MINUTES OF A MEETING OF THE ACCOUNTS AND AUDIT COMMITTEE HELD AT NELSON TOWN HALL ON 28TH JULY 2026

PRESENT
Councillor M. Atkinson (Chair)

Councillor M. Ammer
Councillor R. Bashir
Councillor M. Stone
David Rothwell

Also in Attendance

L. Warner	*Merseyside Internal Audit Agency MIAA*
G. Winstanley	*Grant Thornton UK LLP*
K. Spencer	*Director of Resources, Pendle Borough Council (PBC)*
G-L. Wells	*Head of Finance PBC*
J. Eccles	*Committee Administrator PBC*

(Apologies were received from Councillor B. Newman.)

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53. DECLARATIONS OF INTEREST

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

Members' attention was also drawn to the requirements of the Council's Code of Conduct relating to the disclosure of Other Registrable Interests and Non-Registrable Interests.

54. APPOINTMENT OF VICE-CHAIR

Nominations were invited for the appointment of Vice-Chair of the Committee for the Municipal year 2026/27.

RESOLVED

That Councillor M. Stone be appointed Vice-Chair of the Committee for the Municipal year 2026/27.

55. MINUTES

RESOLVED

That the minutes of 24th March 2026 be agreed as a correct record subject to the addition of L. Warner in the list of attendees and signed by the Chair.

56. INTERNAL AUDIT PROGRESS REPORT INCLUDING ANTI-FRAUD UPDATE

L. Warner highlighted the key areas of progress made against the Internal Audit Plan for the period 17th March to 20th July 2026.

Since the last meeting the Internal Auditors had finalised 7 reviews as follows – Licensing and VAT (Moderate assurances); Financial Deep Dive – Budgetary Control, Health and Safety, Risk Management and Council Tax & NNDR (Substantial assurances); and Contract Management (High Assurance). The key areas from their work and actions to be delivered were set out at Appendix D of the report. A Procurement review was at draft report stage and that would complete the 2025/26 audit.

Work had commenced on delivery of the 2026/27 audit plan and the following reviews were in progress – Treasury Management (draft report issued); Project Management, Appraisals and Homelessness (all at fieldwork stage); and Performance Management & Data Quality (planning).

The Internal Auditors had also followed up on previous Internal Audit recommendations. These were set out at Appendix E. Of the 88 recommendations, 19 were not due for follow up. Of the remaining 69 actions, 59 had been fully actioned, 10 were in progress or had not been actioned.

There were 6 high priority recommendations outstanding. One related to the Information Governance audit and was past the original implementation date. It now had a revised date of 31st October 2026. Two related to the IT review of the IDOX system which were in progress, 2 to the IT Asset Management Audit which were being followed up and 1 relating to VAT processes which was not yet due.

Members sought assurances and clarification on aspects of the Licensing review and the VAT review and asked about progress with actions on the staff performance appraisals. There was disappointment that some of the high priority recommendations had still not been implemented.

Members asked if the table showing the follow up of previous IA recommendations could include the implementation dates in future reports, so it was clear which recommendations were overdue and to provide information on the general trend of implementation which would make it easier to review progress going forward.

The Anti-Fraud/Anti-Bribery/Anti-Money Laundering Policies had been finalised and reviewed by Corporate Leadership Team. Subject to some minor amendments they were ready to be uploaded to the Council's website and communicated to colleagues. MIAA were going to provide some awareness raising material based on Public Sector Fraud Authority templates to assist the Council's Communications Team in rolling out the policies.

The proactive anti-fraud review of fuel card purchases had been finalised and the draft report issued in May. Management had reviewed the findings and an update on the final report would come to this Committee in due course. A second proactive anti-fraud review, again utilising data analytics, was planned to take place in the autumn, although the area for analysis had not been determined.

As part of the 2026/27 plan arrangements, an assessment of the Council's fraud risk profile would be undertaken in order to identify the priority fraud/bribery risks to which the Council might be exposed.

RESOLVED

(1) That the Internal Audit progress report be noted.

(2) That MIAA be asked to include in future Internal Audit progress reports the table documenting follow up of previous Internal Audit recommendations include due dates for the implementation of outstanding recommendations and a sense of how timely they were being implemented.

(3) That MIAA be asked to review the wording for the 2 medium priority recommendations on staff performance appraisals in the follow up of previous Internal Audit recommendations at Appendix E, as a lot of work had been done in this area.

(4) That the Head of IT be asked to attend the next meeting of this Committee to discuss ongoing and planned work to address areas of work or issues raised in previous reviews e.g. on the IDOX system and IT Asset Management.

REASON

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

57. INTERNAL AUDIT ANNUAL REPORT & HEAD OF INTERNAL AUDIT OPINION 2025/26

L. Warner presented the Internal Audit Annual Report and Head of Internal Audit Opinion for 2025/26, 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 two years.

Key themes arising from their audit work were the need for the Council to make further improvements in relation to IT controls with two Limited assurance reports being issued in year and high priority IT recommendations remaining outstanding from previous years. Also, the need to improve its position in implementing previous IA recommendations timelier.

RESOLVED

That the Internal Audit Annual Report and Head of Internal Audit Opinion 2025/26 be noted.

REASON

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

58. INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT OUTCOME AND ACTION PLAN

L. Warner presented the results of MIAA's latest External Quality Assessment completed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The assessment confirmed that MIAA was Generally Conforming with the Global Internal Audit Standards (UK Public Sector) and was the highest classification of CIPFA award.

CIPFA had raised a small number of recommendations for management action which were summarised in the report along with the agreed actions and deadlines. An update on these actions would be reflected in MIAA's Annual Report.

The report was welcomed by Members of the Committee. It was noted that audit staff would receive further training on root cause analysis and how this should be reflected in future reports.

RESOLVED

That MIAA's action plan in response to their 5 yearly External Quality Assessment be welcomed and noted.

REASON

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

59. EXTERNAL AUDIT 2025/26 AUDIT PLAN

G. Winstanley presented the External Auditor's 2025/26 Audit Plan which provided an overview of the planned scope and timing of the statutory audit of the Council.

He pointed out that the audit was risk based. The main 3 risks were set out in the report and the same as the previous year: management override of control; valuation of land and buildings; and valuation of the pension fund liabilities. Any significant findings in these areas, as well as any other significant matters arising from the audit, would be reported to the Committee.

Planning materiality had been determined to be £1.341m for the Council, which equated to 2.5% of the prior year gross expenditure for the year. They were obliged to report uncorrected omissions or misstatement other than those which were 'clearly trivial' to those charged with governance, which had been set at £67,100. In respect of Value for Money arrangements, they would follow up progress on the significant risks identified last year and continue to monitor and update their risk assessment and responses until the issue of their Annual Report.

The report included an audit timeline. Fieldwork and detailed testing would be completed in October/November. It was expected that the draft Audit Findings report would be presented to the Committee in November and the final report presented at the January 2027 meeting.

The Plan gave details of the fees for the 2025/26 audit which were £146,166.

Prior to the meeting Members had been sent a report from the Head of Finance providing an update on action taken on External Audit recommendations from prior years in relation to the Statement of Accounts and Value for Money. Action taken could not be verified by Grant Thornton until the completion of the next audit, so were showing as 'in progress' within the Audit Plan, but it was noted that the latest management comments at Appendix A showed that appropriate action had been taken to achieve the best possible audit position.

RESOLVED

That the External Auditor's plan for 2025/26 and the update from the Head of Finance on previous audit recommendations be noted.

REASON

To demonstrate that the Committee is monitoring the work of External Audit and the response from Management.

60. REGAINING ASSURANCE STRATEGY FOR PENDLE BOROUGH COUNCIL

G. Winstanley presented a report which set out the External Auditor's plan to rebuild audit assurance at the Council following the disclaimer of opinion issued under the statutory backstop for the years ended 31st March 2025 and 31st March 2024. The Ministry of Housing, Communities and Local Government (MHCLG) and Public Sector Audit Appointments had made a joint request for audit companies to provide information for local authorities subject to the build-back process. The plan had been agreed with management and would be sent to MHCLG in due course.

Under the MHCLG capacity assessment framework, Grant Thornton had provisionally assessed the audit as Category A, the lowest risk factor, described as 'capable of an ISA-compliant approach within the build-back period, relatively straightforward'.

The report summarised the plan to undertake build-back work for each audit area and showed how it might build assurance over the coming years' audits. It included an estimate of when their audit report was expected to transition from disclaimed to qualified (2025/26) and from qualified to unmodified (2026/27). Work this year would focus on in-year transactions and closing balances.

He assured Members that the External Auditors and Council's Finance Team were working well together in building back audit assurance and both aiming for a clear audit in 2026/27.

RESOLVED

That the External Auditor's plan to build back audit assurance at the Council following the disclaimer of opinion in the last two years be noted.

REASON

To monitor the work of the External Auditors.

61. RISK MANAGEMENT UPDATE – QUARTER 4, 2025/26 & CORPORATE GOVRNANCE

The Director of Resources submitted a report with an update on –

- the developments relating to the Council's risk management arrangements, including the updated Strategic Risk Register (SRR) based on Q4, 2025/26 updates (Appendix 1) and the updated Risk Management Strategy (Appendix 2);
- the Council's Corporate Governance arrangements; and
- the delivery of the Action Plan 2025/26 contained within the draft Annual Governance Statement (Appendix 3) which formed part of the Statement of Accounts for 2024/25.

The Director of Resources highlighted that the key point to note from the SRR in Q4 was that the score of 2 Strategic Risks had changed. SRR-05 – Effective Contract Performance Management – Liberata UK had reduced from 12 to 8, and SRR-09 Achievement of carbon neutral targets by

2030 had increased from 15 to 20. Members questioned the risk score for the Council not meeting the carbon neutral target by 2030.

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 position on the Local Code of Corporate Governance and the Corporate Governance Framework be noted.

(3) That the progress in the delivery of the Annual Governance Statement Action Plan 2025/26 be noted.

(4) That the Director of Resources review with colleagues the scoring of the SRR-09 Achievement of carbon neutral targets by 2030 and the outcome be reported to a future meeting.

REASONS

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

62. DRAFT STATEMENT OF ACCOUNTS 2025/26

The Head of Finance submitted an update on the draft Statement of Accounts 2025/26 which had been submitted to Grant Thornton and published on the Council's website on 30th June 2026. The period for public consultation ran until 11th August 2026. Any changes, additions or corrections would then be made.

The Audit Plan was set for this Committee to receive the Statement of Accounts for formal approval at its meeting on 24th November together with Grant Thornton's Audit Findings report. The Director of Resources said she would be arranging an earlier meeting with Committee Members to have a detailed session on the Accounts.

RESOLVED

(1) That the progress with producing the audited Statement of Accounts 2025/26 by the statutory audit backstop date of 31st January 2027 be noted.

(2) That Members submit any comments on the draft Statement of Accounts 2025/26 to the Head of Finance by the end of the public consultation period, 11th August 2026.

REASON

To contribute to the production of the final Statement of Accounts 2025/26.

63. TREASURY MANAGEMENT REPORT – Q4 2025/26 & Q1 2026/27

The Head of Finance presented a report which gave a summary of the activity undertaken in the fourth quarter of 2025/26 and first quarter of 2026/27 in relation to the Council's debt and investment.

At the beginning of 2026/27 the Council held loans of £16.859m, at an average interest rate of 2.76%, comprised wholly of Public Works Loan Board debt. No additional borrowing had been undertaken during Q4 or Q1. The average interest rate was 2.76% as of 30th June 2026. An analysis of the long-term debt was set out at Appendix A with a maturity profile at Appendix B. The borrowing position was within the boundary limits set and approved as part of the Treasury Management Strategy Statement and Annual Investment Strategy.

The Council started the year with investments of £20.70m. The balance of investments at 30th June was of £26.52m. The report summarised the investment transactions that had taken place since the previous quarter and showed the composition of the investment balances. It was noted that in Q1 the average rate of return on the Council's investment portfolio was 4.219%, compared to 3.864% at the end of Q4 2025/26. Interest of £0.24m had been earned against a budget figure of £0.21m for Q1. This was mainly due to unspent grant income from the Nelson Towns Fund.

There had been no breaches of the counterparty limits during Q3 with either the Council's bankers, Lloyds, or with the Council's approved counterparties as set out in the approved list at Appendix C.

Member Training took place on 13th July by the Council's Treasury Management Advisors (MUFG) to ensure Members had the necessary up to date knowledge to carry out their role to oversee the Council's treasury management activities. A recording of the training had been sent to all Members.

At a previous meeting the Finance Team had been asked if it was possible to repay the first debt listed at Appendix A, with a maturity date of 31st March 2053 and interest rate of 4.75%. The Director of Resources said that this had been looked at, but it was not considered to be worth doing in view of the size of the discount for early repayment and the fact that the interest rate being charged on the loan was lower than current interest rates.

RESOLVED

That the work on the Council's treasury management activities in the period 1st January to 30th June 2026 be noted.

REASON

1. ***To comply with the Council Treasury Management Policy and good practice in treasury management generally.***
2. ***To utilise surplus funds strategically and avoid net costs from external borrowing.***

64. EXCLUSION OF THE PUBLIC AND PRESS

Members agreed to exclude the public and press from the meeting during the following items of business in pursuance of the power contained in Section 100(A) (4) of the Local Government Act, 1972 as amended when it was likely, in view of the nature of the proceedings or the business to be transacted, that there would be disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information).

65. EXEMPTION TO CONTRACT PROCEDURE RULES

The Director of Resources submitted a report on exemptions from Contract Procedure Rules. There had been 7 since the last meeting. The report gave details of the contract, the reason for the exemption and how the contractor was selected.

RESOLVED

That the exceptions to the Contract Procedure Rules be noted.

Chair ……………………….