

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 26 February 2026 at 6.00 pm

Present:-

Cllr E Connolly – Chair

Cllr M Andrews – Vice-Chair

Present: Cllr S Bartlett, Cllr S Bull (In place of Cllr S Armstrong), Cllr V Slade, Cllr M Tarling, Cllr T Trent, Lindy Jansen-VanVuuren and Samantha Acton

Present virtually: Cllr J Beesley

Also in attendance: Cllr R Herrett (Portfolio Holder for Destination, Leisure and Commercial Operations)

93. Apologies

Apologies were received from Cllr S Armstrong, Cllr M Phipps and Cllr M Cox (Portfolio Holder for Finance).

94. Substitute Members

Notification was received that Cllr S Bull was substituting for Cllr S Armstrong for this meeting.

95. Adam Richens, Chief Financial Officer

The Chair reported that this was the Chief Financial Officer, Adam Richens' last Audit and Governance Committee meeting before leaving BCP Council after forty years' service to the Council and the preceding Borough of Poole and Dorset County Council. On behalf of Members she thanked Mr Richens for his support to the Committee in particular his clarity of explanation which would be much missed.

96. Declarations of Interests

There were no declarations of interest.

97. Confirmation of Minutes

The minutes of the meeting held on 15 January 2026 were agreed as an accurate record for the Chair to sign.

Voting: Unanimous

98. Action Sheet

The completed actions on the action sheet were noted.

A Member commented on the lack of mechanism to follow up on actions implied in public statements. The Chair explained that these were matters which the Constitution Review Working Group were due to look at and that the Member (Cllr S Bartlett) could be invited to a Group meeting to discuss further. It was also noted that the Forward Plan was due to be considered at the next committee.

The Chair reported that the agenda item on councillors training had been rescheduled to 28 May 2026. She would provide feedback to the committee at the next meeting on 19 March 2026 on the outcome of discussions on corporate risks associated with children's services.

99. Public Issues

The following public questions and statements were received:

Agenda Item 6 – External Audit Finding Report and Statement of Accounts 2024/25

Question 1 from Mr Philip Gatrell:

CREDITORS

My 24 July 2025 Question to this Committee and 10 February 2026 Statement to Full Council refer, concerning Council's failed judicial review when the decision upheld an Ombudsman's Report regarding injustice caused to a complainant.

I was informed that because the Ombudsman's legal costs were under negotiation they were not adjusted as a creditor in the 2024/25 draft Accounts. This does not conform with the accounting tenet of "prudence" where audit concepts of monetary "materiality" are not the criteria.

Subsequently £80,000 in Ombudsman's costs was confirmed and that amount is included in a notified £214,722 borne by the Council as recorded in my February 10 Statement; excluding £2,489 estimated childcare charges and £200 for "time and trouble" reimbursable to the claimant.

What is –

- The final total cost to the Council regarding this matter and
- how much of the amount owing at 31 March 2025 has not been adjusted as a Creditor in the revised 2024/25 Accounts?

Response:

The final cost to the council was £81,759.10, with this all charged to the 2025/26 financial year.

Question 2 from Mr Philip Gatrell:

The 'Oracle Fusion' accounting system is not fully functional. Shortfalls - including human operational - unquestionably exist evidenced by information received by me as indicated in previous public issues.

A fixed assets module was previously added to integrate double entry control in place of vulnerable spreadsheets.

The external auditor's documented experience with another client discloses major problems with Fusion modules. Including for example certain fixed assets movements and their dis-synchronicity in accounting years likewise reflected at this Council.

QUESTIONS:

- Which accounting modules have not been fully implemented ?
- Which specific fixed assets types remain reliant on spreadsheet records ?
- Has a reconciled Revenue and Benefits accounting migration to the single 'Capita Cloud' database been completed ?
- For which future periods have cashflow forecasts been prepared and are they reconciled with all revenue and capital projections for income and expenditure commencing with the latest annual accounting base ?
- Which financial information is generated by 'Dynamics 365' ?

Response:

For clarification the Council went live with Microsoft Dynamic 365 as its Finance and HR system supplier in April 2023, having previously utilised Oracle Fusion.

1. There are currently 33 modules available across the Finance and HR system. The majority of these modules have not been implemented as they are not applicable for a public sector organisation. As an example, stock management.
2. All fixed assets remain on spreadsheet records.
3. Yes, an accounting reconciliation was carried out for the new revenue and benefits system.
4. Cash flow forecasts are produced on a rolling 12-month basis, which are updated and reconciled daily for the latest actuals position.
5. Dynamics 365 is used for the general ledger, accounts payable and accounts receivable but in a limited form.

Agenda Item 10 – Financial Regulations: Annual Evolution for the year 2026/27

Question from Mr Ian Redman:

Financial Regulations exist to safeguard public funds. When they are breached, what formal accountability mechanisms are triggered? Further, can the Council confirm whether any senior officers have been subject to those mechanisms in the past three years?

For example:

- The Regulations require any proposed Concession Contract, regardless of value, to be agreed with and managed by PCM. In 2025, a concession at Hengistbury Head Visitor Centre was arranged solely by the Parks Team without contacting PCM.
- In the Smart Growth Associates case, a purchase order for £18,500 was approved by a senior officer without a Procurement Decision Record. There appears to be no record explaining why Smart Growth Associates were selected.

In these cases, does the Council consider that the Financial Regulations were breached? If not, please explain the basis for that conclusion. If they constitute breaches, what reporting mechanisms apply, and who was responsible for reporting them?

Response:

Paragraph 4 of Part G, page 5-34 of financial regulations states the specific regulation relevant to breaches. This includes the following key points:

- A breach of the regulations may lead to disciplinary action
- Service Directors and managers are responsible for reporting any breaches known or discovered as they become aware of such instances
- The Chief Finance Officer is responsible for providing an annual report to the A&G committee on all identified breaches, which must include the circumstances of the breach and the remedial action taken (or planned) by way of remedy.

With regard to the first example provided in the question, you made a specific complaint which has been responded to by the relevant service area, this included a stage 2 Service Director review. You set out a series of detailed and specific questions, responses were provided detailing why in the opinion of the Service, requirements within the Financial Regulations were followed. The service recognise you disagree with what has been provided and note your intention to pass your complaint to the local government ombudsman.

With regard to the second example provided in the question, this procurement occurred in 2021, the Council has been unable to subsequently locate a Procurement Decision Record (PDR) which was a requirement of Financial Regulations at the time. A breach may have therefore occurred. Having been identified in the 2025/26 financial year, during the FuturePlaces investigation, this will be reported in the 2025/26 Annual Breach Report to A&G committee which is scheduled to be received

in July 2026. The Head of Procurement has subsequently revised the PDR storage and filing arrangements, to what existed at the time of this example.

Agenda Item 7 – Artificial Intelligence – Governance and Risk Management

Statement 1 from Ian Redman:

AI Use in Reviewing Procurement Decision Records

A review of PDR476 (Define/Procure) and PDR758 (Award) illustrates how AI could strengthen decision making.

In PDR476, three services (Christmas Lights, Market and Ice Rink) were bundled without a documented options appraisal comparing aggregated and separate contracts. The “Savings/Income Opportunities” section is blank, no justification is provided for not dividing the contract into lots, and financial modelling to evidence the claimed £100k MTFP saving is absent. In PDR758, evaluation was conducted on a quality-only basis, with no financial scoring, despite the concession model relying on income generation. The business case for aggregation is not restated or evidenced at award stage.

AI review tools could systematically flag missing options analysis, unsupported financial assumptions, absence of lot-division justification, and misalignment between evaluation methodology and commercial model, thereby improving transparency, strengthening assurance, and enhancing the robustness and defensibility of procurement decisions.

Statement 2 from Ian Redman:

This list is AI-generated from the transcript of this Committee’s March 2022 meeting on FuturePlaces:

- Weak governance clarity – Uncertainty over shareholder control, reserved matters and democratic oversight.
- Insufficient financial risk modelling – Concerns about borrowing exposure, public liability and lack of stress-testing.
- Limited scrutiny mechanisms – Questions about how councillors would monitor performance and ensure transparency.
- Capacity and expertise gaps – Doubts about whether the Council had the commercial skills and controls to oversee a vehicle of this scale.
- Evolving governance structures – Key frameworks were still developing during rollout.
- Ambiguity in the stewardship model – Unclear translation of concept into accountable delivery.

Concerns about governance, financial exposure and oversight were clearly raised. Where warnings are not fully addressed and acted upon, the consequence can be substantial financial loss and reputational damage, including outcomes involving the loss of millions. AI analysis can highlight recurring risks, but effective governance depends on decision-makers responding to those warnings.

Agenda Item 6 – External Audit Finding Report and Statement of Accounts
2024/25

Statement 1 from Philip Gatrell:

SIGNIFICANT ERRORS AND OMISSIONS
IN THE 2024/25 EXTERNAL AUDIT FINDINGS
AND STATEMENT OF ACCOUNTS

Initial observations:

- Regarding my public issues for this Committee on 15th January 2026, and contrary to the external auditor's introduction commencing approximately 18 minutes into that meeting, the updated Findings Report today omits recording Council's materially misstated net bank overdraft in now amended draft Accounts note 16.
- Despite my earlier communications regarding 2019/20 onwards, Members' Allowances in 2024/25 finalised Accounts note 24 incorrectly include Employer's National Insurance resulting in a £105,313 (7%) overstatement. Similarly for 2023/24. This is an error type originally acknowledged after a previous year's internal "forensic examination" triggered by my notification of significant misstatements in certain individual Members' Allowance payments. The error has been overlooked by the external auditor although within the "Sensitivity to public interest and reader of the accounts" qualitative materiality reporting requirement.
- Statements to follow identify further material Accounts and audit concerns.

Statement 2 from Philip Gatrell:

OMISSIONS FROM THE 2024/25 ACCOUNTS
AND EXTERNAL AUDITOR'S REPORTING

THE RUSSELL - COTES CHARITY

The Charity's 2024/25 audited Accounts are overdue for filing with the Charity Commission. This arises from the Management Committee's documented proper dissatisfaction with the draft Accounts regarding the Charity auditor's "outstanding queries being resolved".

The core issue is the Charity's transition to "Independence" under a Scheme where the timing of enabling funding has been delayed by the Council.

Neither the Council's notes on Accounts page 113 nor auditor's reporting make reference to this material concern which also reflects Council's openly acknowledged stretched financial resources.

SYSTEM AND CONTROL WEAKNESSES

The Independent Auditors' Report contains a disclaimer of opinion due to uncertainty regarding opening balances. That does not obviate system / control evaluations, in - year transactional and substantive balance sheet testing.

Consequently, the absence of audit report references to demonstrable weaknesses identified in my previous public issues is profoundly concerning.

Statement 3 from Philip Gatrell:

FURTHER 2024/25 MATTERS INCLUDE:

"2014 ACT"

Contraventions of this incontestable legislation are documented in my earlier issues, likewise Council's untimely 2024/25 response to me.

Concerning the external audit report page 132 reference to no action regarding my Section 27 Objection:

- Firstly, my unresponded Questions all raised in time are not voided or irrelevant.
- The page 132 fait accompli late response is contrary to the National Audit Office Code. Nor can it be assumed I would not have exercised Section 28(3) rights in appropriate time prior to audit conclusion.
- I also refer to the fiduciary nature not monetary amount of "Deputyship" funds held per my 15 January 2026 issue #2.

ANNUAL GOVERNANCE STATEMENT

This Committee not the auditor is the decision maker regarding qualifying contents. Unreported "significant issues" include:

- Notified system and control weaknesses
- Continuing Freedom of Information response failures
- Ombudsman's Report and failed Transparency considerations in my 10th February 2026 Full Council issue

100. Two Riversmeet Studios

The Chair amended the order of business on the agenda to take this item first.

The Portfolio Holder for Destination, Leisure and Commercial Operations provided an update on the report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

The Portfolio Holder asked the Committee to consider deferring this item until the next meeting on 19 March. Cllr M Tarling had been invited to

provide feedback on the report following its publication. Although officers were able to respond verbally to the questions he had raised, it was felt best to answer these in writing as part of the report. Members noted that the amended timescale would still enable the Committee to consider the report before it was presented to full Council on 24 March. Members commented on the need to focus discussion on areas within the committee's remit, including finance, governance and risk management.

It was agreed that any further questions be sent to the Chair for her to forward to the relevant officers to include the information in the report.

RESOLVED to DEFER until the next meeting on 19 March 2026.

Voting: Agreed with no dissent

101. External Audit Finding Report and Statement of Accounts 2024/25

Barrie Morris and Katie Whybray representing Grant Thornton, the Council's External Auditor (EA), and the Assistant Chief Financial Officer presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

At its last meeting the Committee had delegated approval to the sign off the statement of accounts 2024/25 subject to there being no material changes. As a material change had subsequently been identified within the Council's group accounts as part of the income and expenditure statement, the final external audit finding report, a revised letter of representation and the final statement of accounts 2024/25 were now resubmitted to the Committee for approval. The EA provided a comprehensive summary of the changes. These were highlighted as amended text in the audit findings report for ease of reference. Members were assured that the changes were due to a simple administrative error and had no overall impact. The EA gave an update on the audit fee which had been adjusted down to £533,367. The EA clarified that the public objection received was still under consideration. The Assistant CFO referred to the supplementary papers which gave an update on the changes required to the statement of accounts and provided a revised set of accounts for approval. He confirmed that these were presentational changes and did not affect the financial standing of the Council.

The EA representatives and Assistant CFO responded to questions and comments on the report, including:

- That the EA took a risk-based approach when selecting which assets to test rather than a random sample.
- If further discussion was required around the IT findings report and management response, Members could add an item to the forward plan, noting this would need to be in exempt session.
- The EA prioritised the completion of pension fund audits at an earlier stage. This did sometimes depend on the receipt of information from

other parties. The EA was committed to completing audits within required timescales.

- £4.2 million provision for the Winter Gardens was required to be set aside as a liability pending a decision on the future of the project.
- The majority of dividends referred to in the cash flow statement for operating activities were from BBML.

Members commented on the number of officer remuneration exit packages at the higher end of the cost band in 2024/25 and 2023/25. It was explained that the process by which exit packages were authorised depended on the threshold involved. The numbers were not dissimilar to other local authorities or organisations and may reflect organisational change resulting from the Transformation programme. It was agreed to ask the Head of People and Culture to circulate to committee members details of the six exit packages for the £200,001 cost band and above for 2024/25.

RESOLVED that the Committee:

(a) Notes the audit opinion and findings of the Council's External Auditor included as Appendix 1 to this report, following the audit of accounts 2024/25;

(b) Approves the final 2024/25 financial statement included at Appendix 3

(c) Approves the signing of the Statement of Responsibilities and the Letter of Representation by the Chair of the Audit & Governance Committee and the S151 Officer.

Voting: For – 6, Against – 0, Abstain – 1

102. Artificial Intelligence (AI) - Governance and Risk Management

The Head of IT Infrastructure gave a detailed presentation on the Council's approach to the governance and risk management of Artificial intelligence (AI). A copy of the presentation had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

In summary the presentation explained why the Council needed AI Governance and outlined the AI use case assessment framework, including how desirability, viability and feasibility were considered. It set out the AI procurement checklist associated with the use case assessment framework before purchase. It also covered the role of senior leadership in approving/rejecting the use of tools and in providing strategic oversight and approving funding. The presentation highlighted the current AI initiatives used by the Council and their associated benefits.

The Director of IT and Programmes and the Head of IT Infrastructure responded to questions and comments. They explained that the Council had received widespread recognition for adopting a considered approach to the use of AI and ensuring that governance and controls were developed from the outset. At present this framework was managed through the Corporate Management Board (CMB) but was under continuous

development. Guidelines had been issued to employees on the seven rules for using AI responsibly. One of the main AI initiatives, Microsoft CoPilot, had been approved for use due to its ensured data compliance and security. CoPilot was a multi-purpose enabling tool available to all employees at no extra cost. Access to the premium version for which there was a fee was limited and its use closely assessed. Another tool, MagicNotes, was adding value to adult social care work.

Members asked about the potential risks if AI was not used responsibly. The Officers explained the role of the digital adoption team and how training and guidance for employees was being embedded. The Council had taken proactive steps to promote CoPilot and the seven rules as a way of discouraging the use of unauthorised tools for work on personal devices. The importance of human judgement in using AI was included in the framework and there was clear messaging around taking responsibility for your work ('read it, edit it, own it'). In terms of hosting, all providers were required to meet cybersecurity standards and all data was hosted in the UK. The IT team monitored AI regulations to ensure compliance and shared information and best practice with sector specific groups and other councils.

Members asked about measuring the benefits of AI and whether there were sufficient finances to support further development. The Officers explained that KPIs would be developed as part of the next phase using quantitative and qualitative feedback and metrics were available to measure. Funding approval was currently controlled by CMB but the need for investment was clear. Members were advised that a continuous improvement and innovation programme was being developed, focussing on invest to save use cases which would help inform business cases. It was noted that the overall aim was to move eventually to a 'build not buy' mentality.

Other comments included potential efficiencies in Planning and the use of other AI tools such as Claude. On the environmental impact on net zero targets, this was included in the framework, was monitored and it was noted that Microsoft was committed in its carbon buyback credentials. A Member also asked about action to speed up blue badge applications. It was explained that this was not just about IT, it raised wider questions around scrutiny of process and was being addressed by a specialist team.

Committee members considered whether there was a need at this stage to recommend to Cabinet the development of a governance and risk management policy but following discussion agreed this was a little premature. Members were interested in how the use case assessment and ongoing monitoring would be embedded at departmental level into the three lines of assurance and how tools would be registered and benchmarked. It was noted that learning continued to evolve as the pace of technology developed.

The Chair thanked the officers for their presentation and the Committee requested an update on progress in around six months including the development of a governance and risk management policy.

103. Risk Management Policy

The Risk and Insurance Manager presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'D' to these Minutes in the Minute Book.

This report introduced the Council's new Risk Management Policy, included at Appendix 1. The existing policy had been reviewed to refresh and strengthen the Council's framework for the identification, measurement, management, monitoring and reporting on risk. Whilst the policy principles had not been subject to significant change, the new policy included the plan to implement Enterprise Risk Management to reflect the aspiration to continue to develop the risk management discipline. The new policy set out how risks would be reported including future reporting to the Committee. It was noted that work would be ongoing to refine the policy over the next twelve months, including the alignment of underlying risks, consideration of approach to risk appetite and further development of the risk app. The Risk and Insurance Manager suggested that Members may wish to use a non core meeting to consider in more detail the implementation of the policy, the risk framework and reporting arrangements to the committee.

Members thanked the Risk and Insurance Manager for the excellent work in developing a new approach. Comments included:

- That addressing risk appetite may require input from departments as it would vary across the Council.
- It may be helpful to reflect examples in the Orange book to assist users in rating risks correctly and in reviewing the list of enterprise risks, e.g. to include information security.
- The risk identification list did not necessarily match the enterprise risks
- It may be helpful to provide a more specific definition of 'harm'

The Risk and Insurance Manager confirmed that a risk appetite exercise was being done and that risk categories would allow more refinement to analyse specific risks. It was noted that the policy would be refined over the next 12 months and further guidance and clarity provided. Members agreed that it would be helpful for them to discuss the committee's reporting arrangements under the new policy and understand how issues which crossed over multiple risks were managed.

The Chair agreed to raise awareness of the new policy at the Overview and Scrutiny Chair's meeting.

RESOLVED that Members of the Audit and Governance Committee:

- 1. Note and support the new policy as included as Appendix 1 - BCP Risk Management Policy as part of the continuing development of risk management at the council.**

2. **Support the proposed approach to adjust and refine the policy over the next 12 months with regular updates to this Committee on changes and further developments.**
3. **Note the reporting of risk to the Committee proposed in paragraphs 15 and 16.**

Voting: Agreed with no dissent

104. Financial Regulations - Annual evolution for the financial year 2026/27

The Head of Audit and Management Assurance (HAMA) presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'E' to these Minutes in the Minute Book.

Members were reminded that the Committee had adopted an annual evolutionary approach for keeping policies within its remit up to date. This enabled policies to be fit for purpose, responsive to legislative changes and able to incorporate local amendments as required. The changes shown in red text remained in the documents so that changes were clearly identifiable. Staff would be reminded of the policies and made aware of the changes with the updated versions published on the website and intranet. The Committee received specific update reports later in the year on the use and effectiveness of the policies.

As the Financial Regulations formed Part 5 of the Council's Constitution the evolutionary changes would be submitted to Council on 24 March 2026 for adoption. The HAMA reported that no material changes had been made to Part A to F, and H, and the Appendices of the Financial Regulations. Some very minor changes had been made in the glossary of terms. He asked Members to note paragraph 9 of the report which responded to a recommendation associated with the Future Places investigation. A small typo in paragraph 28B of the Regulations would also be amended to remove the word 'that'.

More substantial changes were made last year to reflect procurement regulations reform. The Head of Procurement and Contract Management provided a comprehensive summary of the changes this year. It was noted that in some cases throughout Part G there had been a need to refine wording to address inconsistencies between what was in the procurement regulations and what was in the Financial Regulations and make certain areas more explicit so as to remove any ambiguity

The Chair thanked the officers for the clarity of approach.

RECOMMENDED TO COUNCIL the adoption of the Financial Regulations as shown in Appendix A and approved by the Audit and Governance Committee. The operation go live date to be 1 April 2026

Voting: Unanimous

105. Annual Evolution (for the 2026/27 financial year) of the 'Anti-Fraud & Corruption Policy', the 'Whistleblowing Policy', the 'Declaration of Interests, Gifts & Hospitality Policy' (for Officers) and the 'Regulation of Investigatory Powers Act (RIPA) & Investigatory Powers Act

The Head of Audit and Management Assurance (HAMA) presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'F' to these Minutes in the Minute Book.

Members were referred to the second paragraph in the minute on the Financial Regulations report for an explanation of the annual evolutionary approach for keeping policies within its remit up to date. An annual review of the following Council policies had taken place to ensure they were updated in line with best practice and legislation. The main changes were set out in the report. The HAMA highlighted a number of specific points as follows:

- Anti-Fraud & Corruption Policy: this now included an updated Chief Executive statement, demonstrating commitment at the highest level.
- Whistleblowing Policy: this now included a Stage 3 decision record template which reflected good practice and was useful for tribunals. From 6 April 2026, legislative changes required the inclusion of sexual harassment under certain circumstances as a qualifying disclosure.
- Declaration of Interests, Gifts & Hospitality Policy (for Officers): of the policies reviewed, this policy had been strengthened the most. It included additional guidance on declaring 'other employment' in response to the growing national fraud threat of 'polygamist' working
- Regulation of Investigatory Powers Act (RIPA) & Investigatory Powers Act (IPA) Policy: this had been updated to include links to associated BCP Council strategies and policies.

The HAMA responded to a question about the definition of a polygamous worker and what was/wasn't permitted. Additional guidance in the policy stipulated that employees were required to declare details of other employment, full or part time, and should not work for anyone else without prior approval. The aim being that employees were not working excessive hours to the detriment of the Council.

RESOLVED that the Committee approves the Council's Anti-Fraud & Corruption Policy, Whistleblowing Policy, Declaration of Interests, Gifts & Hospitality Policy (for Officers) and the Regulation of Investigatory Powers Act (RIPA) & Investigatory Powers Act (IPA) Policy for the 2026/27 financial year.

Voting: Unanimous

106. Appointment of Independent Persons

The Head of Audit and Management Assurance provided a verbal update on the process for appointing Independent Persons (IPs) to the Committee.

The process would be the same as that followed when appointing the current IPs, Samantha Acton and Lindy Jansen VanVuuren, whose terms were due to finish at the end of March 2026. The advertisement inviting expressions of interest was now live on the Council's website and would be promoted on social media. After the closing date of 14 March a panel of committee members would be convened interview prospective candidates.

The meeting ended at 8.55 pm

CHAIR