

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON 26TH JULY, 2022**

PRESENT –

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

*Councillor M. Stone
Mr D. Rothwell*

Also in Attendance

<i>G. Jones</i>	<i>Grant Thornton UK LLP</i>
<i>L. Cobain</i>	<i>Merseyside Internal Audit Agency (MIAA)</i>
<i>L. Warner</i>	<i>MIAA</i>
<i>R. Gibson</i>	<i>Chief Finance Officer PBC</i>
<i>G-L Wells</i>	<i>Financial Services Manager PBC</i>
<i>J. Eccles</i>	<i>Committee Administrator PBC</i>

(Apologies for absence were received from David Whatley and Councillors M. Ammer and K. Salter.)



1. DECLARATION OF INTERESTS

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

2. MINUTES

RESOLVED

That the Minutes of 22nd March, 2022 be agreed as a correct record and signed by the Chairman.

3. EXTERNAL AUDIT – AUDITOR’S ANNUAL REPORT 2020/21

G. Jones presented the External Auditor’s Annual Report for 2020/21. An Executive Summary on page 3 of the report highlighted the main points.

The auditors were required to consider whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. They were no longer required to give a qualified/unqualified Value for Money conclusion. The report now included more detail on the Council’s overall arrangements as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Significant weaknesses had been identified in the Council’s financial sustainability and governance arrangements for maintaining an effective internal control environment. No significant weaknesses had been identified in improving economy, efficiency and effectiveness and Covid 19. A number of improvement recommendations had been made throughout the report to further improve the Council’s arrangements to secure value for money.

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In terms of financial sustainability, the first recommendation concerned attention being given to the Medium Term Financial Plan to address the shortfall identified in future years. A detailed plan was needed to identify and implement savings required, to ensure the Council has adequate funds to be able to support any shortfalls. Management had accepted this. It was noted that the Transformation programme had been established to look for savings in the short, medium and long term to address the financial risks facing the Council. The second recommendation was about minimising staff changes to ensure that controls could operate as required. The Financial Services Manager explained that from 1st June all the key positions within the Finance function had been filled and that measures were being taken to transfer knowledge and skills across to all staff within the service.

In terms of Governance, there was a key recommendation to ensure regular and sufficiently detailed budget monitoring was reported to the Committee and Council on a minimum of a quarterly basis. Also that budget monitoring should be included in performance reviews for individuals. The loss of key staff and experience had impacted with controls not being completed as expected and material errors identified in the accounts. The Chief Finance Officer said that revenue and capital budget monitoring would be reinstated and reported both to officers and members.

Members asked a number of questions and sought assurances about staff and procedures being in place to address the concerns of the External Auditors.

RESOLVED

That the work of the External Auditors and the assurances given by officers to remedy the risks identified be noted.

REASON

To be aware of the work of the External Auditors.

4. EXTERNAL AUDIT – AUDIT PLAN 2021/22

G. Jones presented the External Auditor's Audit Plan which provided an overview of the planned scope and timing of the statutory audit of the Council and highlighted some key points.

She pointed out that the audit was risk based and the main risks were set out in the report: management override of controls; valuation of property, plant and equipment; and valuation of pension fund net liability. Any significant findings in these areas, as well as any other significant matters arising from the audit would be reported to the Committee.

As in previous years, Grant Thornton had recommended that valuation of land and buildings be undertaken at 31st March (the year-end) rather than 1st April (the first day of the financial year, nearly a year earlier), as there was a risk that valuations undertaken at the beginning of the year could move by a material amount in the course of a year. The Chief Finance Officer explained that the Council's assets were valued by Royal Institute of Chartered Surveyors (RICS) qualified staff at Liberata. The advice from their Chartered body was not to postdate valuations to 31st March but to predate them back to the start of the year when they could be confident of the figures. This was not uncommon, with some local authorities doing valuations on 1st April and some doing them on 31st March. The Chief Finance Officer said he would discuss this matter again with RICS, but if the decision was taken not to change the date, then he would provide Grant Thornton with

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additional information on market conditions etc. to demonstrate that the year-end valuation was not materially different from the 1st April valuation.

Their initial risk assessment regarding the Council's arrangements to secure value for money had not identified any risks of significant weakness. Their interim visit took place in March/April 2022 and their final visit would take place in September to November. The Plan gave details of the audit fees for 2021/22 which were £62,635. The increase in fees was partly due to inflation, and partly due to the additional work required in view of the 3 significant weaknesses identified in the report and the onus on the auditors to address these issues.

It was noted that several Councillors had not completed the Related Party Transactions Survey, despite numerous requests to complete.

RESOLVED

- (1) That the External Auditor's plan for 2021/22 be noted.
- (2) That the Chief Finance Officer discuss with Liberata whether there was any possibility of RICS Surveyors moving the valuation date of the Council's assets from 1st April to 31st March and, in the event that this was not possible, the Chief Finance Officer provide the necessary assurances to the External Auditors to demonstrate that the year-end valuation was not materially different from the 1st April valuation.
- (3) That the External Auditors provide more detailed information on their increase in fees for 2021/22.
- (4) That the Councillors who had not completed the Related Party Transactions Survey, be chased for their responses.

REASON

1. *To be aware of the work planned by the External Auditors in 2021/22.*
2. *In the interests of transparency.*

5. EXTERNAL AUDIT INFORMING THE RISK ASSESSMENT FOR THE AUDIT PLAN 2021/22

The Chief Finance Officer submitted a report with details of the Management's response to External Audit's enquiries on various governance and other related matters to inform a risk assessment of the Council's arrangements. Members were asked to consider whether the responses set out at Appendices A and B were consistent with their understanding of the Council's arrangements.

RESOLVED

That the responses provided by Management, set out at Appendices A & B of the report, be noted and confirmed as consistent with the understanding of the Council's arrangements.

REASON

To confirm that the responses received from Pendle Council's management are consistent with the Council's arrangements.

6. INTERNAL AUDIT ANNUAL REPORT AND HEAD OF INTERNAL AUDIT OPINION 2021/22 - FINAL

L. Warner from MIAA presented the Head of Internal Audit Opinion for 2021/22.

The purpose of the Opinion was to contribute to the assurances in the Council's Annual Governance Statement. She drew members' attention to the overall opinion which provided a "moderate assurance" that there was an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk. A summary of the 13 reviews performed in the year was set out in the report. 4 reviews had been given limited assurances. All the 61 recommendations raised with Management had been accepted.

Last year the overall opinion had been substantial, although the scope had been limited. This year the audit had been much wider. It was accepted that Covid had impacted on the financial controls environment as well as a high turnover of staff in the Finance Team. The Financial Services Manager assured Members that controls were back in place, new members of staff had been in post since April and progress was being made. Moving to a web based finance system rather than their current desktop system would also help.

The report set out areas for consideration for the Council's Annual Governance Statement. It also detailed MIAA Quality of Service Indicators.

RESOLVED

That the Internal Audit Annual Report and Opinion for 2021/22 be noted.

REASON

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

7. INTERNAL AUDIT PROGRESS REPORT 2021/2022 AND 2022/23

L. Warner presented the MIAA update in respect of the closure of the Internal Audit Plan for 2021/22 and against the Internal Audit Plan for 2022/23.

Attention was drawn to the Executive Summary which listed 5 reviews that had been finalised, 3 that were at draft report stage and 3 which were in progress. Appendix C set out the key areas agreed for action from previous reviews.

Members were concerned that there was a significant number of recommendations, including high-risk ones which were overdue. The Committee wanted more information on the reasons for delay for the high risk ones, and who had responsibility for implementing them. MIAA said that it would be possible to provide more granular narrative on this to future meetings.

RESOLVED

- (1) That the progress made against the Internal Audit Plan for 2021/22 and 2022/23 be noted.
- (2) That in future all limited assurance reviews be circulated to members of the Committee for information.
- (3) That MIAA and the Chief Finance Officer discuss increasing the level of detail on overdue recommendations in future reports at their next monthly meeting.

REASON

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

8. CORPORATE GOVERNANCE AND RISK MANAGEMENT UPDATE

An update was submitted on the developments relating to the Council's risk management arrangements and the most recent review of the Council's Corporate Governance Framework, which was a self-assessment based on the good governance matrix published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) in 2016.

Further to the adoption of the Council's updated Risk Management Strategy and Policy Statement by Council in December 2021 and following comments made at the last meeting, the format and content of the current Strategic Risk Register (SRR) was under review by the Corporate Governance Working Group and Council's Performance Team. In the meantime a draft outline SRR had been developed based on the service planning process 2022/23. An example summary of this was attached at Appendix 1 for comment. Progress to date on the proposed corporate risk themes and the format of the report was summarised in the report for comment.

The Council's insurers, Zurich, would be providing the Council with appropriate Risk Management training and support in September. Zurich would also be providing the Council with support in terms of an external review and advice on the development of the SSR, with the training being used as an opportunity to further refine the SRR. Once the review was complete, the updated SRR would be presented to a future meeting of this Committee.

At the last meeting, during discussions around the Draft Internal Audit Plan 2022/23, it was requested that a report on the annual health and safety audit be submitted. This was undertaken by QHS (Health and Safety consultants) and concluded in December 2021. The outcome of the audit was that the Council achieved a core of "Very Good" which meant that the Council was compliant with health and safety legislation and best practice.

Since the CIPFA/SOLACE 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. A review had recently been undertaken and the outcome was set out at Appendix 2 of the report. 7 areas had been rated amber where it was felt the existing arrangements could be strengthened or required improvement. Details of the action to be taken and likely implementation were provided.

RESOLVED

- (1) That the current developments linked to the Council's risk management arrangements be noted and the proposed Corporate Risk Themes detailed in Appendix 1 be agreed.
- (2) That the review of the Corporate Governance framework (including the incorporated action plan) at Appendix 2 be noted.

REASON

To ensure the Committee is made aware of current developments impacting on the Council's wider Corporate Governance framework.

9. DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

The latest draft of the Council's Annual Governance Statement (AGS) 2022 was submitted for approval. This was a requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015. Last year the AGS 2021 had been included as part of the Annual Accounts and put on the Council's website. The same would be done this year.

Members pointed out some wording which needed to be deleted, amended or updated.

RESOLVED

That, subject to the amendments requested at the meeting, the Council's Annual Governance Statement 2022 be approved.

REASON

To explain how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2021/22. Also to fulfil the requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015 to produce an Annual Governance Statement.

10. STATEMENT OF ACCOUNTS 2021/22

The Chief Finance Officer reported that at this stage in the year, the Finance Team would normally have a draft Statement of Accounts for consideration. However, due to the staffing issues in Finance earlier in the year, that had not been possible. Much of the work had been done but more time was needed. He was hopeful that they would meet the November deadline for the publication of the 2021/22 Accounts. A note would be put on the Council's website and a date chosen for the public inspection of the accounts.

RESOLVED

That progress with the Statement of Accounts 2021/22 be noted.

REASON

To be aware of the current status of the Council's Statement of Accounts for 2021/22.

11. CLOSURE OF ACCOUNTS 2021/22 – ACCOUNTING POLICIES

The Chief Finance Officer submitted an update on the Accounting Code of Practice for 2021/22; requested approval of the proposed Accounting Policies as the basis on which the accounts would be prepared for the financial year ending 31st March 2022; and informed the Committee of the assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2021/22.

RESOLVED

- (1) That the main changes arising from the 2021/22 Accounting Code of Practice (CIPFA Bulletin 10 – Appendix A) which impact on the preparation of the Council's financial statements for the year be noted.
- (2) That the proposed accounting policies for the 2021/22 accounts as set out at Appendix B of the report be approved.
- (3) 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 2021/22 be accepted.

REASON

1. *To be aware of changes to the way the Council's financial statements are prepared and the proposed accounting policies for the 2021/22 accounts.*
2. *To provide assurance on the Council's status as a 'going concern'.*

12. TREASURY MANAGEMENT REVIEW - 2022/23 QUARTER 1 MONITORING REPORT

The Chief Finance Officer submitted a report to advise the Committee of the treasury management activities of the Council for the first quarter of 2022/23.

RESOLVED

That the work on the Council's treasury management activities in the period 1st April 2022 to 30th June 2022 be noted.

REASON

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

Chairman _____