

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON THURSDAY 27TH SEPTEMBER, 2018**

PRESENT –

Councillor V. Fletcher – (Vice-Chairman, in the Chair)

Councillor K. Turner (substitute)
Councillor N. McGowan
Councillor J. Henderson

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

Also in attendance

<i>M. Heap</i>	<i>Grant Thornton UK LLP</i>
<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>

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17. THE ROLE OF INTERNAL AUDIT – TRAINING SESSION

The Audit Manager gave a training session on the role of internal audit and answered related questions.

18. DECLARATION OF INTERESTS

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

19. MINUTES

The Minutes of the last meeting of the Committee held on 26th July, 2018 were submitted for approval.

RESOLVED

That the Minutes of 26th July, 2018 be agreed as a correct record and signed by the Chairman, subject to the reference to Cllr Y. Fletcher being amended to Cllr V. Fletcher in Minute No. 3.

20. EXTERNAL AUDIT

(a) Progress report and sector update

T. De Zoysa presented an update on the work of the External Auditors as at 24th September.

The audit opinion on the 2017/18 accounts had concluded and was issued in July following approval of the financial statements at the Committee's previous meeting. The work on the

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Housing Benefit Subsidy claim for 2017/18 was ongoing and expected to conclude by November 2018.

In respect of 2018/19 work, the letter confirming the audit fee had been issued in April. The Accounts Audit plan was due to be complete by January 2019 and would be reported to the next meeting.

T. De Zoysa drew attention to the second part of the update which highlighted Sector Issues and referred to some publications by Grant Thornton for information.

RESOLVED

That the progress report and sector update be noted.

(b) Annual Audit Letter

M. Heap presented the Annual Audit Letter and answered related questions.

The Audit Findings which highlighted the key matters arising from Grant Thornton's audit of the Council's financial statements for the year ended 31st March 2018 were presented in July. The Annual Audit letter summarised the key findings for the year and provided a commentary on the results of their work to the Council and external stakeholders. The letter also highlighted issues that they wished to draw to the attention of the public. The overall Value for Money conclusion was that they were satisfied 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.

RESOLVED

That the Annual Audit Letter be noted.

21. ARRANGEMENTS FOR COMPUTER AUDIT 2018/19

The Audit Manager submitted a report on the arrangements for the provision of computer audit services. In 2017/18 the Merseyside Internal Audit Agency (MIAA) was engaged to provide a computer audit service to the Council covering IT Service Governance, Cyber Security and Asset Management. It was expected that the arrangement with MIAA would continue into 2018/19 and an indicative plan for work covering remote/mobile working and GDPR had been suggested.

However, in the meantime, LCC, who no longer employed any specialist computer auditors, decided to tender for an external ICT audit service and suggested that district councils might wish to use the supplier LCC selected without having to go through a separate procurement process. The tender was for a three year contract, with an option to extend for a further 2 years. Pendle indicated that they would consider this arrangement. The tender was subsequently awarded to MIAA.

The Audit Manager attended meeting at County Hall on 12th July to discuss the details of the arrangement and how the contract would work in practice. The only variation to Pendle's existing contract with MIAA was that the daily rate would be lower. Consequently it was seen to be beneficial to be part of the framework agreement rather than maintain a separate arrangement.

RESOLVED

That the engagement of the Merseyside Internal Audit Agency for the provision of computer audit services via the Lancashire County Council framework access arrangement be noted.

22. INTERNAL AUDIT MONITORING REPORT 2018/19

The Audit Manager submitted a report with an update on progress against the Internal Audit activity to the end of August 2018. Attached at Appendix A of the report was a summary opinion of work completed on audit areas covering the period April to August 2018. No Limited Assurance audit opinions had been issued.

Of 58 recommendations made by Internal Audit, 19 had been implemented and 36 were in the process of being implemented by Management. There were 3 Priority 2 recommendations which were not to be implemented by Management and an explanation was provided at Appendix C.

Following questions from Member, the Audit Manager gave an assurance that there were adequate resources to service the Internal Audit plan. If there were an extended period of sickness or other absence required then the necessary resources would be brought in.

RESOLVED

- (1) That the progress made against the Audit Plan for 2018/19 set out at Appendix A of the report be noted.
- (2) That the progress made on the implementation of Internal Audit recommendations set out in Appendix B and C of the report be noted.

23. TREASURY MANAGEMENT 2018/19 – QUARTER 2 MONITORING REPORT

The Accountancy Manager presented a report on the treasury management activities of the Council in the first half 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.

He said that since writing the report on 11th September the balance of investments had fallen from £17.5m to £15m. He pointed out that the Bank Rate had changed between Quarters 1 and 2 from 0.50% to 0.75%.

RESOLVED

That the work on the Council's treasury management activities in the first half of 2018/19 be noted.

24. STRATEGIC RISK REGISTER UPDATE AND RISK MANAGEMENT STRATEGY

The Chief Financial Officer submitted a report on the Council's Strategic Risk Register which formed an important part of the corporate governance arrangements. The previous Strategic Risk Register had been reviewed. No risks had been removed but some additional risks had been identified. The details of risks in the Strategic Risk Register were attached at Appendix 1.

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The Risk Management Strategy at Appendix 2 had been recently reviewed and approved by Members in 2017. However, there had been some minor changes made to take account of the new committee structure.

There was a discussion about the Risk of “Failure to make an impact on young people where it is necessary to improve poor educational attainment” and whether it should have a residual risk score of A3. The Chief Executive explained that it was County Council who had the main responsibility for schools and the ability of Pendle to make an impact was very much dependant on others playing their part. For many years the pre-16 educational attainment level had not changed. Whilst there was a willingness and desire to change that, until that happened, the risk score would remain at A3.

RESOLVED

- (1) That the Strategic Risk Register be noted.
- (2) That the minor amendments to the Risk Management Strategy be approved.
- (3) That Members advise if they would like any further information on specific aspects of the Risk Strategy or any particular risks identified at the next meeting.
- (4) That the Chief Financial Officer consider presenting the risks on a graph for future updates.

Chairman _____