

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD REMOTELY ON MICROSOFT TEAMS
ON 28TH JULY, 2020**

PRESENT –

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

*Councillor C. Carter
Mr D. Rothwell*

Mr D. Whatley

Also in Attendance

<i>S. Iqbal</i>	<i>Grant Thornton UK LLP</i>
<i>D. Langton</i>	<i>Chief Executive, PBC</i>
<i>C. Finn</i>	<i>Financial Services Manager PBC</i>
<i>J. Eccles</i>	<i>Committee Administrator PBC</i>

(Apologies were received from Councillor Q. Shazad.)

◆◆◆◆

27. DECLARATION OF INTERESTS

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

28. MINUTES

RESOLVED

That the Minutes of 28th January, 2020 be agreed as a correct record and signed by the Chairman.

29. EXTERNAL AUDIT – AUDIT PLAN 2019/20

S. Iqbal presented an overview of the planned scope and timing of the statutory audit of the Council for 2019/20 and highlighted some key points.

She pointed out that the audit was risk based and the four main risks were set out in the report: management override of controls; valuation of land and buildings; valuation of net pension fund liability; and Covid 19 impacting on the production and audit of the financial statements. Any significant findings in these areas, as well as any other significant matters arising from the audit would be reported to the Committee.

Their risk assessment regarding the Council's arrangements to secure value for money had identified financial sustainability as a Value for Money risk. The results of their Value for Money audit work and the key messages arising would be reported in their Audit Findings Report. The fee for the audit would be £38,185.

RESOLVED

That the External Audit Plan 2019/20, with a couple of minor amendments, be noted.

30. INTERNAL AUDIT PLAN 2019/20 – ANNUAL INTERNAL AUDIT OPINION

The Chief Executive presented the Annual Internal Audit Report for 2019/20.

In the absence of the Internal Audit Manager, who left the Council in March 2020, the Mersey Internal Audit Agency (MIAA) had been appointed to review the delivery of the Council's Internal Audit Plan in 2019/20 and to produce the Annual Internal Audit Report. MIAA had concluded their work on this matter and their report was attached at Appendix A. Based on their work MIAA had concluded that “ *The overall opinion for the period 1st April 2019 top 31st March 2020 provides substantial assurance: that while there is a basically sound system of control, there are weaknesses which may put the system objectives at risk*”.

In the main, the outcome of each audit review was ‘substantial assurance’. In the case of s106 Agreements, the outcome was ‘limited assurance’ due to the number of recommendations received.

It was noted that MIAA would attend a future meeting of this Committee to meet members of the Committee and present their work.

RESOLVED

- (1) That the Annual Internal Audit Report be approved.
- (2) That the ‘limited assurance’ opinion on the s106 Agreements review be shared with members, in confidence.

REASON

To ensure that Members are aware of the activities of the Internal Audit Service during 2019/20.

30. DELIVERY OF INTERNAL AUDIT 2020/21 AND 2021/22 ONWARDS

The Chief Executive reported on the plan to deliver Internal Audit (IA) in 2020/21 and 2021/22 onwards for information.

Following the departure of the IA Manager at the end of the last financial year, an opportunity was taken to review the provision of IA. A report on this matter was considered by Policy and Resources Committee in March 2020 when it was agreed to outsource the IA function from 1st April 2021 for the next 3 years.

The EU procurement process to outsource the service was due to start soon with the intention that a new provider of the service would start in April 2021. In the meantime, the service was being provided by the remaining member of staff and additional capacity bought in from the MIAA. The cost of this would be contained within the budget provision for Internal Audit for 2020/21.

31. INTERNAL AUDIT PLAN 2020/21

The Chief Executive submitted a report requesting approval of the Internal Audit Plan for 2020/21, which was attached at Appendix A.

The Plan had been revised and derived from the risk based approach adopted for the preparation of the most recent Strategic Audit Plan. Most service areas including services outsourced to Liberata and the Pendle Leisure Trust had coverage within the plan. All key systems and areas of highest risk were included in the scope of the Plan. Delivery would start on 1st August.

The Plan outlined an audit resource of 240 days and would be delivered by a combination of in-house and bought-in resources. The external element would be funded from the budget approved for the vacant Internal Audit Manager post.

This was a one-year only plan reflecting the current position in which the in-house audit team consisted now of only one person and the decision to outsource the provision of Internal Audit Services from April 2021. It was a working document and was indicative of the work planned. Any proposed changes would be brought back for the Committee's approval.

There was a discussion about the balance between the traditional remit of audits looking at financial controls and more strategic type audits looking at issues such as sustainability and equality. It was felt that the balance for this year was right in the current circumstances.

RESOLVED

That the revised Internal Audit Plan for 2020/21 be approved.

REASON

Approval of the Annual Audit Plan will enable Internal Audit to fulfil its role as outlined in the Internal Audit Strategy.

32. CORPORATE GOVERNANCE AND STRATEGIC RISK REGISTER

The Chief Executive submitted an update on the most recent review of the Council's Corporate Governance Framework (incorporating the action plan) and the Strategic Risk Register undertaken by the Corporate Governance Working Group and Management Team.

The review was set out at Appendix A. Compliance with the principles was measured by red, amber and green indicators. There were no red indicators but were some amber indicators about procurement and community engagement.

There followed a useful discussion on the Strategic Risk Register in relation to the ambitions of the Council, and how the risks might be best illustrated or better portrayed in the future.

RESOLVED

- (1) That the Corporate Governance Framework (including the incorporated action plan) at Appendix 1 be noted.
- (2) That those actions in the Self-Assessment with an Amber rating remain under regular review to ensure appropriate action is taken to improve the arrangements in place.
- (3) That the updated Strategic Risk Register at Appendix 2, including some minor corrections to the colour coding on page 2, be noted.

REASONS

- (1) *To ensure the Committee is made aware of current developments impacting on the Council's wider corporate governance framework.***
- (2) *To inform members of the current risks facing the Council, along with the actions and planned activities that are taking place to mitigate against those risk. In turn this will enable us to work towards reducing our exposure to any potential subsequent threats they pose and where appropriate maximise opportunities to effectively reduce exposure.***

33. CLOSURE OF ACCOUNTS 2019-20 – GOING CONCERN STATUS

The Chief Executive submitted a report of an assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2019/20.

The concept of a 'going concern' assumed that an authority, its functions and services would continue in operational existence for the foreseeable future. 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 2019/20 the Council remained a going concern in 2019/20 (as at 13th July). However, it was noted that it was too early to determine the full financial impact of Covid 19 on the Council going forward.

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 2019/20, be accepted.

REASON

To provide assurance on the Council's status as a 'going concern'.

34. CLOSURE OF ACCOUNTS 2019/20 – ACCOUNTING POLICIES

The Financial Services Manager submitted a report updating the Committee on the Accounting Code of Practice for 2019/20; the arrangements for the public inspection period of the accounts and requesting approval of the proposed Accounting Policies as the basis on which the accounts would be prepared for the financial year ending 31st March 2020.

In view of Covid 19, it had been agreed to extend the reporting dates to 31st August 2020 to allow for the necessary work to complete.

The Council expected to produce its unaudited Accounts by 31st July 2020; Grant Thornton to issue their audit opinion by 30th November 2020; and for the Council to publish its audited accounts with the Audit Opinion by 30th November 2020.

RESOLVED

- (1) That the main changes arising from the 2019/20 Accounting Code of Practice which impacted on the preparation of the Council's financial statement 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 (Coronavirus) Amendment Regulations 2020 be noted.
- (3) That the proposed accounting policies for the 2019/20 accounts as set out at Appendix A be approved.

REASON

To enable the 2019/20 Statement of Accounts to be prepared.

35. TREASURY MANAGEMENT 2019/20 – QUARTER 1 MONITORING REPORT

The Chief Financial Officer presented a report on the treasury management activities of the Council for the first quarter of 2020/21 - 1st April to 30th June 2020.

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 was attached at Appendix C. Also attached was the April CIPFA Bulletin 04 providing a Treasury and Capital Management update

In the current situation, the Council had adopted a more reserved approach to investing surplus funds, keeping as much cash as possible in instant access accounts.

The Council had PWLB loan debt of £23.359m at an average interest rate of 2.91%, reduced from 2.94% as at 31st March 2020. During this period the Council had not undertaken any additional borrowing.

It was noted that the Council had breached its counterparty limit with Lloyds Bank Plc in the period 27th March to 1st July 2020 following significant increases in the Council's cash holdings following receipt of various funding packages from Government in relation to Covid 19. Sums held with the bank were back within the approved limit, the Council having processed business grant payments to eligible applicants in excess of £22m.

RESOLVED

That the work on the Council's treasury management activities from 1st April to 30th June 2020 be noted, including the technical breach of the approved counterparty limit for Lloyds Bank Plc as a consequence of receipt of significant central government funding in response to the Covid 19 outbreak.

Chairman _____