

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 27 July 2023 at 6.00 pm

Present :

Cllr M Andrews, Cllr J Beesley, Cllr B Castle, Cllr A Chapmanlaw,
Cllr E Connolly, Cllr R Herrett, Cllr M Phipps and Cllr C Weight.

Also in attendance : Cllr G Farquhar

1. Apologies

Councillor Beesley, Chair of the Committee for the Municipal year 2022/23, in the Chair.

Apologies for absence were received from Councillor J Salmon.

Apologies for absence were also received from the Leader of Council, Councillor Slade.

The following statement from the Leader was read out to the Committee:
'It has been the custom and practice of this council for the Leader to attend meetings of the Audit and Governance Committee. However this is not always possible due to the heavy and varied commitments that the Leader is expected to attend and given that the finance and audit brief is not sitting with me I hope you will accept my apologies. The Portfolio holder for Finance has a professional background in audit and he will attend meetings on my behalf when I am unable to, as on this occasion'.

Apologies for absence for this meeting were also received from the Council's external auditors, Grant Thornton.

2. Substitute Members

Formal notice had been received appointing Councillor Armstrong as substitute for Councillor J Salmon.

3. Election of Chair

Councillor Dedman, Chair of Council, in the Chair.

It was proposed by Councillor Chapmanlaw, seconded by Councillor Phipps that Councillor Andrews be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

It was proposed by Councillor Beesley, although not seconded, that Councillor Beesley be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

RESOLVED that Councillor Andrews be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

The Chair recorded his thanks to Councillor Beesley for his great skill in steering the work of Audit and Governance Committee since the BCP Council was formed in 2019.

4. Election of Vice-Chair

Councillor Andrews in the Chair.

It was proposed by Councillor Herrett, seconded by Councillor Castle and **RESOLVED that Councillor Connolly be elected as Vice-Chair of the Audit and Governance Committee for the Municipal year 2023/24.**

5. Declarations of Interests

There were no declarations of interest.

6. Confirmation of Minutes

RESOLVED that the Minutes of the meeting on 9 March 2023 be confirmed as a correct record.

7. Public Issues

There were no public issues.

8. Treasury Management Monitoring Outturn 2022/23 and update for Quarter 1 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 'A' to these Minutes in the Minute Book.

It was explained 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 should be reported to Members. Council was required to approve any changes to the prudential indicators based on a recommendation from the Audit and Governance Committee.

The Committee was also informed that a training session for the Committee would be arranged very shortly at a date to be agreed and would include involvement from the Council's external Treasury Management advisers.

The figures were presented within the context of the national economic background and interest rate projections. The Council's Treasury management performance was explained in terms of borrowing and investments and including particularly an investments summary as at 31 March 2023.

The report set out the monitoring of the Council's Treasury Management function for the period 1 April 2022 to 31 March 2023. It was reported that a surplus of £1.9m has been achieved through a reduced need to carry out temporary borrowing due to high cash balances as well as increasing interest rates earned on the Council's investments.

In addition, the report also sets out the Quarter 1 performance for 2023/24 which forecast an underspend of £665k due to the increase in interest rates.

Members were reminded that as part of the financial strategy supporting the development of the 2023/24 budget, the Council in November 2022 had approved a revision to its self-imposed debt threshold and the two main drivers for extending the debt threshold at that time were set out.

The current report, however, recommended reduction of the debt threshold to £755m based on the current committed level via the approved capital strategy, plus a 5% variance which equated to approximately £30m. The 'Revised Treasury Indicators : limits to borrowing activity' were set out in Table 10 of the report. It was reported that the revised approach would not reduce the ambition of the Council but was intended to strengthen governance and improve the transparency around any new significant business cases although it was noted that extra procedural process may extend the timeline for business case.

The Committee reviewed the schedule of approved capital schemes and known commitments and, in response to questions on specific schemes, assurance was provided that the movements in projects and items on the schedule were kept under constant review and that changes would feature in any future updates to the Committee.

RESOLVED that Audit and Governance Committee

- a) notes the reported activity of the Treasury Management function for 2022/23;**
- b) notes the reported activity of the Treasury Management function for April to June of 2023/24;**
- c) notes and endorses the update on borrowing set out in paragraph 20 of the report to the Audit and Governance Committee on 27 July 2023.**

Voting: Unanimous

RECOMMENDED TO COUNCIL that the revised prudential indicators set out in table 10 of the report to the Audit and Governance Committee on 27 July 2023 be approved.

Voting: Unanimous

9. Risk Management – Corporate Risk Register Update

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

The report provided an update for the Committee on the position relating to the Council's Corporate Risk Register. Material updates during the Quarter were summarised for the Committee. It was reported that the title of Risk CR4 (Loss or disruption to IT Systems and Networks from cyber attack) had been updated to better articulate the risk. In accordance with normal practice, Risk CR8 (Inability to run an election/referendum) had been removed during the Quarter following completion of the election period in May. Risk CR11 (Ability of the Council to function and operate efficiently in the delivery of single services across the area of BCP) was reported to have been removed from the Corporate Register for consideration at service risk level. Risk CR14 (Continuity of Public Health arrangements for health protection) would be the subject of further report as it was currently undergoing a refocus. Risk CR15 (Effective People Strategy) had been reviewed and the net risk score updated to reflect the impact of the deferment of the Pay and Reward programme.

In response to questions, the process of adding new risks was described including through the process of environmental scanning and Officer and elected Member discussion. The inclusion of risks additionally also took place through specific identification by the Audit and Governance Committee itself. It was explained that, at the level below the Corporate Risk Register, there were Service Risk Registers into which risks removed from the corporate list would be placed and, with involvement of the Risk Management team, these would continue to be reviewed and discussed as part of routine service risk review.

The Committee received an update on the ongoing subject of the 'Dedicated Schools Grant Deficit' (Corporate Risk CR9) and the update included outline details of an invitation for the Council to be involved in a Central Government initiative to address the issue and regular updates would be provided to the Committee as progress was made. In response to specific questions, updates would be separately provided to Members on Corporate Risks CR11 (Single service delivery across the area of BCP) and CR 19 (Planning application determination).

To enable new Members of the Committee to better understand the context of the risk and appreciate the dynamic nature of the Register, a risk history summary of the previous year would also be prepared for issue to Members.

RESOLVED that Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks.

Voting: Unanimous

10. Appointment of Independent co-opted members to Audit and Governance Committee

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.

It was explained that, although not a legislative requirement, best practice and a '2022 position statement' by the Chartered Institute of Public Finance & Accountancy (CIPFA) endorsed by the Department for Levelling Up, Housing and Communities recommended that audit committees in Local Government should include at least two co-opted independent members.

Informal discussions, including at a recent BCP Council Audit and Governance Committee induction event, had shown widespread support for the principle of co-opted independent members. Consideration was given to the range of local decisions required to enable suitable recruitment through open advertisement, of independent persons, to the BCP Council Audit and Governance Committee with the aim of being in a position to make two independent member appointments later in the current calendar year.

Members were supportive of the proposal and there was reference to the benefits which stemmed from the Independent Person roles and functions already in place within the Standards Committee. The Committee also underlined the potential for helping with continuity by ensuring that the term of appointment of the independent members was such as to enable the appointments to straddle the date of the four-yearly BCP Council elections. This would be achieved by the allowing the initial period of appointment to run for slightly longer than two years concluding on 31 March 2026 with an optional further two years thereafter.

RESOLVED that

- a) Two independent members be co-opted to the BCP Council Audit and Governance Committee;**
- b) The term of appointment be for an initial period ending at the close of the municipal year 2025/26 on 31 March 2026 with an option thereafter for a further two years if mutually agreed;**
- c) An initial allowance of £1,084 per annum for each independent member is agreed with this initial figure subject to review by the Council's Independent Remuneration Panel, with any changes being backdated should this be recommended and agreed by the Remuneration Panel;**
- d) A selection and recruitment panel be created, comprising of the Chair of the Audit and Governance Committee and two other**

Audit and Governance Committee elected Members (supported by the Head of Audit and Management Assurance);

- e) Following the recruitment process, a report from the recruitment panel be presented to the next available Audit and Governance Committee, outlining the process and the panel's recommendations. This report to be endorsed by the Audit and Governance Committee and a formal recommendation agreed for consideration by full Council;**
- f) In accordance with BCP Council policies, Audit and Governance Committee delegate to the Head of Audit and Management Assurance, in consultation with the Chair of Audit and Governance Committee, any changes to the role profile and person specification required and the operational details associated with recruitment, shortlisting and interviews.**

Voting: Unanimous

11. Internal Audit - 1st Quarter, 2023/24, 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 'D' to these Minutes in the Minute Book.

It was reported that the 2023/24 Internal Audit Plan, including the Core Audit Plan and Anti-Fraud and Corruption Plan, had been developed, including detailed plans for Quarter 1 and 2 and it was explained that a report in the same format for the appropriate quarter period would be received at every core Audit and Governance Committee meeting.

The Committee was advised that there were currently vacancies in the Internal Audit Team and that recruitment of three apprentices was underway to address this. As a result, the high-level Resource and Allocation Plan presented to Audit and Governance Committee in March 2023 had been revised, resulting in 260 less planned days on Core Audit and Assurance Work for this year only although the Committee was informed that work was being targeted towards key risk areas as much as possible.

The reduction of 16% did present a significant challenge for the Chief Internal Auditor to provide both sufficient good quality in-year assurance and a similarly robust overall year end opinion. Through a range of contributing adjustments and actions, such as risk-based prioritisation, flexibility and goodwill of the internal audit team, reasonable use of alternative forms of assurance and other tactics, it was, however, anticipated that these challenges could be managed in the short term.

Progress made on delivery of the 2023/24 Audit Plan for the period April to June 2023 (inclusive) highlighted that five audit assignments had been completed with four 'Reasonable' and one 'Partial' audit opinions. Sixteen audit assignments were reported to be in progress. Eleven high priority

recommendations had not been implemented by the initially agreed target date and these were reported to Audit and Governance Committee as required by the Audit Charter.

Some work undertaken during the Quarter related to completion of the 2022/23 Audit Plan, in cases where audits straddled the financial year end of 2022/23 and the start of 2023/24. It was explained that the 'Chief Auditor's Annual Report 2022/23' contained the outcome of this work which would be reported separately to the Committee.

The Committee noted particularly that, the investigation of Commercial Operations on the Seafront (Review of Pop-Up / Temporary Activities Incorporating Bayside Restaurant) was ongoing and that, once concluded, the full report of the investigation would be made available to the Committee.

RESOLVED that Audit and Governance Committee

- a) notes the changes to the High-Level audit resource plan;**
- b) notes the recruitment plans underway to address vacancies;**
- c) notes the audits planned for Quarter 2;**
- d) notes progress made and issues arising on the delivery of the 2023/24 Internal Audit Plan;**
- e) notes the explanations provided (Appendix 1 - High Priority recommendations where the original target date for implementation was not met)**

Voting: Unanimous

12. Annual review of Declarations of Interests, Gifts and Hospitality by Officers for 2022/23

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 an annual review and update of the Council's Declaration of Interests, Gifts & Hospitality (for officers) Policy took place in February 2023 and the revised policy was approved by Audit and Governance Committee on 16 February 2023. As a result, some changes were made to the Policy including a clearer statement that the Council required all employees to consider their specific job role, not just their Council employment and personal circumstance, when deciding whether to make a declaration. Guidance was also added on giving and receiving donations and sponsorship.

Through the completion of recent exercises, Internal Audit were able to provide reasonable assurance that officers had made appropriate declarations of interests, gifts and hospitality.

It was also confirmed that there had been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest by officers had led to any disciplinary action or led to reputational damage.

It was reported that of the 120 Council 'tier 4' officers required to provide a declaration (including a 'nil' declaration where applicable) there were only four declarations remaining outstanding and these were being actively pursued. A plan was also in place for implementation in September to consolidate and re-enforce existing mandatory training regimes in place across the Council.

Members were reminded that the Code of Conduct for Councillors provided parallel requirements for registration of interests and declaration of gifts by elected Members.

RESOLVED that Audit and Governance Committee notes the annual review of Declarations of Interests, Gifts & Hospitality by Officers (2022/23).

Voting: Unanimous

13. Use of Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Annual Report for 2022/23 financial year

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.

It was reported that, following an annual review process, the Regulation of Investigatory Power Act (RIPA) and Investigatory Powers Act (IPA) Policy had been updated with some minor changes to include reference and links to Home Office Code of Practices for Covert Surveillance and Property interference (Aug 2018), Interception of Communications (Dec 2022) and Covert Human Intelligence Sources (Dec 2022) and other relevant legislation.

It was confirmed that BCP Council had not made use of powers under RIPA or IPA during the 2022/23 financial year and that BCP Council had completed and sent its statutory nil-return for the 2022 calendar year to the Investigatory Powers Commissioner's Office (IPCO).

RESOLVED that Audit and Governance Committee notes that the Council has not made use of powers under the Regulation of Investigatory Powers Act or the Investigatory Powers Act during the 2022/23 financial year.

Voting: Unanimous

14. Annual Breaches & approved Waivers of Financial Regulations Report for 2022/23

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 Committee received a report of breaches and waivers of Financial Regulations (the Regulations) during the 2022/23 financial year. The Chief Finance Officer, or his formally delegated representatives, was reported to have agreed 47 waivers totalling £3.2m. Individual waivers were set out in the appendix to the report and the number of agreed waivers had dropped reassuringly in comparison to the, exceptional, covid-impacted year of 2021/22. In addition, significantly less Council expenditure was now subject to an approved waiver, which meant that a greater part of Council total expenditure was subject to the full requirements of the Council's Financial Regulations.

Breeches of financial Regulations were also reported for the Committee and, whilst no breeches at all was accepted as the preferable position, the relatively low number of breaches suggested a good level of understanding of the requirements. Arrangements were also reported to be in place to detect instances of possible non-compliance and a robust programme of training was also currently being delivered targeting initially high risk areas but with the aspiration to spread training wider across the Council.

In response to questions about a specific breach within the Destination and Culture area (Br11), the Committee was advised that investigations were underway and the outcomes, once clear, of that investigation would be specifically reported to the Committee.

RESOLVED that the Audit and Governance Committee notes the breaches and waivers of Financial Regulations that occurred during 2022/23.

Voting: Unanimous

15. Chief Internal Auditor's Annual Opinion Report 2022/23

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 reminded of the requirement under the Public Sector Internal Audit Standards 2017 (PSIAS) for the Chief Internal Auditor to make an Annual Report and Opinion for BCP Council and specifically the Head of Audit and Management Assurance, in his role as Chief Internal Auditor, was required to report on the adequacy and effectiveness of the internal control environment and on compliance by the Internal Audit

Section to the PSIAS.

Accordingly, it was the opinion of the Chief Internal Auditor that during the 2022/23 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 generally 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
- 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 Committee and the Portfolio Holder recorded their thanks and appreciation of the work of the Head of Audit and Management Assurance and of the whole of the Internal Audit Team. It was also noted that this had been achieved within the context of the impact of staffing vacancies although the impact was not at a point at which there would be significant reportable impact on performance

RESOLVED that the Audit and Governance Committee notes the Chief Internal Auditor's Annual Report and Opinion on the overall adequacy of the internal control environment for BCP Council.

Voting: Unanimous

16. Annual Governance Statement (AGS) 2022/23 and Annual Review of the 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 'I' to these Minutes in the Minute Book.

The Committee was reminded of the provisions of the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2022) requiring Councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts. The range of various sources from which the AGS was compiled were set out and explained. The draft AGS had been published as part of the Statement of Accounts statutory public inspection period from 01 June to 14 July 2023,

during which time the public had the right to inspect, make objection, or ask the external auditor questions about the accounts. Although none were reported to have been received, an individual had made it known to the Council that they may still wish to make formal comment. The AGS would also be subject to formal audit by the external auditor.

The AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework” and that overall governance arrangements were considered sound.

It was reported that, after considering all the sources of assurance (for governance arrangements), BCP Council Corporate Management Board had identified that the following significant governance issues existed:

- BCP Council Assurance Review
- Dedicated Schools Grant
- BCP FuturePlaces Ltd
- Delay in the completion of the 2021/22 External Audit
- Mandatory Training

An action plan to address these significant governance issues had been produced and was being implemented. An update against the action plan would be brought to Audit and Governance Committee in January 2024.

The Committee noted that the number of, largely national and external, issues which had caused delay to completion of external audits were now substantially resolved and that the external auditors were now making good progress with current audits. The Committee were also informed that a Central Government assurance review of BCP Council had been recently carried out and the results, expected imminently, were likely to give rise to a need for further amendment of the AGS.

The Local Code of Governance had been amended to reflect the evolution of the Council’s governance arrangements and to keep pace with the Council’s changing governance arrangements and framework as required. The latest amendments were minor in nature although it was noted that the reconvened Constitution Review Working Group was likely to make further contribution in this area.

RESOLVED that

- a) The ‘pre-audited’ Annual Governance Statement 2022/23 is approved;**
- b) The annual update of Local Code of Governance is approved. If in-year material amendments are required, the Head of Audit and Management Assurance is delegated to make these in consultation with the Chair of the Audit and Governance Committee and the Leader of Council.**

Voting: Unanimous

17. Appointment of the Constitution Review Working Group

The Head of Democratic Services 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.

The Constitution Review Working Group had been in place since 2020 and had proved an effective way of discharging the Committee's responsible for maintaining an overview of the Council's Constitution and governance arrangements through initial review of the Constitution, consideration of matters raised by Councillors and making recommendations to Audit and Governance Committee and to Council.

The Working Group has previously focused on the content, interpretation and operational implementation of the Constitution although the Constitution also defined how the Council decision-making operates including through regulatory committees, overview and scrutiny functions and executive arrangements. The Committee was advised that it would therefore be appropriate for the Working Group to consider requests and make recommendations for changes to these matters and the overall governance model of the Council.

The Working Group would meet as required to consider changes to the Constitution and continue the successful process of consulting where necessary with internal stakeholders including the wider Council membership and specific stakeholder Members and Officers and recommending changes to the Audit and Governance Committee. The Working Group may also consider evidence and best practice from other local authorities.

RESOLVED that

- (a) the Constitution Review Working Group be established with the remit as described and comprising five Councillors, including the Chair and Vice-Chair of the Audit and Governance Committee plus three other Councillors;**
- (b) in addition to the Chair and Vice-Chair of the Audit and Governance Committee, Councillors Beesley, Castle and Phipps be appointed to the Working Group and that meetings take place using the virtual meeting format;**
- (c) initially the Working Group meet as necessary in order to be in a position to report to the next meeting of the Committee in September.**

Voting: Unanimous

18. Forward Plan - Refresh for the 2023/24 municipal year

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 'K' to these Minutes in the Minute Book.

The report set out the list of reports to be considered by the Audit and Governance Committee for the 2023/24 municipal year in order to enable it to fulfil its terms of reference. The list additionally included a number of 'extra' meeting dates where there was the opportunity, if required, to identify subjects for in-depth discussion and the Committee was of the view that this approach had worked well in the previous Council.

Members of the Committee were invited to raise suggestions for items for in-depth discussion with the Chair (and copy to Vice-Chair). The Chair would then also consider, in discussion with the Head of Audit and Management Assurance, the best way in which to seek additional items from the wider Council membership.

In addition to a report from the Constitution Review Working Group there was then possibility of receiving a report from the external auditor at the meeting on 07 September 2023. Officers were also asked to consider whether it would be possible to consider arranging for the Treasury Management training with external treasury adviser involvement to also take place on that date.

In the meantime, it was explained, for the benefit of new Members on the Committee, that external audit met regularly with Officers and with the Portfolio Holder for Finance and that the working relationships developed in the previous Council were expected to continue.

RESOLVED that the Audit and Governance Committee approves the Forward Plan set out at Appendix A.

Voting: Unanimous

The meeting ended at 8.22 pm

CHAIRMAN