

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON MONDAY 31ST JULY, 2017**

PRESENT –

Councillor P. White – in the Chair

*Cllr N. Ahmed
Cllr M. Ammer*

*D. Whatley
M. Youlton*

Also in attendance

<i>K. Murray</i>	<i>Grant Thornton UK LLP</i>
<i>N. Krajewski</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>F. Khaliq</i>	<i>Audit Manager PBC</i>
<i>J. Eccles</i>	<i>Committee Administrator PBC</i>

(Apologies were received from Councillors L. Davy and D. Lord.)

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98. DECLARATION OF INTERESTS

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

99. MINUTES

The Minutes of the last meeting of the Committee held on 21st March, 2017 were submitted for approval.

RESOLVED

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

100. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Councillor P. White be appointed Vice-Chairman of the Committee for the Municipal year 2017/18.

101. EXTERNAL AUDIT – DRAFT AUDIT FINDINGS REPORT 2016/17

K. Murray presented the Draft Audit Findings report which highlighted the key matters arising from Grant Thornton's audit of the Council's financial statements for the year ended 31st March 2017. They had found one misstatement of £349,000 which management had elected not to adjust for, as this was not a material amount. Three recommendations relating to the production of the

financial statements for 2017/18, together with management responses, were set out in an Action Plan at Appendix A.

It was reported that Grant Thornton anticipated providing an unqualified audit opinion on the Council's financial statements. 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 2017. The external auditors proposed to give an unqualified Value for Money assurance.

RESOLVED

That the Draft Audit Findings for Pendle Borough Council by the External Auditors be accepted.

102. EXTERNAL AUDIT – UPDATE FROM GRANT THORNTON

N. Krajewski gave an update on the work of the Council's External Auditor as at 20th July 2017. The work on the final accounts audit and the value for money conclusion had now completed. The Audit Opinion and Value for Money conclusion would be issued shortly after this meeting. Work to certify the Council's 2016/17 Housing Benefit claim was due to start soon.

The report included some technical matters on accounting and audit issues. There were also updates on some broader developments.

RESOLVED

That the External Auditor's update report be accepted.

103. ASSESSMENT OF GOING CONCERN STATUS

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 2016/17.

It was noted that in the current year, the budget approved by Council required the use of £1.9m from reserves; that this was not a sustainable position over the medium to longer term; and that the Council's corporate and financial planning framework was intended to support the transition to a more sustainable cost base. Further budget savings would be required. The Council was also trying to increase revenue through business rates and the New Homes Bonus and looking at ways to increase income generation.

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 2016/17 be accepted.

104. LETTER OF REPRESENTATION 2016/17

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 2016/17. He pointed out a minor amendment at para xv on page 2 so that it now read "Other than as already disclosed in the Statement of Accounts, we have no plans or intentions that may

materially alter the carrying value or classification of assets and liabilities reflected in the financial statements”.

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 2016/17 be noted and the Chairman of the Committee countersign the Letter of Representation as slightly amended.

105. STATEMENT OF ACCOUNTS – 2016/17 (AUDITED)

The Financial Services Manager presented for approval the Statement of Accounts for 2016/17, including amendments arising from the work of External Audit as at the 20th July.

The draft (pre-audit) accounts were completed and published on the Council’s website on 2nd June. The consultation period ended on 14th July. Grant Thornton commenced their on-site audit of the accounts on 26th 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.

This was the second year that the accounts had been presented for approval in July rather than September. This experience would ensure that the Council would meet the statutory deadline of publishing its draft accounts by the end of May and publish its audited accounts by the end of July from 2017/18.

RESOLVED

- (1) That the Statement of Accounts for 2016/17 including the Annual Governance Statement be approved.
- (2) That the Finance Team, assisted by colleagues across the Council, be thanked for their hard work in bringing forward the Accounts for approval to the earlier deadline.

106. ANNUAL REPORT – INTERNAL AUDIT OPINION

The Audit Manager submitted the Annual Internal Audit Opinion Report for 2016/17 which gave information on the activities of the Internal Audit Unit during 2016/17.

Internal Audit had completed 31 audits in 2016/27 and a further 7 were completed in early 2017/18. All high risk and key financial systems were reviewed. No limited assurance audit reports had been issued. The average quality control score on the team’s performance had gone up from 93.24% to 96.4%. The Audit Manager was satisfied that internal control in the Council was “good” although it was not possible to provide absolute assurance about the overall system of internal control. He clarified that this was equivalent to a substantial assurance level.

It was noted that 4 reviews had not been completed in 2016/17 including the review of the Pendle Leisure Trust's financial arrangements. Whilst the Trust's accounts were independently audited, the Council carried out its own review to ensure the activities were being governed efficiently, effectively and economically. Members were assured that this would be carried out in the earlier part of 2017/18 and that the Council's Client Officer had continued to receive monthly management information and performance indicators from the Trust.

RESOLVED

That the Annual Audit Report 2016/17 be noted.

107. INTERNAL AUDIT – REVIEW OF EFFECTIVENESS IN 2016/17

The Financial Services Manager submitted a report that gave various forms of assurance to enable the Committee to review the effectiveness of the Council's system of internal audit.

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 2016/17.

108. INTERNAL AUDIT 2017/18 – PROGRESS REPORT

The Audit Manager submitted an update on progress against the Internal Audit Plan for 2017/18 at 30th June 2017.

RESOLVED

- (1) That the progress made against the Audit Plan for 2017/18 set out at Appendix A of the report be noted.
- (2) That the adjustments to the Audit Plan for 2017/18 set out in the table at Appendix B of the report be agreed.

109. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS 2017/18

The Audit Manager submitted a report providing a summary of progress on the implementation of internal audit recommendations at 30th June 2017. Of 88 recommendations made by Internal Audit, only 1 was a Priority 1 recommendation. 36 had been implemented (including the Priority 1 recommendation) and 52 were in the process of being implemented by Management.

RESOLVED

That the progress made on the implementation of Internal Audit recommendations up to 30th June 2017 be noted.

110. MANAGING THE RISK OF FRAUD, THEFT AND CORRUPTION

The Audit Manager submitted a report with an update on the Council's anti-fraud, theft and corruption arrangements and answered related questions.

At Appendix A there was a breakdown of the 2017/18 Housing Benefit fraud cases which had been investigated by SFIS and the results reported. Appendix B set out the year on year comparison of recovery of overpayments from 2008/9 to 25th July 2017.

There was a discussion on whether the information in the quarterly report could be presented in a more useful way for future meetings.

RESOLVED

- (1) That the activity undertaken to manage and mitigate the risk of fraud, theft and corruption within the Council's activities be noted.
- (2) That a report be brought to a future meeting of this Committee on the information Financial Services produced on managing the risk of fraud, theft and corruption within the Council's activities compared to what other local authorities produced.

111. CORPORATE GOVERNANCE AND RISK MANAGEMENT – QUARTERLY UPDATE

The Financial Services Manager submitted an update on the Council's corporate governance arrangements, notably in respect of the management of risk. The Risk Management Policy and Strategy had been revised and was attached at Appendix A. The report requested approval to submit the revised document to the Executive and Council for formal adoption.

The report also provided the Council's Strategic Risk Register for information. These were the main risks identified as being potential threats to the achievement of the Council's corporate objectives. It was intended to add the risk of cyber-attacks to the register. The top ten risks were reported on a regular basis to the Executive.

Members pointed out a couple of minor updates to the information provided. It was also suggested that a summary sheet be provided on timescales for the various actions.

RESOLVED

- (1) That the Risk Management Policy and Strategy be submitted to the Executive and Council requesting that Council formally approve and adopt it.
- (2) That the Committee look in more detail at the "Major Disaster affecting delivery of Council Services" risk at their next meeting, and how the actions taken or planned to mitigate the risk were agreed.
- (3) That the Strategic Risk Register be updated and brought back on a regular basis to future meetings so the Committee could monitor progress.

112. TREASURY MANAGEMENT 2017/18 – QUARTER 1 MONITORING REPORT

The Financial Services Manager submitted a report on the treasury management activities of the Council in the first quarter of 2017/18. The report provided a summary of the activity undertaken 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.

RESOLVED

That the work on the Council's treasury management activities in the first quarter of 2017/18 be noted.

113. TREASURY MANAGEMENT PRACTICES AND SCHEDULES

The Financial Services Manager submitted a report seeking approval for the updated Treasury Management Practices and Schedules which showed how the treasury management function was carried out by the Council.

RESOLVED

That the updated Treasury Management Practices and Schedules be approved.

114. APPONTMENT OF EXTERNAL AUDITOR - UPDATE

The Financial Services Manager submitted an update on recent developments linked to the appointment of External Auditor to the Council. The Public Sector Audit Appointments Ltd had completed their procurement process which had resulted in the award of contract lots, for varying values to 6 companies, including Grant Thornton LLP. The PSAA would shortly begin a consultation process leading to the appointment of named firms to individual authorities. All appointments would be finalised by 31st December 2017. There would be a 6 week period starting 14th August for anyone to raise any concerns about the process.

The appointment for 2018/19 would only address the audit work on the Council's financial statements. Separate arrangements would need to be made to carry out the grant certification work required by the Department for Work and Pensions on the Housing Benefit Subsidy claim form.

RESOLVED

That the report be noted.

Chairman _____