

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 29 July 2021 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr M F Brooke, Cllr D Brown, Cllr D Butt, Cllr L Fear, Cllr M Phipps
and Cllr T Trent

9. Apologies

Apologies were received from Councillor A Filer who was unable to attend as she was currently isolating having come into contact with someone who was displaying symptoms of Covid.

10. Substitute Members

There were no substitutes notified for this meeting.

11. Declarations of Interests

Councillor M Brooke declared an interest in respect of agenda item 7 - Treasury Management Monitoring Outturn 2020/21 and update for Quarter 1 2021/22 as the Council's appointed representative on the Bournemouth Development Company.

12. Confirmation of Minutes

The minutes of the meeting held on 10 June 2021 were confirmed as a correct record.

13. Public Issues

There were no public issues for this meeting.

14. Financial Statements 2020/21: Informing the Risk Assessment and Review of Significant Judgements and Sources of Estimation Uncertainty

Matt Filmer, Acting 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.

As part of the external auditor's risk assessment and audit planning for 2020/21 they were required to make enquiries to "those charged with governance" of management processes and the Authority's oversight of these processes, including material accounting estimates.

The appendices of the report set out the management processes and accounting estimates relevant to the 2020/21 audit for consideration and

approval by the Audit and Governance Committee. The Committee was informed that appendix A set out questions to a number of key areas such as fraud and accounting estimates and management had provided responses to these questions. The intention of the report was to give the Committee the opportunity to confirm its understanding and agreement with the responses. Members were informed of the key areas which included fraud how the Council detect and prevent fraud, internal policies and controls and how instances of fraud were communicated to the Audit and Governance Committee. There was a series of questions relating to laws and regulations and how the Council complies, an example of this was the sign off of reports for Cabinet and Council by the Monitoring Officer to ensure compliance with legislation. The Acting Assistant Chief Financial Officer referred to related parties, where there may be an arrangement between two parties who have a pre-existing relationship so their may be a conflict of interest. He highlighted that a good example of a control was the declaration of interests which all Members and senior officers have to make and sign. The Acting Assistant Financial Officer reported that there was a series of questions on the Council's internal controls over accounting estimates. He explained that the auditing standards had been significantly enhanced as a result of some of the public company failings that had been in the media. The Committee was informed that the accounting estimates were made in the statements and the reason for the auditors scrutinising the estimates in more detail was because they carry a level of risk due to a high level of uncertainty or a significant level of judgement. The Acting Assistant Chief Financial Officer explained that to help the Committee understand the accounting estimates appendix B to the report sets out the material accounting estimates that were in the financial statements. The Committee was advised of the controls in place to mitigate these risks.

The Committee was asked to note on page 57 of the agenda pack that the reference to Covid was no longer applicable and should have been deleted.

RESOLVED that:-

- (a) the responses provided by management to the external auditors as set out in Appendix A be approved; and**
- (b) the approach to accounting estimates in the financial statements as set out in Appendix B be approved.**

Voting: Unanimous

15. Treasury Management Monitoring Outturn 2020/21 and update for Quarter 1 2021/22

Matt Filmer, Acting 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 'B' to these Minutes in the Minute Book.

The Committee was advised that it was a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function was reported to Members.

Council was required to approve any changes to the prudential indicators based on a recommendation from the Audit & Governance Committee.

This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2020 to 31 March 2021.

A surplus of £18k had been achieved through a reduced need to carry out temporary borrowing due to high cash balances generated from funding paid in advance associated with the Government's response to the pandemic.

The report also set out the Quarter 1 performance for 2021/22 which forecasts an underspend of £171k due to a lower requirement for temporary borrowing.

Members were informed that further to the standard update the report sought approval to a minor adjustment to the Council's minimum revenue provision policy as well as seeking endorsement to increase the Council's borrowing head room in line with the proposal set out in the financial strategy supporting the proposed 2022/23 budget as endorsed by Cabinet.

The Acting Assistant Chief Financial Officer reported on the latest economic position. He reported that interest rates remain historically low at 0.1% with the Council's Treasury Management consultants not expecting an interest rate increase until late 2023. The Committee was advised that inflation was the big topic in terms of the global economies and potential risks. The Acting Assistant Chief Financial Officer reported that inflation as at the end of June was 2.5% with the Bank of England's target being 2%. He explained that the inflation levels were causing a split between experts with some taking the view it related to the unlocking of Covid restrictions and the economy opening up with others viewing it as a more engrained inflation rate. The Committee was advised that this created a risk in particular for Council services with costs increasing and it was possible that the Bank of England may increase interest rates sooner to control inflation.

The Acting Assistant Chief Financial Officer reported on the treasury management outturn for 2021 as set out in the report. He explained that the underspend was mainly due to the Council having received significant cash balances in terms of Government support and equally where the Council was distributing business grants. The Committee was informed that borrowing at the end of March 2021 was just over £194m and at year end investments were just over £56m.

The Committee was updated on the performance for Quarter 1 2021/22 with an underspend of £171,000 which was due to significant Government support as referred to earlier in the meeting. The Acting Assistant Chief Financial Officer reported on the level of borrowing as set out in table 6 of the report which included a loan for £49m from Phoenix Life. He explained that this was a loan agreed three years ago at legacy Bournemouth Borough Council with a fixed interest rate and the funds had been drawn down in May this year. Members were informed that Table 7 set out the investments at the end of June which stood at just over £98m. The Acting Assistant Chief Financial Officer confirmed to the Committee that throughout 2021 and the first quarter of 2021/22 all potential indicators and the treasury management strategy was fully complied with.

The Committee was referred to paragraph 23 of the report which provided an update on borrowing. The Acting Assistant Chief Financial Officer

referred to the report that he had made to the Committee earlier in the year on the Treasury Management Strategy for 2020/21 and the refinancing of the capital programme. He explained that since the strategy was agreed the Council had continued to explore its ambition to invest as part of the Big Plan which would see significant investment in housing, infrastructure and regeneration which would predominantly need to be funded from borrowing. The Committee was advised that this would result in the Council owning a greater number of assets. The Acting Assistant Chief Financial Officer reported that in order for treasury management to support this agenda the finance team had challenged itself to look at where the Council was in terms of its current debt position and how that compared against other upper tier authorities and that was reflected in Appendix 1 of the report. He highlighted that BCP Council was at the lower end of the spectrum in terms of total debt and also total debt as a proportion of the net budget. Members were advised of the proposal to increase the head room on debt but equally ensure that it was prudent and affordable and followed the code of practice. The Acting Assistant Chief Financial Officer reported on the proposal to increase the debt limit by another £212m. Table 8 of the report reflected the increase in the debt indicators and sought approval of the revised debt indicators for recommendation to Full Council.

The Acting Assistant Chief Financial Officer responded to questions which included the timescale for the payment of extra debt. He explained that this would depend on the nature of the project but could be up to 50 years. A Councillor asked why the Council had taken on a debt set up by a predecessor Council. The Committee was advised of the debt position for the four legacy Councils all who carried debt apart from Christchurch. The Acting Assistant Chief Financial Officer in response to a question on the detail of the £49m from Phoenix Life, the interest rate and early termination, explained that borrowing was driven by cash flow rather than linked to a purchase of an asset and the flexibility to draw down the funds and the early repayment of debts to Public Works Loan Board did not make economic sense as interest rates were so low. Councillor Brown asked if the £49m was related to the purchase of the Mallard Road Retail Park. He also referred to the investment summary in table 7 including asking what was an acceptable level of funds that were held for instant access. The Acting Assistant Chief Financial Officer reported that instant access was driven by cash flow projections on a daily basis, including maximising the amount of interest that the Council can earn.

RESOLVED that:-

- (a) the reported activity of the Treasury Management function for 2020/21 be noted;**
- (b) the reported activity of the Treasury Management function for April to June 2021 be noted;**
- (c) the update on borrowing set out from paragraph 23-29 of the report be noted and endorsed; and**
- (d) the revised prudential indicators set out in table 8 of the report and the proposed adjustment to the Council Minimum Revenue Provision policy as set out in paragraph 32 of the report be approved and recommend to Full Council.**

Voting: (a), (b) and (c) agreed and (d) agreed with one abstention.

The Chairman reported on discussions with the Chief Financial Officer together with the Leader of the Council to get a good understanding of how these issues were being assessed, dealt with and taken forward. He explained that the reason for his attendance at these discussions was so that he could judge whether there were issues which the Committee may wish to do more work on or more importantly when certain stages in the process were reached if matters needed to be brought to the Committee to enable Members to raise relevant questions. The Chairman asked if the Acting Assistant Chief Financial Officer could advise the Chief Financial Officer that he had set out the process to the Committee.

16. Risk Management - Corporate Risk Register Update

Fiona Manton, 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 'C' to these Minutes in the Minute Book.

The report updated councillors on the position of the council's Corporate Risk Register. The main updates were as follows:

- No new risks had been added to the Council's Corporate Risk Register during the quarter.
- Corporate Risk CR8 - Inability to run an election/ referendum – had been de-escalated and it now returns to being a service risk.
- Each of the risks had been reviewed including the Actions Completed and the Actions Proposed.

The Risk and Insurance Manager reported on the continuing need to update and reflect the impact the pandemic had on the activities of the Council. She reported that a full and comprehensive review of the corporate risks took place in June in advance of the workshop held with the Committee and from that process key questions were asked of each risk lead determining if the risk was still current and whether the impacts of the pandemic were sufficiently considered in the context of each risk. The Committee was informed that the risk register included in appendix 1 of the report included the updates undertaken at the June review.

The Risk and Insurance Manager referred to the changes in risks during Quarter 1 which were referenced in paragraphs 8-12 of the report. She explained that routinely risks were reviewed with the Chief Executive every six weeks and interim updates prepared for consideration which provided assurance. The next interim review was scheduled for early August.

The Committee's attention was drawn to paragraph 16 of the report and the work undertaken on horizon scanning which included looking out for new legislation and changes to the environment in which the Council operates with advanced notice provided to Managers of relevant information. In addition, the Risk and Insurance Manager reported that the team challenged risks at both a corporate and a service level to ensure that they were given due consideration.

Councillor Phipps referred to CR11- the ability of the Council to function and operate efficiently in the delivery of single services across the BCP

Council area and asked if the groups of officers and members were in place to deliver high level delivery plans for the corporate strategy. She also referred to the LGA Peer challenge plan for November 2021 and asked if this would involve all Councillors. The Risk and Insurance Officer reported that she would take those questions away and circulate a response in writing to the Committee.

The Chairman referred to CR9 and asked for an update on this risk. Nicola Webb, Assistant Chief Financial Officer reported this was a refresh of the risk. She highlighted the key issues including the impact of Covid and the high needs budget. The Committee was advised that the Government had legislated that the high needs budget was not part of the general fund and it was carried forward separately as a separate reserve. The Assistant Chief Financial Officer reported that this budget had not been brought into balance and was still an issue. She highlighted that if the legislation did not change or the Council received extra funding from Government or the Council found new ways to manage the high needs block potentially there was a significant issue for the Council as the deficit would continue to rise and before long it would exceed the Council's unearmarked reserves. The Committee was advised that the Council was trying to manage it by bringing down the deficit and lobbying Government, but it was difficult to bring this budget into balance. The Assistant Chief Financial Officer reported that there were six weekly meetings with the Chief Executive, the Leader and other stakeholders such as the Clinical Commissioning Group to discuss this risk. She referred to other key issues such as the pay award which had not yet been agreed and the potential for the award to be greater than what had been budgeted for, the transformation programme and the expected level of savings whilst outlining the mitigations.

The Chairman referred to the issues raised above in respect of CR9 which related to the Council's ability to deliver a balanced budget. He highlighted that all of these issues individually were significant but collectively would be overwhelming if they were all to come together. The Chairman requested that a full update be provided at the next quarterly meeting of the Committee on 28 October 2021. He requested that should the officer meeting see a trend developing that the Committee should be made aware. The Chairman asked that he and the Vice-Chairman be consulted so that they can consider if such issues should be forwarded to the Committee prior to the scheduled quarterly meeting on 28 October 2021 so that they were aware of the deliberations on CR9.

RESOLVED that:-

- (a) Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks; and**
- (b) That at the next quarterly meeting of the Committee on 28 October 2021, there is a further full update on the actions and mitigations, relating to CR9, and the Chief Finance Officer, or delegate, attending the meeting be prepared to outline how the Council will deliver a balanced budget.**

Voting: Agreed

17. Changes to Council Constitution - Update

The Chairman of the Constitution Review Working Group provided the following update on the work of the Group following its meeting on 20 July 2021.

Review of the BCP Council Constitution

The Working Group received the final drafts of Part 2 Articles and Part 4 Procedure Rules of the Constitution which had been reviewed and updated with the support of external solicitors to reflect the suggestions submitted by Councillors and recommendations of the Working Group.

The Working Group agreed the drafts and requested that a representative from Weightmans attend the Audit and Governance Committee when the proposals were discussed in order to answer any questions which members of that Committee may have.

The Monitoring Officer had reported that work would now commence on a first draft of Part 3 Delegation of Functions. As before, BCP officers would prepare a draft for review by Weightmans before bringing it to the Constitution Review Working Group by the end of August.

Environment Overview & Scrutiny Committee

The Working Group considered the proposal for the formation of an additional Overview & Scrutiny Committee to work on matters/council services pertaining to the environment. This committee would enable the O&S Board to retain its overarching role and maintain a strategic focus.

The possible scope of the new Environment O&S Committee was debated.

The Working Group agreed to support the establishment of a new Committee and requested a further report on the possible division of work between this committee and O&S Board to be discussed at a further meeting to which the Chairman and Vice-Chairman of the O&S Board be invited.

Parish Council Request for Notification

The Working Group considered a request for parish councillors to receive notification regarding matters affecting their parishes. The Working Group agreed to support the recommendations that Democratic Services:

- Provide Parish Clerks with details of wards falling wholly or partially within their parish
- Provide guidance on how to subscribe to notifications
- Parish clerk to forward to parish councillors for self-registration

The Chairman indicated that five members present were on the Working Group. Therefore, this would be the first time that other Members of the Committee had received the update. The Chairman in particular referred to the proposal relating to a new overview and scrutiny Committee and making sure the Chair and Vice-Chair of the Overview and Scrutiny Board had the opportunity to come to the Committee before any recommendations were progressed to full Council. He highlighted the need to ensure that the

process for consideration of this issue was joined up and appropriate consultation had taken place.

Councillor Phipps asked if a written report would be submitted to the Audit and Governance Committee on the proposal for the new O&S Committee. Councillor Williams confirmed that a written report would be submitted to the Committee. Councillor Phipps also sought clarification on the notification for Parish Councils and what had been requested. The Deputy Head of Democratic Services outlined the issue raised which was as a result of a question to Council in June 2021 and that feedback would be provided to the Parish Council Chairman on the proposed recommendations.

RESOLVED that the update on the work of the Constitution Review Working Group be received and noted.

18. Annual Review of Register of Declarations of Interests, Gifts and Hospitality by Officers Report 2020/21

The Head of Audit and Management Assurance 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.

The Head of Audit and Management Assurance reported on the annual review and update of the Council's Declaration of Interests, Gifts & Hospitality Policy which took place in March 2021.

The Committee was advised that a recent Internal Audit review had been carried out on arrangements in place to ensure adequate staff awareness of the Declaration of Interests, Gifts & Hospitality Policy and to confirm declarations were being made as necessary. The review resulted in a 'Reasonable' assurance audit opinion and recommendations made to improve arrangements were being implemented.

There had been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest had led to any disciplinary action or led to reputational damage.

The Head of Audit and Management Assurance reported on the level of declarations by senior officers and that there was still work to do on wider compliance but risks were much lower. He highlighted the opportunity to embed the policy into the organisation's staff induction process for new staff as well as on-going awareness reminders for other staff. In response to a question on the level of discretion officers should apply in determining if a declaration is required or not, the Head of Audit and Management Assurance reported that all officers should make relevant declarations in accordance with the agreed policy and the Nolan principles.

RESOLVED that the Audit & Governance Committee notes the annual review of the Register of Declarations of Outside Interests and Receipts of Gifts & Hospitality by Officers for 2020/21.

Voting: Unanimous

19. Use of Regulation of Investigatory Powers Act (RIPA) annual report 2020/21

The Head of Audit and Management Assurance 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.

The Committee was reminded that new BCP RIPA Policy was introduced in April 2021. RIPA training had been provided to assist with compliance with legislation and the Policy.

Members were informed that the Council was in the process of drafting an Investigatory Powers Act 2016 (IPA) Policy for communications data acquisition and which would be presented to the Committee for approval in due course.

The Head of Audit and Management Assurance reported on a telephone-based inspection by the Investigatory Powers Commissioner's Office (IPCO) on the use of investigatory powers which had recently been carried out. He outlined the outcome from the inspection and that the Investigatory Powers Commissioner, Sir Brian Leveson had written to the Chief Executive on 13 July 2021 stating that the work done by officers represented "good progress and places BCP Council in a strong position, should the opportunity for covert surveillance present itself". The letter also contained four helpful observations from the Inspector as to how the Council could further improve policies and procedures, which officers would implement during the coming months.

The Committee was informed that the Council had not made use of RIPA powers during the 2020/21 financial year.

Members raised a number of questions which included when the powers were used, if responsibilities were justified and if the policy was preventing the Council from enforcing when appropriate. The Head of Audit and Management Assurance reported that the training undertaken as referenced in the report had put the Council in a good position and officers understood when RIPA was needed, and indeed where it was not. He highlighted the need to protect human rights and that the use of the RIPA powers was a last resort with officers being clear about the boundaries. A Councillor referred to the potential impact on consumer protection. The Head of Audit and Management reported that he would ask the Director of Communities to provide a response for circulation to all members of the Committee. A Councillor asked if Officers were satisfied that the process was transparent and that there were appropriate safeguards in place. The Head of Audit and Management Assurance referred to the training received in June which had emphasised those factors and officers were clear on the constraints, and the 'tests' that should be applied in approving RIPA authorisation.

RESOLVED that Audit & Governance Committee note that the Council has not made use of powers under the Regulation of Investigatory Powers Act during the 2020/21 financial year.

Voting: Unanimous

20. Chief Internal Auditor's (CIA's) Annual Opinion Report 2020/21

The Head of Audit and Management Assurance 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.

The Committee was advised that it was the opinion of the Chief Internal Auditor that during the 2020/21 financial year:

- arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them;
- the systems and internal control arrangements were effective and that agreed policies and regulations were complied with;
- adequate arrangements were in place to deter and detect fraud;
- there was an appropriate and effective risk management framework;
- managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
- the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
- the arrangements, in respect of the Chief Internal Auditor, were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

The Head of Audit and Management Assurance reported on the work that had been undertaken by the Internal Audit Team. He reported that in the early stages of the pandemic the team was repurposed to deal with covid19 grants to local businesses which broadly took 6-8 weeks out of the Audit Plan. The Plan was revised on 30 July 2020 and delivered so no 'limitation of scope' opinion needed to be issued.

The Head of Audit and Management Assurance took the opportunity to thank his internal audit team for their flexibility and pragmatic approach which had included working additional hours and further reported that only 7 working days were lost for the whole of 2020/21 financial year. The Chairman, on behalf of the Committee, endorsed the above gratitude to the team for their focus during this period and more importantly for prioritising work. He highlighted that it was a fine example of Local Government working at its best.

Members raised a number of questions including the reference to the 'reasonable assurance' and the associated definition. The Head of Audit and Management Assurance explained that definitions can subtly change between Council internal Audit teams but in general terms the criteria was fairly standard, and the team was resourced to provide 'reasonable assurance'. He explained that to provide 'substantial assurance' would require more time and additional resources. Councillor Phipps felt that the above did not come across in the report. The Chairman asked for further explanation on 'reasonable assurance' from the Head of Audit and

Management Assurance in terms of his professional opinion. The Head of Audit and Management Assurance reported from a professional perspective he had responsibilities to ensure that the audit opinion was based on risk based prioritised work designed to obtain evidence, from both a volume and qualitative perspective, to base the opinion on and 'reasonable assurance' in that context is appropriate and sufficient. He further explained that in the context of a 'reasonable' audit opinion there are generally some weaknesses in the control framework to point out, or improvements to suggest, as most audits undertaken result in recommendations being made. The Chairman asked if the Head of Audit and Management Assurance had any concerns about resources that he would come to the Committee to make that case. The Head of Audit and Management Assurance reported that it was a requirement of his profession that he must flag issues if he was of the opinion that there were not adequate resources in the team to produce an overall annual audit opinion and he was supported by the Chief Executive and Chief Financial Officer. He highlighted that he was confident that if he approached either of these officers in Statutory Officers meetings with such a comment he would be supported.

Councillor Brooke asked for confirmation that where there was 'reasonable' assurance and there were some weaknesses within a service unit that recommendations were made and followed up. The Head of Audit and Management Assurance reported that the audit charter agreed annually by the Committee included the follow up procedure. He explained that high, importance and impact, recommendations were followed up when they were due, medium recommendations were followed up within 12 months or at the next audit whichever was sooner and low recommendations were management advice and were followed up at the next audit.

Councillor Brown asked if there were adequate arrangements to deter and detect fraud. He indicated that in his view there were some weaknesses about awareness of fraud highlighted by low take up of mandatory training via e-learning which should be undertaken by all employees. He further stated it was uncertain how many employees had taken up that training to improve their awareness and knowledge of frauds that they could come across in their work. The Head of Audit and Management Assurance explained that Corporate Management Board had agreed a comprehensive timetable for staff to undertake mandatory training during 2021. He explained that fraud awareness had been flagged to be undertaken in May and the Head of HR would be reporting to Corporate Management Board on the actual take up of mandatory training in due course. The Head of Audit and Management Assurance reported that he could provide the statistics for the Fraud Awareness training when available and circulate to the Committee. The Committee was informed that the Council does have a specialist fraud investigator and training plan to provide resilience within the internal audit team.

RESOLVED that:-

- (a) the Audit & Governance Committee note the Chief Internal Auditor's Annual Report and Opinion on the overall adequacy of the internal control environment for BCP Council.**

- (b) the Committee place on record its thanks and gratitude to the Internal Audit Team for their flexibility and pragmatic approach and focus in 2020/21 in prioritising work which was a fine example of Local Government working at its best.**
- (c) the issues raised by the Committee relating to 'reasonable assurance' as set out above, the associated resource implications and the opportunity to highlight issues with the Committee as appropriate be noted.**

Voting: Unanimous

21. Annual Breaches and approved Waivers of Financial Regulations Report 2020/21

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

This report set out the breaches and waivers of the Financial Regulations which had occurred during the 2020/21 financial year.

The Head of Audit and Management Assurance reported that there were five breaches totalling £871K as detailed in the report. He reported that the explanation as to why these breaches occurred was detailed in paragraphs 4 & 5 of the report. The Committee was informed that the circumstances of the breach does not highlight any fundamental governance issues, such as lack of awareness of Financial Regulations, as it was an administrative oversight, failure to approve and sign off a waiver in good time, which had now been corrected.

The Head of Audit and Management Assurance reported on the waivers explaining that there were 116 waivers totalling £12.6M. The Committee was informed that to put that in context the Council spends about £400m a year, with third party suppliers, so the waivers represented approximately 2.5% - 3% of annual spend. The Head of Audit and Management Assurance referred to paragraphs 13 to 15 which explained the two generalised reasons why there were more waivers in 2020/21 compared to the previous year. He highlighted the impact of Covid relating to urgency and the limited availability of suppliers. The second issue was the Council's transformation agenda and waivers to extend contracts for incumbent suppliers to allow time for redesign and to align contracts for legacy Councils. The Head of Audit and Management Assurance provided more detail on the higher value waivers.

Councillor Brooke referred to the number of breaches which had reduced but the value of the breaches had increased significantly. The Head of Audit and Management Assurance reported that the five beaches were initially produced as waivers but were not signed off in a timely manner hence being reported as breaches.

The Chairman indicated that the points highlighted by Councillor Brooke were critical to the Committee and two of the five breaches were substantial amounts. He suggested that what would be of concern to the Committee was what steps had been taken to ensure that such breaches do not occur

certainly of this magnitude in the future and that it was not acceptable not to comply with the requirements of Financial Regulations. The Chairman indicated to save the Head of Audit and Management Assurance the difficulty of dealing with such breaches he asked if guidance had been put in place for Children's Services or any other service. The Head of Audit and Management Assurance reported that he was content that the Corporate Director had put arrangements in place which he had reviewed and was satisfied that this particular breach could not happen again as a result of the actions taken. He also confirmed that breaches were of the Council's financial regulations not a breach of the law. The Chairman highlighted that it was for the Committee to hold the organisation to account around such governance issues and suggested that if the arrangements were being confirmed in writing to the service area that the sentiments expressed by the Committee were reflected in any advice and that it had been noticed and the Audit and Governance Committee would not want to see a repeat of this breach by Children's services or any other service. The Chairman highlighted that this was another tool for the Head of Audit and Management Assurance to use.

The Head of Audit and Management Assurance clarified the contract relating to dog kennelling which was for stray dogs and likely to cover more than one year.

RESOLVED that:-

- (a) the Audit & Governance Committee note the breaches & waivers of Financial Regulations that occurred during 2020/21.**
- (b) when writing to Children's services or any other service relating to breaches they be advised of the expectations of the Committee as detailed above.**

Voting: Unanimous

22. Annual Governance Statement (AGS) 2020/21 and annual review of Local Code of Governance

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

The Committee was informed that the Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts. This report sought approval for the AGS for BCP Council. The Head of Audit and Management Assurance reported that the Statement of Accounts would not be approved for some time and therefore the AGS was being approved subject to any issues that may arise and Officers would report back to the Committee if there were any changes.

The AGS concluded that BCP Council **"has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework"**.

After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:

- Governance of Children's Social Services
- Governance Arrangements with External Bodies

An action plan to address these significant governance issues has been produced and was being implemented. An update against the action plan would be brought to Audit & Governance Committee in January 2022.

*and as amended by the Accounts and Audit (Amendment) Regulations 2021

The Head of Audit and Management Assurance reported that best practice guidance was issued annually to help Councils with their AGS production and this year the guidance suggested that Councils should specifically comment on how Covid 19 had impacted which was referenced on page 162 of the agenda pack . In addition, the guidance also asked Councils to include how the Financial Management code was being implemented in 2022 which was included on page164 of the agenda pack.

RESOLVED that:-

- (a) the Annual Governance Statement 2020/21 for BCP Council is approved and the Leader and Chief Executive are asked to formally sign it.**
- (b) the BCP action plan to address significant governance issues is approved and a progress update will be presented to Audit and Governance Committee in January 2022.**
- (c) The Local Code of Governance, which is subject to evolution to reflect governance arrangements, is noted.**

Voting: Unanimous

23. Internal Audit - Quarterly Audit Plan Update (Quarter 1) 2021/22

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

This report details progress made on delivery of the 2021/22 Audit Plan for the period April to June (inclusive) 2021. The report highlights that:

- Three audit assignments had been completed (two 'Reasonable' and one 'Partial' audit opinions);
- Sixteen audit assignments were in progress;
- Implementation of audit recommendations was satisfactory;

A significant amount of work undertaken during the quarter related to completion of the 2020/21 Audit Plan. The 'Chief Auditor's Annual Report 2020/21' contained the outcome of this work which had been reported separately to this committee.

The Head of Audit and Management Assurance reported that Quarter 1 was a busy period for internal audit. He outlined the four significant areas of work which was finalising the previous year's audit plan coverage which

had been completed, starting the new audit plan for 2021/22, producing the Annual Governance Statement and finalising the work necessary to produce the Chief Internal Auditor's report.

The Committee was referred to paragraph 4 of the report which explained in more detail the Community Infrastructure Levy (CIL) 'partial' audit opinion which was issued and was one of the three audits that had been completed so far this year. The Head of Audit and Management Assurance reported on the good progress being made with the plan for 2021/22 and the assurance work that the Government had required post payment for all Government grants allocated to businesses using specified Government toolkits. He referred the Committee to paragraph 9 and 10 and reported that CIPFA had conducted their three-day validation of the internal audit function to confirm that the Council's internal audit team complies with public sector internal audit standards. The Head of Audit Management reported that the team conformed to the required standards but this needed to be ratified by the CIPFA quality assurance board so the Council had not yet received the results officially and it was expected that there would be four minor recommendations and four suggestions on ways the Council can improve its processes.

Councillors raised a number of questions which included the way in which the audit had highlighted weaknesses relating CIL. Councillor Brooke reported as vice-chair of the Broadstone Neighbourhood Forum on his concerns about controls, monitoring and management of the funds. He welcomed the internal audit recommendations. The Head of Audit and Management Assurance was asked if he had sufficient resource to exercise his functions on CIL which was a fragmented structure which would obviously take additional resource. The Head of Audit and Management Assurance reported that he was content that he had sufficient resources and that the team would be following up the recommendations in the way referred to earlier in the meeting. He explained that there were elements of good practice in the CIL system but there were also weaknesses hence the partial assurance opinion. Councillor Trent commented on CIL and that there was no decision-making process covering all aspects of CIL expenditure or policy. He referred to legacy procedures and the current position in respect of the submission of bids and how they were being dealt with. The Head of Audit and Management Assurance commented that it was reassuring that internal audit had identified what Councillors and communities were experiencing in respect of CIL. Councillor Brown referred to his previous perception of good procedures operated by legacy Borough of Poole Council and the approach undertaken by Officers on areas such as liability assessments, invoicing, and payment. He was concerned how differing approaches had arisen and asked if it was part of the amalgamation of the legacy Councils. The Head of Audit and Management Assurance reported that differing legacy arrangements were still an issue but again highlighted that there were good elements of the CIL system but there were also elements of less good procedure and it was this variation that had contributed to the 'partial' audit opinion on the BCP CIL function. The Chairman indicated that ultimately to resolve these issues required resource within the relevant part of the Council to be adequate and effective. He highlighted that he would like to be sure that if there were any

shortcomings that this was taken forward to the appropriate senior officers and that the Committee would be supportive of the Head of Audit and Management Assurance taking appropriate action. The Head of Audit and Management Assurance confirmed that the follow-up procedures would be applied in accordance with the required timescale.

The Chairman raised a question relating to follow up work on Government grants and resources within the internal audit team to undertake that work. The Head of Audit and Management Assurance reported he was confident at this stage that there was flexibility in the audit plan, and he did not feel the work being undertaken for the Government would exceed the contingency in the audit plan.

Councillor Brooke referred to the detail set out in page 186 and indicated that there seemed to be a discrepancy between the table, text and the bullet points. The Head of Audit and Management assurance reported that he would check the detail in the report and advise of any amendments. Post meeting clarification note, the table showing 2 high recommendations, 6 medium recommendations and 1 low recommendation is correct.

RESOLVED that Audit & Governance Committee note progress made and issues arising on the delivery of the 2021/22 Internal Audit Plan.

Voting: Unanimous

24. External Auditor - Audit Plan 2020/21 and Progress Report/Sector Update

Peter Barber, Grant Thornton External Auditor, presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'J' to these Minutes in the Minute Book.

Mr Barber referred the Committee to page 195 of the agenda pack which set out the work that the Council's External Auditor, Grant Thornton, plan to undertake for the audit of the Council's Statement of Accounts in respect of 2020/21 and the progress detailed on page 225. He referred to the Audit Plan and reminded the Committee of the external auditor's responsibilities which were to provide an opinion on the Council's financial statements and to issue a value for money conclusion. He referred to the timing of the plan which had been delayed due to the time needed to complete the previous years audit. The Committee was advised that the approach to issuing the opinion and the VFM conclusion was summarised in the plan on page 200.

Mr Barber reported on the opinion and explained that when the financial statements were signed off for 2021 later in the year, he would work to a materiality level that invariably within audit was based on a percentage of gross spend. The Committee was informed that the external auditor had opted for 1.4% of the Council's spend for the year which at the planning stage equated to £11.56m for the Group and £11.5m for the Council. Mr Barber explained the implications of this approach in particular the enhanced audit procedures for entries that exceeded £11.5m. The Committee was advised of entries of heightened risk that would be subject to more detailed testing as detailed in the report. Mr Barber explained that the plan included provision for the proposed work on the accounting estimates.

Mr Barber referred to the VFM approach which was based on the criteria set by the national audit office. He explained that this year was the first year of a new approach with three new criteria namely governance, economy, efficiency and effectiveness and financial resilience. The Committee was advised that there were a number of risks that had been identified that the external auditors would focus on which were detailed at the bottom of page 200. Mr Barber highlighted that they would be commenting on arrangements, identifying good practice and sharing best practice from elsewhere and where appropriate making recommendations and identifying areas for improvement and where appropriate issue key recommendations. Mr Barber reported that if necessary, the auditors can issue statutory recommendations that require a formal response from the Council. He commented on the Council's transformation programme which would also be considered and a focus on key partners and how the Council was working with subsidiaries to deliver appropriate services and proportionate governance. The Committee was advised of the proposed timelines for the work that Mr Barber had set out, fees and the proposed increases in particular relating to the scale fee which reflected the additional work that had been undertaken last year and rolled forward for this year but also reflected increases in the value for money work and the requirement for a greater degree of challenge as a result of a number of new accounting standards.

Councillor Brown asked a question on the audit fees and in particular relating to the subsidiary charities which quoted £37k. Mr Barber confirmed that this work was to allow submission of the accounts to the Charity Commission and were independent of the audits undertaken for the Council. Councillor Brown indicated that the fees seemed high. The Chairman asked for comparable fees for previous years. Sam Harding, Grant Thornton reported that this fee remained the same as it was last year and that there had been an increase in the 2019/20 audit to reflect it in more commercial terms. She explained that the reason that they were fairly high was that the audits were complicated and the reason that the Council was keen that Grant Thornton undertook these audits was because the charities do not have their own ledgers or bank accounts and therefore were integrated within the Council and had substantial assets which created a significant risk. The Chairman suggested that the Committee would benefit from having the view of a senior officer on the level of fees so that Members had a better understanding that it was fair value for the Council as the client.

The External Auditor provided an update on the External Auditor's progress to date in delivering their responsibilities against the current year's audit and sector updates. Mr Barber reported that overall, they were where they wanted to be at this stage of the audit with the completion of planning and interim work ahead of receiving the accounts. The Committee was informed that detailed post statement visits would start in early August with a report back on the opinion by the end of November. He commented on the certification of claims work in various areas which was undertaken at a later stage on a case by case basis.

RESOLVED that the Committee

- **notes the Grant Thornton External Audit Plan 2020/21 for the Council.**
- **notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.**

Voting: Agreed

25. Audit & Governance Committee Forward Plan

The Committee considered a report a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'K' to these Minutes in the Minute Book.

This report sets out the reports to be received by the Audit & Governance Committee for the 2021/22 municipal year.

The Chairman referred to the next meeting on 9 September 2021. He explained that he had introduced additional meetings to deal with specific business that the Committee felt was pertinent to its role and remit and was timely as far as the Council was concerned with this work coming from suggestions from Members of the Committee which were governance issues that need to be looked at. He explained that the item for the next meeting was a review of the BH Live Contractual and Governance arrangements. The Chairman referred to a meeting that both he and the Vice-Chairman were due to attend the following day relating to the report for the September meeting to ensure that all the governance issues were addressed in the report.

The Head of Audit and Management Assurance reported on the detail in the plan and in particular the statement of accounts for 2021 which may slip to the meeting on 2 December 2021. He reported that the RIPA policy would be added to the evolution list so would come before the Committee in March 2022. The Head of Audit and Management Assurance reported that there had been a request following the meeting in June 2021 on the review of parks governance for the Monitoring Officer to come back to the Committee with a report on governance arrangements in more detail . He reported that currently the internal audit team and the Legal team were doing the preparation work for the report and it was now necessary to agree the proposed meeting when the report would be considered by the Committee.

RESOLVED that the Audit & Governance Committee approves the forward plan set out at Appendix A subject to the comments made above and the item on parks governance being added to the Forward Plan for the meeting on 28 October 2021.

Voting: Agreed

The meeting ended at 8.32 pm

CHAIRMAN