

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON TUESDAY 28TH JANUARY, 2020**

PRESENT –

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

*Councillor M. Iqbal
Mr D. Rothwell
Councillor K. Turner*

*Councillor B. Newman
Councillor Q. Shazad
Mr D. Whatley*

Also in Attendance

Councillor M. Aslam

M. Dixon

Grant Thornton UK LLP

D. Langton

Chief Executive, PBC

C. Finn

Financial Services Manager PBC

J. Eccles

Committee Administrator PBC

(Apologies were received from Councillor M. Ammer.)



19. DECLARATION OF INTERESTS

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

20. MINUTES

RESOLVED

That the Minutes of 24th September, 2019 be agreed as a correct record and signed by the Chairman.

21. EXTERNAL AUDIT – UPDATE REPORT FROM GRANT THORNTON

M. Dixon presented an update of the work of the External Auditors as at 17th January 2020 against the work planned for 2019/2020.

This was the first progress report for 2019/20 and they had just begun their planning for the audit year. The Audit Plan would be presented to the March meeting and set out their proposed approach to the audit of the Council's 2019/20 financial statements. They would report their work in the Audit Findings Report and aim to give their opinion on the Statement of Accounts by 31st July 2020. The findings of the Value for Money risk assessment would be reported as part of the Audit Findings Report. The NAO was consulting on a new Code of Audit Practice from 2020 which proposed to make significant changes to Value for Money work.

They had carried out the audit of the Council's Housing Benefit Subsidy claim for 2018/19 and no amendments were required to the original submission. This meant that there would be no further fee for additional testing – one of only a few local authorities to achieve this.

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

The Sustainable Growth Index launched by GT 3 years ago provided an independent, data-led scorecard for each local authority, looking at over 50 indicators to evaluate what makes a successful place. Pendle's position was 290th (Burnley 288th) out of 324 local authorities.

She invited questions and the subsequent discussion focussed on the expectation of the Financial Reporting Council of improved financial reporting from organisations and the need for auditors to undertake additional and more robust testing. It was hoped that once the Code of Audit Practice was in place the testing would become less stringent and more pragmatic.

GT was reviewing the impact of these changes on both the cost and timing of audits. The audit fees for 2019/20 would come to the next meeting.

M. Dixon said that she was retiring soon and Sophia Iqbal would be taking her place as engagement manager for Pendle. She was thanked for her work and wished all the best for the future.

RESOLVED

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

REASON

To be kept informed of the External Auditors' work.

22. INTERNAL AUDIT PROGRESS PLAN 2019/20

The Chief Executive submitted a report with an update on the progress made against the Internal Audit activity as at 31st December 2019.

He explained that the Chief Financial Officer was leaving at the end of March following her resignation and as from 1st January 2020 he had taken on the statutory s.151 Officer role. The Financial Services Manager was now the Deputy s.151 Officer.

Due to staff absence, the actual days of audit time expended to 31st December, shown in the analysis at Appendix A, was a best estimate based on information available and the audit work that had been completed. 160.5 audit days had been delivered. It was estimated that a further 141 audit days would be delivered giving an estimated 304.5 audit days for the year. The number of days available to deliver the agreed Internal Audit Plan had reduced. A total of 57 available audit days had been lost. This had impacted on the ability to deliver the Programme in 2019/20. MIAA had been engaged to provide additional 50 audit days, and would focus their time on the Council's Key Financial Systems. However, there would be 3 audits on PEARL Contracts, the Pendle Leisure Trust and Stock – Waste Containers that would slip into 2020/21.

This was a situation which was not expected to impact on next year's programme of audit activity. However, the Chief Executive was taking the opportunity to review whether the current structure of Internal Audit was sustainable, looking at options of shared working and the use of apprenticeships.

RESOLVED

- (1) That the Revised Internal Audit Plan as set out at Column 3, Appendix A of the report be approved.
- (2) That the audit of PEARL Contracts, Leisure Trust and Stock – Waste Containers be carried forward for consideration as part of the Internal Audit Plan for 2020/21.

REASON

To ensure that Members are kept informed of the ongoing progress relating to the Internal Audit activity.

23. INTERNAL AUDIT RECOMMENDATION DATABASE

The Chief Executive submitted a report that summarised progress on the implementation of internal audit recommendations at 20th January 2020. Appendix A showed that of 110 priority 1 and 2 recommendations made by Internal Audit since 1st April 2018, 63 had been implemented, and 38 were in the process of being implemented by Management. There were 5 recommendations overdue and these were being chased with managers.

There were 3 outstanding recommendations Mersey Internal Audit Agency had previously judged to have been partially implemented. They were in the process of being subject to management review and implementation would be confirmed by MIAA as part of their work programme for 2019/20.

There were 4 recommendations which were not to be implemented and these were detailed at appendix B.

RESOLVED

That the progress made on the implementation of Internal Audit Recommendations as at 20th January 2020 be noted.

REASON

To demonstrate that the Committee is monitoring the implementation of Internal Audit Recommendations as at 20th January 2020.

24. EXTERNAL AUDIT – MISCELLANEOUS MATTERS

The Chief Executive submitted a report with an update on various matters relating to the external audit of the Council's accounts and arrangements for securing value for money. It provided detail on the challenges facing External Audit, including the increasing shortage of audit resources suitable for local government work; concerns about the quality of draft accounts and working papers; and challenges resolving technical issues within increasingly complex accounts. The Government had also commissioned three separate reviews on audit regulation, the audit market and the audit product.

The NAO had undertaken a consultation on a new Code of Audit Practice which would be laid before Parliament in time for it to come into force from 1st April 2020.

The Council's proposed budget included provision of £53k for External Audit fees: £40k for the Scale Audit Fee and £13,530 for the Housing Benefit Grant Certification work. However it was noted that the Public Sector Audit Appointments, whose responsibility it was to set the audit fees, would not be consulting on the audit fees for 2020/21 until the above Code had been agreed.

RESOLVED

That the report be noted.

REASON

To keep Members informed of matters relating to External Audit activity.

25. DELIVERING GOOD GOVERNANCE: UPDATE

The Chief Executive submitted a report on the Council's Self-Assessment against the principles of good governance, identified in the *Delivering Good Governance in Local Government: A Framework* produced by CIPFA and SOLACE. The review was set out at Appendix A. Compliance with the principles was measured by red, amber and green.

There were 8 areas which were amber rated and for which further action was required. It was noted that whilst some actions were green rated, some aspects of the Council's governance arrangements would need to be reviewed and updated to take account of the reduction in the number of Councillors from 49 to 33, with effect from May 2020.

There was a discussion about the importance of providing training for Councillors, particularly when the number was reducing to 33. The Chief Executive said that the most effective training was when it was tailor-made and best attended when it was provided at the Town Hall prior to Council meetings. Training opportunities would continue to be promoted and encouraged, where appropriate, through Group Leaders.

RESOLVED

- (1) That the Self-Assessment Review shown at Appendix A of the report be noted.
- (2) That the actions with an amber rating remain under regular review to ensure appropriate action be taken to improve the arrangements in place.

REASON

To ensure that intended outcomes are defined and achieved which are in the public interest at all times.

26. TREASURY MANAGEMENT 2019/20 – QUARTER 3 MONITORING REPORT

The Chief Financial Officer presented a report on the treasury management activities of the Council for the third quarter of 2019/20 up to the end of December. 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 was provided at Appendix A with a maturity profile at Appendix B. An Approved Counterparty Lending List (updated at 16th January 2020) was attached at Appendix C.

Accounts and Audit Committee (28.01.2020)

At the beginning of the financial year the Council held loans of £20.359m, comprised wholly of Public Works Loan Board (PWLB) debt. New borrowing of £4m had been undertaken in the year to date (three transactions of £1m, £1.5m and a further £1.5 m which were detailed in the report). No additional borrowing had been undertaken in quarter three. So, in total, the Council had PWLB loan debt of £24.359m at an average cost reduced from 3.1% as at 31st March 2019 to 2.94%.

During this period the Council had not undertaken any short-term borrowing.

Typical investment approaches had been offered to LAs based on scenarios of negotiating a Brexit Trade Deal or reverting to the rules of a World Trade Organisation Deal at the end of 2020. With regards to debt, the increase in the borrowing rates offered to LAs from the PWLB had started to open up a range of alternative opportunities. For both investment and debt, and the potential impact of Brexit, the Council would continue to maintain a watching brief.

There followed a discussion on the Council's approach to borrowing and its investment strategy in light of recent reports of the County Council borrowing from a municipal bond agency. However, it was pointed out that this had not been confirmed and more detail would be needed before Pendle would consider borrowing in this way.

RESOLVED

That the work on the Council's treasury management activities in the period April to December 2019 be noted.

Chairman _____