

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON THURSDAY 28TH JULY, 2016**

PRESENT –

Councillor L. Davy – (Chairman in the Chair)

*Cllr P. White
Cllr Nawaz Ahmed*

*Cllr B. Newman (Substitute for Cllr D. Lord)
Mr D. Whatley*

Also in attendance

<i>K. Murray</i>	<i>Grant Thornton UK LLP</i>
<i>N. Krajewski</i>	<i>Grant Thornton UK LLP</i>
<i>S. Bafarea</i>	<i>Grant Thornton UK LLP</i>
<i>D. Langton</i>	<i>Strategic Director (PBC)</i>
<i>V. Green</i>	<i>Financial Services Manager (PBC)</i>
<i>K. Stansfield</i>	<i>Audit and Performance Manager (PBC)</i>
<i>J. Eccles</i>	<i>Committee Administrator (PBC)</i>

(Apologies were received from Councillor Ammer and Mr M. Youlton.)



50. DECLARATION OF INTERESTS

Members were reminded of the legal requirements concerning the declaration of interests.

51. MINUTES

The Minutes of the last meeting of the Committee held on 22nd March, 2016 were submitted for approval.

RESOLVED

That the Minutes be agreed as a correct record and signed by the Chairman.

52. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Councillor P. White be appointed Vice-Chairman of the Committee for the Municipal year 2016/17.

53. EXTERNAL AUDIT – DRAFT AUDIT FINDINGS REPORT 2015/16

K. Murray presented the Draft Audit Findings report which highlighted the key matters arising from Grant Thornton's audit of Pendle Borough Council financial statements for the year ended 31st March 2016. A number of recommendations, together with management responses, were set out at Appendix A.

It was reported that Grant Thornton anticipated providing an unqualified opinion on the Council's financial statements and that no adjustments affecting the Council's reported financial position had been identified during the audit. It also concluded that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2016. The external auditors proposed to give an unqualified Value for Money assurance.

It was noted that the accounts had been completed by mid-June. Next year it was aimed to complete the 2016/17 accounts by the end of May, and publish them by the end of July. This was in advance of legislation which required the accounts for 2017/18 to be prepared and published in these timescales.

RESOLVED

- (1) That the Draft Audit Findings for Pendle Borough Council by the External Auditors be accepted.
- (2) That the Finance Team, assisted by colleagues across the Council, be thanked for their hard work in bringing forward the Accounts for approval two months earlier than usual.

54. GOING CONCERN

The Financial Services Manager submitted a report following an assessment of the Council as "a going concern" for the purposes of producing the Statement of Accounts for 2015/16.

RESOLVED

That the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the Statement of Accounts for 2015/16 be accepted.

55. LETTER OF REPRESENTATION

The Financial Services Manager submitted a report on the requirement to provide the External Auditors with a Letter of Representation in relation to the Council's Statement of Accounts for 2015/16.

RESOLVED

That the requirement for the Financial Services Manager (as the Council's Section 151 Officer) to provide the External Auditors with a Letter of Representation in relation to the Statement of Accounts for 2015/16 be noted and the Chairman of the Committee countersign the Letter of Representation.

56. STATEMENT OF ACCOUNTS – 2015/16 (AUDITED)

The Financial Services Manager presented for approval the Statement of Accounts for 2015/16, including amendments arising from the work of External Audit as at the 19th July. There was one further amendment on page 75 of the accounts in relation to Related Parties which had occurred since the report was written, which was circulated at the meeting.

Accounts and Audit Committee (28.07.2016)

The draft (pre-audit) accounts were completed and published on the Council's website in mid-June. The consultation period ended on 27th July. Grant Thornton commenced their on-site audit of the accounts on 27th June and their work was nearly complete. No changes had been required to the core statements.

Subject to this Committee's approval and receipt of the Auditor's Opinion, the accounts would be published on the Council's website. On completion of the audit by Grant Thornton a "Notice of Conclusion of Audit" would also be published advising that the Audit of the Council's accounts had been completed and giving details of where the accounts could be inspected.

RESOLVED

That the Statement of Accounts for 2015/16 be approved.

57. INTERNAL AUDIT – ANNUAL REPORT 2015/16

The Audit and Performance Manager submitted the Annual Audit Report which provided information on the activities of the Internal Audit Unit during 2015/16 and answered related questions.

There had been 40 audits undertaken in 2015/16. No limited assurance audit reports had been issued. National Non Domestic Rates, Collection, Treasury Management, Client Function and Post were all given a report with no recommendations. All high risk and key financial systems had been audited. The overall opinion was that there was sound and fundamental internal control within the majority of the Council's systems. The average quality control score on the team's performance had gone up to 93.24%.

RESOLVED

That the Internal Audit Annual Report 2015/16 at Appendix 1 be noted.

58. INTERNAL AUDIT – REVIEW OF EFFECTIVENESS IN 2015/16

The Financial Services Manager submitted a report on various forms of assurance to enable a review of the effectiveness of the Council's system of internal audit to be undertaken.

RESOLVED

That it be accepted that the evidence in the report demonstrated an effective system of internal audit, and provided an assurance on the overall effectiveness of the Council's arrangements in 2015/16.

59. INTERNAL AUDIT 2016/17 – PROGRESS REPORT

The Audit and Performance Manager submitted a report on progress against the Internal Audit Plan for 2016/17 as at 30th June 2016 and Members asked questions.

RESOLVED

- (1) That the progress made against the Audit Plan for 2016/17 as set out at Appendix A of the report be noted.

- (2) That the adjustments to the Audit Plan for 2016/17 as set out in the table attached at Appendix B of the report be agreed.
- (3) That the Internal Audit Charter and Code of Ethics attached at Appendix C of the report be approved.

60. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS 2016/17

The Audit and Performance Manager submitted a report that summarised progress on the implementation of internal audit recommendations as at 18th July 2016. There were 24 Priority 2 recommendations outstanding as at 18th July 2016. The position on implementation of these was set out at Appendix B. The reason for not implementing one Priority 2 recommendation was set out at Appendix C.

RESOLVED

- (1) That the progress made on the implementation of Internal Audit recommendations up to the 18th July 2016 be noted.
- (2) That Service Managers be informed that, in future, when Internal Audit recommendations had not been implemented in accordance with the deadline set, they would be asked to attend the next meeting of this Committee to explain the delay.
- (3) That the Audit and Performance Manager be asked to provide further information on the reason for not implementing the outstanding recommendation in the Cemeteries report.

61. MANAGING THE RISK OF FRAUD, THEFT AND CORRUPTION

The Audit and Performance Manager submitted a report with an update on the Council's anti-fraud, theft and corruption arrangements. The report set out the problems the Single Fraud Investigation Service (SFIS) were having following the transfer of responsibility for the investigation of Benefit Fraud for Pendle in April 2015. The local Lancashire DWP FIS had been put into "special measures" and the additional checks were adding to delays with cases. The Strategic Director said that he and the Financial Services Manager would be taking up this issue with the appropriate authorities.

At Appendix A there was a breakdown of the 2015/16 Housing Benefit fraud cases which had been investigated by SFIS and the results reported. Appendix B showed the equivalent breakdown for 2016/17. Appendix C set out the year on year comparison of recovery of overpayments from 2008/9 to now. Appendix D showed press coverage of a successful prosecution of a fraudulent Housing Benefit claim.

RESOLVED

That the activity undertaken to manage and mitigate the risk of fraud, theft and corruption within the Council's activities be noted.

62. CORPORATE GOVERNANCE- UPDATE ON NEW CIPFA/SOLACE FRAMEWORK

The Financial Services Manager submitted a report with an overview of the revised framework published jointly by CIPFA and SOLACE in April 2016. The new framework replaced the one developed in 2007 and applied to Annual Governance Statements prepared for the financial year 2016/17 onwards.

It was intended to review the current corporate action plan to determine the extent of alignment with the revised principles as set out in the new framework and update the plan as required. This work would be considered initially by the officer Corporate Governance Group with the outcomes reported to the next meeting.

RESOLVED

That the revised CIPFA/SOLACE framework be noted and a further report come back to the next meeting.

63. TREASURY MANAGEMENT 2016/17 – QUARTER 1 MONITORING REPORT

The Financial Services Manager submitted a report on the treasury management activities of the Council in the first quarter of 2016/17. The report provided a summary of the activity undertaken to date in 2016/17 in relation to the Council's debt and investments. An analysis of the long-term debt and a maturity profile were provided as appendices to the report.

As a result of the decision for the UK to leave the EU, the downgrading of the UK's sovereign rating by Fitch from AA+ to AA took the rating below the minimum required under the Council's Annual Investment Strategy. As a result Full Council agreed on 14th July to remove the UK from this requirement so that the Council could continue to invest in approved UK institutions provided they continued to meet the minimum lending criteria.

Interest rates set by the Public Works Loan Board had fallen significantly since Brexit. As a result, a further £1m was borrowed at 2.14% in early July. This was a fixed rate maturity loan with a final payment date of 31st March 2063.

RESOLVED

That the work on the Council's treasury management activities in the first quarter of 2016/17 be noted.

Accounts and Audit Committee (28.07.2016)

Chairman _____