

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON 22ND MARCH, 2022**

PRESENT –

Councillor D. Cockburn-Price – (Chairman, in the Chair)

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

Also in Attendance

<i>G. Jones</i>	<i>Grant Thornton UK LLP</i>
<i>R. Parker</i>	<i>Merseyside Internal Audit Agency</i>
<i>R. Gibson</i>	<i>Chief Finance Officer PBC</i>
<i>L. Rowland</i>	<i>Committee Administrator PBC</i>

(Apologies for absence were received from Councillors R. Anwar and C. Lioni.)

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29. DECLARATION OF INTERESTS

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

30. MINUTES

RESOLVED

That the Minutes of 25th January, 2022 be agreed as a correct record and signed by the Chairman.

31. EXTERNAL AUDIT UPDATE

G. Jones presented the External Auditor's progress report and sector update and highlighted key points.

At the last meeting she had reported on the 2020/21 financial statements in the Audit Findings report and said Grant Thornton anticipated giving an unqualified audit opinion on the financial statements, subject to some outstanding issues being resolved. This work had now been carried out and their audit opinion was unmodified. They intended to issue their Auditor's Annual Report in April 2022.

Their initial planning for the 2021/22 audit was due to start this month. Work would begin on the draft financial statements in July/August 2022. A detailed audit plan, setting out their proposed approach to the audit of the Council's 2021/22 financial statements would be presented to the next meeting. It was also proposed to present a report on work on arrangements to secure value for money. At the request of the Chairman it was agreed that the value for money report would be circulated to Members prior to the next meeting, as available.

The Council's annual Housing Benefit Subsidy claim had been certified and reported to the Department for Works and Pensions (DWP) on 31st January, 2022.

In 2020/21, due to a number of issues and errors in the financial statements, Grant Thornton had been required to complete substantial additional audit work in order to gain sufficient and appropriate audit evidence. The additional cost of this work had been identified to be £42,500. This fee variation required Public Sector Audit Appointments (PSAA) approval.

Although this was a significant increase on top of the original fee of £54,000, it was accepted that there had been a number of issues and errors. In the time period, valuable knowledge had been lost due to major changes within the Council's Finance Team. There had also been five different S151 Officers. The current Chief Finance Officer was now rebuilding the Team.

RESOLVED

- (1) That the work of the External Auditors be noted.
- (2) That the fee variation be accepted and the PSAA be advised of this.

REASON

To demonstrate that the Committee is monitoring the work of External Audit.

32. INTERNAL AUDIT CHARTER

R. Parker presented, for information, the Internal Audit Charter which was mandated through the Public Sector Internal Audit Standards (2016). This was a formal document that defined the internal audit activity's purpose, authority and responsibility and had to be presented on an annual basis. It established the internal audit activity's position within the organisation; authorised access to records, personnel and physical properties relevant to the performance of engagements; and defined the scope of internal audit activities. There had been no changes to the Charter since last year.

RESOLVED

That the Internal Audit Charter be noted.

REASON

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

33. INTERNAL AUDIT PROGRESS REPORT 2021/22

R. Parker presented the MIAA report in respect of the assurances, key issues and progress made against the Internal Audit Plan for 2021/22 and covered the period January to February 2022. Appendix A set out the overview of delivery for the Head of Internal Audit Opinion for 2021/22. She hoped to be in a position to present the Opinion in a couple of months' time.

Attention was drawn to the Executive Summary which listed the 12 reviews that were in progress. In response to questions regarding the Leisure Trust review, the Committee was reminded that it

did have access to see the scope of the work and could feed into the review. A draft report on how conflicts of interest were managed was due to be considered at the next meeting.

Appendix C set out the key areas agreed for action from previous reviews. The reviews of key financial systems, NNDR, Council Tax and Housing Benefits would be followed up as part of the annual assessment. It was noted that the table did not clearly identify the year to which the reviews related. It was agreed to include this information in future reports.

R. Parker was also asked to consider a suggestion that, going forward, an interim audit of the key financial systems be carried out, followed by back-ups, to bring it more in line with year-end and prevent it being back-loaded.

RESOLVED

That the progress made against the Internal Audit Plan for 2021/22 be noted.

REASON

To demonstrate that the Committee is monitoring the work of Internal Audit.

34. DRAFT INTERNAL AUDIT PLAN 2022/23

R. Parker presented MIAA's draft Internal Audit Plan for 2022/23 which included core assurances, national and regional risk areas, and strategic risks from the Strategic Risk Register. The draft plan was based on an initial risk assessment and provided indicative coverage for the Council. The operational annual internal audit plan for 2022/23 detailed in Section 5 formed part of the Council's three year Strategic Plan which was set out at Appendix A. Appendix B proposed a number of operational KPIs for consideration.

A discussion was held around risk management, particularly in relation to GDPR and cyber security. Following on from the ICT Strategy Audit, it was suggested that a critical application audit be undertaken, focussing on how the system was protected against disruption.

The Committee was advised that cyber security was a topic briefly referenced in a report to the next Council meeting in response to the current situation in Ukraine. The Council's arrangements for cyber security had recently been assessed and the Council's provider, Liberata, had undertaken the actions in the Best Practice Guidance from National Cyber Security Centre (NCSC) and DLUHC communications. Staff training on cyber and information security, including GDPR, was due to be rolled out shortly.

In addition, GDPR was regularly reviewed by the Council's Information Governance Working Group.

It was noted that, as the ICT service was provided by Liberata, it would likely be a topic for its auditors, rather than Pendle Council's.

The Committee discussed further topics for potential inclusion in the Plan including Pendle Leisure Trust, which had previously featured annually, and equality and diversity. It was agreed to look into these.

R. Parker also advised of an annual health and safety audit that was undertaken and asked whether this is something that should be seen by this Committee going forward.

RESOLVED

- (1) That a report on the annual health and safety audit be submitted to the next meeting of this Committee.
- (2) That, subject to consideration being given to reviews of Pendle Leisure Trust and equality and diversity being included, the draft internal audit plan 2022/23 be approved.

REASON

To agree the internal audit plan for 2022/23.

35. CORPORATE GOVERNANCE AND STRATEGIC RISK UPDATE

The Corporate Governance Working Group (CGWG) submitted an update on the CIPFA/SOLACE Good Governance Framework; the Action Plan contained in the Annual Governance Statement included within the Statement of Accounts for 2020/21; and developments relating to the Council's risk management arrangements.

Since the original Framework was published the Council had maintained a local code of corporate governance together with an Action Plan identifying the extent of compliance and/or any areas in the Council's arrangements that required further development, and this was subject to periodic review. The Committee last received the full self-assessment in July 2021. It showed 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 (rated amber) where it was felt the existing arrangements could be strengthened or required improvement. These were set out in the report with an update on the current status.

An update on progress against each of the seven actions listed in the 2020/21 Action Plan contained in the Annual Governance Statement was set out for information. It was noted that the Council and Liberata were still in discussion on the reinstatement of the performance framework which had been suspended in 2020/21, particularly with regard to collection rates.

Following comments made at the last meeting the format and content of the current Strategic Risk Register was under review by the CGWG. Generic, rather than specific risks were being identified. These would be considered by the Council's Management Team prior to being submitted to this Committee.

RESOLVED

- (1) That the updated position on actions identified from (i) the initial self-assessment of the CIPFA/SOLACE Good Governance framework and (ii) the Council's Annual Governance Statement for 2020/21 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.

36. TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

The Chief Finance Officer submitted a report to present the Annual Treasury Management Strategy Statement for 2022/23, which would be presented to Council for approval on 24th March. The Strategy document set out how the investment and borrowing operations of the Council were to be managed within the framework established by the Treasury Management Policy Statement. The Statement needed to be read in conjunction with the Council's Capital Programme which was approved by the Council on 24th February 2022.

One of the key issues was the need for those responsible for treasury management and its scrutiny to receive adequate training. Link Group, the Council's treasury advisor, had offered to provide this.

The Council's forward projections for borrowing were provided which highlighted any over or under borrowing. Attention was also drawn to the credit and counterparty risk management summary; the approved countries for investment; and the counterparty lending list. The policy gave more flexibility and allowed the Council to source another bank.

RESOLVED

That the Annual Treasury Management Strategy Statement incorporating the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators for 2022/23 (at Appendix A) be noted.

REASON

To comply with the CIPFA Treasury Management Code of Practice, the Council's Treasury Management Policy and good practice generally.

Chairman _____