

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON THURSDAY 25TH JANUARY, 2018**

PRESENT –

Councillor L. Davy – (Chairman in the Chair)

Councillor P. White

D. Whatley

Also in attendance

<i>M. Heap</i>	<i>Grant Thornton UK LLP</i>
<i>N. Krajewski</i>	<i>Grant Thornton UK LLP</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 D. Lord, Nadeem Ahmed and M. Ammer.)

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125. DECLARATION OF INTERESTS

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

126. MINUTES

The Minutes of the last meeting of the Committee held on 28th September, 2017 were submitted for approval.

RESOLVED

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

127. EXTERNAL AUDIT – UPDATE

M. Heap introduced himself as K. Murray's replacement, Director and Engagement lead at Grant Thornton. He had worked for the Audit Commission in the North West for over 20 years and said he looked forward to working with the Council.

N. Krajewski presented an update on the work of the External Auditors as at 15th January against the work planned for 2017/18. Work had started on site in December 2017 and they planned to return to the Council in March to conclude their interim work. The Audit Plan would be presented to the Committee at their next meeting in March and the Audit Findings Report would be reported in July. The findings of the Value for Money risk assessment would be reported as part of the Audit Findings Report. The report also provided a sector update with an up to date summary of emerging national issues and developments for information.

It was noted that compliance with the General Data Protection Regulation by 25th May 2018 would be a significant piece of work by the Council, which was currently underway.

RESOLVED

That the update on the work of the External Auditors be noted.

128. EXTERNAL AUDIT – GRANT CLAIM CERTIFICATION 2016/17

Members considered a letter from Grant Thornton certifying a claim for 2016/17 relating to Housing Benefits. Their work indicated that the Council had appropriate arrangements to compile and complete claims for audit certification on a timely basis.

The audit had highlighted one minor matter, where the Council had used the net rather than gross income to calculate benefit to one claimant. However, the claimant's benefit had not been overstated as a result. The Council had also requested the Auditors to agree a minor amendment to the claim at the Council's request to correct an error that had come to the Council's attention. The amendment value was £507 on the £24,302,427 Housing Benefits subsidy claim.

RESOLVED

That the grant certification by Grant Thornton be noted and thanks be given to the Financial Services Manager and his Team for their help with working to a tight deadline.

129. INTERNAL AUDIT UNIT – PROGRESS REPORT

The Audit Manager submitted a report on progress against the Internal Audit Plan for 2017/18 as at 31st December 2016 and answered related questions. There was a discussion about pulling in resources if necessary to ensure that Audit work would be covered in the event that one or both members of the Team were off work for any length of time. The Financial Services Manager said that in the past, when the need occurred, someone from County Council had been seconded to the Team and assured Members that, if necessary, assistance would be bought in again.

RESOLVED

That the progress made against the Audit Plan for 2017/18 as set out at Appendix A of the report be noted.

130. INTERNAL AUDIT - BENCHMARKING

The Audit Manager submitted a report on the outcome of a recent benchmarking exercise undertaken by the Lancashire District Audit Group of Internal Audit Units in Lancashire. Six authorities had submitted data. Some of the key points were summarised in the report. Significantly Pendle's Internal Audit service was found to have the lowest cost base of the district councils. The overall cost per resident for providing an Internal Audit service showed Pendle to be the lowest at £2.64 per resident.

The Committee discussed the significance of the results including costs and the level of audit resources. It was acknowledged that the Internal Audit team were providing a good level of service but that there might be a need to call additional resources in if for instance there was a significant fraud which needed investigating.

Following the collapse of Carillion, the Financial Services Manager was asked to what extent the Council was looking at their external providers i.e. Liberata and Pendle Leisure Trust. It was explained that the Council held in reserve some finance, for such an eventuality.

RESOLVED

That the outcome of the benchmarking exercise, undertaken by the Lancashire District Audit Group, comparing the Council's Internal Audit Unit with its peers in Lancashire, be noted.

131. INTERNAL AUDIT RECOMMENDATION DATABASE

The Audit Manager submitted a report that summarised progress on the implementation of internal audit recommendations at 15th January 2018. Of 116 recommendations made by Internal Audit, 54 had been implemented, and 62 were in the process of being implemented by Management.

It was noted that it was not possible to tell from the existing report how old some of the recommendations were. The Audit Manager said that it was possible that some of the Priority 2 recommendations had been revised, following discussions with Managers.

RESOLVED

- (1) That the progress made on the implementation of Internal Audit recommendations up to the 15th January 2018 be noted.
- (2) That the Financial Services Manager and the Audit Manager give some thought on how to present the recommendations in future reports.

132. COUNTER FRAUD UPDATE

The Audit Manager submitted a report on the Council's revised counter fraud and related policies. The new policies were as follows: Confidential Reporting (Whistle Blowing) Policy, Anti- Money Laundering Policy; anti-Fraud and Corruption Policy and Strategy; Fraud Response Plan; and Bribery Policy. These policies along with the Council's Gift and Hospitality Policy, Employee Code of Conducts and Financial Procedure and Contract Procedure rules had been made available to all staff via the Intranet and to members of the public via the Website.

To compliment revision of these policies, the Local Government Association had published "A Councillor's workbook on bribery and fraud prevention" designed to help Members meet their statutory and moral obligations to protect the public purse and the Council's assets. It was suggested that this be circulated to all Members and they be encouraged to complete the workbook as evidence of commitment to ongoing member training and development.

CIPFA had recently published its 2017 Fraud and Corruption tracker report. The survey looked at trends and emerging threats in the sector e.g. Council Tax fraud, cyber-crime. It was intended to incorporate the findings from this year's survey into the actions arising from the Fighting Fraud and Corruption Locally action plan (previously reported) and bring an update report to the Committee in March.

RESOLVED

- (1) That the revised counter fraud and related policies be adopted.
- (2) That the LGA “A Councillor’s workbook on bribery and fraud prevention” be noted as a useful learning aid, and that it be adopted and shared with all elected members.
- (3) That the findings contained in the 2017 CIPFA Fraud and Corruption tracker survey report be noted.

133. EXTERNAL AUDIT – MISCELLANEOUS MATTERS

The Financial Services Manager submitted a report with an update on a number of matters linked to the Council’s external audit arrangements.

On 19th December the Council was formally notified by the Public Sector Audit Appointments Limited (PSAA) of the appointment of Grant Thornton as its External Auditor for five years until 2022/23.

The PSAA was also responsible for setting the scale of fees for the audit of the accounts. In December the PSAA commenced a consultation on the proposed scale of fees for 2018/19 audits which closed on the 15th January. It was expected that the PSAA Board would approve the final 2018/19 scale of fees for publication in March 2018. The proposed 2018/19 scale fee for the audit of Pendle Council was £31,285. The equivalent fee for the 2017/18 audit was £40,630.

Pendle Council was one of the 83 principal bodies that received an unqualified opinion on their accounts by the end of July 2017. The Financial Services Manager said that this was pleasing to see and was a reflection on the work of everyone in the Finance Team.

RESOLVED

- (1) That the formal notification from the PSAA confirming the appointment of Grant Thornton as External Auditor to the Council for a period of 5 years from 1st April 2018 be noted.
- (2) That the implications for the Council arising from the recent consultation by the PSAA on the 2018/19 scale of audit fees be noted.
- (3) That the main findings resulting from the PSAA report on the results of auditors work for 2016/17 in relation to local government bodies be noted.

134. TREASURY MANAGEMENT 2016/17 – QUARTER 3 MONITORING REPORT

The Financial Services Manager submitted a report on the treasury management activities of the Council in the period 1st April to 31st December 2017. The report provided a summary of the activity undertaken in relation to the Council’s debt and investments. An analysis of the Public Works Loan Board long-term debt and a maturity profile were provided as appendices to the report.

As proposed at the last meeting, the Council commenced an opt-up process facilitated by CIPFA. The Council now enjoyed both “retail” and “professional” status dependent on the particular Counterparty and their interpretation and application of the MiFID II directive.

The report set out a number of changes arising from changes to CIFA's Prudential Code and Treasury Management Code, commencing from 2018/19.

RESOLVED

- (1) That the work on the Council's treasury management activities from 1st April to 31st December 2017 be noted.
- (2) That the Council's position with regard to MiFID II be noted.
- (3) That the forthcoming changes arising from changes to CIPFA's Prudential Code and Treasury Management Code, commencing from 2018/19 be noted.

135. CORPORATE GOVERNANCE AND RISK MANAGEMENT UPDATE

The Financial Services Manager submitted a report providing an update on the "good governance" matrix published jointly by CIPFA and SOLACE in 2016 and on which details of an initial self-assessment were reported to this Committee last January; the Action Plan contained in the Annual Governance Statement included within the Statement of Accounts for 2016/17 as approved by this Committee in July 2017; and developments relating to the Council's risk management arrangements.

RESOLVED

- (1) That the updated position on actions identified from (i) the initial self-assessment of the CIPFA/SOLACE Good Governance framework and (ii) the Council's Annual governance Statement for 2016/17 be noted.
- (2) That current developments linked to the Council's risk management arrangements be noted and a full report be brought to the next meeting in March.

136. GENERAL DATA PROTECTION REGULATION (GDPR) – PROGRESS UPDATE

The Financial Services Manager submitted a report to update the Committee on the progress made within the Council in response to the General Data Protection Regulation (GDPR). The GDPR replaced the Data Protection Act in May 2018. It introduced new rights for individuals and new obligations for public and private sector organisations. All service areas had provided information on the data held as the first step towards the work required to implement GDPR by 25th May. Further actions were required which were set out in the report. The Council was making good progress on meeting its obligations.

RESOLVED

That the application of the General Data Protection Regulation taking effect from 25th May 2018 and the work carried out and planned in the near term to enable the Council to comply with the Regulation be noted.

Chairman _____