

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON MONDAY 18TH MARCH, 2019**

PRESENT –

Councillor T. Cooney – (Chairman, in the Chair)

*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>M. Dixon</i>	<i>Grant Thornton UK LLP</i>
<i>D. Langton</i>	<i>Chief Executive PBC</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>

(Apologies were received from Councillors V. Fletcher and N. McGowan.)



25. DECLARATION OF INTERESTS

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

26. MINUTES

The Minutes of the last meeting of the Committee held on 27th September, 2018 were submitted for approval.

RESOLVED

That the Minutes of 27th September, 2018 be agreed as a correct record, subject to D. Langton being in attendance, and signed by the Chairman.

27. EXTERNAL AUDIT – UPDATE FROM GRANT THORNTON

M. Dixon presented an update on the work of the External Auditors as at 29th January 2019.

Their interim audit of the Council's 2018/19 financial statements had started in February but at this stage there was nothing to bring to Members' attention. Their value for money risk assessment to determine their approach had been set and they would give their value for money conclusion by the deadline in July. The final accounts audit was due to begin on the 3rd June with findings reported to this Committee in July, prior to the statutory deadline for the issue of the 2018/19 opinion by 31st July 2019.

Accounts and Audit Committee (18.03.2019)

They had carried out the audit of the Council's Housing Benefit Subsidy claim for 2017/18 and been appointed to audit the claim for 2018/19 which would be done in November.

She drew attention to the second part of the update which highlighted local authority sector issues and referred to some publications by Grant Thornton for information.

RESOLVED

That Grant Thornton's progress report and sector update be noted.

28. EXTERNAL AUDIT – CERTIFICATION WORK FOR 2017/18

Members considered a letter from Grant Thornton certifying a Housing Benefit Subsidy claim of £22.8m for 2017/18. Their initial work indicated that the Council had appropriate arrangements to compile and complete claims for audit certification on a timely basis. M. Dixon was pleased to report that no amendments or qualifications were necessary.

RESOLVED

That the grant certification work for the Council's Housing Benefit Subsidy claim of £22.8m in 2017/18 by Grant Thornton be noted.

29. EXTERNAL AUDIT PLAN 2018/19

M. Heap from Grant Thornton presented an overview of the planned scope and timing of the statutory audit of the Council for 2018/19 and highlighted some key points.

He pointed out that the audit was risk based and the three main risks were set out in the report: Management Override of controls; Valuation of land and buildings and valuation of net pension deficit. Any significant findings in these areas, as well as any other significant matters arising from the audit would be reported to the Committee.

The auditors were set to deliver the audit opinion by the end of July. The results of their value for money audit work and the key messages arising would be reported in their Audit Findings Report.

RESOLVED

That the External Audit Plan 2018/19 be noted.

30. INTERNAL AUDIT PLAN 2019/20

The Audit Manager submitted a report seeking approval of the Internal Audit Plan for 2019/20. The Plan outlined reviews that would be undertaken in the forthcoming financial year, the priorities for Internal Audit and the estimated resources required to deliver the plan. It had been prepared using a risk based approach with input from Senior Management and largely reflected Year 3 of the Strategic Audit Plan 2017-20.

The Plan provided for a chargeable audit resource of 356 days which equated to around 67% of total available days. The Plan also included 15 days for computer audit from Mersey Internal Audit Agency. Two reviews had been commissioned: GDPR compliance and the IDOX system. Possible reviews for 2019-20 would be considered once these reviews had been completed. 15 days had

Accounts and Audit Committee (18.03.2019)

been allocated to Fraud and Investigation work. 12 days had been allocated to review an aspect of Pendle Leisure Trust's activity.

In response to a question about the number of audits that were carried out, the Audit Manager said he would consider doing less superficial reviews and maybe a few in greater depth in future plans. Although he pointed out that audit areas which had a Risk Banding Priority 1 were done every year.

RESOLVED

That the Internal Audit Plan for 2019/20, as set out at Appendix A of the report, be approved.

31. 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 February 2019. At Appendix A of the report was a summary opinion of work completed on audit areas covering the period April to February 2019. No Limited Assurance audit opinions had been issued. It had been agreed that a couple of reviews would be carried over into 2019/20: Corporate Health and Safety to await the appointment of a Health and Safety officer (following the decision to take this role back in-house) and the Vehicles, Plant and Salvage Review as there was a tender exercise underway for the Council's vehicles including the refuse collection fleet.

Appendix B set out the status on the implementation of Priority 1 and 2 recommendations issued in each audit final report since 1st April 2017. There were no recommendations Of 59 recommendations made by Internal Audit, 30 had been implemented and 23 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.

The Council's Internal Audit Charter, which defined Internal Audit's remit within the Council and incorporated Internal Audit's Code of Ethics, had recently been revised and submitted at Appendix D for approval. Revisions were mainly around changes in job titles and roles.

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 Appendices B and C of the report be noted.
- (3) That the Internal Audit Charter and Code of Ethics at Appendix D of the report be approved.

32. MANAGING THE RISK OF FRAUD, THEFT AND CORRUPTION

The Audit Manager submitted a report on the Council's anti-fraud theft and corruption activity.

A breakdown of the 2017-18 and 2018-19 Housing Benefit fraud cases which had been investigated by DWP's Single Fraud Investigation Service (SFIS) and the results were set out at Appendix A and B. Details were provided of the amount recovered up to 18th January 2019, the recovery rated and the number of cases involved. Appendix C provided a year on year

comparison of recovery of overpayments from 2008-2009 to the current date. It was clear that there was a reduction in reported sanctions since the SFIS took over responsibility for the investigation of Benefit Fraud from April 2015.

The Council participated in the National Fraud Initiative which was now managed by the Cabinet Office. The current NFI exercise had commenced with 707 matches received at the end of January 2019. These matches were undergoing initial sifting to determine the appropriate action to be taken.

In August 2018, a Council Tax Single Person Discount (SPD) review was undertaken. Of the 8862 taxpayers claiming SPD discount, 72 accounts had the discount removed as a result of updated circumstances, and a further 108 accounts identified as non-responders had their claim removed. The total value of SPD removed was £65,177.83.

An exercise to review businesses in receipt of small business rates relief was undertaken between December 2017 and July 2018. 1959 review forms were issued resulting in 211 amendments being made to the accounts. The review had been useful and would be repeated every 2 years.

RESOLVED

That the summary of activity undertaken to combat fraud, theft and corruption be noted.

33. TREASURY MANAGEMENT 2018/19 – QUARTERS 3 & 4 MONITORING REPORT

The Chief Financial Officer presented a report on the treasury management activities of the Council in the period 1st April 2018 to 11th March 2019. 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 report included the investment approaches offered to LAs based on "Deal" or "No Deal" scenarios. As Brexit negotiations continue, the Council would continue to review this position and the implications.

It was reported that, within this period, there had been a breach of the Council's approved Treasury Management Strategy Statement and Annual Investment Strategy. Two separate transactions totalling £4m (£2m per transaction) had been placed with one local authority. The Council had individual counterparty limits of £3m for all LAs except one arrangement with LCC which was £6m. On finding out, the CFO initiated an internal review of process and procedures and it was found that individual counterparty limits within the LA sector had been omitted from daily treasury management documentation. This had now been addressed. Controls had been reviewed and strengthened and all relevant officers had been reminded of their responsibilities. One of the two transactions had now been repaid.

RESOLVED

- (1) That the work on the Council's treasury management activities in the period 1st April 2018 to 11th March 2019 be noted.
- (2) That the technical breach of the approved Treasury Strategy and action taken as a result be noted.

34. DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT (CIPFA/SOLACE) FRAMEWORK

The Chief Financial Officer submitted a report with details of the self-assessment carried out against the above framework. Since the Code was published, the Council had maintained a local code of corporate governance with an action plan identifying the extent of compliance and/or any areas in the Council's arrangement that required further development. This was subject to periodic review by the Corporate Governance Group (Chief Executive, Corporate Director and the Chief Financial Officer).

A full self-assessment had been carried out in January 2017 with an update provided in January 2018. The full self-assessment had been reviewed by the Corporate governance Group and the Management Team, looking at each of the seven principles in the code, set out in a chart at Appendix 1 and assessed evidence available to demonstrate compliance.

The results of the self-assessment were set out at Appendix 2 of the report. Whilst many of the categories met the requirements, the Chief Financial Officer highlighted some areas where it was felt that the existing arrangements could be strengthened and improved. These were in the areas of tendering, in particular reviewing the process and potentially including ethical value policies and where possible ensuring the achievement of social value; doing more benchmarking to develop the organisation; and, looking at how the Council stored and shared data. Members asked a number of questions seeking clarification on these issues.

RESOLVED

- (1) That the outcome of the self-assessment carried out against the CIPFA/SOLACE framework be noted.
- (2) That the intention to continue to provide further reports in due course to ensure the Council's corporate governance framework remains subject to regular review and scrutiny by the Committee be noted.

35. GOING CONCERN STATUS 2018/19

The Chief Financial Officer submitted a report following an assessment of the Council as a "going concern" for the purposes of producing the Statement of Accounts for 2018/19. The concept of a going concern assumed that an authority, its functions and services would continue in operational existence for the foreseeable future.

She gave an update on the Council's current financial position as reported to the Policy and Resources Committee in December 2018 and February 2019. It was noted that 2019/20 was the last year of the four year finance settlement. There was a lot of uncertainty about funding after 2019/20 but likely that the projected scale of savings required over the next three years would require strategic decisions to be made on the provision of services. The Council had already started planning for 2020/21 and work was ongoing on the main areas of Council spending to assess the scope for further reductions.

The report concluded that, having regard to the Council's arrangements and factors highlighted in the report, that for the purposes of producing the Statement of Accounts for 2018/19, the Council remained a going concern in 2018/19.

RESOLVED

That the outcome of the assessment made of the Council's status as a going concern, for the purposes of preparing the Statement of Accounts for 2018/19, be accepted.

36. 2018/19 CLOSURE OF ACCOUNTS AND ACCOUNTING POLICIES

The Chief Financial Officer submitted a report with an update on the Accounting Code of Practice for 2018/19, arrangements for the public inspection period of the accounts, and sought approval of the proposed Accounting Policies as the basis on which the accounts would be prepared for the financial year ending 31st March 2019.

RESOLVED

- (1) That the main changes arising from the 2018/19 Accounting Code of Practice which impact on the preparation of the Council's financial statements for the year be noted.
- (2) That the timetable for the publication of the draft statement of accounts and rights of public inspection resulting from the Accounts and Audit Regulations 2015 be noted.
- (3) That the proposed accounting policies for the 2018/19 accounts as set out at Appendix A of the report be approved.

Chairman _____