

**MINUTES OF A MEETING OF THE  
ACCOUNTS AND AUDIT COMMITTEE  
HELD REMOTELY VIA TEAMS  
ON 10<sup>TH</sup> NOVEMBER, 2020**

*PRESENT –*

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

*Councillor M. Ammer  
Councillor M. Iqbal  
Councillor C. Carter*

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

**Also in Attendance**

<i>J. Masci</i>	<i>Grant Thornton UK LLP</i>
<i>S. Iqbal</i>	<i>Grant Thornton UK LLP</i>
<i>R. Parker</i>	<i>Merseyside Internal Audit Agency</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>

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**36. DECLARATION OF INTERESTS**

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

**37. MINUTES**

**RESOLVED**

That the Minutes of 28<sup>th</sup> July, 2020 be agreed as a correct record and signed by the Chairman.

**38. EXTERNAL AUDIT – DRAFT AUDIT FINDINGS REPORT 2019/20**

J. Masci presented the key findings of the External Auditor along with other matters arising from the statutory audit for the year ended 31<sup>st</sup> March 2020. It was noted that in view of Covid-19 the deadline for the preparation of the financial statements had been extended from 31<sup>st</sup> August 2020 to 30<sup>th</sup> November 2020.

The report concluded that subject to outstanding queries being resolved, and subject to receipt of the Letter of Representation, Grant Thornton anticipated issuing an unqualified audit opinion on the Council's financial statements, which was detailed at Appendix C. It found that in all significant respects, the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31<sup>st</sup> March 2020. Grant Thornton also proposed to give an unqualified Value for Money assurance opinion.

There had been one audit adjustment made in respect of valuation of land and buildings which related to the incorrect accounting treatment for individual assets derecognised in year and combined into a single asset. This did not affect their overall opinion.

J. Masci drew attention to an “Emphasis of Matter” in the audit report which referred to Note 3 of the financial statements, which described the effects of the Covid-19 pandemic on the valuation of the Council’s land and buildings and the Council’s share of the pension fund’s property investments as at 31 March 2020. A material valuation uncertainty had been disclosed in both the Council’s property valuer’s report and the pension fund’s property valuation report to take account of the impact on the global financial markets and market activity.

This was not a modification or qualification of the opinion and was consistent with other audited bodies where the valuer had highlighted a material valuation uncertainty.

**RESOLVED**

- (1) That the External Auditor’s report be noted.
- (2) That the team at Grant Thornton and Council officers assisting them be thanked for their work in preparing this report in difficult times.

**39. LETTER OF REPRESENTATION 2019/20**

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 2019/20.

**RESOLVED**

That the requirement for the Chief Executive (as the Council’s Chief Finance Officer) to provide the External Auditors with a Letter of Representation in relation to the Statement of Accounts for 2019/20 be noted and the Chairman of the Committee countersign the Letter of Representation.

**REASON**

*To note the requirement to provide a Letter of Representation.*

**40. THE REDMOND REVIEW OF AUDIT**

J. Masci provided a summary of the Redmond Review on Local Government Audit and Financial Reporting. This was published in September 2020 following a consultation at the end of last year about the effectiveness of audit in local authorities and the transparency of financial reporting.

The Review had been led by Sir Tony Redmond, former President of CIPFA. His report concluded that the current local audit arrangements failed to deliver in full the policy objectives underpinning the 2014 Act and made a number of recommendations including scope to increase fees to ensure that adequate resources were deployed to meet the full extent of local audit requirements. Grant Thornton supported the review and its recommendations. It was noted that primary legislation would be required to implement the proposed changes.

**41. STATEMENT OF ACCOUNTS – 2019/20 (AUDITED)**

The Accountancy Manager presented for approval the Statement of Accounts for 2019/20, including amendments arising from the work of External Audit as at 5<sup>th</sup> November, 2020.

## Accounts and Audit Committee (10.11.2020)

The draft (pre-audit) accounts were completed and published on the Council's website on 10<sup>th</sup> August 2020. The consultation period ended on the 22<sup>nd</sup> September. Grant Thornton commenced their audit of the accounts at the end of July. Given the impact of Covid-19, the audit had been conducted remotely and this was nearly complete. No changes had been required to the core statements. The amendments so far had related mainly to a small number of disclosure notes.

As mentioned by the External Auditor, one non-material unadjusted misstatement had been identified in the accounts relating to the accounting treatment applied in respect of aggregating assets previously held separately in the Council's Asset Register. Management had determined not to amend the financial statements for this issue as the adjusting amount was not material.

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 2019/20 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 under very challenging circumstances.

### **REASON**

***To approve the Council's Statement of Accounts for 2019/20 following the completion of the external audit.***

#### **42. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2019/20**

The Chief Executive submitted a report providing the Committee with various forms of assurance to allow a review of the effectiveness of the Council's system of Internal Audit to be undertaken.

It was noted that towards the end of the financial year the Internal Audit Manager had left the employment of the Council and Merseyside Internal Audit Agency (MIAA) had been appointed to work in conjunction with the Internal Auditor to conclude the delivery of the Annual Internal Audit Plan. This had had an impact on its delivery which was reported to the Committee in July 2020. As the Committee was aware the decision had been made to outsource the provision of the Internal Audit function. The procurement process was underway.

As reported in the Annual Internal Audit Report, considered by this Committee in July, MIAA concluded "Our overall assurance opinion for the period 1<sup>st</sup> April to 31<sup>st</sup> March 2020 is Substantial." There was only one audit which had received a limited assurance on Section 106 Agreements. Appropriate action had been put in place to resolve the matters identified.

In previous years Client Satisfaction forms had been issued seeking feedback on a number of issues. These had not been included in 2019/20. Looking ahead, MIAA said that they could include a footnote on this in future surveys and undertake a survey of audit clients, officers and members of the Committee at the end of the year to see how it was working. A survey of audit clients would be a requirement for any successful tenderer for the contract.

In response to a question about a small number of outstanding reports, R. Parker said that the review of Business Rates (NNDR) had gone out that morning. The review on mobile phones was being finalised. There were no significant findings to report. Members were assured that the key financial systems were reviewed annually.

**RESOLVED**

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 2019/20.

**REASON**

***The evidence provided demonstrates that the system of internal audit is operating effectively.***

**43.**

**INTERNAL AUDIT CHARTER**

R. Parker presented MIAA's Internal Audit Charter for Pendle Borough Council which defined the internal audit activity's purpose, authority and responsibility. The Charter defined the scope of the internal audit activity and authorised access to records, personnel and physical properties relevant to the investigation.

She mentioned that all internal audit providers had to undergo an external quality assessment every 5 years. MIAA had just had theirs and had been informed that they were fully compliant. She said that she would share the summary report with the Committee at the next meeting, for information.

**RESOLVED**

That D. Langton be named as the sponsor in the document and the Charter be noted.

**REASON**

***To note this formal document defining the Internal Audit role, structured around the Public Sector Internal Audit Standards (2016).***

**44.**

**INTERNAL AUDIT PLAN 2020/21 – PROGRESS REPORT**

MIAA submitted a report in respect of the assurances, key issues and progress made against the Internal Audit Plan for 2020/21. R. Parker drew member's attention to the key messages in the report in Section 3 of the report. A number of reviews were underway. Appendix A set out the overview of delivery for 2020/21.

There were no critical or high risk recommendations to bring to the Committee's attention.

The total number of days provided this year was 150 days, calculated on a risk based approach rather than around a fixed budget. R. Parker was attending the Lancashire Head of Audit group meeting soon and said she would see how this figure compared with other local authorities' audit arrangements.

D. Langton explained that the Internal Auditor was heavily involved in the first quarter providing an Assurance Framework for the payment of over £25m grants to businesses in Pendle. This was time well spent but inevitably meant that this had impacted on the Internal Audit Plan.

## **RESOLVED**

- (1) That the progress made against the Internal Audit Plan for 2020/21 be noted.
- (2) That consideration be given to bringing back a report on incidents of fraud within the Council.

## **REASON**

*To note the progress in the Internal Audit Plan.*

### **45. INTERNAL AUDIT OUTSOURCING**

The Chief Executive reported that in March 2020 the Policy and Resources Committee agreed to outsource internal audit and for a formal procurement process to be undertaken. The minimum contract term was likely to be three years with scope to extend. In this scenario the Council would have to ensure compliance with EU procurement regulations which applied to contacts for services over a certain amount.

The initial vetting stage was underway, with the deadline for responses at the end of the week. The second stage would start in the next week or two and conclude before Christmas. It was hoped that Policy and Resources would make their decision at the meeting on 21st January 2021.

### **46. CORPORATE GOVERNANCE AND STRATEGIC RISK REGISTER**

The Chief Executive submitted an update on the 'good governance' matrix published jointly by CIPFA and SOLACE in 2016 and on which details of an initial self-assessment were reported to this Committee in January 2017, and periodically thereafter.

It was evidenced in the self-assessment that overall the Council's governance arrangements were generally good and demonstrated compliance with the principles set out in the Code. However, there were some areas where it was felt the existing arrangements could be strengthened or required improvement, which were detailed in the report.

An update was provided on the 2019/20 Action Plan contained in the Annual Governance Statement included within the Statement of Accounts for 2019/20. The report also gave an update on the Council's risk management arrangements.

## **RESOLVED**

- (1) That the updated position on actions identified from the initial self-assessment of the CIPFA/SOLACE Good Governance framework and the Council's Annual Governance Statement for 2019/20 be noted.
- (2) That the current developments linked to the Council's risk management arrangements be noted.

## **REASON**

***To ensure the Committee is made aware of current developments impacting on the Council's wider corporate governance framework.***

### **47. ANTI-FRAUD, THEFT AND CORRUPTION POLICIES**

Copies of the following updated policies had been circulated to Members prior to the meeting for information –

Anti-Fraud, Theft and Corruption Policy  
Anti-Money Laundering Policy  
Anti-Bribery Policy  
Confidential Reporting (“Whistleblowing”) Policy.

### **48. TREASURY MANAGEMENT 2019/20 – QUARTER 2**

The Chief Financial Officer presented a report on the treasury management activities of the Council for the period 1<sup>st</sup> April to 30<sup>th</sup> September 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.

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, or fixing deposits for short-term durations.

The Council had PWLB loan debt of £23.359m at an average interest rate of 2.91%, reduced from 2.94% as at 31<sup>st</sup> March 2020. No additional borrowing had been undertaken during the first half of 2020/21.

It was reported at the July meeting that the Council had breached its counterparty limit with Lloyds Bank Plc in the period 27<sup>th</sup> March to 1<sup>st</sup> July 2020 following significant increases in the Council's cash holdings following receipt of various funding packages from Government in relation to Covid-19. There had been a further breach on 15<sup>th</sup> September 2020 for the same reason.

Advice was sought from Link Asset Services, the Council's Treasury Advisors where necessary.

## **RESOLVED**

- (1) That the work on the Council's treasury management activities from 1<sup>st</sup> April to 30<sup>th</sup> September 2020 be noted, including the technical breach previously reported to this Committee, and the cash holding limit with Lloyds Bank Plc being exceeded for one day only on 15<sup>th</sup> September, before investing surplus monies with the Debt Management Office on 16<sup>th</sup> September.
- (2) That the possibility of refinancing all or some of the Council's long-term debt be explored.

Accounts and Audit Committee (10.11.2020)

Chairman \_\_\_\_\_