

**MINUTES OF A MEETING OF THE
ACCOUNTS AND AUDIT COMMITTEE
HELD AT NELSON TOWN HALL
ON 30TH JULY 2024**

PRESENT

Councillor R. Anwar – Chair

*Councillor D. Cockburn-Price
Councillor M. Stone
Councillor D. Whipp
Mr D. Whatley*

Also in Attendance

<i>D. Patel</i>	<i>Grant Thornton UK LLP</i>
<i>L. Warner</i>	<i>Mersey Internal Audit Agency, MIAA</i>
<i>L. Cobain</i>	<i>Mersey Internal Audit Agency, MIAA</i>
<i>K. Spencer</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 M. Ammer be appointed Vice-Chair for the municipal year 2024/25.

3. MINUTES

RESOLVED

That the minutes of 19th March 2024 be agreed as a correct record and signed by the Chair.

4. INTERNAL AUDIT PROGRESS REPORT

L. Warner highlighted the key areas in respect of the progress made against the Internal Audit Plan covering the period 8th March to 22nd July 2024.

Since the last meeting the Internal Auditors had completed 4 reviews – Budget setting and monitoring, Third party suppliers (Liberata), Information Governance and Staff Performance Management. The first 2 reviews had been given a Substantial Assurance. The other 2 reviews had been given a Limited Assurance and had been emailed to Members for information. Appendix C of the report provided a summary of key areas from this work and actions to be delivered.

L. Warner was asked if it was realistic to expect the considerable amount of work actioned in respect of the IG review to be completed by 31st August. It was explained that as the review was finalised a few months ago, work was well underway. The date of implementation would be adjusted if necessary. There was also a discussion on the second Limited Assurance review on Staff Performance appraisals, and the importance of formalising the process accompanied by a policy and the introduction of monitoring/reporting arrangements to ensure that they were completed consistently across the Council. This would be picked up when the new Learning and Organisational Development Officer post was filled.

The Financial Services Manager gave a full explanation of the seven virements which were not evidenced as being authorised and the three that had exceeded the Corporate Management Team virement limit of £100,000 which had been picked up in MIAA's Budget Setting and Monitoring review. She assured Members that they were done in exceptional circumstances and that procedures were now in place to formalise any virements going forward.

The following reviews were at draft report stage – IT Cyber Security and a briefing note on the Colne Muni Project (at the request of the Interim Director of Resources). The following reviews were in progress - Finance deep dives, Revenue and Benefits, Homelessness, Sickness Absence, Complaints and Learning, Performance reporting and data quality, and Customer Care.

A summary of follow-up activity on previous audit recommendations was included at Appendix D. 46 out of 72 recommendations had been fully actioned or were in progress. The remaining 26 recommendations were not yet due for action, including 5 high priority recommendations outstanding in relation to Staff appraisals and Information Governance.

At the last meeting further information was requested regarding the Food Safety audit report in relation to the Enforcement policy. This was set out in page 5 of the report. L. Warner explained that since that report a full follow up of the recommendations made had been undertaken and all had been satisfactorily addressed by management.

RESOLVED

- (1) That the Internal Audit progress report be noted.
- (2) That the Director of Resources email Members with further information on the General Data Protection Regulations lead at the Council and their responsibilities.

REASON

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

5. HEAD OF INTERNAL AUDIT OPINION 2023/24

L. Warner presented the Internal Audit Annual Report and Head of Internal Audit Opinion for 2023/24 which provided Substantial Assurance and explained the reasoning for this opinion. 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 the same Opinion as the previous year.

During the course of the year MIAA had undertaken follow up reviews and concluded that the Council had made good progress with regards to the implementation of recommendations. There

were no outstanding high priority recommendations. They would continue to track and follow up outstanding actions.

RESOLVED

That the Internal Audit Annual Report and Head of Internal Audit Opinion 2023/24 be noted.

REASON

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

6. EXTERNAL AUDIT – 2023/24 AUDIT PLAN

D. Patel presented the External Auditor's 2023/24 Audit Plan which provided an overview of the planned scope and timing of the statutory audit of the Council and highlighted some key points.

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

Progress made against 2022/23 audit recommendations was set out in the Plan. 2 of the 4 recommendations reported in their Audit Findings Report were not yet complete. The update on proposed action to update Members as to why the provisional outturn position (reported to Executive July 2023) didn't agree with the Expenditure and Funding analysis note in the final statements was noted. The Financial Services Manager said that a report on the outturn position for 2023/24 would be going to the next Executive meeting on 1st August which included the impact of amendments from prior years. In respect of the second recommendation, the Council would now be issuing its own asset register for vehicles, plant and equipment which would be kept up to date.

Progress made against 4 audit recommendations from the 2021/22 financial statement and 5 from the 2020/21 financial statement was noted. There were now 3 recommendations outstanding. The Depreciation of Assets Revalued in Year recommendation had been agreed and would be updated in workings for 2023/24 onwards. The Revaluation of Assets and Depreciation of Additions recommendations were linked. The recommendation from Grant Thornton that valuations 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) had been discussed at previous meetings. The Financial Services Manager said that there were to be further discussions with the External Auditors, but it had been agreed previously, that if the decision was taken not to change the date, then Grant Thornton would be provided with additional information on market conditions etc. to demonstrate that the year-end valuation was not materially different from the 1st April valuation. She also assured Members that the bank reconciliation issue, which had now been resolved, was a one-off backlog problem in exceptional circumstances which had now been spread across the Team and streamlined.

In 2022/23 the 4 areas of significant weakness would be followed up as part of the External Auditors 2023/24 value for money work. The Plan gave details of the audit fees for 2023/24 which were £135,630. This consisted of the scale fee set out in the PSAA contract £128,100 with an additional fee of £7,530 to cover audit work in respect of the revised ISA 315 Identifying and Assessing the Risks of Material Misstatement requirements.

RESOLVED

That the External Auditor's plan for 2023/24 be noted.

REASON

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

7. EXTERNAL AUDIT INFORMING THE RISK ASSESSMENT FOR THE AUDIT PLAN 2023/24

The Financial Services Manager 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. The purpose of the report was to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit Committee as "those charged with governance".

She highlighted the major capital schemes under Levelling-Up Funding and Town Deal, as well as other grant schemes which would have a significant impact on the financial statements for 2023/24. The response to question 11 in the General Enquiries of Management Section mentioned provisions on loans to joint ventures which were in place. She pointed out that a review on the governance of joint ventures was underway in response to the weakness highlighted by Grant Thornton. At Appendix A on Accounting Estimates, she would be changing the n/a response to the question about Credit loss and impairment allowances to appropriate wording to explain that the Council had a mechanism for people making payments in arrears.

Members were asked to consider if the responses were consistent with its understanding and whether they had any further comments.

RESOLVED

- (1) That the report and proposed amendment at Appendix A be noted.
- (2) That the Financial Services Manager in consultation with the Director of Resources reword the Management response to Question 6 on the processes the Council had in place to identify and respond to risks of fraud, to better reflect the current position.

REASON

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

8. CORPORATE GOVERNANCE & RISK MANAGEMENT UPDATE

The Corporate Governance Steering Group submitted a report on the developments relating to the Council's risk management arrangements, including the updated Strategic Risk Register based on Q4 2023/24 updates (Appendix 1); a revised draft Local Code of Corporate Governance which set out how the Council complied with the Good Governance Framework 2016 published jointly by CIPFA and SOLACE (Appendix 2); the Action Plan contained within the Annual Governance Statement (AGS) which formed part of the Statement of Accounts for 2022/23 (Appendix 3); and any exceptions to the Contract Procedure Rules (Appendices 4a-d).

The Director of Resources said that, in discussion with Heads of Service, she would be reviewing the Strategic Risk Register to see if any improvements could be made. She agreed with the suggestion that the risk score for SRR-13 on the Leisure Review should be updated. Also, that the risk score for SRR-1 on Financial Sustainability should move from yellow to red, especially that the new Government had confirmed that all Government Departments would be looking at cuts.

It was noted that the Budget Working Group were likely to have their first meeting in September, and a Management presentation would be given on the Medium Term Financial Plan.

RESOLVED

- (1) That the current developments and position linked to the Council's risk management arrangements and the Strategic Risk Register be noted.
- (2) That the revised draft Local Code of Corporate Governance be agreed.
- (3) That the progress in the delivery of the AGS Action Plan 2023/24 be noted.
- (4) That the exceptions to the Contract Procedure Rules for the period January to June 2024 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 2023/24

The Director of Resources submitted the draft Annual Governance Statement 2023/24 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 made available on the Council's website.

RESOLVED

That, subject to the typos and factual amendments mentioned at the meeting and any further comments emailed to the Financial Services Manager after the meeting, the Council's Annual Governance Statement 2023/24 be approved.

REASON

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.

10. TREASURY MANAGEMENT REPORT – Q4 2023/24 & Q1 2024/25

The Director of Resources submitted reports to advise the Committee of the treasury management activities of the Council for the fourth quarter of 2023/24 and the first quarter of 2024/25. They

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provided an economic update and interest rate forecast provided by Link Asset Services, the Council's external advisors. There was also a summary of the activity undertaken in relation to the Council's debt and investment.

At the beginning of 2024/25 the Council held loans of £19.359m at an average interest rate of 2.89%, comprised wholly of Public Works Loan Board debt. No additional borrowing had been undertaken during quarter 4 in 2023/24 or the first quarter of 2024/25. An analysis of the long-term debt was set out in the reports at Appendix A with a maturity profile provided at Appendix B.

The latest report showed the Council's balance of investments at 1st April 2024 was £31.75m. At 30th June 2024 the balance of investments had increased to £34.95m, which was due to the receipt of Nelson Town Deal Funding. The report gave details of which sector the investments had been placed, the deposit type, and the rates of return. Members were assured that funds available on a temporary basis had been invested for as long as possible, to maximise the interest earned. The average rate of return across the Q1 was 5.154%.

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

RESOLVED

That the work on the Council's treasury management activities in the period 1st January to 31st March 2024 and 1st April to 30th June 2024 be noted.

REASON

To comply with the CIPFA Code of Practice on Treasury Management.

Chair _____