

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON 25TH JULY 2023**

PRESENT –

Councillor D. Cockburn-Price – (Chair)

*Councillor R. Anwar
Councillor M. Stone
Councillor D. Whipp
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>

(Apologies were received from D. Rothwell and Councillor M. Ammer.)

◆◆◆◆

1. DECLARATION OF INTERESTS

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

2. APPOINTMENT OF VICE-CHAIR

RESOLVED

That Councillor R. Anwar be appointed Vice-Chair of the Committee for the Municipal year 2023/24.

3. MINUTES

RESOLVED

That the minutes of 21st March 2023 be agreed as a correct record and signed by the Chair.

4. EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2021/22

G. Jones and S. Iqbal talked Members through the External Auditor's draft Audit Findings report highlighting changes that had been made since the 21st March 2023 meeting.

Their work on the statutory audit of the Council's financial statements for 2021/22 was now complete and their findings were summarised in the report. The only outstanding matters of those listed on page 3 of the report was the update following the triennial review of pensions and some

work on reviewing leases disclosure. The Auditor's Annual Report, including the commentary on arrangements to secure value for money, had been delayed due to the late completion of the 2020-21 financial statements audit and the 2021/22 financial statements still outstanding.

Members' attention was drawn to the audit work on journals which was complete and had not identified any issues in respect of management override of controls.

The Auditors had identified 3 adjustments to the financial statements that had not been reflected in the Council's Comprehensive Income and Expenditure Statement (Appendix C). After a discussion of these unadjusted differences, focussing on the overaccrued NNDR appeals provision in particular, Members agreed to leave them as unadjusted and to reflect that in the Letter of Representation.

They had raised 6 new recommendations for management which were set out at Appendix A. Their follow up of 8 recommendations from the prior year's audit were detailed at Appendix B. One of the recommendations, which had been flagged up at previous meetings, was that RICS Surveyors were valuing the Council's assets at 1st April at the start of the financial year rather than 31st March at the end of the financial year. However, Liberata had agreed to provide the necessary assurances to the External Auditors to demonstrate that the year-end valuation was not materially different from the 1st April valuation.

The Auditors had identified the valuation of land and buildings and surplus assets as a significant risk. The commentary explained that there was a difference in valuation between the valuer's system, Techforge, and the Fixed Asset Register. The plant and equipment which was overstated by £872,000 had been amended. The Head of Finance explained the ways in which the differences had arisen over several years and confirmed that action had been taken so that this error would not recur.

The Audit Opinion was set out at Appendix E with the draft Management Letter of Representation at Appendix F. Their anticipated audit report opinion would be unqualified.

RESOLVED

- (1) That the work of the External Auditors be noted.
- (2) That a meeting of this Committee be arranged as soon as possible to sign off the 2021/22 Statement of Accounts and the meeting scheduled for 26th September be postponed to 7th November.

REASON

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

5. EXTERNAL AUDIT INFORMING THE RISK ASSESSMENT FOR THE AUDIT PLAN 2022/23

The Head of Finance presented a report which gave Management responses to questions asked by Grant Thornton on the Council's oversight of the following areas – General Enquiries of Management, Fraud, Laws and Regulations, Related Parties, Going Concern and Accounting Estimates. Members were asked to consider if the responses were consistent with its understanding and whether they had any further comments.

Members sought clarification on a couple of issues regarding land and building evaluations and procurement of consultancies.

RESOLVED

- (1) That the report be noted.
- (2) That the Head of Finance be asked to find out when the last HMRC audit of the payroll system had taken place.

REASON

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

6. INTERNAL AUDIT ANNUAL REPORT AND HEAD OF INTERNAL AUDIT OPINION 2022/23

L. Warner presented the Internal Audit Annual Report and Head of Internal Audit Opinion for 2022/23 which provided Substantial Assurance. This meant that there was a good system of internal control designed to meet the organisation's objectives, and that controls were generally being applied consistently. This was an improvement on the Moderate Assurance in 2021/22.

Members asked questions about the outstanding high priority recommendations detailed on page 4 of the report in relation to the reviews of Payroll, Nelson Town Deal and Critical Application – Chris 21. The Director of Resources assured Members that officers were keen to address the outstanding recommendations, in particular the high priority ones, but that some involved third parties and could take longer to implement. Meetings of the Corporate Governance Steering Group were held every 2 months which MIAA attended to update on internal audit delivery and the implementation status of previous internal audit recommendations as well as provide any support on governance, risk management and internal control issues. L. Warner told Members that the position was improving.

RESOLVED

- (1) That the Internal Audit Annual Report and Head of Internal Audit Opinion 2022/23 be noted.
- (2) That L. Warner provide the Committee with some information on the feedback obtained from Client Satisfaction Questionnaires, the response rate and who was responding.

REASON

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

7. INTERNAL AUDIT PROGRESS REPORT 2022/23 and 2023/24

L. Warner presented the MIAA update against the Internal Audit Plan for 2022/23 and 2023/24.

She referred to the Executive Summary which listed three reviews that had been finalised. Two had been given a Substantial Assurance, one a Moderate Assurance. There were three reviews that were at draft report stage and one review in progress. Work on delivery of the 2022/23 internal audit plan was almost complete. Enough work had been done to form their Head of Internal Audit

Opinion which was set out at Appendix A. Work on delivery of the 2023/24 internal audit plan had commenced, with 5 reviews in progress.

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 4 high priority recommendations outstanding in 3 areas (Cyber Security, Payroll and the IT Chris Payroll system), discussed under the previous item.

RESOLVED

That the progress made against the Internal Audit Plan for 2022/23 and 2023/24 be noted.

REASON

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

8. CORPORATE GOVERNANCE AND RISK MANAGEMENT UPDATE

The Director of Resources submitted a report 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 periodic review of the Council's Local Code of Corporate Governance which was a self-assessment based on the 'good governance' matrix published jointly by CIPFA and SOLACE in 2016 (Appendix 3); and the Action Plan contained within the Annual Governance Statement (AGS) included within the Statement of Accounts for 2021/22 (Appendix 4).

It was noted that all exceptions to the Contract Procedure Rules were to be reported to this Committee. A number of exceptions agreed with the Council's Director of Resources/ S151 Officer were listed in the report.

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, the addition of an Insurance Statement and a new Risk Matrix model) at Appendix 1 be noted and endorsed for submitted to the Executive for formal approval, subject to a number of amendments agreed at the meeting.
- (3) That the work undertaken on the draft Strategic Risk Register be noted and approved in its current form, subject to the amendments agreed at the meeting.
- (4) That the revised Local Code of Corporate Governance (including the incorporated action plan) be agreed, subject to progress on the amber issues being reported to this Committee and the Executive.
- (5) That the exceptions to the contract procedure rules be noted.
- (6) That the progress in the delivery of the AGS Action Plan 2022/23 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 2022/23

The Director of Resources submitted the draft Annual Governance Statement 2022/23 for comment. This was a requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015.

The Statement would be included as part of the Annual Accounts and put on the Council's website.

Members pointed out some wording which needed to be deleted, amended or updated and sought clarification on some issues. It was noted that at the meeting of the Executive on 20th July, it was agreed to reconvene the Budget Working Group and a meeting to be arranged as soon as possible. It was likely that meetings would be held every 6 weeks.

RESOLVED

- (1) That, subject to the amendments requested at the meeting, the Council's Annual Governance Statement 2022/23 be approved.
- (2) That the budget outturn report for quarter 1 be circulated to Members of the Committee in September and the budget outturn report for quarter 2 come to the November meeting for discussion.
- (3) That consideration be given to introducing a quarterly session for independent members providing the opportunity for updates or questions on the work of the Council, in particular with its partners e.g. Liberata and Pendle Leisure Trust.

REASON

1. ***To explain how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2022/23. Also, to fulfil the requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015 to produce an Annual Governance Statement.***
2. ***To provide appropriate information to independent members of the Committee.***

10. ACCOUNTS AND AUDIT ANNUAL REVIEW 2022/23

The Director of Resources submitted a draft report from the Chair on the work of Accounts and Audit Committee in 2022/23. Members suggested some amendments.

RESOLVED

That authority be delegated to the Chair of this Committee and the Director of Resources to finalise the Accounts and Audit Annual Report 2022/23 and arrange for it to be made available on the Council's website.

REASON

To comply with CIPFA Best Practice.

**11. CLOSURE OF ACCOUNTS 2022/23
ACCOUNTING CODE OF PRACTICE UPDATE AND OTHER RELATED MATTERS**

The Director of Resources submitted a report to update the Committee on the Accounting Code of Practice for 2022/23 and other related matters.

RESOLVED

- (1) That the main changes arising from the 2022/23 Accounting Code of Practice (CIPFA Bulletin 14 – 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 2022/23 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 2022/23 be accepted.
- (4) That the position in respect of the 2021/22 Statement of Accounts and 2022/23 Statement of Accounts be noted.

REASON

- 1. To be aware of changes to the way the Council's financial statements are prepared and the proposed accounting policies for the 2022/23 accounts.***
- 2. To provide assurance on the Council's status as a 'going concern'.***
- 3. To be aware of the current status of the Council's 2021/22 Statement of Accounts and 2022/23 Statement of Accounts.***

12. TREASURY MANAGEMENT 2023/24 QUARTER 1 MONITORING REPORT

The Director of Resources submitted a report to advise the Committee of the treasury management activities of the Council for the first quarter of 2023/24. 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 was set out at Appendix A with a maturity profile provided at Appendix B.

No additional borrowing had been undertaken so far this year and none was planned for the remainder of the year. The report showed the Council's balance of investments at 1st April 2023 was £29.8m. At 30th June 2023 the balance of investments was £37.02m. The report gave details of which sector it had been placed, the deposit type, and the rates of return. The average rate of return across the quarter was 4.19% and it was likely that this rate of return would increase throughout the year.

There had been no breaches of the counter-party limits during Q1. The Approved Counterparty Lending list was attached at Appendix C.

Officers had met with Link Asset Services who were engaged as the Council's external advisors to discuss the latest Balance Sheet Review and the latest economic outlook and how this would impact on the Council.

RESOLVED

That the work on the Council's treasury management activities in the period 1st April to 30th June 2023 be noted.

REASON

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

13. TREASURY MANAGEMENT PRACTICES AND SCHEDULES - UPDATE

The Director of Resources submitted a report seeking approval for updated Treasury Management Practices and Schedules, which showed how the treasury management function was carried out at the Council. These were in line with the CIPFA Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes 2011. The Treasury Management Practices (TMPs) at Appendix A set out the way in which policies and objectives would be achieved and how treasury management activities would be managed and controlled. The Committee had last approved these in September 2013. The Schedules at Appendix B demonstrated how the Council complied with each of the TMPs. An assurance was given that the key posts shown in the Treasury Management organisation chart were now filled.

RESOLVED

That the updated Treasury Management Practices and Schedules as set out in the report be approved.

REASON

To demonstrate that the Council is conforming to best practice in relation to Treasury Management as detailed in the (CIPFA) Code of Practice.

14. TREASURY MANAGEMENT OUTTURN 2022/23

The Director of Resources submitted a report to advise the Committee of the performance of the Council's treasury management function for 2022/23.

RESOLVED

That the outturn position on the Council's treasury management activities for 2022/23 be noted.

REASON

To receive details of the council's treasury management activities for the financial year 2022/23 in compliance with the Council's Treasury Management Policy.

Chairman _____

DRAFT