

AUDIT COMMITTEE
07/09/2017 at 6.00 pm



Present: Councillor Iqbal (Chair)
Councillors Williams, Hewitt, Dean, Salamat and Rehman

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Andrew Bloor	Assistant Manager - Counter Fraud
Lori Hughes	Constitutional Services
Simon Miller	Unity Partnership
Andrew Moran	Assistant Director of Finance
Ray Ward	Executive Director, Corporate and Commercial Services
Sabed Ali	Assistant Manager - Internal Audit
Lee Walsh	Finance Manager - Capital and Treasury

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Ahmad and Councillor Ali.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

Councillor Dean declared a personal interest in Item 9 by virtue of his appointment to the Unity Partnership Board and the Joint Venture Company.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee meeting held on 17th July 2017 be approved as a correct record.

6 **TREASURY MANAGEMENT REVIEW 2016/2017**

Consideration was given to the annual Treasury Management Review of activities and the actual prudential and treasury indicators for 2016/17. The report met the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance on Local Authorities (the Prudential Code).

The report outlined the following:

- Council's capital expenditure and financing during the year;
- The impact of that activity on the Council's underlying indebtedness (the Capital Financing Requirement);

- Overall treasury position which identified how the Council has borrowed in relation to this indebtedness; and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity;
- Detailed investment activity; and
- Reporting of the required prudential and treasury indicators.

An amendment was requested to the Treasury Management Strategy 2017/18 with regard to unspecified investment and this was detailed at Appendix 4 to the report.

A briefing note was provided to the Members which summarised key Treasury Management issues. A key point highlighted was the increasing trend towards taking a more commercial approach to local government finance resulting from the increased pressure on resources, increased demands and the challenge to replace reduced Government funding with alternative methods of generating income. There would be a review of options open to the Council with regard to utilising different investments as noted in the report. It was anticipated that the review would be finalised soon and any changes would be advised to the Audit Committee. There were no areas of concern. The Council had a good track record on the management of its finances and continues to manage resources effectively.

Members made an observation on the capital programme of actual vs. proposed expenditure and expressed disappointment on the recovery of capital receipts. Members were informed that the requirement to reprofile capital spending was an area of concern and work was ongoing to get a more accurate financing forecast of the capital programme. Members were also informed of meetings held on a monthly basis which examines the current capital receipts position.

RESOLVED that the Treasury Management Review for 2016/17 be noted.

7

TREASURY MANAGEMENT DEVELOPMENTS

Consideration was given to a report which updated members on the potential implications to the Council of the changes introduced by the International Accounting Standards Board (IASB) to International Financial Reporting Standard (IFRS) 9 Financial Instruments and the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on the proposed changes to the Prudential Code and Treasury Management Code.

The IFRS9 changes would be effective from 2018/19 and included:

- A change in classification of Financial Instruments;

- The introduction of a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model currently in place; and
- New provisions on Hedge Accounting.

The report outlined the proposed changes in classification which would likely impact on the financial position of the Council and must be considered as part of the Council's Treasury Management Strategy and Medium Term Financial Strategy. CIPFA were examining the issues and possible alternatives such as any potential for the introduction of a statutory override which would neutralise the fiscal impact of the General Fund.

The CIPFA consultation on the Treasury Management and Prudential Codes covered proposed revisions which were being introduced in response to the changing landscape of public service delivery and, in particular, the move toward increased commercialisation and alternative investments which included property purchases for income generation purposes.

Members were informed of the possible impact of the changes to the authority which, if implemented, would take effect from 1 April 2018. The IFRS amendment was aimed at making companies reflect a more accurate financial position. The current and proposed classifications were outlined in the report and the 'Fair Value through Profit or Loss' proposed classification could have an impact on the Council's General Fund balance. CIPFA had undertaken lobbying on behalf of local government.

Another IFRS9 change reflected an assessment of loss or otherwise which was considered likely to have a minimal impact on the Council and the final element was around hedge accounting which would not impact at all on the Council.

The proposed changes to the Treasury Management and Prudential codes were highlighted. The codes addressed the requirement to have a robust framework in place around decision making which ensured undue risks were not being taken. Members were also informed that the new codes would require changes to the capital strategy going forward one of which related to information on knowledge and skills of those who made proposals.

Members were given assurances that all required actions would be undertaken and the Council would ensure it has the right skills and experience in place.

RESOLVED that the Treasury Management Developments and the potential implications as outlined in the report be noted.

NOTE: Councillor Rehman left the meeting during this item.

EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded

from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

9 **INTERNAL CONTROL MATTERS ON PAYROLL**

Consideration was given to a report which provided an update on payroll matters as requested by the Audit Committee in order to provide assurance that the issues previously reported were being dealt with as appropriate.

RESOLVED that the report be noted.

10 **ANNUAL GOVERNANCE STATEMENT FOR 2016/27 AND NEW ISSUES ON GOVERNANCE**

Consideration was given to a report which provided an update on progress made to reduce the risk of issues which arose for the Council to address which had been identified as areas to improve internal control within the Annual Governance Statement for 2016/17. It also identified new risks which were considered appropriate at this stage for inclusion in the Annual Governance Statement for the financial year 2017/18. Members were advised that key issues were highlighted to members in the Corporate Risk Monitor report based on an assessment as at the end of August 2017.

RESOLVED that:

1. The progress made by the Council on issues reported in the 2016/17 Annual Governance Statement be noted.
2. The emerging issues during 2017 considered for inclusion in the Annual Governance Statement be noted.
3. The assessment of risk as advised in the verbal update on the current Risk Monitor be noted.

11 **APPOINTMENT OF EXTERNAL AUDITOR FROM 2018/19**

Consideration was given to a report which detailed the current consultation on the future appointment of an external auditor from the tender exercise. The tender exercise had been undertaken by Public Sector Audit Appointments (PSAA) for the appointment of an external auditor from 2018/19 for a five year period.

RESOLVED that the updated provided on the current consultation for the appointment of an external auditor be noted.

12 **DATE AND TIME OF NEXT MEETING**

RESOLVED that the date and time of the next Audit Committee to be held on Thursday, 11th January 2018 at 6.00 p.m. be noted.

The meeting started at 6.00 pm and ended at 7.00 pm