

**MINUTES OF A MEETING OF THE  
ACCOUNTS AND AUDIT COMMITTEE  
HELD AT NELSON TOWN HALL  
ON 21<sup>ST</sup> MARCH, 2023**

*PRESENT –*

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

*Councillor M. Ammer  
Councillor K. McGladdery (Substitute)  
Councillor M. Stone  
Mr D. Rothwell  
Mr D. Whatley*

**Also in Attendance**

<i>G. Jones</i>	<i>Grant Thornton UK LLP</i>
<i>S. Iqbal</i>	<i>Grant Thornton UK LLP</i>
<i>L. Warner</i>	<i>Mersey Internal Audit Agency, MIAA</i>
<i>R. Gibson</i>	<i>Director of Resources PBC</i>
<i>G-L Wells</i>	<i>Financial Services Manager PBC</i>
<i>J. Eccles</i>	<i>Committee Administrator PBC</i>

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**20. DECLARATION OF INTERESTS**

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

**21. MINUTES**

**RESOLVED**

That the minutes of 22<sup>nd</sup> November, 2022 be agreed as a correct record and signed by the Chairman, subject to the following sentence from the Internal Audit Progress Report item being deleted “The Head of Internal Audit Opinion for 2021/22 was expected soon”.

**22. EXTERNAL AUDIT PROGRESS REPORT**

G. Jones talked Members through the External Auditor’s draft Audit Findings report which had been circulated by email.

Their work was mostly complete on the statutory audit of the Council’s financial statements for 2021/22. They had identified 3 adjustments to the financial statement that had not impacted the Council’s Comprehensive Income and Expenditure statement. Audit adjustments were set out at Appendix C of the report. They had also raised 3 new recommendations for management which were set out at Appendix A. Appendix B provided an update on the 8 recommendations which were reported in the 2020/21 Audit Findings report. Subject to some outstanding queries being resolved, especially in the area of fixed assets, and completion of testing once all sample items had been returned, they anticipated issuing an unqualified audit opinion. The Audit Opinion was set out at Appendix E with the draft Management Letter of Representation at Appendix F.

Appendix D gave details of the audit fee which were expected to be £62,635. This included the fee for work on the certification of Housing Benefit Claim for 2022/23 which was £13,840.

They had not yet completed their Value for Money work. At Appendix G there was a copy of their letter to the Chairman explaining that the delay was due to the late completion of the 2020/21 financial statements audit and the 2021/22 financial statements still outstanding. The Committee received an assurance that there was daily contact between the Auditors and the Financial Services Team and the 2021/22 financial statements were expected to be signed off not long after Easter. This would enable them to complete the Auditor's Annual Report by June 2023 which was in line with the National Audit Office's revised deadline which required it to be issued no more than three months after the date of the opinion on the financial statements.

As part of their work, they considered whether there was any significant weakness in the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources. They had not identified any new risk, however, the risks identified in 2020/21 in relation to financial sustainability and governance continued into 2021/22.

Members asked several questions about the External Auditor's work and sought clarification on some of the findings set out in the report. In Appendix B it was noted that 11 Councillors had incorrectly completed Related Party Transactions, answering No to the questions on association with any body. G. Jones confirmed that the misstatement figures contained in the Table in Appendix C would be checked before finalising the report.

## **RESOLVED**

- (1) That the work of the External Auditors be noted.
- (2) That the incorrectly completed Related Party Transactions be reported to Management.
- (3) That provided there were no issues of materiality between now and the end of the audit, that the Director of Resources and the Chairman sign off the financial statements and the External Auditors provide a final report updating the Committee of any changes.

## **REASON**

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

## **23.**

### **INTERNAL AUDIT CHARTER**

L. Warner presented the Internal Audit Charter which was mandated through the Public Sector Internal Audit Standards (2017) and was a formal document that defined the internal audit activity's purpose, authority, and responsibility. The Charter 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 (2017).***

### **24. INTERNAL AUDIT PROGRESS REPORT 2022/23**

L. Warner presented the MIAA update against the Internal Audit Plan for 2022/23.

She referred to the Executive Summary which listed five reviews that had been finalised. Three had been given a Substantial assurance, one a Moderate assurance and the IT Critical application payroll CHRIS 21 system review had been given a Limited assurance. There were four reviews that were at draft report stage and three reviews in progress.

As agreed, the Limited assurance review had been circulated to Members. Whilst areas of good practice were identified and there were examples of controls in place and operating effectively, weaknesses had been identified in relation to the ability to understand in detail and to test the operational effectiveness of the Frontier internal control environment; the adequacy of business continuity planning arrangements and the adequacy of risk management procedures operated by Liberata. Discussion focused on issues around outsourcing and obtaining assurances from third parties. The Director of Resources had contacted Liberata about the review and was waiting for their response.

Appendix A provided an overview of the delivery of the Head of Internal Audit Opinion for 2022/23 which was on track to complete by 31<sup>st</sup> May. There was nothing of significant importance in the draft reports nor in the reviews in progress to flag up at this stage. Appendix B provided information on the Internal Auditor's performance. A summary of follow-up activity on previous audit recommendations was included at Appendix C. The Committee's attention was drawn to 2 high priority recommendations outstanding in 2 areas (Cyber Security and Payroll).

## **RESOLVED**

- (1) That the progress made against the Internal Audit Plan for 2022/23 be noted.
- (2) That the Director of Resources feedback the Committee's concerns to Liberata on the issues raised in the Limited assurance review on IT Critical application payroll CHRIS 21 system, and chase for their response to the review.

## **REASON**

- 1. To demonstrate that the Committee is monitoring the work of Internal Audit.***
- 2. To seek assurances that actions recommended and areas for improvement highlighted in the Limited assurance review were being implemented.***

### **25. DRAFT INTERNAL AUDIT PLAN 2023/24**

L. Warner presented MIAA's draft Internal Audit Plan for 2023/24 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 2023/24 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.

## **RESOLVED**

- (1) That, subject to the inclusion of reviews on cyber security, third party service delivery and the validation/registration of planning applications, and deferment of a review on gifts and hospitality, the Director of Resources be given delegated authority to approve the Internal Audit Plan for 2023/24.
- (2) That the Financial Services Manager look at cyber security insurance across local authorities to see how they compared to the Council's arrangements.
- (3) That L. Warner provide the Director of Resources with commercial-in-confidence information on the skillset and costs per day for their review work.

## **REASON**

***To agree the most appropriate internal audit plan for 2023/24.***

## **26. CORPORATE GOVERNANCE AND STRATEGIC RISK UPDATE**

An update was submitted on the developments relating to the Council's risk management arrangements, including the updated Risk Management Strategy (Appendix 1) and the revised Strategic Risk Register (Appendix 2); the most recent review of the Council's Local Code of Corporate Governance 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. Also set out at Appendix 3 was the Action Plan contained within the Annual Governance Statement (AGS) included within the Statement of Accounts for 2021/22. Progress against the actions was good.

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. Since the last review was presented to this Committee in November 2022, the format was being reviewed to streamline the Local Code and the processes required to review this on a regular basis. The updated Local Code would be presented to the next meeting alongside the draft AGS 2022/23.

It was noted that the Risk Management Strategy needed to reflect the changes from the Committee Structure to the Executive/Scrutiny governance that would take effect next year. Appendix 2 to the Strategy also needed more detail and to refer to cyber security. It was also suggested that risk management needed to be imbedded into the culture of the Council so that it informed all decision making and that the Strategy should say how that would be done.

Members commented on some of the Risk Scores for the risks identified in the revised Strategic Risk Register. It was highlighted that the difference between the initial Inherent Risk Score and Current Risk Score should take more account of the internal control framework already in place, with further mitigating actions reducing the Expected Risk Score. Now that the Director of Place was in post, he would also be asked to comment. The Director of Resources said that their

comments would be noted, that these were working documents, would be subject to regular review and updates, and would be brought back to the Committee for further comment after more work.

## **RESOLVED**

- (1) That the current developments linked to the Council's risk management arrangements be noted.
- (2) That the amendments to the Risk Management Strategy (which responds to changes within the Council and the addition of an Insurance Statement) and the work undertaken on the draft Strategic Risk Register be noted and further updated versions be brought back to the next meeting for approval.
- (3) That the arrangements for the review of the Local Code of Corporate Governance (including the incorporated action plan) be noted.
- (4) That the review of the AGS Action Plan at Appendix 3 be noted.

## **REASON**

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

## **27. TREASURY MANAGEMENT REVIEW - 2022/23 QUARTER 3 MONITORING REPORT**

The Director of Resources submitted a report to advise the Committee of the treasury management activities of the Council for the third quarter of 2022/23. It provided a summary of the activity undertaken in the year to date in relation to the Council's debt and investment. An analysis of the long-term debt and its maturity profile was set out at Appendix A.

No additional borrowing had been undertaken so far this year. As part of the forward look for the 2023/24 budget and the medium term financial plan, a review of the Capital Programme and the Capital Financing Requirement was being undertaken. A new Capital Programme was approved at the Council meeting on 23<sup>rd</sup> February.

The report showed the Council's balance of investments at 31<sup>st</sup> December 2022 was £38m compared to £26.5m on 1<sup>st</sup> April 2022, where it had been deposited and the rates of return, which on short-term investments were quite healthy.

## **RESOLVED**

That the work on the Council's treasury management activities in the period 1st October to 31st December 2022 be noted.

## **REASON**

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

## **28. TREASURY MANAGEMENT STRATEGY STATEMENT**

The Director of Resources submitted a report to present the Annual Treasury Management Strategy Statement for 2023/24, which would be presented to Council for approval on 23<sup>rd</sup> 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 approved by Council on 23<sup>rd</sup> February 2023.

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.

Clarification was sought on the section on Treasury Indicators: Limits to Borrowing Activity. In particular, the relationship between the operational boundary and the Capital Financing Requirement.

### **RESOLVED**

That the Annual Treasury Management Strategy Statement incorporating the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators for 2023/24 (at Appendix A) be approved subject to a couple of typos, checking of figures in the Table on page 8 and satisfactory clarification from Link Group, its external treasury management advisors, on the borrowing position.

### **REASON**

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

Chairman \_\_\_\_\_