

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON THURSDAY 26TH JULY, 2018**

PRESENT –

Councillor T. Cooney – in the Chair

*Councillor V. Fletcher
Councillor N. McGowan
Councillor J. Henderson*

*Councillor B. Newman
Mr D. Rothwell
Mr D. Whatley*

Also in attendance

<i>T. De Zoysa</i>	<i>Grant Thornton UK LLP</i>
<i>S. Guinness</i>	<i>Chief Financial Officer PBC</i>
<i>C. Finn</i>	<i>Accountancy Manager PBC</i>
<i>F. Khaliq</i>	<i>Audit Manager PBC</i>
<i>J. Eccles</i>	<i>Committee Administrator PBC</i>



1. DECLARATION OF INTERESTS

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

2. MINUTES

The Minutes of the last meeting of the Committee held on 20th March, 2018 were submitted for approval.

RESOLVED

That the Minutes of 20th March, 2018 be agreed as a correct record and signed by the Chairman.

3. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Councillor Y. Fletcher be appointed Vice-Chairman of the Committee for the Municipal year 2018/19.

4. EXTERNAL AUDIT – DRAFT AUDIT FINDINGS REPORT 2017/18

T. De Zoysa 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 2018 and answered related questions.

There was one misstatement of £80,062 relating to 3 duplicated properties within the asset register that overstated the Land and Building Valuation. The accounts had not been adjusted for this as it was not a material amount. Two recommendations had been made as a result of issues identified

during the course of the audit. These were set out together with management responses, at the 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 2018. The external auditors proposed to give an unqualified Value for Money assurance opinion.

RESOLVED

- (1) That the Draft Audit Findings for Pendle Borough Council by the External Auditors be accepted.
- (2) That thanks be given to the Finance Team for their work and co-operation with Grant Thornton during the year.

5. EXTERNAL AUDIT – UPDATE FROM GRANT THORNTON

An update on the work of the Council's External Auditor would come to the next meeting.

6. LETTER OF REPRESENTATION 2017/18

The Chief Financial Officer 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 2017/18.

RESOLVED

That the requirement for the Chief Financial Officer (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 2017/18 be noted and the Chairman of the Committee countersign the Letter of Representation.

7. STATEMENT OF ACCOUNTS – 2017/18 (AUDITED)

The Chief Financial Officer presented for approval the Statement of Accounts for 2017/18, including amendments arising from the work of External Audit as at 16th July. She was aware that the new members of the Committee had had no detailed training on looking at a set of Accounts and said that this would be put in place.

The draft (pre-audit) accounts were completed and published on the Council's website on 31st May. The consultation period ended on 13th July. Grant Thornton commenced their on-site audit of the accounts on 4th June and their work was nearly complete. No changes had been required to the core statements.

As mentioned above, there had been one error ("unadjusted misstatement") identified during the audit relating to the recording of items of Property, Plant and Equipment (PPE) and the duplication of entries into the Asset Register resulting in an overstatement of Land and Buildings in the sum of £80,062. This amount was not classed as material in the context of the Council's financial position and reported accounts and it had been agreed with Grant Thornton not to adjust the accounts for this.

Subject to the 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

- (1) That the Statement of Accounts for 2017/18 including the Annual Governance Statement and Narrative Report 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.

8. ANNUAL REPORT – INTERNAL AUDIT OPINION

The Audit Manager submitted the Annual Internal Audit Opinion Report for 2017/18 which gave information on the activities of the Internal Audit Unit during 2017/18.

Internal Audit had completed 20 audits up to the end of March 2018 and a further 10 were completed in early 2018/19. All high risk and key financial systems were reviewed. No limited assurance or none assurance audit reports had been issued. 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.

It was noted that the first line in Table B on page 13 of the report should read Number of main systems not covered.

RESOLVED

- (1) That the Annual Audit Report 2017/18 be noted.
- (2) That for future meetings, the Audit Manager be asked to combine or link this report to the one at Item 11, on the implementation of internal audit recommendations.

9. INTERNAL AUDIT – REVIEW OF EFFECTIVENESS IN 2017/18

The Chief Financial Officer 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.

There was a discussion about training requirements for Councillors that would make it easier for them to understand and question officers on the Statement of Accounts and other accounts and audit matters appearing on the Accounts and Audit agenda throughout the year. The Chief Financial Officer suggested holding separate workshops where Councillors could look at different aspects of the Accounts and said she was happy to arrange this.

RESOLVED

- (1) 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 2017/18.

- (2) That the Chief Financial Officer be asked to put in place a programme of appropriate training for Councillors for 2018/19 and to think about the possibility of having executive summaries or bullet points for some of the longer reports.

10. INTERNAL AUDIT 2018/19 – PROGRESS REPORT

The Audit Manager submitted an update on progress against the Internal Audit Plan for 2017/18 at 30th June 2018 and answered related questions. He was happy to report that no “Limited Assurance” audit opinions had been issued. At this stage in the year, it was expected that the Audit Plan would be delivered on time.

RESOLVED

That the progress made against the Audit Plan for 2018/19 set out at Appendix A of the report be noted.

11. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS 2018/19

The Audit Manager submitted a report providing a summary of progress on the implementation of internal audit recommendations at 16th July 2018. Of 53 recommendations made by Internal Audit, 12 had been implemented and 32 were in the process of being implemented by Management. 3 Priority 2 recommendations were not to be implemented by Management and the reasons were set out in Appendix B of the report.

It was noted that there were 6 overdue Priority 2 recommendations in Human Resources, relating to the introduction of the new pay roll system, which were being monitored.

RESOLVED

- (1) That the progress made on the implementation of Internal Audit recommendations up to 30th June 2018 be noted.
- (2) That the Audit Manager provide Members of the Committee with more information about the overdue Priority 2 recommendations mentioned in the report with relevant timescales.

12. 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.

Members were concerned that since the SFIS had taken over the recovery of benefit overpayments the amount of debt recovered had fallen. There was also concern that the Council may no longer have control of some benefit overpayments, due to the roll out of Universal Credit, which could mean a financial loss to the Council.

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 the Audit Manager's report be submitted to Policy and Resources Committee flagging up concern over the drop in recovery of Housing Benefit since the DWP's Single Fraud Investigation Service took over responsibility for the investigation of Benefit Fraud for Pendle in April 2015.

13. RISK MANAGEMENT – QUARTERLY UPDATE

The Chief Financial Officer submitted a report giving an introductory summary of the Council's Risk Management Framework for new members of the Committee. The Risk Management Policy and Strategy had been updated to reflect both the changes to the Council's Committee structure and the appointment of the Chief Financial Officer (which was a new designated post at the Council) and was attached at Appendix A.

The salient points were highlighted including a key issue to note arising from the review of the Risk Management Framework was the determination of the Council's Risk Appetite. In 2017/18 it was agreed that the Council's Risk Appetite would be "Open". At the present position there was no reason to change that decision but this would be kept under review.

The Corporate Governance Group comprising the Council's three statutory officers were due to meet next in August to consider the Risk Management Framework and the Corporate Governance Framework. Any revisions arising from this review would be reported to the next meeting of this Committee.

RESOLVED

- (1) That the Risk Management update be noted.
- (2) That Risk Management be included in the Accounts and Audit Committee Members' training programme.

14. TREASURY MANAGEMENT 2018/19 – QUARTER 1 MONITORING REPORT

The Chief Financial Officer submitted a report on the treasury management activities of the Council in the first quarter of 2018/19. 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.

The Chief Financial Officer highlighted Members' responsibilities in receiving training on Treasury matters in order to provide appropriate scrutiny. This would be arranged as they were all new members of the Accounts and Audit Committee.

RESOLVED

- (1) That the work on the Council's treasury management activities in the first quarter of 2018/19 be noted.

- (2) That the Chief Financial Officer arrange suitable training for Members on Treasury Management.

15. TREASURY MANAGEMENT PRACTICES AND SCHEDULES

The Chief Financial Officer submitted a report seeking approval for the updated Treasury Management Practices (TMPs) and Schedules following re-designations within Financial Services and changes to the Council's governance arrangements.

RESOLVED

That the updated Treasury Management Practices and Schedules be approved.

16. PRACTICAL GUIDANCE FOR AUDIT COMMITTEES

The Chief Financial Officer submitted a report informing members of an update to the Chartered Institute of Public Finance and Accountancy (CIPFA)'s practical guidance for Local Authority (and Police) Audit Committees.

RESOLVED

That the updated CIPFA guidance for Local Authority (and Police) Audit Committees be noted.

Chairman _____