

Audit Committee Minutes

Date: 14 January 2016

Time: 7.00 - 7.45 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors S Saddique, A Lee, Ms C J Oliver, G Peart, C Whitehead and M Hanif,

Also present: Councillor D M Watson and S Gill (External Auditor, Ernst & Young)

39 MINUTES

RESOLVED: That the minutes of the meeting held on 19 November 2015 be confirmed as a correct record and signed by the Chairman.

40 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor G Hall and Debbie Henson, Ernst and Young.

41 DECLARATIONS OF INTEREST

There were no declarations of interest.

42 RED KITE UPDATE

The Committee received a report which provided an update on Red Kite performance following the transfer of housing stock in December 2011.

The Housing Services Manager reported that as at November 2015, which was the most up to date information available, of the 109 promises and commitments included; 76 were recorded as being completed, 29 were recorded as on target, 2 were marked as in progress, 2 were marked as not started whilst none were recorded as being at risk. It was noted that December 2016 was the overarching deadline by which all promises must be completed as per the Transfer Offer to tenants and residents.

It was agreed that Red Kite was making good progress towards the Promises made in the Transfer Offer with significant progress made since the previous report to the Audit Committee. It was noted that the Castlefield Regeneration was in progress and a majority of residents had been moved or had left the properties. A formal planning application would be submitted in autumn 2016.

RESOLVED: That the Red Kite Performance Update be noted.

43 AUDIT COMMITTEE ANNUAL REPORT - DRAFT

The Committee received a report which presented a draft 2015 Annual Report that reflected the work of the Committee during 2015 and provides information regarding the Committee's work programme for 2016.

The Audit, Risk & Fraud Manager advised that the report was based on best practice as recommended in CIPFA's Audit Committee Practical Guidance for Local Authorities and Police 2013, and if agreed by the Committee would be published on the Council's website.

RESOLVED: That the draft 2015 Annual Report of the Audit Committee be agreed, and published on the Council's website.

44 ANNUAL REVIEW OF THE RISK MANAGEMENT POLICY

The Committee received a report which presented the 2016 Risk Management Policy. The Audit, Risk & Fraud Manager reported that the 2016 policy had been revised to reflect the following:

- The new corporate priorities as defined in the Corporate Plan.
- The framework used to develop operational service plans.
- A fuller description of the categories of risk.
- A more detailed explanation as to the methodology for scoring risks.

In response to a query it was noted that operational risk registers would if required identify risks in relation to a key members of staff. If the risks were significant these would be escalated to Strategic Risk level for consideration of controls and procedures to mitigate these risks.

RESOLVED: That the Risk Management Policy 2016 be approved.

45 TREASURY MANAGEMENT STRATEGY 16/17 AND PRUDENTIAL INDICATORS

The Financial Services Manager presented the Treasury Management Strategy for 2016/17. In 2012 the Council adopted the CIPFA Treasury Management in the Public Services Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year; a mid-year report; and an annual report after the end of each financial year. The Committee was invited to approve the Strategy for 2016/17, including the Treasury Management Indicators, and to note the Treasury Management Policy Statement.

It was noted the main changes in the Treasury Management Strategy which were:

- Reduction of investment limits with Natwest Bank Plc, to £4m from £10m.
- The option of investing up to £7.5m into an indirect property fund should the Head of Finance and Commercial and the Cabinet Member for Finance determine such an investment to be an advantageous option.
- Limits for investments with other Local Authorities reduced to £7.5m from £10m.

Members made a number of points and received clarification of various queries as follows:

- Updates regarding credit ratings were also provided by the Council's external treasury advisers, Captia (Sector) Asset Management.
- Investing in Government via the Debt Management Office (DMO) provided a 0.25% return irrespective of the period placed; however banks provided a return of up to 1% for deposits of up to 1 year. The Council could if it chose place cash into UK Government Gilts for longer period (greater than 1 year) and whilst this gives a slightly better return than the DMO, it does mean that if you want to access the cash you would run the risk of a capital loss. The Council has £5m in Government Gilts earning 1% and maturing 22 July 2018. Given the projection on future interest rates placing funding long term in gilts could lead to poorer returns in the medium term. Ultimately the policy needs to reflect the level of risk that the Authority is prepared to accept. There are no entirely risk free options.
- There were a narrow range options for the investment of cash balances. The majority of banks and building Societies were UK based with one foreign bank included.
- Immediate redemption of cash from investments was dependent on the type of investment; Money Market Fund investments could be redeemed immediately.
- Currently circa £500k was being held in Escrow at Islandsbanki in Icelandic Krona. The Council cannot access these funds currently due to government currency controls.
- A significant number of local government authorities use Capita for treasury advice. It was noted that there were only two treasury management companies that were in the market to provide these services, the other being Arlingclose Ltd.

Therefore it was **recommended** to Council that:

- (i) the Treasury Management Strategy for 2016/17, and the Treasury Management Indicators contained therein be approved;
- (ii) the Treasury Management Policy Statement, attached at Appendix A of the report, be noted.

46 CERTIFICATION OF GRANTS & CLAIMS

The Committee received the Ernst and Young Certification of Grants and Claims Annual Report 2014-15. It was noted that no recommendations for action had been identified in the report.

RESOLVED: That the EY Certification of Grants and Claims Annual Report 2014-15 be noted.

47 ISSUES LOG

The Committee considered the issue log and issues completed. It was noted that relationship with the DWP was improving with regards to the level of fraud cases being pursued. However, it was highlighted that there was now the requirement for separate investigations and prosecutions, where applicable, to be undertaken separately by the DWP and the Council. The ability to undertake joint investigations and prosecutions was removed following the creation of the Single Fraud Investigation Service.

Further work is to be undertaken with the DWP (local office) as regards the progress of referred cases that arose from the recent National Fraud Initiative (NFI) data matching exercise.

Further updates would be brought to a future meeting.

RESOLVED: That the report be noted.

48 AUDIT COMMITTEE WORK PROGRAMME

The Audit Committee Work programme as appended to the agenda was reviewed by the Committee.

RESOLVED: That the Audit Committee work programme be approved with the inclusion of a report on the Ethical Standards Self-Assessment.

Chairman

The following officers were in attendance at the meeting:

Steve Richardson	- Head of Finance and Commercial
Mike Howard	- Audit, Risk and Fraud Manager
Brian Daly	- Housing Services Manager
Nisar Visram	- Financial Services Manager
Andy Green	- Revenues and Benefits Service Manager
Jemma Durkan	- Senior Democratic Services Manager