year on how many of these contracts have been put in place.	Complete	Further follow-up testing will be scheduled for Q4 in 2017/18	Confirmed by management	
Service Area: Access to Resources						
Audit: CFCS1705 Troubled Families						
Monitoring the number of families on the programme to safeguard external funding: Comparisons against trajectory numbers of families worked with on the Programme will be included in quarterly reports going forward. These will be considered by a newly formed bi-monthly Project Board from December 2016. We will continue regular dialogue with the Department for Communities & Local Government on local and national progress and future funding models.	From December 2016	Target numbers and comparisons with trajectory now go to the Board and Operational Group. Future targets will be directly provided by DCLG. Internal dialogue about future funding models is ongoing.	Testing scheduled for Q2 of 2017/18		Confirmed by management	
Target outcomes are consistent with the plan agreed with DCLG: Routine auditing to ensure that targets meet the Nottinghamshire Families Outcomes Plan definitions before any claim can be made. Introduction of a new technical plan, separate to the plan for the family, which we expect will make it easier for practitioners to produce a compliant plan. Non-compliance will continue to be discussed in supervision by the managers who are responsible for signing off the plan. Consider the need for specialist Family Action Plan authors as we use for social care cases.	Immediate	The technical plan has been piloted and is due to go live on the Fraemwork -I system imminently. Delays have been due to the change freeze associated with the move to the MOSAIC system. Specialist Family Action Plan authors have been considered and rejected but oversight and development of case holders continues.	Testing scheduled for Q2 of 2017/18		Confirmed by management	

Action Description	Implementation date (original & revisions)	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Department: Place						
Service Area: Catering & Facilities Management						
Audit: E&R1617 Catering (County Hall & Trent Bridge House)						
Confirmation of goods received prior to paying invoices to suppliers: Re-introduce checks of consolidated invoices on the basis of a 10% ratio	This will be implemented at the onset of the 2016 financial year	Checks are made on consolidated invoices. These are then signed off and recorded. No discrepancies have been found. The checks are from September 16 onwards.	Complete, but re-testing to be scheduled for Q3 of 2017/18	Sample checking of consolidated invoices to supporting records for deliveries to the Council properties on the West Bridgford campus are in place. Work remains in progress to re-introduce these checks in respect of deliveries to schools.	Implementation remains in progress	

Action Description	Implementation date (original & revisions)	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Department: Cross-Cutting						
Service Area: Agency Staff & Consultants						
Audit: XC1602						
Re-authorising extensions to short-term placements: Identify short-term placements that have extended into longer-term placements to ensure a Vacancy Control Document Record is completed.	As part of quarterly reporting from 31/3/16	Pending procurement of new contract - The investigation of altering the online system to include the VCDR number was prohibited by cost midway through the life of the current contract. It is likely the current contract will be extended for 12 months from 10/11/2017 to 09/11/2018. The future procurement exercise will have this built into the invitation to tender.	Testing of the quarterly manual process scheduled for Q2 of 2017/18		Confirmed by management	
Automation of management information: Explore with the managed service provider the possibility of the online system differentiating between longer term placements requiring a VCDR and the more urgent short-term requirements. A manual process will be implemented if the adjustment cost is prohibitive.	Determine by August 16 whether a system adjustment or a manual system will be implemented.	In the meantime, manual checking of changes to longer term agency placements by HR business partners takes place on a quarterly basis as part of the data collection for the return to Personnel Committee. A detailed item appeared in November's Team Talk entitled "Continued Scrutiny of the use of agency workers" which provided 8 key reminders to hiring managers				
Automation of management information: Build into future tendering exercises for this service the requirement to differentiate between the nature of agency placements	For the end of the current contract in November 2017 or 1 year later if the option to extend is taken iup				Pending new contract	
On-going review of agency placements: Specific report from the service provider system to identify individual tenure information, to be used as part of the corporate monitoring process. An electronic pro- forma will be introduced to record the detail of the discussions between HR and managers to capture the ongoing reasons for the agency placement and the intended exit date. Where there are concerns about placement drift, these will be escalated to the responsible service director to mirror the approval process for VCDRs. The 12 week period is significant for 2 reasons: it is when Agency Worker Regulations provide additional protections; this is the maximum period allowed for temp staff without VCDR approval. The additional protections will be brought to managers' attention so they are personally made aware and encouraged to consider whether agency is the most cost effective way of filling a temporary or permanent vacancy.	30/09/2016	Tenure information is now included in the monthly MI reports received from Reed which allows ongoing challenge to managers over the duration of placements and the need to have an identified exit strategy. Further developments since the audit include the introduction of a cap on all qualified children's social care posts with a minimum reduction of £4 per hour for all new supply. We continue to negotiate tenure discounts for the longer term placements from 6 months onwards	Testing of the monthly report & challenge process scheduled for Q2 of 2017/18		Confirmed by management	
Compliance with regularions for engaging consultants: Corporate Directors will be reminded of the processes surrounding the engagement of consultants as set out in financial regulations.	End of December 2016	Financial Regulations have been updated and will be published on the intranet during February 2017. Corporate Directors and their leadership teams have been reminded by their respective Senior Finance Business Partners of the processes surrounding the engagement of consultants	Testing scheduled for Q2 of 2017/18			

Action Description	Implementation date (original & revisions)	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Service Area: Information Governance						
Audit: XC1701						
Corporate awareness of the security of information - Completeness of the Information Asset Register (IAR): The IAR has been compiled by the Information Asset Managers and is under review. The Information Manager will write to all Information Asset Owners to confirm that they have checked the entries in their areas and are satisfied that the register is substantially complete.	December 2016 (original) July 2017 (revised)	Review has been implemented as planned and a number of revisions have been agreed with Information Asset Owners (IAOs). Work is ongoing with IAOs to identify Information Sharing Agreements in relation to Information Assets (IAs) and to ensure all relevant IAs are included in the Register.	Testing scheduled for Q3 of 2017/18 following a further management update in Q2 of 2017/18		Implementation remains in progress	
Corporate awareness of the security of information - assessment of business impact levels and security classifications: The Information Manager is reviewing all aspects of the IAR, including Business Impact Levels and security classifications	December 2016 (original) July 2017 (revised)				Implementation remains in progress	
Corporate awareness of the security of information - Risk assessments for high business impact information assets: As part of the review of the IARs the Information Manager will liaise with the relevant Information Asset Managers to review the Business Impact Level rating and with ICT to ensure all information assets with a Business Impact Level of 4 or higher is subject to a risk assessment (currently 92 assets).	December 2016 (original) July 2017 (revised)				Implementation remains in progress	
Corporate awareness of the security of information - On-going review of risk assessments for high business impact information assets: Owners of information with a BIL of 4 and above will be identified during the review and made aware of the need for an annual review and will be asked to return a checklist signed by the Information Asset Owner each year to confirm this has been done.	April 2017 (original) July 2017 (revised)				Implementation remains in progress	
Vetting checks for Public Services Network (PSN) administrators, to ensure continued access to the PSN: The work on confirming that the PSN Domain Administrators have had a vetting check has been completed	Completed	No update required - the response to the recommendation confirms implementation	Complete	Confirmation obtained from the Business Services Centre that the appropriate vetting checks have been completed.	Confirmed by Internal Audit	

15 June 2017**Agenda Item: 6****REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND
IMPROVEMENT****INTERNAL AUDIT PLAN – 2017/18****Purpose of the Report**

1. To inform Members of the Internal Audit Plan for the 2017/18 financial year.

Information and Advice

2. Internal Audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
3. The Public Sector Internal Audit Standards require the chief audit executive to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. As part of the planning process, account is taken of external sources of assurance, including the work of external inspectorates. Where audits are planned, pre-audit work will also include discussion with managers over sources of assurance that can be relied upon, to prevent duplication.
4. The attached Audit Plan sets out the proposed coverage of the Authority's systems and procedures which deliver the Council's priorities, for the period 2017/18. The Plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its accounting records and its system of internal control.
5. The Annual Plan is based on an audit needs assessment to identify the priority activities for audit coverage. Each area of activity in the Council is assessed in terms of the following factors:
 - Value and volume of transactions involved with the activity
 - The known level of internal control in place (from previous audits)
 - The value of cash and bank transactions
 - The relative complexity of the activity
 - Whether the activity is stable or subject to change
 - How sensitive the activity is for the Council among its key stakeholders
 - The number of sites where the activity is carried out
 - The number of years since the previous audit

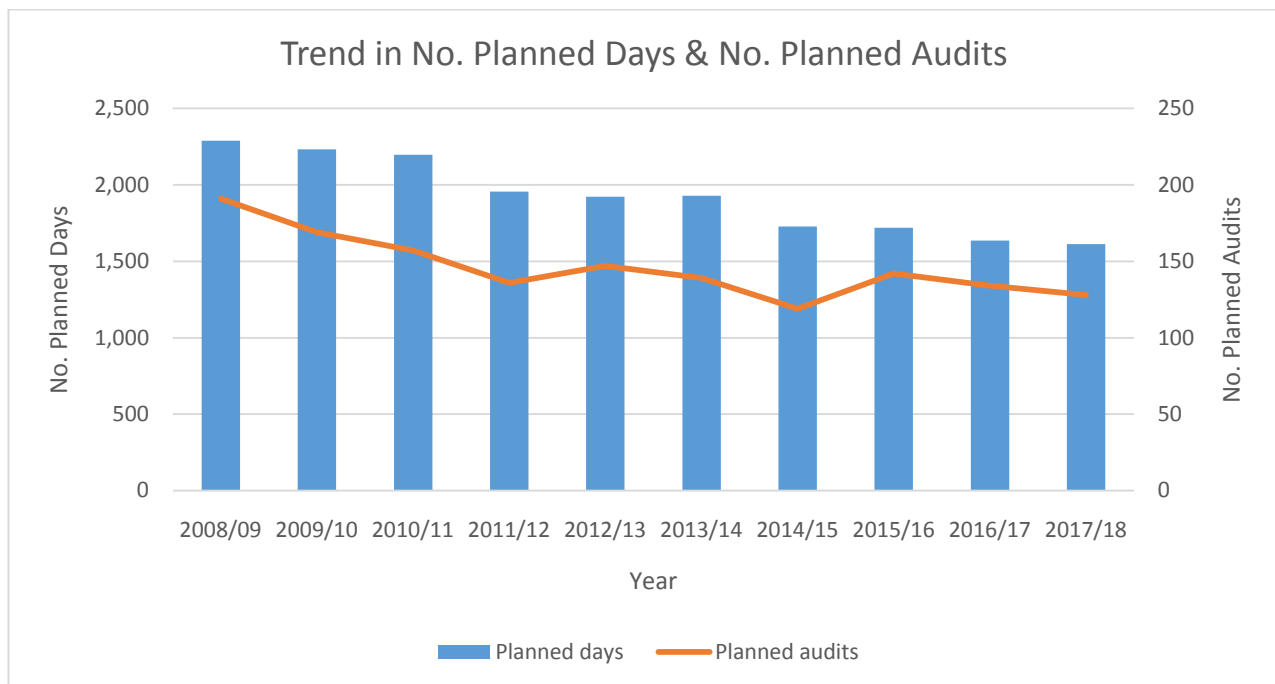
Using an established system of scoring and weighting the above factors, the needs assessment arrives at a high/medium/low risk-rating for each area of activity.

6. The outcomes of the Audit Needs Assessment, and the proposed audit coverage, were discussed between January and March at departmental leadership teams. As part of this, more detailed consultations took place with Service Directors and their management teams. The Audit Plan is implemented flexibly, and will continue to change to ensure that any emerging priorities during the year are addressed.
7. The role of Internal Audit is to provide management with an objective assessment of whether its systems and controls are working properly. It provides an independent and continuous appraisal of the Authority's activities and in particular focuses on the internal controls established by the organisation's managers. The Section's aim is to complete the programme of planned work in order to express an overall view on the adequacy and effectiveness of the Authority's internal control systems.
8. This work is important in enabling the County Council's External Auditors to form a view on the overall adequacy of the Council's financial controls, which in turn supports their assessment of whether the County Council's annual statement of accounts gives a "true and fair view". The work is also a key contributory factor in the preparation of the Council's Annual Governance Statement.
9. The Plan has been compiled in accordance with the Public Sector Internal Audit Standards, which came into force in 2013. A detailed breakdown of the 2017/18 Plan is shown in **Appendix 1**, and is summarised in the table below.

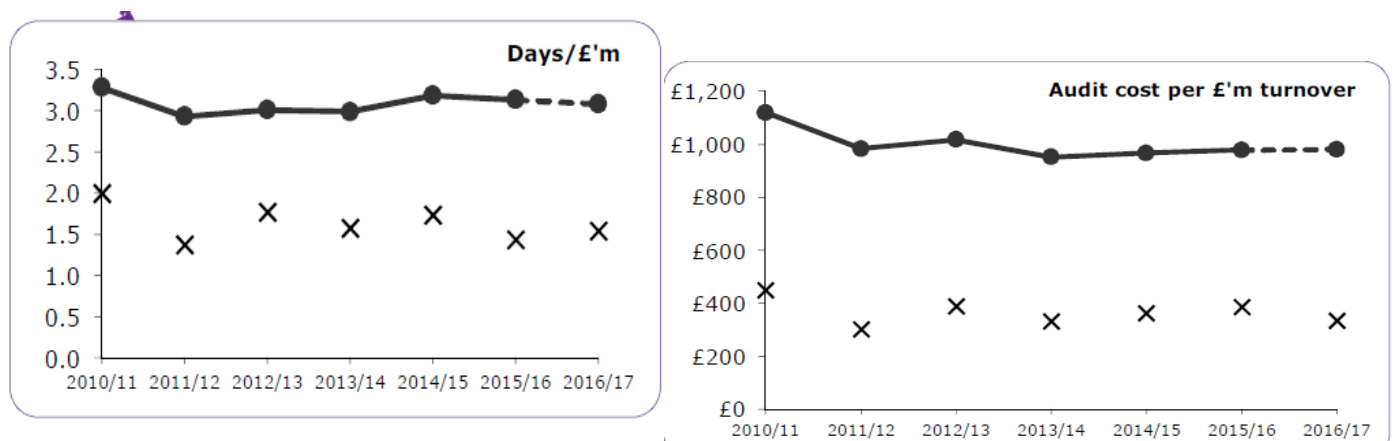
Department	Days	Number of Audits			
		High Risk	Med Risk	Other	Total
Council-wide	401	19	4	1	24
Children, Families & Cultural Services (excluding schools)	128	-	9	2	11
Schools	286.5	-	42	-	45
Adult Social Care, Health & Public Protection	265	3	10	10	23
Place	198	6	5	5	16
Resources	185	7	5	-	12
Contingency	150				
Total County Council	1613.5	35	75	18	128
External Clients (Notts Fire & Rescue, School Funds)	117				
Grand Total	1730.5				

10. As can be seen from the above, a total of 1,730 days are planned for 2017/18 of which 1,613 (93%) will be spent on the Authority's systems and procedures. The remaining 117 days will be spent on external contracts, providing an internal audit service to Nottinghamshire Fire and Rescue Service and limited work on school funds. The costs incurred in delivering external contracts are fully recovered. Progress against the plan will be reported to the Council's Audit Committee and the Corporate Leadership Team on a regular basis.

11. The chart below shows the trend in the number of planned days (blocks) and the number of planned audits (trend line) in recent years. The plan for 2017/18 shows a similar number of days and jobs to that in 2016/17.



12. The Plan should maintain the extent of audit coverage of the Council's activities at a comparable level to previous years. The Section participates in the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking club for internal audit services. Extracts from the latest benchmarking report received in December 2016 show the Council's Internal Audit Section (plotted 'X's') is below the comparator average (trend line) both in terms of the number of days per £1m of expenditure and in terms of the cost of the Internal Audit service per £1m of the Council's turnover.



Other Options Considered

13. This report is for information and noting only.

Reason/s for Recommendation/s

14. To provide information to Members on the Internal Audit Plan of work for 2017/18.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That the Internal Audit Plan 2017/18 be noted.

Nigel Stevenson

Service Director (Finance, Procurement and Improvement)

For any enquiries about this report please contact:

Rob Disney

Head of Internal Audit

Constitutional Comments

16. This report is for noting only.

Financial Comments (SES 23/5/17)

17. There are no specific financial implications arising directly from the report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None.

Electoral Division(s) and Member(s) Affected

- All.

Appendix 1

Council-wide areas (i.e. across departments)

Area of activity	Risk Level	Target Start	Days planned and nature of audit coverage				Likely scope
			Assurance	Advice/ Consultancy	Counter-Fraud	Certification	
Accounts receivable & debt management	High	Q1	20				Assurance review of key controls and their consistent application across departments.
Procurement – compliance with tendering requirements	High	Q1	25				Extension of work carried out in 2016/17 in the ASCHPP Dept, to assess compliance with tendering requirements across the Council
Capital Programme	High	Q1	5				Completion of 2016/17 audit covering controls over the quality, cost and delivery of a sample of schemes in the capital programme.
Payroll analytical review	High	Q1	3				Completion of 2016/17 audit involving the analytical review of payroll data
Employee recruitment, remuneration and management	High	Q1	15				Council-wide application of controls over areas such as: recruitment; Disclosure & Barring Service & right to work checks; temporary adjustments to employee hours & grading; job evaluations; attendance management
Budgetary control	High	Q1	15				Council wide approach to forecasting and budgetary control
BRMI Project	High	Q2		15			Advisory input to the development of the project
Commissioning	High	Q2	30				To cover whole cycle from business planning, service specification, evaluation of commissioning options and through to performance review (scope to exclude external procurement of services - separate audit)
Serious & organised crime threats	High	Q2			15		Following self-assessment against the Home Office/DCLG checklist, more detailed reviews of potential areas of vulnerability
Health and Safety	Med	Q2	6				Review of external sources of assurance of the Council's compliance with health and safety requirements, and planned actions to address any issues raised
Payroll (including Travel expenses)	Med	Q3	27				Assurance review of key controls and their consistent application across departments
Imprest accounts	High	Q3	20				Review of corporate control over imprest usage, and the application of effective cash handling across departments
Business continuity	High	Q3	15	Page 23 of 82			Review of corporate approach and compliance with guidance by critical services across the Council
Governance & ethics	High	Q4	25				Review of how the aspects of the Local Code of

						Corporate Governance which promote the ethical values of the Council are applied in practice. A review of this topic is a requirement of the Public Sector Internal Audit Standards.
Service planning & performance management	Med	Q4	20			Assurance review of key controls and their consistent application across departments
Smarter Working	Med	Q4	15			Review of the achievement of project objectives , within time and budget
Quarterly follow-up of recommendations	High	Q1 – Q4	60			Quarterly updates to CLT and the Audit Committee on the implementation status of agreed management actions
Pro-active fraud awareness	High	Q1 – Q4			10	Activities to raise staff awareness of, and alertness to, fraudulent activity
National Fraud Initiative	High	Q1 – Q4			15	Participation in the b=national exercise, co-ordinating the Council's response to reported data matches
National Anti-Fraud Network	High	Q1 – Q4			2	Review of fraud alerts and onward dissemination to key contacts for any of relevance to NCC activities
Risk, Safety & Emergency Management Board	n/a	Q1 – Q4		2		Head of Internal Audit attendance at Board meetings
Annual Governance Statement	n/a	Q1 – Q4		10		Compilation of year-end statement and quarterly meetings with statutory officers to update
External Audit liaison	n/a	Q1 – Q4		1		Quarterly update meetings with the external auditors
Governance & Ethics Committee Support	n/a	Q1 – Q4		30		Support of, and attendance at, Governance & Ethics Committee.
Sub-Totals			301	58	42	
Grand Total			401			

Children, Families and Cultural Services

Area of activity	Risk Level	Target Start	Days planned and nature of audit coverage				Likely scope
			Assurance	Advice/ Consultancy	Counter-Fraud	Certification	
Cultural Services - Inspire	Med	Q1	8				Completion of 16/17 audit: Terms of reference cover: transitional issues; business case and business plan realisation; customer service; contract management; payment mechanisms; performance reporting; risk management and compliance.
Reductions in school staffing	Med	Q1	4				Completion of 16/17 audit: Compliance with policy for approving premature retirement or redundancy in LA maintained schools
Schools' statutory reserve	Med	Q1	1				Completion of 16/17 audit: Review of level and use of balances in the Schools' Statutory Reserve
Fostering allowances	Med	Q1	2				Completion of 16/17 audit: Review of key controls, following implementation of new scheme for fostering allowances
SEND Independent Special Schools	Med	Q2	15				Assurance review of key financial and contract controls over placement of eligible children and young people in independent special schools.
Beeston Youth & Community Centre accounts	n/a	Q2				3	Certification of annual accounts
NCC Children's residential homes	Med	Q3	15				Assurance review of key controls and their consistent application across residential children's homes.
Direct payments – monitoring and auditing	Med	Q3	15				Assurance review of key controls for monitoring the spending of direct payments by service users and third parties.
Personal budgets – resource allocation	Med	Q4	15				Assurance review of key controls for enablement of personal budgets and application of resource allocation system.
Rufford Abbey – contract management	Med	Q4	15				Assurance review of contract receipts and contract management controls over commercial operations.
Remodelling Care programme	n/a	Q4		5			Identifying and evaluating the control implications of the Remodelling Care programme, notably in the light of relevant recent audits.
Schools – audit of 34 schools + 8 follow-ups	Med	Q1 – Q4	286.5				Review of a range of factors relating to School Budget Share.
Advice	n/a	Q1 – Q4					Contingency for ad hoc advice to the department

Liaison with Leadership Team		n/a	Q1 – Q4		10				Planning and progress update reports to the departmental leadership team and similar forums
Sub-Totals				376.5	35	-	3		
Grand Total				414.5					

Adult Social Care, Health and Public Protection

Area of activity	Risk Level	Target Start	Days planned and nature of audit coverage				Likely scope
			Assurance	Advice/ Consultancy	Counter-Fraud	Certification	
Care home expenditure	Med	Q1	7.5				Completion of 16/17 audit: Key controls over admissions and payments to care homes.
Direct payments	Med	Q1	7.5				Completion of 16/17 audit: Review of how the department monitors and controls the spending of direct payments by service users and third parties
Delayed transfers of care	Med	Q1	15				Assurance review of consistent application across all locations of new guidance for handling daily situation reports on DTOC.
Trading Standards East Midlands – audit certificates	n/a	Q1				9	Certification of spending against annual grants of over £100,000 to Trading Standards East Midlands, including Scambusters
Short break services	Med	Q1	15				Review of department's new quality assurance programme and its consistent application across all short break centres.
Domiciliary care - contract management	High	Q2	15				Assurance review of procurement, tendering and contracting, plus contract management controls.
Alternative Service Delivery Model – Direct Services	n/a	Q2		5			Continuation of advisory input on the ASDM should the business case or business plan or both be progressed.
Continuing Healthcare	Med	Q3	15				Assurance review of key controls for identifying, agreeing and recouping continuing healthcare funding.
Data quality audit	High	Q3	20				Assurance review of data input and output controls to Framework as affects commissioning and payments.
Resilience to emergencies	Med	Q3	15				Assurance review of each department's response to fulfilling statutory responsibilities and council and central government expectations.
Younger Adults Residential & Nursing Care – dynamic purchasing system	Med	Q3	15				Assurance review of procurement and contract controls, the dynamic purchasing system having been implemented in 16-17.
County Enterprise Foods	Med	Q3	15				Assurance review of key controls over finances and contract management, including how contract performance is evaluated,
Sustainability & Transformation Plan	n/a	Q3		5			Advisory input concerning the council's responsibilities within the governance arrangements, or reporting and monitoring requirements.
Direct Payment support services	High	Q4	15	Page 27 of 82			Assurance review of current arrangements for supporting service users and overseeing accredited

						DPSS organisations.
Extra Care	Med	Q4		15		Reviewing existing Extra care schemes in the light of the current model for evaluating proposed schemes.
Residential & Nursing Care self-funders	Med	Q4	15			Assurance review of the services provided to self-funders in residential and nursing care, notably offering financial planning advice.
Safeguarding vulnerable adults	Med	Q4	15			Review of assurance provision, taking account of any outstanding points from recent action plans, and the forthcoming consultancy engagement.
Transforming Care programme	n/a	Q4		5		Advisory input concerning the control environment to manage risks around the programme.
Domiciliary care - procurement	n/a	Q1 – Q4		5		Advisory input on procurement and contract risks to re-procuring providers of domiciliary care.
NCC funded service user funerals	n/a	Q2		3		Advisory input concerning policy formulation and compliance, and the financial implications.
Protection of service user property and pets	n/a	Q2		3		Advisory input concerning policy formulation and compliance, and the financial implications.
Advice	n/a	Q1 – Q4		20		Contingency for ad hoc advice to the department
Liaison with Leadership Team	n/a	Q1 – Q4		10		Planning and progress update reports to the departmental leadership team and similar forums
Sub-Totals			185	71	-	
Grand Total				265		

Place

Area of activity	Risk Level	Target Start	Days planned and nature of audit coverage				Likely scope
			Assurance	Advice/Consultancy	Counter Fraud	Certification	
Finalisation of 2016/17 audits	n/a	Q1	5				Contingency to finalise audits from the 2016/17 plan
Travel Solutions Hub	High	Q1	15				Assurance review of the revised operating model for cross directorate specialist transport services
Highways Services - Via	High	Q1	15				Completion of 16/17 audit: Terms of reference cover: transitional issues; business case and business plan realisation; customer service; contract management; payment mechanisms; performance reporting; risk management and compliance.
Property Services - Arc	High	Q1	15				Completion of 16/17 audit: Terms of reference cover: transitional issues; business case and business plan realisation; customer service; contract management; payment mechanisms; performance reporting; risk management and compliance.
Innovation Centres	Med	Q1	15				Assurance review of controls in place
Shale Gas planning applications	High	Q2	10				Testing of controls agreed in 2016/17
Concessionary Fares – online applications	n/a	Q2		5			Advisory input to the development of online applications for concessionary travel passes
Carbon Reduction Certificate	n/a	Q2				5	Certification of the annual return
Broadband project	n/a	Q2				5	Input to the process for sign-off of the BT Contract
Bus Services Operators' Grant	n/a	Q2				5	Certification of BSOG returns
Platt Lane accounts	n/a	Q2				5	Certification of annual accounts
Grant Aid	Med	Q3	15				Assurance review of grant aid to organisations & individuals
Waste management	Med	Q3	15				Contract compliance in terms of contractor performance, review of service delivery data and the approval of payments
LEADER programmes	Med	Q3	10				Ongoing advice and support during the set-up and mobilisation phase of the two programmes
Nottinghamshire Economic Development Capital Fund	Med	Q4	8				Testing of the application of controls identified during the previous audit (PPCS1503). These relate to payments and monitoring of funded projects
Highways Services – Via	High	Q4	10	Page 29 of 82			Scope to be determined following completion of earlier review in Q1

Property Services - Arc	High	Q4	10				Scope to be determined following completion of earlier review in Q1
Advice	n/a	Q1 – Q4		20			Contingency for ad hoc advice to the department
Liaison with Leadership Team	n/a	Q1 – Q4		10			Planning and progress update reports to the departmental leadership team and similar forums
Sub-Totals			143	35	-	20	
Grand Total			198				

Resources

Area of activity	Risk Level	Target Start	Days planned and nature of audit coverage				Likely scope
Assurance	Advice/ Consultancy	Counter Fraud	Certification				
Finalisation of 2016/17 audits	n/a	Q1	5				Contingency to finalise audits from the 2016/17 plan
Corporate Bank Accounts	High	Q1	5				Completion of audit commenced in 2016/17 to review access to, and management of, the Council's bank accounts
Pensions	High	Q1	10				Completion of audit commenced in 2016/17 on the administration of the pension fund
Treasury Management	High	Q2	15				Management of the Council's bank accounts, investments and loans
Council elections	Med	Q2	15				Review of expenditure on the administration of elections
ICT Applications	High	Q1 – Q4	15				Reviews in connection with departmental system s audits
Complaints service	Med	Q2	15				Procedures for the receipt and handling of complaints
Mosaic (Framework upgrade)	High	Q2		10			Advice during the upgrade process
Digital Services	Med	Q3	15				Digital services, including the social media strategy. Scope to be agreed with the Service Director
ICT – External Assurance	High	Q3	10				Review of actions arising from external assessments of a number of aspects of the council's ICT operations & infrastructure, with particular emphasis on security issues
ICT - Networks	Med	Q4	10				Network controls, wireless network, voice network & Citrix
ICT – Project delivery	Med	Q4	15				The application of agreed standards to NCC projects and the process for utilising lessons learned in future projects. Include resource management
ICT – Cloud Computing	High	Q1 – Q4		15			Advice during the transition to cloud computing
ICT Applications	High	Q1 – Q4	15				Reviews in connection with departmental system s audits
Advice	n/a	Q1 – Q4		20			Contingency for ad hoc advice to the department
Liaison with Leadership Team	n/a	Q1 – Q4		10			Planning and progress update reports to the departmental leadership team and similar forums
Sub-Totals			130	55	-	-	
Grand Total				185			

15 June 2017

Agenda Item: 7

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

DRAFT LOCAL CODE OF CORPORATE GOVERNANCE AND DRAFT ANNUAL GOVERNANCE STATEMENT – 2016/17

Purpose of the Report

1. To inform Members of a proposed Local Code of Corporate Governance for Nottinghamshire County Council, the proposed Annual Governance Statement 2016/17 and to invite Members to consider and approve the Statement prior to it accompanying the Statement of Accounts 2016/17.

Information and Advice

2. The Accounts and Audit (England) Regulations 2011 require the Authority to review the effectiveness of its system of internal control and publish an annual governance statement, prepared in accordance with proper practices in relation to internal control.
3. Using guidance developed by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, an Annual Governance Statement has been drafted and is attached (**Appendix 2**). This guidance was updated for the 2016/17 financial year, and the opportunity has been taken to prepare a separate Local Code of Corporate Governance (draft attached as **Appendix 1**). Previously, the practice at this Council has been for the Annual Governance Statement to incorporate the key features of the Council's governance arrangements. In accordance with best practice, it is now proposed to set out the Code of Corporate Governance as a separate document, which may be posted on the Authority's website as a clear statement of the importance that this Council affords to governance issues. This then allows the Annual Governance Statement to become a more targeted document, focused on the assessment of how well the Code has been operating in practice during 2016/17.
4. The Annual Governance Statement has been drawn up on the basis of a range of evidence sources:
 - The outcomes of the quarterly governance meetings of the three statutory officers (Chief Executive, the Monitoring Officer and the Chief Financial Officer);
 - Assurance statements received from Corporate Directors and other key officers regarding the operation of the governance framework during 2016/17 in their areas of responsibility

- Other evidence supplied by relevant officers or obtained from the Council's website to support the assessment of specific aspects of the Code.

The draft Statement was discussed by the Corporate Leadership Team on 16th May 2017 and it has been endorsed by the Chief Executive, Monitoring Officer and Section 151 Officer.

5. As the Statement covers corporate governance and risk management issues, it needs to be referred to Full Council which will be done as part of the approval process for the Statement of Accounts 2016/17.

Other Options Considered

6. The requirement to publish an annual governance statement is set out in the Accounts and Audit Regulations 2011. No other options are available.

Reason for Recommendation

7. To set out how the Authority has met its' governance responsibilities for 2016/17.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That the Committee endorses the Code of Corporate Governance, the Annual Governance Statement 2016/17 and makes any comments or recommendations which it considers ought to be included in the statement which is required to be taken to the next appropriate Council meeting, to accompany the Statement of Accounts 2016/17.

Nigel Stevenson

Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:

Rob Disney

Head of Internal Audit

Constitutional Comments (30/5/17)

Governance and Ethics Committee is the appropriate body to consider the content of this report

Financial Comments (SES 23/5/17)

There are no specific financial implications arising from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None

Electoral Division(s) and Member(s) Affected

All



LOCAL CODE OF CORPORATE GOVERNANCE

1. Defining governance

- 1.1. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2. The governance framework comprises the culture, values and duties of the Authority, supported by the systems and processes put in place to provide assurance that the culture, values and duties are complied with in practice. The Authority uses this framework to direct and control its work and ensure that it engages with, leads, and accounts to the community it serves. The framework enables the Authority to provide assurance over the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services within the existing legal framework.
- 1.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2. Annual Governance Statement

- 2.1. Each year the Council will carry out a review of its governance arrangements to ensure compliance with this Code. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively, or to identify action that is planned to ensure effective governance in the future.
- 2.2. The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader and Chief Executive. It will be submitted to the Audit Committee for consideration and review.
- 2.3. The Annual Governance Statement will accompany the Council's Statutory Statement of Accounts, as required by the Accounts and Audit Regulations

3. Core Principles of Good Governance

- 3.1. The County Council has adopted a Code of Corporate Governance based upon the CIPFA / SOLACE document entitled "Delivering Good Governance in Local Government: Framework." The Framework identifies seven core principles of good governance, along with a number of sub-principles. These are set out below, along with details of the actions and behaviours Nottinghamshire County Council adopts to put these principles into practice.

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p><i>Behaving with integrity:</i></p> <ul style="list-style-type: none"> ➤ Maintains appropriate Codes of Conduct, for both members and staff, together with a Code on Member and Officer Relationships ➤ Operates a Conduct Committee, responsible for considering complaints relating to breaches of the Code of Conduct for Councillors and Co-opted Members ➤ Sets out the required standards of conduct at meetings ➤ Has in place a Member induction and development programme ➤ Maintains a comprehensive, online staff induction programme ➤ Maintains the Council's Constitution, setting out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. ➤ Incorporates in the Constitution a formal scheme of delegation, setting out the delegated powers of the Authority's most senior officers ➤ Implements and publicises a policy and strategy for countering fraud and corruption, along with a Fraud Response Plan. ➤ Maintains an up-to-date register of interests for members and staff ➤ Maintains an up-to-date register of gifts and hospitality ➤ Provides for declarations of interest at all Council and committee meetings <p><i>Demonstrating strong commitment to ethical values:</i></p> <ul style="list-style-type: none"> ➤ Sets out its shared values in its strategic plan: treating people fairly; value for money; working together. ➤ Sets out in the Equality Policy how the Authority aims to achieve its equality objectives, both in terms of the delivery of services and in terms of its employment practices. ➤ Carries out equality impact assessments for change proposals, including consultation with the relevant staff networks <p><i>Respecting the rule of law:</i></p> <ul style="list-style-type: none"> ➤ Allocates to the Head of Paid Service responsibility for reporting to Full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers. ➤ Allocates to the Monitoring Officer key responsibilities for: <ul style="list-style-type: none"> • ensuring the lawfulness and fairness of decision-making. This includes responsibility, after

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>consulting with the Head of Paid Service and Chief Finance Officer, for reporting to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration</p> <ul style="list-style-type: none"> • contributing to the promotion and maintenance of high standards of conduct. <p>➤ Includes constitutional comments in reports to Council and Committees to advise on compliance with the policy framework and the Constitution.</p> <p>➤ Allocates responsibility to the Service Director – Finance, Procurement and Improvement to highlight any proposal, decision or course of action which will involve any unlawful expenditure.</p> <p>➤ Relies on the External Auditors to bring to the attention of the Council any concerns over compliance with legislative requirements highlighted by the audit process</p> <p>➤ Conforms with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government.</p> <p>➤ Maintains an effective Legal Service for the provision of ongoing advice to members and officers on all matters of legality</p>
B. Ensuring openness and comprehensive stakeholder engagement	<p>Openness:</p> <p>➤ Prepares and widely publishes a Strategic Plan, identifying and communicating the Authority's vision and intended outcomes for citizens and service users. Specifically, it provides for the following:</p> <ul style="list-style-type: none"> • Providing a clear statement of the Authority's vision, priorities and values, together with a commitment to treat people fairly, provide value for money and to work together with partners and residents. • Enabling agreed political objectives and statutory requirements to drive the Authority's activities • Enabling the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff. • Providing a broad framework of objectives and performance indicators, to ensure effective performance management. <p>➤ Sets out on the Council's website a range of information that is freely available to the public under its publication scheme. This covers: organisational structures; priorities and performance; policies and procedures; spending and financial information; decision-making, including schedules of council meetings and supporting papers; land and property; parking; lists and registers; services provided by the council; trade union liaison.</p> <p>➤ Publishes an annual performance report</p>

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p><i>Engaging comprehensively with stakeholders, individual citizens and service users:</i></p> <ul style="list-style-type: none"> ➤ Offers a range of communication channels which are cost-effective and targeted. ➤ Has in place an established Social Media Policy ➤ Operates a Citizens' Panel to engage with citizens throughout the County on a wide range of issues
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>Defining outcomes:</p> <ul style="list-style-type: none"> ➤ Sets out the council's intended outcomes in its strategic plan ➤ Sets out in a Strategic Management Framework the Council's approach to planning, commissioning and performance management based on outcomes and intelligence. ➤ Details in its Strategic Management Framework the Council's plans and the relationship between them as part of the strategic management cycle, linking the outcomes and actions of service plans, the strategic plan and key strategies. As part of this cycle Service Plans should be developed to commence from the beginning of April each year. ➤ Regularly monitors and reports on progress against key performance indicators <p>Sustainable economic, social and environmental benefits:</p> <ul style="list-style-type: none"> ➤ Approves and publishes a Sustainable Community Strategy, setting out the key priorities for Nottinghamshire over a ten year period ➤ Maintains a rolling Medium Term Financial Strategy, to serve as the financial plan which underpins the Strategic Plan. ➤ Approves the annual budget and capital programme, which includes an update of the Medium Term Financial Strategy. ➤ Takes a regular report on the Council's financial position to the Finance and Property Committee, and submits separate progress reports to the Policy Committee regarding delivery of the options for change to achieve the required cost savings the Authority needs to make to achieve a balanced budget. ➤ Maintains a capital investment strategy and capital programme which is funded within a prudential financial framework.
<p>D. Determining the interventions necessary to optimise the achievement of the</p>	<p>Determining interventions</p> <ul style="list-style-type: none"> ➤ Develops, and continues to implement, an extensive programme of change in response to the conflicting pressures the Council faces of reducing financial resources at a time of increasing demand for services. The 'Redefining Your Council' programme seeks to ensure that the Council

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
intended outcomes	<p>can deliver the services that the people of Nottinghamshire value in a sustainable way.</p> <ul style="list-style-type: none"> ➤ Develops and presents option appraisals to members. ➤ Consults appropriately to ensure the Council's plans for service development are well informed by the input of stakeholders. <p>Planning interventions</p> <ul style="list-style-type: none"> ➤ Sets out, in the Strategic Management Framework, the Council's planning and control cycles that cover strategic and operational plans, priorities and targets. ➤ Aligns the Council's annual budget process with the organisation's objectives and the over-arching Medium Term Financial Strategy. ➤ Maintains a list of key strategic services for which a business continuity plan is required to be in place. The Council's Emergency Planning Team oversees and advises on the arrangements in place for disaster recovery. <p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ➤ Uses the Medium Term Financial Strategy to balance service priorities, affordability and other resource constraints. ➤ Operates a budgeting process that takes account of the full cost of operations over the medium and longer term.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>Developing the entity's capacity:</p> <ul style="list-style-type: none"> ➤ Develops and maintains an effective Workforce Strategy to support the delivery of the Council's strategic priorities. ➤ Undertakes regular reviews of activities, outputs and planned outcomes to identify areas for improvement. ➤ Makes appropriate use of research and benchmarking to inform priorities for service development. ➤ Makes appropriate use of partnerships and collaborative working where added value can be achieved. <p>Developing the capability of the entity's leadership and other individuals:</p> <ul style="list-style-type: none"> ➤ Establishes protocols to ensure a shared understanding between members and the Chief Executive

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>and the Corporate Leadership Team of respective roles and objectives.</p> <ul style="list-style-type: none"> ➤ Ensures the Leader and the Chief Executive have clearly defined and distinctive leadership roles ➤ Has in place a scheme of delegation which is reviewed annually. ➤ Maintains its standing orders and financial regulations ➤ Maintains an effective induction and development programme both for members and officers.
F. Managing risks and performance through robust internal control and strong public financial management	<p>Managing risk:</p> <ul style="list-style-type: none"> ➤ Operates a Risk, Safety and Emergency Management Board to oversee the process of risk management in the Council. The Board meets periodically throughout the year. The corporate risk register is reviewed at each of the Board's meetings, to determine whether additional steps are required to mitigate key risks. ➤ Supports the Board through Risk, Safety and Emergency Management Groups, one for each department. The Groups are responsible for having an overview of risk management in each department and for maintaining a departmental risk register. <p>Managing performance:</p> <ul style="list-style-type: none"> ➤ Implements and complies with a performance management framework to monitor delivery of the Council's strategy and key plans. <p>Robust internal control:</p> <ul style="list-style-type: none"> ➤ Operates an effective Audit Committee which meets regularly during the year and fulfils the recommended core functions as set out in CIPFA's publication, 'Audit Committees – Practical Guidance for Local Authorities. ➤ Ensures the Council's Internal Audit service is delivered in accordance with the requirements of the Public Sector Internal Audit Standards ➤ Reviews and publicises the Council's counter-fraud and counter-corruption strategy <p>Managing data:</p> <ul style="list-style-type: none"> ➤ Implements a data management framework, featuring procedures and policies for the safe collection, storage, use and sharing of data. Particular emphasis is given to safeguarding personal data. ➤ Employs a designated data protection officer with primary responsibility for promoting awareness of the Council's information management policies and procedures. ➤ Ensures effective arrangements are in place for sharing data with other bodies.

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>Strong public financial management:</p> <ul style="list-style-type: none"> ➤ Ensures an effective system of budgetary control is in operation at all levels of financial planning and control.
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>Implementing good practice in transparency:</p> <ul style="list-style-type: none"> ➤ Complies with the local government transparency code and publishes all information in a timely manner ➤ Puts in place effective, transparent and accessible arrangements for dealing with complaints ➤ Keeps under review, publicises and reports on the Council's Whistleblowing Policy ➤ Establishes, monitors and reports on the Council's complaints procedure <p>Implementing good practices in reporting:</p> <ul style="list-style-type: none"> ➤ Publishes a formal, annual report covering performance, value for money and stewardship of resources ➤ Publishes the annual financial statements in a timely manner ➤ Prepares and publishes an Annual Governance Statement to assess the Council's compliance with this Code of Corporate Governance, identifying an areas for improvement and proposed actions to address them. <p>Assurance and effective accountability:</p> <ul style="list-style-type: none"> ➤ Complies with CIPFA's Statement on the Role of the Head of Internal Audit ➤ Allows its Internal Audit service direct access to members, such that assurance can be provided with regard to effective governance, risk management and control ➤ Provides regular updates on actions taken to implement agreed Internal Audit recommendations ➤ Ensures that the recommendations of external audit and of other regulatory bodies and inspectorates are properly considered and acted upon.

NOTTINGHAMSHIRE COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

1. SCOPE OF RESPONSIBILITY

- 1.1. Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.
- 1.2. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 1.3. This statement meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

2. THE LOCAL CODE OF CORPORATE GOVERNANCE

- 2.1. Nottinghamshire County Council has adopted a local Code of Corporate Governance. This Code is subject to annual review and approval by the Audit Committee, and it is published on the Council's website. [insert hyperlink]
- 2.2. The Code is based on the seven core principles of good governance, as recommended in the CIPFA/SOLACE Framework for 'Delivering good governance in Local Government' (2016 Edition).

3. REVIEW OF EFFECTIVENESS

- 3.1. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This Statement sets out the outcome of the latest review for the financial year 2016/17. The outcomes are set out in terms of the extent to which the Council has applied in practice the seven core principles of good governance.
- 3.2. The evidence to assess effectiveness is drawn from a range of sources, notably the following:

- Quarterly, formal meetings of the Council's three statutory officers ((Head of Paid Service, Monitoring Officer and Chief Financial Officer), who have responsibility for the development and maintenance of the governance environment. The Council's overall governance arrangements are kept under review at these meetings, and the Head of Internal Audit also attends to provide input. The statutory officers prepare an annual report.
- the Head of Internal Audit's annual report
- reports of the External Auditor and other review agencies and inspectorates
- assurance statements from Strategic Directors concerning the application of key governance issues in their areas of service
- review of core governance issues dealt with by the Council and its committee structure

3.3. Where any issues of concern are highlighted by the review, these issues are noted below in section 4 of the Statement, along with the key actions planned to address them.

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>Corporate Directors report, overall, a substantial level of compliance with the Council's procedures.</p> <p>The application of these controls, and the evidence collected from the sources of assurance set out above at 3.2, have identified the following areas in which there is scope for action to bolster the current arrangements:</p> <ul style="list-style-type: none"> - A need for the Member Code of Conduct to be updated, arising from the few cases of complaints against Members that were satisfactorily resolved during the year (see Action Plan 1). - Improving the consistency with which Equality Impact Assessments are carried out across the Council (see Action Plan 2). - Introduction of a Statutory Officers' Annual Report from the 2017/18 financial year (see Action Plan 3) - A refresh of the Council's Anti Money Laundering Policy was drafted during the year, and this needs to be formally approved and implemented (see Action Plan 4). - In three departments of the Council, actions will be taken to remind staff of the procedures for registering interests that should be declared (see Action Plan 5). <p>An objection to the 2015/16 financial accounts was raised by a member of the public and this remains under investigation by the external auditor (see Action Plan 6).</p>
B. Ensuring openness and comprehensive stakeholder engagement	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's Strategic Plan remained in place and the Council complied with the requirements of the Transparency Code in 2016/17.</p> <p>Regular reports on Council performance were submitted to the Policy Committee. The Council's Business Reporting and Management Information (BRMI) project continues to drive improvements in the timeliness and quality of performance reporting.</p> <p>Corporate Directors report a substantial level of assurance over the arrangements for stakeholder engagement with their services.</p> <p>The Communications Policy remained in place during the year, securing stakeholder engagement through a range</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
	of pathways: the 'Nottinghamshire Listens' citizens' panel; the social media policy; publication of the 'Life' magazine; and continuation of the 'Emailme' service and 'Shout Out' campaign.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key Council policies, strategies and reporting regimes identified in the Local Code of Corporate Governance remained in place during the year.</p> <p>A key area of focus continued to be the Medium Term Financial Strategy and an internal audit in 2016/17 of the processes surrounding this strategy returned a substantial level of assurance.</p> <p>Work is in progress to extend and embed the Strategic Management Framework and to ensure that the improved performance information received is an integral part of service improvement (<i>see Action Plan 7</i>).</p>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable</p> <p>The 'Redefining Your Council' change programme continued to progress.</p> <p>Quarterly update reports presented a consolidated view of progress with organisational change programmes, performance and financial savings.</p> <p>A new strategic plan is under development to run from 2018. As part of this, developments with the Strategic Management Framework are planned to more closely align the Council's annual budget process with the organisation's objectives and performance monitoring (<i>see Action Plan 7</i>).</p>
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's Workforce Strategy was revised in 2016/17.</p> <p>Overall, substantial levels of assurance were received from Corporate Directors regarding arrangements for:</p> <ul style="list-style-type: none"> - inducting new members of staff, including the implementation of an eLearning induction programme by one department - conducting regular employee appraisals, although one department reported the need to reaffirm expectations with all managers for EPDRs to be complete, (<i>see Action Plan 8</i>). - regular reviews of activities, outputs and planned outcomes to identify areas for improvement - appropriate use of research and benchmarking to inform priorities for service development - appropriate use of partnerships and collaborative working where added value can be achieved.

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
	<p>With regard to Members of the Council, a pre-determined induction programme is in place for the first six months of each new administration; this is currently being devised for the post-election period in 2017. Training is compulsory for all Members in relation to the code of conduct and standards. Training is also compulsory for certain Members on committees dealing with: pensions; appeals; and planning & licensing. A wide range of training for Members was carried out in 2016/17.</p>
F. Managing risks and performance through robust internal control and strong public financial management	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>Developments in 2016/17 included the following:</p> <ul style="list-style-type: none"> - Revised financial regulations were agreed by the Council - The Council's counter-fraud and counter-corruption strategy and fraud response plan were publicised to internal staff during the year. - A Contracts and Finance Oversight Group was established and is meeting on a regular basis, chaired by the Group Manager, Procurement, with attendance from ASCH&PP staff and Finance staff, to oversee the procurement of adult social care services and compliance with financial regulations. <p>Information governance remains a key area of focus for the Council, with action progressing to implement the recommendations of the Information Commissioner's office and of the Council's Internal Audit service. Overall, Corporate Directors report a reasonable level of assurance that effective procedures are in place. For 2017/18, it is proposed that information governance should be included as a regular agenda item at the Audit Committee (see Action Plan 9 & 10).</p> <p>The evidence collected from the sources of assurance set out above at 3.2, has identified the following additional areas in which there is scope for action to bolster the current arrangements:</p> <ul style="list-style-type: none"> - An internal audit in 2016/17 of the Council's risk management arrangements has proposed some recommendations to further strengthen the arrangements, including the proposal for formal updates on risk management to be presented to the Policy and Audit Committees (see Action Plan 11). - Training and an improvement and development plan considered and to be presented to new Audit Committee in June (see Action Plan 12).
G. Implementing good	Assessed assurance level for compliance with the Code of Corporate Governance: Substantial

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
practices in transparency, reporting, and audit to deliver effective accountability	<p>The evidence collected from the sources of assurance set out above at 3.2 confirmed that the key policies, procedures and practices identified in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>One area of development in the year was the implementation of revised approach to the follow-up of Internal Audit recommendations. The amended approach is more efficient and effective, and it is demonstrating that strong action is taken across the Council to implement agreed actions.</p>

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. **The transformation agenda:** the transformation framework, '*Redefining Your Council*', continues to drive the Council's response to the challenging financial and policy environment. The framework seeks different ways of delivering services by looking firstly at innovative and creative solutions. During 2016/17, three Alternative Service Delivery Models were implemented, and reviews of their early operations are helping to shape the Council's learning and future strategy (*see Action Plan 13*).
- 4.2. **Budget forecasting:** Effective management of the most volatile elements of the annual budget remains a key area of focus. In 2016/17, particular attention was given to a number of work-streams in the Children's, Families' and Cultural Services Department, involving an assessment of corrective actions required to achieve the savings targets in the department. For 2017/18 and beyond, further analysis is required to identify the most volatile elements of the annual budget and to bring forward proposals for how these budgets can best be managed to deliver greater assurance around the reliability of forecasts (*see Action Plan 14*).
- 4.3. **Brexit:** The implications for the Council and its delivery of services are currently considered to be low risk, but these remain under continual review.
- 4.4. **Retention of local business rates:** Preparatory work for this change in the local taxation framework continues to progress.
- 4.5. **Pressure on core systems of internal control:** The findings of Internal Audit continue to identify areas in which only limited assurance can be provided over the effectiveness of internal controls. Areas of concern during 2016/17 were reported through to the Audit Committee as part of the Head of Internal Audit's progress updates. However, the revised follow-up procedure for Internal Audit recommendations is providing strong evidence that agreed actions are being taken across the Council.
- 4.6. **Vulnerability to fraud:** The Annual Fraud Report 2016/17 was presented to the Audit Committee in June 2017. This identifies that the incidence of internal attacks are low, but the Council remains vulnerable to attacks from external sources. Focused efforts in high risk areas of service are identifying more cases, especially in relation to social care provision. The Internal Audit Service is working with key service managers to ensure the Council's arrangements for responding to this emerging area of fraud risk are robust and effective (*see Action Plan 15*).
- 4.7. **Risk of exposure to serious and organised crime:** National evidence identifies local government as a prime target for fraudulent activity to fund serious and organised crime. A review against the DCLG/Home Office checklist for vulnerability to serious and organised crime has been carried out and an action plan will be progressed in 2017/18. A meeting with the Police is being scheduled to discuss further assistance in assessing the current threat level (*see Action Plan 16*).

- 4.8. **Independent Inquiry into Child Sexual Abuse (IICSA):** A chief officers' co-ordination group is in place, embracing the County Council, Nottingham City Council and Nottinghamshire Police. An internal Steering Board and Response Team have been established to support the work required and to co-ordinate the Council's response to assist the inquiry. Regular Member briefings have taken place and will continue during the lifetime of the enquiry.
- 4.9. **Devolution/combined authority:** A devolution deal is not currently progressing. Further steers on government policy are awaited before progressing with combined authority proposals.
- 4.10. **Controversial/sensitive decisions:** The risk of challenge and demonstrations at Council meetings, at which potentially controversial and sensitive decisions are to be taken, is recognised and remains under active management.
- 4.11. **Post-election transition:** The change in administration, following the local elections in May 2017, is being carefully managed to ensure the day-to-day governance arrangements at the Council are not unduly disrupted.

5. Action Plan 2017/18

Planned action	Officer responsible	Target date for completion
1. Revise the Member Code of Conduct	Corporate Director Resources	
2. Review the consistency with which Equality Impact Assessments are carried out	Corporate Director Resources	
3. Introduce the statutory officers' annual report	Chief Executive, Corporate Director – Resources, Service Director – Finance, Procurement & Improvement	April 2018
4. Implement the refreshed anti-money laundering policy	Service Director – Finance, Procurement & Improvement	August 2017
5. Actions to embed the procedure for staff to register any interests that need to be declared: a) In the ASCH&PP Department, undertake further work to ensure that staff are aware of the process for registering their interests b) In the CFCS Department, set up a departmentally held register of interests. c) In the Resources Department, remind staff of the procedure to be followed to register their interests.	a) Corporate Director ASCH&PP b) Corporate Director CFCS c) Corporate Director Resources	a) July 2017 b) June 2017 to set the register up. September 2017 to embed its use c)
6. Respond to any recommended actions arising from the review of the objection to the accounts 2015/16	Service Director – Finance, Procurement & Improvement	To be determined on receipt of the external auditor's report
7. Review the content and application of the Strategic Management Framework to closely align the Council's annual budget process with the organisation's objectives and performance monitoring	Chief Executive Corporate Director Resources	
8. Actions to ensure EPDRs are carried out regularly across the Council a) In the Adults, Social Care, Health & Public Protection Department, complete an audit and reaffirm expectations with all managers for EPDRs to be completed, linked to the new strategic plan b) Tackle the few areas where EPDRs do not take place as regularly as they should.	a) Corporate Director ASCH&PP b) Corporate Director Resources	July 2017

9. Continue with the implementation of agreed actions from the ICO and Internal Audit reviews of information governance	Corporate Director Resources	
10. Report information governance updates on a regular basis to the Audit Committee	Corporate Director Resources	
11. Monitor implementation of the actions relating to the internal audit of risk management	Head of Internal Audit	Quarterly updates to the Audit Committee in 2017/18
12. Agree a programme of development for the Audit Committee and monitor its implementation.	Head of Internal Audit	June 2017 and quarterly updates on implementation
13. Take the learning from the reviews of the existing Alternative Service Delivery Models to inform development of the Council's future strategy	Corporate Leadership Team	
14. Determine and implement a revised approach to budget forecasting.	Service Director – Finance, Procurement & Improvement	
15. Complete internal review of the Council's response to social care fraud and monitor implementation of the agreed actions	Head of Internal Audit and key Service Directors with responsibility for social care	June 2017 and quarterly updates
16. Implement the action plan for addressing the threat posed by serious and organised crime.	Head of Internal Audit and key Service Directors in affected areas of service	

APPROVAL OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

The Council has adopted a robust approach to addressing these financial, demographic, technological and legislative challenges.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 14 June 2017. We are aware of the steps that are being and will be taken to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2017/18 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE

15 June 2017

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

EXTERNAL AUDIT - KPMG AUDIT FEES 2017/18 AND PROGRESS REPORT AND TECHNICAL UPDATE

Purpose of the Report

1. To inform Members of the proposed KPMG audit fees for 2017/18.
2. To provide Members with information relating to external audit progress and a technical update.

Information and Advice

3. The attached audit fees letter details the indicative fees for the forthcoming KPMG work in respect of Nottinghamshire County Council and Nottinghamshire Pension Fund. Appendices to the letter are available as background papers.
4. The attached KPMG Progress Report and Technical Update provides details of the latest position with regard to external audit issues.
5. Representatives of KPMG will be in attendance at the Governance & Ethics Committee meeting and will present the key features of the documents and respond to Member's questions.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Members note the proposed KPMG audit fee levels and comment accordingly.
- 2) That Members note the KPMG Progress Report and Technical Update.

Nigel Stevenson
Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:
Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

Constitutional Comments ()

7. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (GB 11/05/2017)

8. The anticipated proposed total fees, excluding the indicative fee for grant claim certification, are £98,213 for Nottinghamshire County Council and £29,926 for the Nottinghamshire Pension Fund.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Appendices to the Audit Fees letter.

Electoral Division(s) and Member(s) Affected

- All



External Audit Progress Report and Technical Update





Nottinghamshire County Council and Pension Fund

May 2017

Contents

The contacts at KPMG in connection with this report are:		Page
Tony Crawley Director KPMG LLP (UK) Tel: 0116 256 6067 tony.crawley@kpmg.co.uk Sayeed Haris Senior Manager KPMG LLP (UK) Tel: 0116 256 6061 sayeed.haris@kpmg.co.uk	External audit progress report	3
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	Appendices	
	1. 2016/17 audit deliverables	9

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team. We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

 High impact  Medium impact  Low impact  For information



External audit progress report

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in **Appendix 1** of this report.

Area of responsibility	Commentary
Financial statements	<p>In order to form our opinion on the Authority and Pension Fund's financial statements, we review the key financial systems across the organisation to gain assurance over the design and implementation of the controls in place that address the key risks within each system. The strength of the control framework informs the substantive testing we complete during our final accounts visit.</p> <p>This work was completed at our interim visit in March this year. As part of this, we also completed an assessment of the general IT controls in place at the Authority. In addition we completed our review of the financial systems in place for the Pension Fund.</p> <p>We have not identified any specific control weaknesses that we would like to bring to your attention at this stage, however the assessment of the general IT controls is in progress, and we are yet to conclude on the testing undertaken.</p> <p>The final accounts visit is due to take place in June 2017. The timetable has been brought forward in order to prepare for the change in reporting deadlines for the 2017/18 audit year.</p>
Value for Money	<p>Our value for money work is in progress and is due to be completed in July 2017.</p> <p>As part of this process we have been meeting with senior officers in the Authority to discuss in more detail the value for money arrangements and future challenges facing their respective department. The results of these discussions will feed into our 2016/17 Value for Money conclusion.</p> <p>This work has also involved reviewing the Authority's Committee papers and budget monitoring reports, and will include review of the final outturn position.</p>
Other work	<p>We have completed the certification work on the Teachers' Pensions return since our last progress update in November 2016. Our work was completed in accordance with the grant certification instructions and issued to the Teachers' Pensions Authority.</p>



Technical developments

Highways Network Assets

Level of impact: ● (Medium)	KPMG perspective
<p>On Wednesday 8 March 2017, the CIPFA/LASAAC Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. This follows its decision in December 2016 to delay the implementation until at least the 2017/18 financial year.</p> <p>The Board took the decision not to proceed because the benefits are outweighed by the costs of implementation for local authorities. Another factor was the absence of central support for key elements of the valuation.</p> <p>The update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the accounting code) has also been issued which confirms the removal of the requirement for 2016/17.</p> <p>Further information can be found on the CIPFA website at www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/ifrsbased-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-the-code</p>	<p><i>The Committee is asked to note CIPFA's decision.</i></p>

Comptroller and Auditor General (C&AG) keynote speech: 'The implications of central decision-making on the delivery of frontline services'

Level of impact: ● (For Information)

The Comptroller and Auditor General (C&AG), Sir Amyas Morse, gave a keynote speech in February 2017 on *The implications of central decision-making on the delivery of frontline services* at the Strand Group, the Policy Institute at King's College London's signature seminar series.

Drawing on his unique perspective looking across the whole of the public sector, the C&AG explored some of the elements of strategic financial management and planning that influence the success of major reform programmes in connected systems.

The speech examined how central government introduces reforms to locally delivered services to achieve its policy objectives, and the effect of its approach on funding, budgeting and efficiency.

Using the examples of local government, adult social care, and the NHS in England, the C&AG argued that the focus of local public services has shifted from providing 'more for less' to providing 'less for less', and that the lack of joined-up decision-making and funding arrangements between connected systems can often lead to consequences such as:

- unforeseen conflicting objectives for local bodies;
- cost shunting between parts of connected systems; and ultimately; and
- risks of financial, or service, failure locally.

The C&AG explained how year-on-year funding reductions can impact on the accessibility and quality of the services provided, not only for the local government sector, but across the health and social care system more widely.

The C&AG concluded that central government can do more to understand how assumptions about the efficiencies that may be available are likely to affect their objectives across public services, to help them promptly manage major risks. He urged those in the centre to do more to look outside of their 'silos' to understand the complexity and interconnectedness of the environment they are seeking to reform.

Finally, he encouraged central government to work more closely with local bodies to ensure that funding and decision-making arrangements drive not only economy and efficiency, but also effectiveness.

The full transcript of the speech is available on the NAO website at www.nao.org.uk/wp-content/uploads/2017/02/CAG-speech-Kings-College-London-070217.pdf

Technical developments

Public Sector Audit Appointments – Updated terms of appointment and statement of responsibilities published

Level of impact: ● (For Information)

On 23 February 2017, Public Sector Audit Appointments Ltd (PSAA), issued the revised document *Terms of Appointment: Principal Local Authorities and Police Bodies*. There are minimal changes the document issued in September 2015 the re-write is intended to clarify or simplify the arrangements within the document.

PSAA has also issued an updated *Statement of Responsibilities of audited and audited bodies Principal Local Authorities and Police Bodies* applicable for 2017/18. The Statement explains where the differing responsibilities of auditors and of audited bodies begin and end, and sets out what auditors should expect of the audited bodies in certain areas. The Statement is consistent with those issued previously, but removes references to local NHS bodies and smaller authorities.

Both documents are available on the PSAA's website at www.psaa.co.uk/appointing-auditors/terms-of-appointment/



Appendix

Appendix 1

2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	Completed
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017	Completed
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2017	Outstanding
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2017	Outstanding
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	Outstanding
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2017	Outstanding



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KPMG LLP
St Nicholas House,
31 Park Row
Nottingham
NG1 6FQ
United Kingdom

Tel +44 (0) 116 256 6067
Fax +44 (0) 115 935 3500

Private & confidential

Nigel Stevenson
s151 officer
Nottinghamshire County Council
County Hall
West Bridgford
Loughborough Road
Nottingham
NG2 7QP

Our ref NCC/TC/SH

Contact Sayeed Haris
0116 2566061

25 April 2017

Dear Mr Stevenson

Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Nottinghamshire County Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2017/18	Planned fee 2016/17
Audit fee – Nottinghamshire County Council	£98,213	£98,213
Audit fee – Pension Fund	£29,926	£29,926

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Redistribution of Audit Commission surplus

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2017/18

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

There are no longer any claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Nottinghamshire County Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Beyond 2017/18

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

25 April 2017

Our team

The key members of our audit team for the 2017/18 audit are:

Name	Role	Contact details
Tony Crawley	Director	Tony.Crawley@kpmg.co.uk 0116 256 6067
Sayeed Haris	Senior Manager	Sayeed.Haris@kpmg.co.uk 0116 256 6061
David Schofield	Assistant Manager	David.Schofield@kpmg.co.uk 0116 256 6074

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3HZ

Yours sincerely



Tony Crawley
Director, KPMG LLP

15 June 2017

Agenda Item: 9

REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

MANDATORY INQUIRIES – 2016-17 STATEMENT OF ACCOUNTS

Purpose of the Report

1. To inform Members of the External Auditors' requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the County Council's accounts for 2016/17 and to allow Members to comment on the response related to 'Those Charged with Governance'.

Information and Advice

2. As part of the annual approach taken by our External Auditors, KPMG seek responses to matters concerning the Council's approach and reporting on a number of areas, in particular related to themes surrounding fraud, litigation, laws and regulations, together with some areas specific to the accounts such as related parties and estimates used in the accounts. The responses to these questions form part of the overall audit and will inform the approach taken by KPMG to the audit of the Council's Statement of Accounts for 2016/17.
3. Attached for Members to comment upon is the questionnaire for completion by the Governance and Ethics Committee as 'Those Charged with Governance'.
4. A number of further mandatory questionnaires completed by Internal Audit, Legal Services and Management are available as background papers. These questionnaires set out the responses to inquiries made on the themes set out above.

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Members receive, and comment upon, the inquiries for those charged with governance for the 2016/17 audit of the Statement of Accounts.

Nigel Stevenson

Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:

Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

Constitutional Comments

6. As this report is for noting only, no constitutional comments are required.

Financial Comments (GB 02/06/2017)

7. There are no direct financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Mandatory Inquiry responses completed by Internal Audit, Legal and Management.

Electoral Division(s) and Member(s) Affected

- All

Inquiries—Those Charged With Governance

Name of Interviewee(s) : Governance and Ethics Committee

Name of KPMG Interviewer(s) :

Date(s) of Interview : 14 June 2017

Required Inquiries

Category	Short Description	Detailed Description	Comments (optional)
Fraud	REQUIRED Programs and controls to prevent, detect and deter fraud – oversight by those charged with governance	How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?	The Corporate Leadership Team and the Governance and Ethics Committee are consulted on the Annual Internal Audit Plan. Periodic updates against the Plan are provided. An Annual Report on Internal Audit work is provided. Copies of Internal Audit reports are widely disseminated, including to Corporate Directors, Members and the Operational Manager concerned. A Fraud Risk Assessment is in place as part of the process for compiling the Annual Fraud Report.
Fraud	REQUIRED Management's assessment of fraud risks including the nature, extent and frequency of such assessment	What are your views about fraud risks at the entity?	Current fraud risks have been assessed as part of the Annual Fraud Report 2016/17. This is due to be reported to the Governance and Ethics Committee in July 2017.
Fraud	REQUIRED Actual, suspected or alleged instances of	Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been	Yes, details of the cases arising in 2016/17, and the actions taken to tackle them, are set out in the Annual Fraud Report 2016/17.



Category	Short Description	Detailed Description	Comments (optional)
	fraud	appropriately addressed and how have they been addressed?	
Significant unusual transaction	REQUIRED SUTs - existence	Has the entity entered into any significant unusual transactions?	No Significant Unusual Transactions have been entered into during 2016/17. NCC have closed its cash offices and relies upon payments by electronic payment methods. Small value cash income is received by schools and country parks. All cash values are collected by a security collection and directly banked.

15 June 2017**Agenda Item: 10****REPORT OF THE CORPORATE DIRECTOR OF RESOURCES****WORK PROGRAMME****Purpose of the Report**

1. To review the Committee's work programme for 2017/18.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the Committee's agenda, the scheduling of the Committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Committee meeting. Any member of the Committee is able to suggest items for possible inclusion.
3. The attached work programme includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the Committee in preparing and managing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, ways of working, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That the Committee's work programme be noted, and consideration be given to any changes which the Committee wishes to make.

Jayne Francis-Ward
Corporate Director - Resources

For any enquiries about this report please contact:

Keith Ford, Team Manager, Democratic Services Tel. 0115 9772590

E-mail: keith.ford@nottsc.gov.uk

Constitutional Comments (SLB)

The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

There are no financial implications arising directly from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Electoral Division(s) and Member(s) Affected

All

GOVERNANCE & ETHICS COMMITTEE - WORK PROGRAMME (AS AT 7 JUNE 2017)

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
19 July 2017			
Annual Fraud Report 2016/17	To present to the Committee the Council's Annual Fraud Report and to invite feedback from Members.	Nigel Stevenson	Rob Disney
Internal Audit Annual Report 2016/17	To inform Committee of the Head of Internal Audit's Annual Report and his opinion on the adequacy of the Council's internal control environment.	Nigel Stevenson	Rob Disney
Financial Regulations Waivers 2016/17	To inform Committee of compliance with the Council's Financial Regulations in the 2016/17 financial year and any waivers in that same period.	Nigel Stevenson	Clare Winter
Changes to Democratic Services Staffing Structure	To approve a revised staffing structure for Democratic Services to meet future demand and changed requirements.	Jayne Francis-Ward	Keith Ford
27 September 2017			
External Audit Annual Governance Reports	To receive for information, and comment, the External Auditor's Annual Governance Reports on the County Council and Pension Fund, prior to these being forwarded to Full Council for approval	Nigel Stevenson	Glen Bicknell / External Auditor
Risk management update	Periodic update on Risk Management issues.	Paul McKay	Robert Fisher
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations	John Bailey	John Bailey
8 November 2017			
Internal Audit Progress report for 2016/17	To provide details of internal audit work completed to the end of September 2017	John Bailey	John Bailey
13 December 2017			
External Audit – Annual Audit Letter 2016/17	KPMG summarises the findings from work carried out by the external auditors over the last financial year (2016/17)	Nigel Stevenson	Glen Bicknell / External Auditor
31 January 2018			
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations Page 81 of 82	John Bailey	John Bailey

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
14 March 2018			
Statement of Accounts 2017/18 – Accounting Policies	To outline proposed changes to the accounting policies used for the Authority's Statement of Accounts for 2017/18 for review and approval	Nigel Stevenson	Glen Bicknell
Internal Audit Plan for 2018/19	Report from the Head of Internal Audit providing details of the planned work for 2018/19	John Bailey	John Bailey
External Audit Plan 2017/18	To provide information on the External Auditors' Audit Plan for their 2017/18 Audit.	Nigel Stevenson	Glen Bicknell / External Auditor
Certification of Grants and Returns 2016/17	To provide information on the External Auditors' Annual Report 2016/17 on the certification of Grants and Returns	Nigel Stevenson	Glen Bicknell / External Auditor
2 May 2018			
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations	John Bailey	John Bailey
13 June 2018			
Annual Governance Statement	To agree the Council's Annual Governance Statement.	Nigel Stevenson	Rob Disney
25 July 2018			
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations	John Bailey	John Bailey