

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 25 July 2019 at 6.00 pm

Present:-

Present: Cllr M Andrews, Cllr S Bartlett, Cllr J Beesley, Cllr D Butt, Cllr M Cox, Cllr B Dunlop, Cllr S McCormack, Cllr M White and Cllr L Williams

Also in attendance: Cllr D Brown (Portfolio Holder for Finance), Cllr G Farquhar and Cllr V Slade (Leader of Council)

Graham Farrant (Chief Executive), Matthew Filmer (Finance Manager), Julian Osgathorpe (Corporate Director of Resources), Daniel Povey (Acting Assistance Chief Finance Officer), Adam Richens (Service Director (Finance) and Section 151 Officer) and Nigel Stannard (Head of Audit and Management Assurance)

Mr P Dossett (Grant Thornton (External Auditors)) and S Harding (Grant Thornton (External Auditors))

1. Apologies

There were no apologies for absence.

2. Substitute Members

There were no substitutions.

3. Declarations of Interests

Cllr D Brown, Portfolio Holder for Finance, declared an interest in Agenda Item 6 arising from his Chairmanship (including at the time when the deputation was initially submitted) of the Kinson Community Association.

Cllr M Cox declared his employment as a Chartered Accountant and Auditor.

There were no declarations of disclosable pecuniary interest.

Cllr M Andrews presided for the following item.

4. Election of Chairman of the Audit and Governance Committee

RESOLVED that Cllr J Beesley be elected Chairman of the Audit and Governance Committee for the period until the first meeting of the Committee in the Municipal Year 2020/21.

Cllr J Beesley in the Chair.

5. Election of Vice Chairman of the Audit and Governance Committee

RESOLVED that Cllr L Williams be elected Vice-Chairman of the Audit and Governance Committee for the period until the first meeting of the Committee in the Municipal Year 2020/21.

6. Public Issues

The following statement from a member of the public, Vicky Moss, was read out to the Committee:

‘On behalf of the Branksome Park and Canford Cliffs Residents Association, I would like to express concern that the E-Petition facility offered by the former Borough of Poole Council has been disabled for nearly 5 months.

An E-Petition submitted in early March 2019, to request a Traffic Survey in the Branksome Park and Canford Cliffs Area following concerns over lack of pedestrian accessibility and safety and along the footpaths that transverse thoroughfares such as Western Rd/The Avenue, was rejected on the grounds that Poole Council would cease to exist in one month.

The E-Petition facility is an essential tool in allowing a Community’s voice to be heard. We have grave concerns over pedestrian safety in this area and the requests of individuals for a Traffic Survey to the Transportation Department have so far been ignored.

Please advise when the BCP E-Petition facility will be up and running.’

The Committee noted that the statement would be passed on to the appropriate department within the Council and any report back necessary be made to the Committee.

7. Response to a deputation made by the Chairman of Kinson Community Association (KCA) at the last Bournemouth Borough Council (BBC) Audit & Governance Committee 16th January 2019

A comprehensive report of responses to a deputation in three parts made in January 2019 to the predecessor Bournemouth Borough Council was presented for consideration by the Committee. The arrangements in place for audit and oversight of the function, including changes made since receipt of the deputation, were set out and explained.

Members questioned the background and context around the issues raised and it was explained that the Community Centre was operated by a Board of Trustees forming the KCA and that Bournemouth Borough Council had no day to day management or control but was the landlord. The Council did provide payroll services to the Association, the employee involved was

managed by the Trustees and no payments could be made without direct and explicit approval of a Trustee.

In response to questions from the Committee there was acceptance that, in transferring undertakings of this kind in the future, the nature of roles and responsibilities being transferred should be more specifically set out.

There was also particular discussion around allegations of fraudulent activity and the circumstances within which the service manager in 2014 took the view that the Council's Anti-Fraud and Corruption Policy did not apply were explained. It was the Bournemouth Borough Council view, and this was communicated to the KCA, that if KCA believed fraudulent activity had taken place, they should inform the Police.

In an attempt to bring the various range of matters to a satisfactory conclusion during the 2018/19 financial year, it was reported that the Managing Director of Bournemouth Borough Council, in consultation with the Chairman of the Community Association, commissioned an independent and specialist report. The outcome was a set of findings that found allegations of fraud unsubstantiated but made two recommendations relating to the rebuilding of effective working relationships going forward.

RESOLVED that:-

- (a) in respect of 'Questions 1 and 2' as submitted by the Kinson Community Association and reported to the Committee, the responses be noted and no further action be taken;**
- (b) in respect of 'Question 3' as submitted, the Head of Audit and Management Assurance be instructed to request a copy of the Independent Investigation Report and to also seek a formal response in writing from the Community Association and that another report be brought back to the next meeting of the Audit and Governance Committee to determine any further action;**
- (c) in the meantime, the Committee note the actions proposed to foster improved landlord (Bournemouth, Christchurch and Poole Council) and tenant (Kinson Community Association) relations and to improve working relationships going forward.**

8. Use of Regulation of Investigatory Powers Annual (RIPA) Report 2018/19 for the legacy Councils, Bournemouth, Christchurch and Poole.

It was reported that the three BCP legacy Councils had not made use of RIPA powers during the 2018/19 financial year.

RESOLVED that the Committee note that the three Bournemouth, Christchurch and Poole legacy Councils had not made use of powers under the Regulation of Powers Act during the financial year 2018/19.

9. 2018/19 Annual Breaches, Waivers & Exemptions Report for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

The Committee received the schedule of breaches, waivers and exemptions which had occurred in respect of the three BCP legacy Councils during the 2018/19 financial year and the levels reported were generally indicative of a good level of understanding of the Regulations by managers and Officers. It was explained that only the Chief Finance Officer was authorised to approve exemptions under these Regulations.

Members were provided with detailed explanations relating to significant waivers and invited to raise in writing any specific questions directly with the Head of Audit and Management Assurance.

RESOLVED that the Committee note the breaches, waivers and exemptions of Financial Regulations that occurred during the financial year 2018/19 as reported in respect of the three Bournemouth, Christchurch and Poole legacy Councils.

10. The Chief Internal Auditor's Annual Report & Opinion for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

The Committee received the Chief Internal Auditor's Annual Reports and opinions in respect of the three BCP legacy Councils during the 2018/19 financial year and it was explained that the report was produced in compliance with the Public Sector Internal Audit Standards. The reports had also been considered and discussed by the respective legacy Council Audit Committees throughout the year. In summary, the Internal Auditor was satisfied that there was an adequate and effective internal control environment in place and that the Audit service was effective and compliant.

Members raised questions on some specific aspects of the legacy Council reports and assurances were provided in response.

RESOLVED that the Committee note the Chief Internal Auditor's Annual Report and opinion on the overall adequacy of the internal control environment for each of the three BCP legacy Councils.

11. Annual Governance Statement 2018-2019 - for the three legacy Councils, Bournemouth, Christchurch and Poole

The approval of the Committee was sought to the Annual Governance Statements for 2018/19 in respect of the three BCP legacy Councils and it was explained that the Statements were required by Audit Regulations to accompany the Statement of Accounts. The various elements required to be addressed were set out and described and it was reported that, after examination of sources of assurance, a small number of significant governance issues had been identified. An Action Plan to address these issues was presented to the Committee and it was confirmed that the issues continued to have relevance to the new BCP Council.

RESOLVED that:-

- (a) the Committee approve the Annual Governance Statements for 2018/19 for each of the three BCP legacy Councils and the Leader and the Chief Executive be requested formally to sign off the Statements;**
- (b) the Committee approve the BCP Council Action Plan to address the significant governance issues identified and a progress report be presented to the January 2020 meeting of the Audit and Governance Committee.**

12. External Audit Plans 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

At the specific request of External Auditors, Grant Thornton, the BCP Council Audit and Governance Committee received copies of the External Audit Plans as previously agreed by the respective three legacy Councils. This was considered necessary prior to the External Auditors presenting their opinion on the accounts at the next item on the Agenda.

The opportunity was taken to explain the context of the role of External Audit for the benefit of Councillors new to the Committee. The External Auditor replied to questions about specific parts of the Plans.

RESOLVED that the Committee note the Grant Thornton External Audit Plans 2018/19 for each of the three BCP legacy Councils.

13. External Audit - Audit Findings Reports 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

The Committee had received the 31st March 2019 Grant Thornton Audit Findings Reports for each of the three BCP Council legacy Councils and it was explained that the External Auditor was required to report whether, in their opinion, the financial statements presented a true and fair view of the Councils' financial positions.

Councillors were advised of the scheduled dates for publishing the audited accounts and for publishing the Auditor's statement of opinion.

It was reported that whilst it was expected to conclude the audits for Christchurch Borough Council and for Borough of Poole Council by 31st July, the audit for Bournemouth Borough Council was likely to be delayed whilst some complex valuation audits were being undertaken. It was explained that this was not uncommon and especially in view of the complexity of the issues involved and in the context of the Structural Review of the legacy Councils. It was also confirmed that the outstanding issues did not involve anything that gave rise to concerns about governance or were such that would have an impact upon Council Tax.

RESOLVED that the Committee note the position regarding the audit opinion and findings of the Councils' External Auditor following their audit of the three legacy Councils' statements of accounts for 2018/19.

14. Statement of Accounts 2018/19

The Chief Finance Officer presented to the Committee the Statements of Accounts for the 2018/19 financial year in respect of the three BCP legacy Councils. As set out in the previous agenda item, it was further explained that, although now substantially complete, the final stages of audit work around asset valuations in the Bournemouth Borough Council legacy accounts had not been completed. The two additional tasks remaining outstanding were described and an undertaking provided that, once resolved, a notice would be published on the BCP Council website setting out the technical details involved.

The Committee was also reminded of the assurance provided by the External Audit as described in the previous agenda item and an explanation had also been provided at the informal Members' session on 15th July. A list of the questions asked at that session and of the responses provided would be circulated as an Appendix to the minutes. It was accepted that there were lessons to be learnt for the future and the importance of adopting a consistent approach across the new Council was underlined.

A list of updates in respect of each of the legacy Councils was set out.

The Committee recorded their gratitude for the work of External Auditors Grant Thornton and acknowledged their contribution to the process.

Members also paid tribute to the role of the Chief Finance Officer and the whole of the Finance Team, who had been under huge pressure to produce accounts for the three legacy Councils, and expressed their gratitude for the quality and timeliness of the work undertaken by them. The Chief Finance Officer underlined this with his own expression of appreciation of the staff involved across the board in supporting the process.

RESOLVED that:-

- (a) the Committee agree the 2018/19 Statements of Accounts for Christchurch Borough Council and Borough of Poole Council and the Chair of the Audit and Governance Committee sign the Statement of Responsibilities included within the Statement of Accounts and the letter of Representation on behalf of the Committee;**
- (b) agreement on behalf of the Committee of the 2018/19 Statement of Accounts for Bournemouth Borough Council be delegated to the Chair of the Audit and Governance Committee subject to satisfactory completion of the further identified audit tasks**

except that any further issues identified by the External Auditor will be referred back to the Committee for consideration.

15. Internal Audit – Audit Charter 2019/20, Audit Plan 2019/20 and Quarterly Audit Plan Update Qtr1 2019/20

The BCP Council Internal Audit Charter for 2019/20, the Audit Plan, and the Quarterly Audit Plan Update for the first Quarter of 2019/20 were presented to the Committee as required under adopted Audit Standards. It was explained that the Plan and the Charter set out for the Committee what the Council should expect from the Audit Team during 2019/20 and represented a high-level statement of how Audit resources would be deployed. The report also included an update of performance against the Plan during the first Quarter of the current financial year.

RESOLVED that:-

- (a) the Committee approve the Internal Audit Charter and that the Chair signs the document to record the approval;**
- (b) the Committee approve the Internal Audit Plan 2018/19;**
- (c) the Committee notes the budget for the Internal Audit service as previously agreed by the Council and notes progress made and issues arising on delivery of the 2219/20 Internal Audit Plan.**

16. Risk Management – Corporate Risk Register Update

Following quarterly review by the Corporate Management Board, the Audit and Governance Committee received an overview of the Corporate Risk Register and highlighted changes during the first Quarter of 2019/20. It was explained that changes to Risks were made where necessary on an ongoing basis by the Management Board. The Committee also noted proposals to provide this information through an internal portal which would further facilitate access by Members.

RESOLVED that the Committee note the outcome of the Corporate Management Board's review of the Corporate Risk Register.

17. Arrangements for the Registration of Gifts and Hospitality for BCP Council Officers

Although a report relating to this item had been tabled, the Committee underlined its resolve not to consider tabled items and noted that a further report on this matter would be submitted to the next meeting of the Committee.

18. Forward Plan 2019/20

The Committee considered the Forward Plan for 2019/20.

It was noted that items on the Plan were largely driven by the core business of the Committee and the requirements for reporting as set out in regulations, prescribed within adopted audit process and set out within the Committee's Terms of Reference.

Councillors recognised that, in addition to the core items identified, there were likely to be additional issues emerging from time to time in response to events and to address particular matters raised by Members. The Chair underlined the importance of ensuring that the Committee felt able to fully and properly engage with the Audit process.

A number of issues were raised in discussion including the opportunity to consider, for example, the Medium Term Financial Plan and in accordance with the Committee's Terms of Reference, to maintain an overview of the Constitution. The Chair invited Members to email him directly with these and other suggestions for areas on which the Committee could focus and where it could generate input going forward. The importance of informal background briefings and other events to support the Committee in its role was also underlined.

RESOLVED that, subject to the comments raised, the Committee approve the Forward Plan for 2019/20.

The meeting ended at 8.27 pm

CHAIRMAN

APPENDIX

Questions from Final Accounts Members Workshop on 15th July 2019

Introduction

1. Can we get paper copies of the accounts to allow a better review of the latest version of the accounts?

We will look to provide members with hard copies of the statements before the committee meeting.

2. Will there be any change in the accounts from the version sent to members between the agenda and committee? Will they change after committee?

There will likely be some changes between publication of agenda and the committee meeting which we will update members on during the committee meeting if this is the case.

Any changes after this will be reported in the October audit Committee when the final audit letter is presented.

3. Accounting Policies – query in regards to consistency of accounting policies between the three legacy councils. Further discussion / queries around componentisation and capitalisation

As an example Bournemouth and Poole capitalisation de minimus £25k / CBC £15k. What is material to CBC will not be the case for Bournemouth and Poole hence the current difference. Accounting policies will be reviewed for the new BCP council once the accounts have been finalised.

Bournemouth

4. Income and Expenditure Statement – Is Depreciation / Revaluations included within these services

The accounting cost of service shown in the Income and Expenditure statement does include depreciation and revaluations. However these are reversed below the line and do not impact on the General Fund.

5. Movement in Reserves Statement – query in regard to the reversal of accounting adjustments – whether this reflected just depreciation or other movements including pensions

The reversal of accounting adjustments shown in the line “Adjustments Between Accounting Basis and Funding Basis under regulation” includes depreciation and

other movements such as pension adjustments. Please see answer to query 4 regards to the principles of accounting adjustments.

6. What is included in the costs for the Directors earnings note? These costs look high.

Includes loss of office payments as well as normal salary costs. An adjustment was identified in this note from the draft accounts which does not change any of the figures in the primary accounts.

7. What are the Group companies and how have these been included? How has Tricuro been treated?

Five Parks Charity
Lower Central Garden Trust
Russell Cotes Museum
Bournemouth Building & Maintenance Ltd
Seascope Group Ltd
Seascope South Ltd
Seascope Homes and Property Ltd
Bournemouth Development Company LLP
Tricuro – 25% of equity consolidated as per the partnership agreement

8. Collection Fund – why the loss of £5m on business rates? Comment made in regards to the 2017 rating and whether we have made provision for this, despite no appeals currently being on the VOA list.

Significant amount of money has been set aside for the provision of appeals which explains the deficit position on Business rates. Part of the reason for the increase is to ensure consistent policy on appeals provisions for the BCP Council.

9. Why are you implementing consistency with Christchurch and Poole before the start of BCP?

This was to ensure that during 2019/20 that we did not have to change provision significantly again in year which could potentially impact on BCP finances.

10. What happens to the debt? Why does it transfer to BCP rather than being repaid?

As part of the statutory change order the debt will novate to the new Council. Debt providers were informed of the order before the 1st April and the debt has successfully transferred into the BCP Council.

Christchurch

11. Why is the format of these accounts different?

There is no prescribed format for the presentation of the local authority accounts. The CIPFA code of practice prescribes the minimum disclosures needed in the

accounts. The Poole and Bournemouth legacy accounts are the same format as they are prepared by the legacy Poole and Bournemouth finance team. The Christchurch accounts are prepared by the legacy Christchurch and East Dorset finance team and are the same format as the East Dorset accounts.

12. Why is there a loss on transfer of assets to Parishes? Why does this go through the I and E account?

Proper accounting treatment is for a local authority to post the net book value of assets disposed of in year to the I & E account along with the proceeds of sale to give a net gain or loss on disposal. In the case of assets transferred to new parish councils as part of the community governance review, there was zero consideration and so the "loss on disposal" equates to the full net book value. This notional loss is reversed out elsewhere in the accounts and does not affect the Council's outturn position.

13. Why is there a loss on the revaluation of assets?

The net loss of £499k relates to Highcliffe Castle where significant expenditure in year, which resulted in opening a new wing to the public, has not resulted in a like-for-like increase in asset value.

14. What is the headroom referred to in the narrative report and why has it been added to an earmarked reserve? What will happen to this in BCP?

Part of the council's medium term financial strategy was to achieve front loaded savings from partnership working with East Dorset that would create headroom in the revenue budget. This headroom would be used to fund the negative revenue support grant that the Council was due to pay the government from 2019/20. The amount has been added to reserves and will form part of the opening reserve position for BCP council. Negative revenue support grant has disappeared from the 2019/20 finance settlement, but may well appear in one form or another in future finance settlements.

15. Directors earnings note - why is the Chief Executive not included in the table of figures?

The table only includes members of the senior management team employed by Christchurch. The Chief Executive was employed by East Dorset and Christchurch shared 50% of the cost as disclosed in another note to the accounts.

Poole

16. Do grants in earmarked reserves need to be repaid?

Grants are held in earmarked reserves when there is no conditions or the conditions are met. If there are conditions that may not be met they are held as a liability on the balance sheet under "Grants Received in Advance"

17. Where are Community Infrastructure Levy balances included? Is this all committed? Why are they not included as a liability rather than a reserve.

CIL balances are included within the Capital Contribution / Grants Unapplied reserve. Some of the CIL balances will be committed already for Capital projects but the accounting standards requires us to show the full unspent balances.

18. HRA management fee look high – what is the process for ensuring value for money?

As the management fee has already been paid it would not be for us in the accounts to explain the reasoning why it would be deemed high. The accounts reflect the current cost as per the management agreement and is subject to periodic review.

19. The employee costs note shows a significant increase in higher earners – why is this?

Employee costs include redundancy payments which can skew the figures from year to year. When reviewing employee costs, it is best to review it alongside the proceeding note on exit costs to understand the redundancy payments for the year.

Overall

20. How is materiality determined?

It is determined by the external auditor based on the size of the council and uses 2% of gross expenditure.

21. How is the closing position of Dorset County Council taken into account to reflect services provided to Christchurch?

The 2018/19 Dorset County Council accounts will be audited by 31 July. The principles for disaggregating the DCC balance sheet have already been agreed, and these will be applied to the audited balance sheet. The result of this work will determine what element form part of the opening BCP Council position as at 1 April.

22. What is the timescale for determining the opening position for BCP?

Hopefully towards the end of September.

23. How will assets be transferred to BCP – will this be at the cost valuation?

To be determined once we have identified what assets will transfer to BCP and look to aggregate all four balance sheets into one.

Annual Governance Statement (AGS)

24. Are AGS issues on the Corporate Risk Register (CRR)?

Almost certainly all AGS issues feature in some risk register or other. It is common, but not always so, that AGS issues will feature in the CRR because the issue requires a corporate response to resolve and mitigate. Rarely the AGS issue features in a Service or Team Risk Register (rather than the CRR) because the issue will be resolved and mitigated at a service or team level.

25. Should the Bournemouth and Poole Information Governance issue identified in those Councils AGS be added in to the Christchurch AGS?

Information governance was not considered a significant risk at Christchurch as they do not hold the same sensitive data as unitary councils, who provide education and social services. Christchurch employed a GDPR officer that was able to conduct a thorough information audit with managers, which was made possible by the relative small size of Christchurch Council.

26. What is the process for agreeing the AGS?

Ultimately Audit & Governance Committee approve and agree the AGS. The AGS report explains the process which culminates in the Corporate Management Board (CMB) agreeing those issues to be included. CMB review a significant suite of evidence gathered from a variety of sources including:

- Annual Management Assurance Statements (MAS);
- Executive Director and Statutory Officer Disclosure Statements;
- A follow up of the previous year's Annual Governance Statement Action Plan;
- Chief Internal Auditor's Annual Report and Opinion 2018/19 (reported separately to this Committee);
- Internal documentation and reports such as those reported during the year to the Audit / Audit & Governance Committee, such as the Corporate Risk Register, Breaches, Waivers and Exemptions, and Fraud, Corruption & Whistleblowing); and
- External Inspection reports (such as those from the external auditor, OFSTED and CQC).

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