

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 12 January 2023 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Fear – Vice-Chairman

Present: Cllr M F Brooke, Cllr D Butt, Cllr M Howell, Cllr T Johnson and
Cllr M Phipps

163. Apologies

There were no apologies for absence.
Councillor M Cox and Councillor A Filer were present at the meeting on a virtual basis (without entitlement to vote).

164. Substitute Members

There were no appointed substitute members.

165. Declarations of Interests

There were no declarations of interest.

166. Confirmation of Minutes

RESOLVED that the Minutes of the meeting of the Committee on 01 December 2022 be confirmed as a correct record.

167. Public Issues

There were no public issues.

168. External Auditor – Audit Progress & Sector Update

Grant Thornton, as the Council's appointed External Auditors, 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, providing an update for the Committee on progress to date in delivering their responsibilities.

The report included an update on both their 2020/21 and 2021/22 audit work particularly the two substantive issues which had been causing delay in completion of the 2020/21 audit opinion.

In relation to the Financial Statements Audit 2020/21, the Committee was informed that, since the last meeting of the Committee, progress had been made following the formal issue, in November 2022, of a Statutory

Instrument that came into effect on 25 December 2022 and which imposed a Statutory Override. It was explained that the implication was to effectively take infrastructure outside the scope of the audit. The new arrangement had been underpinned by CIPFA guidance and training to support implementation and the aspiration was that this part of the audit work could now be completed by the end of January 2023.

In respect of the outstanding issue of the Dorset Pension Fund audit by Dorset Council's external auditors it was reported that, following eventual receipt in October 2022 of the necessary letter of assurance, an error had been identified which may impact upon the accounts of the BCP Council. The effect of this was being addressed and processed at Officer level through a series of meetings and a clearer way forward was reported to have now been identified.

The Committee was reminded of the presentation of the Auditor's Annual Report for 2020/21 to a special meeting of the Audit and Governance Committee on 20 October 2022. The Committee was also provided with details of other statutory audits which had been completed and was provided with information about the processing and receipt of public objections to the accounts. Assurance was given that each objection or public communication was carefully considered. Members questioned the Auditor about his approach to issues raised and it was explained that the Auditor's primary interest and focus was to ensure the proper recording of expenditure within a strictly limited remit and timeframe. Although this remit was extended by the Auditor's additional Value for Money ('VfM') responsibilities, the stated preference was, wherever possible, to resolve issues through a process of consultation between the public and the Council before incurring the costs of additional work at the audit level. Members of the Committee underlined the importance that they considered needed to be placed upon this public element of the audit process and examples of specific concerns being raised were highlighted.

Work on the 2021/22 financial statements audit was reported to have commenced although the Committee was advised that the allocated Audit Manager within Grant Thornton had submitted his resignation and would be leaving the company in January 2023. On this basis, Grant Thornton reported that they had decided to pause work on the 2021/22 audit whilst the complex task of sourcing an appropriately qualified and experienced replacement was undertaken within a difficult market for recruitment. Members of the Committee expressed considerable concern at this development and about the potential impact on BCP Council of the resulting pause and a number of alternative options were discussed.

The Chairman of the Committee advised that, in parallel with discussion at the Committee, meetings at senior Member and Officer level had taken place and gave assurance that there was close involvement in identification of an acceptable and pragmatic way forward. This also aimed to ensure, on behalf of the Committee, that best endeavours were being deployed by Grant Thornton towards sourcing an appropriate individual and to recommencing the audit work as soon as possible. Grant Thornton also

confirmed the level of priority that would be given to the BCP Council auditing work once a new employee was in place. The Chairman offered further meetings with the Auditors if necessary and undertook to provide the meetings of the Committee in February and in March with an update as well as keeping Members updated directly if there was any progress in the interim.

The report also included by way of the regular Sector Update a summary of emerging national issues and developments that may be relevant to the Council.

RESOLVED that the Audit and Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.

Voting Unanimous

169. Treasury Management Monitoring report for the period April to December 2022 and Treasury Management Strategy 2023/24

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 'B' to these Minutes in the Minute Book. Members noted an amendment to the tabulation in paragraph 52 of the report a copy of which had been circulated prior to the meeting. The Committee was reminded of the 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. The report included a summary of the contextual economic background and a tabulation of interest rate projections provided by the Council's Treasury Consultants. Summaries of the Council's borrowings and investments as at 31 December 2022 were also provided. There was confirmation of compliance with Prudential Code indicators during the period April to November 2022.

The Committee received a statement of the Council's overall Treasury Management position for 2022/23 and noted the prediction of an underspend of £2m reflecting the increase in interest rates and the continuing receipt of significant grants from Central Government.

Members were reminded of the CIPFA requirement to produce an annual Treasury Management Strategy and the Strategy for 2023/24 was set out with the report. It was explained that recent changes in the CIPFA Treasury Arrangements and Prudential Codes required a number of changes to the Strategy and these were outlined. The key changes were adoption of a new treasury benchmark indicator, amendments to the knowledge and skills register for members and officers involved in the function and changes to quarterly reporting arrangements. It was also noted that, going forward, Environmental, Social and Governance ('ESG') issues would be addressed within treasury management policies and practices.

The Chairman recorded his thanks for the work and achievements of the Treasury Management team over the reporting period.

RESOLVED that Audit and Governance Committee

- a) notes the reported activity of the Treasury Management function for the period ending 31 December 2022;**
- b) approves the Treasury Management Strategy 2023/24 and Treasury Management Policy, Practices and Schedules included in Appendix 1 and 2 of the report to the Committee.**

Voting: For - 4, Against – 0; Abstain – 3.

170. Risk Management – Corporate Risk Register Update

On behalf of the Risk and Insurance Manager, 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 'C' to these Minutes in the Minute Book.

The report provided the latest quarterly update on corporate risk and Members were reminded that the previously agreed revised reporting format now included a 'direction of travel' risk scoring and, in respect of each risk, included reference to the adopted risk response category. Definition of the four category types were set out and explained. The Committee was also informed that, as part of continuing development in terms of the reporting of risk registers, the format of the report for the Committee now also included a section for each risk which outlined the link to the relevant Corporate Objective(s).

Presentations had been made to a special meeting of the Committee on 01 December 2022 regarding corporate risks CR13 (Failure to deliver the transformation programme) and CR20 (Failure to adequately deliver the ambitions of the climate change emergency declaration) and the changes identified by the Committee at that time had been incorporated.

The Committee was advised of material updates to the register made during the quarter in addition to the updates made on an ongoing basis. These included changes to corporate risks CR15 (Effective People Strategy), CR8 (Inability to run an election/referendum) and CR15 (Risk to Reputation of Place & Council if summer arrangements are not managed).

In respect of risk CR8 (Inability to run an election/referendum) it was explained that it was usual to escalate the risk in the period of the run up to Local Elections. Members were also informed that risk CR17 (Risk to reputation of Place and Council if summer arrangements are not managed) had reverted to Service level.

In relation to CR20 (Failure to adequately deliver the ambitions of the climate emergency declaration), the Committee requested information

about the proposed timeframe for consideration of a specific planned response and Action Plan and a timetable would be provided setting out the timetable for consideration through Overview and Scrutiny and Cabinet leading to a report to the Council meeting on 21 March 2023.

The Committee identified issues relating to corporate risk CR19 (Determination of planning applications) where further clarification would be provided.

There was also discussion about whether the issues relating to completion of the audit of accounts should be included as a corporate risk. The Chairman assured the Committee that all the steps being taken to resolve this important issue were being carefully recorded and consistently reported through to the Committee in order that effective monitoring of the situation was maintained at Audit and Governance Committee level with appropriate and relevant senior Members and Officers closely involved.

RESOLVED that the Audit and Governance Committee notes the update provided in this report relating to Corporate Risks.

Voting: Unanimous

171. Annual Governance Statement 2021/22 – Action Plan and update

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.

Members were reminded of the Audit and Governance Committee responsibility for considering the arrangements for Corporate Governance including reviewing and approving the Annual Governance Statement ('AGS') Action Plan which identified actions to be taken to address the significant governance issues identified in the 2021/22 AGS.

Progress against the agreed Action Plan was reported to the Committee. In particular the improvement journey of Children's Social Services was monitored through various Officer and Councillor forums, including the Improvement Board and Children's Overview and Scrutiny Committee, and externally through the Department for Education ('DfE') Advisor and Ofsted. In relation to relationships with external bodies, various governance arrangements were being comprehensively reviewed to including updating of documentation and, in addition, a Parks Governance review being undertaken by a Council Senior Solicitor was expected to conclude by the end of March 2023. It was reported that draft documentation, including definitions, guidance, templates and registers relating to Partnerships had also been produced, with agreement, adoption and roll out expected by the agreed action plan date of March 2023.

Members were reminded that factors outside the control of the Council which were giving rise to delay in completion of the 2020/21 external audit were not part of the Action Plan itself although were reflected within the AGS as a 'significant governance issue'. The Committee were of the view

that the broader subject of external audit and particularly auditing the statement of accounts was something that should be considered by the new Council following the elections in May.

The updated Financial Management Code self-assessment reported in July 2022 concluded that BCP Council was compliant with the Code. Some identified further opportunities for improvement had been identified and actions in progress would be concluded at various points during 2023.

It was reported that the AGS was required to cover the year ending 31 March 2022 but also up to “the date of the publication of the Statement of Accounts”. As the publication of Statement of Accounts had been delayed, the report also considered whether any additional significant governance issues have arisen which required inclusion in the 2021/22 AGS. Two issues, public inspection feedback and financial sustainability, were accordingly considered and explanations provided within the report which meant that the AGS 2021/22 would remain unchanged from when it was reported to the Committee on 28 July 2022.

In response to issues raised by Members, the Chief Executive confirmed that any Members who considered that there were significant governance issues or weaknesses could meet with him to discuss issues of concern and that, if appropriate, further areas of work for the Committee would be identified. The Chairman of the Committee would be kept informed of issues raised and comparison with best practice nationally taken into account. This was already happening as the Council’s Constitution was being reviewed with best practice and specialist advice a central element of the review process.

RESOLVED that Audit and Governance Committee notes:

- a) the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2021/22 and the opportunities for further improvement in line with the Financial Management Code;**
- b) that the wording in the AGS 2020/21 for the delay in the completion of the 2020/21 external audit has been slightly amended to include the delay caused by receiving required confirmation from the auditor of the Dorset Pension Fund;**
- c) the feedback from the public inspection period and other potential significant governance issues which may have arisen since the publication of the draft have been considered and that no amendment to the AGS 2021/22 has been made.**

Voting: Unanimous

172. Assurance Framework & Internal Audit Planning Consultation 2023/24

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.

Members were reminded that the report represented an opportunity to consult with the Audit and Governance Committee before bringing a final report back to the Committee in March 2023. In compliance with the Public Sector Internal Audit Standards the report outlined the BCP Assurance Framework and the proposed approach for the 2023/24 Internal Audit Plan.

It was reported that the Assurance Framework had been updated in line with the best practice 'Three Line' model which explained how key organisational roles should work together to facilitate, and provide assurance upon, strong governance and risk management.

Sixteen key assurance functions had been identified and, for each of these, 'first line' responsibility for management of risk management and governance processes had been identified. The 'second line' set out corporate and management oversight, including advice, expertise, and compliance, and the 'third line', Internal Audit. It also identified those instances where some external assurance sources existed. It was explained that the Assurance Framework was also used to help develop the Internal Audit Plan.

The proposed 2023/24 Internal Audit Plan approach showed the amount of resource required to provide core audit work (including high risk, key assurance and key financial audits) and fraud work and, subject to budget approval, would remain materially the same as 2022/23.

This resource was considered sufficient to be able to deliver the Chief Internal Auditor's Annual Opinion. It was noted that there would be a minor decrease in overall level of resource, mainly due to the reduction in use of agency staff and some minor variances in resource allocation, for example, to support the Council's equality work.

The Committee commented on the high level allocation of resource and delivery approach within the proposed draft 2023/24 Internal Audit Plan.

RESOLVED that Audit and Governance Committee agrees the BCP Council Assurance Framework.

Voting: Unanimous

173. Internal Audit - Quarterly Audit Plan Update

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 report detailed progress made on delivery of the 2022/23 Audit Plan for the period October to December (inclusive) 2022. Eleven audit

assignments were reported to have been completed with ten 'Reasonable' audit opinions and one 'Partial' audit opinion. Twenty-two audit assignments were in progress. Implementation of audit recommendations was satisfactory and none have required escalation to Audit and Governance Committee.

The results of a 'light touch' review of Government issued guidance on the making and disclosure of special severance payments were reported and the result of the review was that reasonable arrangements were in place.

The Committee also received an update on staffing issues within the Internal Audit function. Through careful management of resource on the high-risk areas in the Audit Plan, the Chief Internal Auditor confirmed his expectation to provide the annual overall opinion on the internal control environment.

RESOLVED that Audit and Governance Committee notes progress made and issues arising on the delivery of the 2022/23 Internal Audit Plan.

Voting: Unanimous

174. Forward Plan - Refresh

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.

The report set out items to be considered by the Audit and Governance Committee for the 2022/23 municipal year in order to enable it to fulfil its terms of reference.

It was noted that a report from the Constitution Review Working Group would be submitted to the February 2023 meeting of the Committee.

It was also noted that the report on 'Statement of Accounts' was likely to be made to the March 2023 meeting.

RESOLVED that Audit and Governance Committee approves the forward plan set out at Appendix A of the report to the Committee.

Voting: Unanimous

The meeting ended at 8.17 pm

CHAIRMAN