

Audit Committee

Minutes of the meeting held on 17 July 2014

Present

Councillor Hackett (In the Chair between AC/14/25- AC/14/38)
Councillors Ahmed Ali, Barrett, Siddiqi and Watson
Independent co-opted member Mr S Downs

Councillor John Flanagan, Executive Member for Finance and Human Resources

Apologies

Councillors Ollerhead and Lanchbury

AC/14/24 Chair

Decision

To appoint Councillor Hackett to chair the meeting.

AC/14/25 Minutes

The minutes of the meeting on 12 June were submitted for consideration.

The Committee agreed that the introductory briefing to the work of audit which was requested at the last meeting for new Audit Committee and Finance Scrutiny Committee members, would be open to all members.

Decision

To approve as a correct record the minutes of the meeting held on 12 June 2014.

AC/14/26 Requirements for Asset Valuations

The Committee considered the report of the City Treasurer which provided details of the requirements for asset valuations for both the Council and group accounts. The report provided more information on the process for valuing assets following a request from the Audit committee at its January meeting. The City Treasurer advised that the valuation of Destination Manchester and the Airport assets had been completed this year.

A member asked about how Council owned properties were valued when their leases to external organisations expired. The Corporate Finance Lead - Strategic Finance and Accountancy confirmed that properties underwent a re-evaluation in accordance with the Code of Practice on Local Authority Accounting.

The Committee discussed the surplus assets that are held by the Council. These were defined as assets that do not meet the requirements for immediate sale and

included land that was being held for regeneration purposes and could be sold later. Members were specifically concerned that assets on the list that could benefit local communities would be left for a substantial amount of time and become derelict. The Committee agreed to request the Finance Scrutiny Committee to review the current list of surplus assets and how they fit in with long term regeneration plans.

Decision

To ask the Finance Scrutiny Committee to review the current list of surplus assets and how they fit in with long term regeneration plans.

AC/14/27 Business Rates Retained Income 2013/14

The Committee considered the report of the City Treasurer which provided an overview of the latest position on business rates and highlighted the inherent risks within the current system.

Local authorities are now able to retain approximately 49% of business rates collected, but they must also set aside funding to deal with the costs associated with outstanding appeals. The report provided details of the amount of money set aside to deal with the cost of appeals and the method of how this was calculated. It also detailed the impact on the annual accounts if the Council's calculation changes.

The Committee discussed the potential benefit and risks associated with the business rates collection, and the costs of appeals. The City Treasurer confirmed that there was disparity between different local authorities on the costs with some areas having to pay out substantial costs to deal with bigger claims. Many local authorities have made a loss compared to the amount of business rates expected to be collected in the first year but this was in part, due to the high cost of a small number of bigger claims. The benefits of the new system included increased revenue accrued from business rate growth.

Decision

To note the report.

AC/14/28 Treasury Management Outturn Report

The Committee considered the report of the City Treasurer which outlined the Treasury Management activities of the Council for the years 2013-14. The report explained how the Council managed its investments, cash flow, banking, money markets and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Investment Strategy 2014-15 was agreed by the Council on 7 March 2014. Within this strategy, the ratings thresholds for banks that the Council can hold its investments with, are set out. To take account of changes within national rating agencies, the Committee was asked to recommend that Council amend this strategy to reduce the minimum short term rating criteria to F2 (Fitch) or equivalent.

The City Treasurer advised members that Homes & Communities Agency (HCA) / Communities and Local Government (CLG) have offered the Council a loan facility through the Local Infrastructure Fund. As this facility was not included in the list of borrowing sources in the Treasury Management Strategy agreed by Council in March 2014, the Committee was asked to recommend that Council approve this.

The Committee welcomed the report and noted that the Council was performing well particularly in the average net return on investments and net cost of temporary borrowing, both of which were better than the benchmark rates. A member asked whether there was any flexibility in the transfer of the banking contract as the proposed date of 31 March 2015 was close to the financial year end. The City Treasurer agreed to review this.

Decision

To recommend that the Council approve:

1. a change to the investment strategy for 2014-15, which involves setting the minimum short-term rating that the Council will accept for a counterparty at F2 (Fitch) or equivalent as highlighted in section 8 of the Treasury Management Outturn Report to the Audit Committee.
2. a change to the borrowing strategy for 2014-15, which involves the possible use of the Homes & Communities Agency / Communities & Local Government loan facility, as highlighted in section 9 of the Treasury Management Outturn Report to the Audit Committee.

AC/14/29 Revenue Outturn Report 2013/14

The Committee considered the report of the City Treasurer which provided details of the Revenue Outturn report 2013/14. The report was considered by the Executive in July and was provided to members to inform their consideration of the annual accounts.

Decision

To note the report.

AC/14/30 Capital Programme Monitoring 2013/14 – Outturn Report

The Committee considered the report of the City Treasurer which provided details of the Capital Programme Monitoring 2013/14. The report was considered by the Executive in July and was provided to members to inform their consideration of the annual accounts.

Decision

To note the report

AC/14/31 Annual Accounts 2013/14

The unaudited Annual Accounts 2013/14 were submitted to the Committee for consideration. The Accounts had been signed by the City Treasurer as a true and fair view of the financial position of the Council and its income and expenditure for the year ending 31 March 2014. The Committee was invited to consider the Accounts prior to their external audit. The Assistant Chief Executive (Finance and performance) gave a detailed presentation to members that explained the content and structure of the annual accounts.

The Committee discussed the timescale involved in producing the accounts following proposals from central government that the timescale in future years will be shortened to require the accounts to be completed by the end of May. The Committee shared the concerns raised by officers about the increased pressure on finance staff and the practicalities of collating the group accounts (for external organisations such as the airport) that were not in the Council's control. The aim of the new timetable would be to increase transparency of public sector accounts. The Committee felt this would be better done through simplifying the requirements of the content of the accounts document.

The Committee thanked everyone involved in the process of collating the accounts for all of their hard work.

Decision

To note the unaudited 2013-14 Annual Accounts.

AC/14/32 Consultation on Audit Appointment 2015/16

The Committee was provided with a letter from the Audit Commission, which confirmed that Grant Thornton LLP has been appointed as the Council's auditors for two years from 2015/16. This was provided for information.

Decision

To note the report.

AC/14/33 Audit Fee Annual Letter

The Committee was provided with a letter from Grant Thornton outlining the proposed work programme and scales of fees for 2014/15. The letter informed members that there has been no change to the fees since the previous year and was set at £274,752.

Decision

To note the report.

AC/14/34 Audit Committee Update Report

The report of the Council's external auditors, Grant Thornton provided an update on progress in delivering their responsibilities as the Council's external audit. The report also included a summary of emerging national issues and challenges that could affect the Council in the future. As of July, all planned work was due to be completed on time. This included the 2013/14 final accounts audit, the Annual Audit letter, and the certification of grants and returns. Other work undertaken included the demonstration of their "Place Analytics" capabilities and discussions between the Council's employee services team and Grant Thornton's director on the developments in employment taxation.

The Committee was particularly interested in the Place Analytics scheme and whether the available data could be provided at ward level. Grant Thornton advised that ward level data was available. Members agreed to request that a demonstration of this data is provided to members in conjunction with information about the intelligence hub. Officers agreed to review how this could be taken forward in conjunction with the Chair of the Committee and the chairs of scrutiny committees.

A member asked whether the Council was part of the Priority Building Schools Programme. The City Treasurer confirmed that a very small number of schools were part of this programme. He also confirmed that there was a long term plan in place to expand school places through other initiatives.

Decision

To note the report.

AC/14/35 Register of Significant Partnerships

The Directorate Lead, Performance, Corporate Core presented a report which provided the members with the latest update of the Council's register of significant partnerships. It provided specific updates on progress made to strengthen the governance arrangements in the seven partnerships which were recorded as medium or high risk under the Partnership Governance Risk Assessment in the 2013 register. The Committee requested this update in January.

A member asked about the risk assessment processes for each of the partnerships. The Directorate Lead explained that it was a two stage process where partnerships carried out their own risk assessment and scores were verified by a panel of officers.

The Committee discussed the Manchester Safeguarding Children's Board (MSCB). They emphasised the importance of providing clarity for partners and the Council on the roles and accountability for safeguarding children. They welcomed the separation of senior management responsibility for safeguarding and quality assurance. A member asked for further clarification on the role and purpose of the Youth Engagement officer which was in the process of being recruited. The Directorate Lead agreed to gather this information and circulate it via the Committee's support officer.

Decision

1. To note the report.

2. To ask the Directorate Lead, Performance, Corporate Core to provide further information on the role of the youth Engagement Officer to members via the Committee's support officer.

AC/14/36 Internal Audit Plan 2014/15

Standards for Internal Audit in local government from 1 April 2013 are set out in the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note introduced by the Chartered Institute for Public Finance and Accountancy. The PSIAS confirm that the Council should periodically prepare a risk based plan of Internal Audit activity. The plan is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control across the Council and is informed by the audit strategy, consultation with stakeholders and a risk assessment.

The PSIAS emphasises the need for a strong working relationship between Internal Audit and the Audit Committee and that this should include arrangements for Audit Committee to review the internal audit plan. The Committee was invited to review and approve the plan.

A member queried whether the increase in the number of days spent on delivering and managing direct audit work was due to increased capacity within the team. The City Treasurer confirmed that the figures were based on some assumptions as detailed in the report and that it was flexible.

Decision

To approve the Internal Audit Plan 2014/15.

AC/14/37 Exclusion of the Public

A recommendation was made that the public be excluded during consideration of the next item of business.

Decision

To exclude the public during consideration of the following item which involved consideration of exempt information relating information relating to the action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Decision

To exclude the public.

AC/14/38 Internal Audit Annual Fraud Report 2013/14

The Committee considered the report of the City Treasurer and the Head of Internal Audit and Risk Management, which summarised the outcome of proactive and

reactive anti-fraud and investigation work during 2013-14. The report outlined some of the areas of emerging fraud risk and the Council's strategic and operational arrangements for managing these risks.

The Committee had a discussion about the level of detected fraud in the Council, the resources dedicated to detecting fraud and the savings realised from the national fraud initiative data matching exercise.

Decision

To note the report.