

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 25 July 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chairman

Cllr E Connolly – Vice-Chairman (virtual attendance)

Present: Cllr S Armstrong, Cllr J Beesley, Cllr M Phipps, Cllr M Tarling,
Cllr C Weight, Cllr T Trent and Lindy Jansen-VanVuuren

12. Apologies

Cllr Herrett was no longer a member of this committee due to him becoming a Cabinet member, he has been replaced by Cllr Slade.

Apologies were received from Cllrs Castle and Slade and Samantha Acton.

Apologies were also received from the Portfolio Holder with responsibility for Finance, Cllr Cox.

13. Substitute Members

Councillor Trent substituted for Councillor Slade on this occasion.

14. Declarations of Interests

There were no declarations of interest received on this occasion.

15. Confirmation of Minutes

The minutes of the meeting held on 30 May were approved as a correct record and signed by the Chair.

16. Public Issues

The Committee was advised that there were 4 public questions and 4 public statements.

Public Questions from Mr Ian Redman (on Agenda item 12)

Question 1..

What arrangements were in place to detect instances of non-compliance?

Response:

A three line defence detection system applies:

First line - Service Directors and managers are responsible for reporting all known or discovered breaches of the Financial Regulations to the CFO as

soon as they become aware of such instances. Service Directors may be required to supplement the CFO's annual report on breaches to the Audit & Governance Committee with a more detailed report explaining the circumstances of the breach and the remedial action taken or planned by way of remedy.

Second line - the Strategic Procurement Team (SPT) may become aware, as the Council's centre of expertise, of breaches and will liaise with Service Directors to ensure breaches are reported.

Third line - Internal Audit identify and report breaches through the course of their work.

Breaches of financial regulations are reported in the financial year they are found and reported to A&G Committee in that year.

Question 2.

When should a Procurement Decision Record get approved by Strategic Procurement and CFO, before or after the purchase has been made?

Response:

Fundamentally Procurement Decision Records (PDRs) are approved before progressing beyond defined decision points. The decision to award a contract (or issue a Purchase Order) is an example. Additionally, for more complex and significant procurements there are further controlled 'gateway' decisions at Define and Procure. The Define decision ensures that forecast benefits justify the investment of time and the Procure decision sense checks that we are fully prepared to issue tender invitations.

However, it may be necessary to purchase some goods or services in an emergency and that may mean the Procurement Decision Record has to be approved after the purchase has been made. These would be the exception rather than the rule.

Question 3.

As mentioned in a previous A & G meeting, on what date will the council start publishing PDRs, will this be on BCP's website and will this be before or after they have been approved?

Response:

The Council takes its' commitment to being open and transparent to the public very seriously, at the same time the Council also considers factors such as legislative or statutory requirements and resource required to redact sensitive or personal information.

There is no requirement or intention to start publishing Procurement Decision Records. PDRs are a part of an internal controlled process. PDRs include commercially sensitive information.

Instead, all details of contracts awarded by the Council can be found on the Contracts Register, available on the BCP Council website and which must be published.

Public question from Mr Alex McKinstry on Agenda item 6.

Question

Following the external auditor's concerns about FuturePlaces: can the Chair explain why I was not provided with that company's monthly management accounts during the recent statutory inspection period. (Indeed, I was not provided with any records I requested, despite the assertion in tonight's draft minutes: **"The finance team will look to respond as timely as possible to requests ..."** As this is a statutory breach, and as a similar breach occurred in 2022, I have asked the external auditor to consider issuing a public interest report.)

Can you also confirm the start and end dates for which management accounts were forwarded by FuturePlaces to the Council, including dates of any hiatuses. These accounts were meant to be forwarded monthly under 3.1.1 of the shareholder's agreement, but as the external auditor notes at page 50 of tonight's reports pack, the company was acting in breach of that agreement.

Response:

A response to Mr McKinstry queries will be sent in due course answering the queries in full. However, in response to the specific question about FuturePlaces Ltd.

As per the National Audit Office Guidance which covers the rights of the public under the Local Audit and Accountability Act 2014, "Your inspection must be about the accounts, or relate to an item in the accounts."

FuturePlaces Ltd as a subsidiary of BCP Council has never been included in any of its published draft and audited statement of accounts. The company is not consolidated as part of the councils group accounts on the basis of being immaterial.

We were unable to ascertain specifics in regard to the management accounts question as all staff involved in the process have since left the council and company.

Chair to deliver replies to the questions.

Statement 1 from Mr Alex McKinstry

The report for Item 14, paragraph 23 (p. 237), lists several governance issues which, while serious, aren't sufficient to feature in the draft Annual Governance Statement. I contacted the internal auditor suggesting some additional issues. These mostly concerned the councillors' Code of Conduct:

- Lack of penalty for breaching the Code, or disregarding sanctions;
- No mechanism for removing errant /non-compliant councillors from committees;
- Outcome letters sent to complainants marked "PRIVATE AND CONFIDENTIAL", which isn't a Constitutional requirement and breaches Nolan Principles (openness, accountability);
- An Independent Person on the Standards Committee, receiving a publicly-funded allowance, hasn't attended a meeting for two years.

It's possible these matters are being pursued by the Constitution Working Group, since the Standards Committee itself heard (16 January) how its

processes are ripe for "review". Given the resurgence in councillors complaints alluded to elsewhere in Paragraph 23, I hope that any such review will shortly fructify.

Statement 2 from Mr Alex McKinstry

The most alarming aspect of Paragraph 23 is the inclusion of "**Corporate complaints and information governance**" as a concern - in other words, actual governance processes have degraded to the point where they've become potential governance issues. What is the wider human cost here? My own experience involves complaints about FOIs going astray, but presumably more consequential complaints are also being lost / delayed / unanswered, such as those involving education provision, or social care? The plan for "a centralised complaints management process" (Paragraph 26) is clearly timely, but how can this function optimally if the same officers as those involved in the current system are likely to be manning the pumps? As Juvenal put it - "*Quis custodiet ipsos custodes?*" (WHO GUARDS THE GUARDS THEMSELVES?) Hopefully this Committee, along with civic-minded residents, will be keeping a watching brief.

Statement 3 from Mr Alex McKinstry

Finally, I am convinced that this Council's governance has improved vastly. That, however, understates just how dysfunctional governance was around 2022, and I well remember a resident challenging that year's AGS, citing the abolition of the Overview and Scrutiny Board, use of whips and cabinet assistants in scrutiny, political imbalances, etc etc. Those concerns were dismissed as "**personal or political ... preferences**" by this Committee on 12 January 2023. That same week, the then-leader ventured a budget amendment so unorthodox that it led to external auditor involvement; while the "informal Cabinet" explored a plot to rig the 2023 local elections. A few months later, an internal review found grave deficiencies in the Council's governance arrangements and this was followed by the Best Value Notice. The perturbations and forebodings voiced by that resident in 2023 were entirely justified therefore, and I wanted to put that on the public record.

Statement from Mr Philip Gatrell, on Agenda items 14 & 15.

Unresolved Committee Issues include the following:

The 150 words limit entails established abbreviations

Deficient Fixed Assets Records

Over several years I have notified Senior Officers concerning this incontrovertible breach of the **2015 Regulations**.

The related obligatory **1989 Act Section 5** Monitoring Officer report to **all Members** remains uncirculated. Members are not empowered to waive reporting which does not expire through delay.

Unresponded Local Electors' Annual Accounting Information Requests

In 2023 I notified Officers concerning this contravention of the **2015 Regulations** - it also being contrary to the cited **2021 Moss case** decision. The matter however was first permitted Committee issue awareness on **30 May 2024**.

Responses to the recent **2023/24** process are outstanding. Again negating electors' time limited **2014 Act Section 26** rights and assured interactions with the external auditor including **Section 27**.

This obligates **1989 Act** Monitoring Officer reporting to Members and additions to the 2022/23 and 2023/24 **draft Annual Governance Statements**.

17. External Auditor - Auditor's Annual Report 2023/24 (Value for Money arrangements report)

Mr Peter Barber, representing Grant Thornton, the Council's External Auditor, 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.

Mr Barber introduced his colleague Alexa FN Ngini who was part of the Local Government Advisory Team and main author of the report to talk through some of the report.

Mr Barber reminded the Committee that their role was two-fold. They give an opinion on financial statements and assess arrangements regarding Value for Money and the use of resources. This report was the interim Auditors report for 23/24 and focussed on Value for Money.

Mr Barber highlighted that there were no key recommendations this year around Governance which reflected a real improvement on the previous year.

The position whilst still challenging was noted to be improving and stabilising. There was some light at the end of the tunnel in terms of the medium term financial plan, the level of savings into the medium term was significantly less, however reserves were lower than seen in any other unitary authority.

Significant progress was made in relation to the transformation programme and this key recommendation was closed down by internal auditors. There was a significant weakness noted in regard to the dedicated school grant deficit, which was also an area which other Local Authorities were seeing especially in regard to the high need block.

The second area of weakness identified was in relation to Children's Services, which was awarded an adequate Ofsted rating, which resulted in an intervention. It was recognised that significant progress had been made in that area and the Children's Services improvement plan had been progressed significantly. It was noted that there was still a significant weakness in regard to SEND.

Mr Barber and the Chief Financial Officer (CFO) provided the following information in response to questions from the Committee:

- The backstop protocols were put on hold when the election was called. There wasn't time to put them through primary legislation and they be approved. It was stated that the sensible option was to backstop the 23/24 audit and start early on the 24/25 audit.
- The financial outcome went through Cabinet and reserves had improved, they were around 7.6% of the net revenue expenditure which was above the previous referenced 5%.
- Direction of travel was positive but still in perilous position, everything was being done to improve this. The DSG deficit was concerning as until a solution was found, the 25/26 budget could not be set.
- The Section 151 officer and previous Leader had lobbied various Government departments regarding the DSG deficit.
- Grant Thornton was disappointed that BCP had not managed to secure a deal with the DFE in regards to Safety Valve, which left BCP with out the Medium Term secure plan to manage the DSG deficit should the statutory override elapse on 31 March 26.
- When councils had a Safety Valve agreement it showed that there was a plan in place to reduce the deficit.

Grant Thornton anticipated concluding their opinion on the financial statements by the end of October 2024.

The Chief Executive assured the Committee that everything that could be done was being done including coming up with solutions that Government had not thought of. A 15 year plan was also produced to bring the expenditure down to within the budget.

RESOLVED that the Audit & Governance Committee be fully informed of the findings of the Council's External Auditor following their Annual Report for the year ended 31 March 2024, as set out in the report (Appendix 1).

18. Treasury Management Outturn 2023/24 and Quarter 1 2024/25 Update

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.

The report set out the monitoring of the Council's Treasury Management function for the period 1 April 2023 to 31 March 2024.

The Bank of England froze the bank rate at 5.25% in June which was the 7th consecutive freeze on the rate, inflation had also fallen to 2%. Within that result there were still areas such as the service sector where they were still seeing high levels of inflation, the current economic forecast was for quarter 3 of this academic year from 5% to 4.5% by the end of this year.

A surplus of £789k had been achieved through a reduced need to carry out temporary borrowing due to high cash balances as well as increasing interest rates achieved on the Council's investments.

The report also set out the Quarter One performance for 2024/25 which forecasts an overspend of £1.4m due to reduced investment income resulting from reducing cash balances.

The Chief Financial Officer (CFO) provided the following information in response to questions from the Committee:

- To tackle the housing issue, it appeared that houses were being purchased quickly which resulted in money going out of the door quicker than was expected meaning there was an in-year deficit.
- It wasn't expected that the cash balances would be as low as forecast in the budget.

RESOLVED that:

1) note the reported activity of the Treasury Management function for 2023/24

2) Note the Reported activity of the Treasury Management function for April to June 2024

19. Risk Management - Corporate Risk Register Update

The Risk 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.

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

- No new risks were added
- No risks were removed

The report was the quarterly report of the Council's Corporate Risk Register as part of the continuing development of Risk Management and Reporting.

Each quarter each risk was reviewed according to the following criteria:

- Does the risk title best describe the risk
- Were there any additional mitigations to note
- What key decisions were planned in the near future
- What update could be provided on the risk for the quarter
- What changes were there to each aspect of each aspect of risk scoring
- Were there any changes to the overall risk strategy in terms of treatment of risk.

The Risk Register was a snapshot in time and subject to change.

The Risk Manager provided the following information in response to questions from the Committee:

- BCP had not done a risk maturity exercise or assessment although BCP had reviewed themselves and compared themselves against other councils.
- The Risk manager stated that they compare Risk registers and did a sense check in terms of BCP risk against other authorities.
- The risk team would challenge and question risk scoring from a sense point of view and take into account any changes in environment. If there was new legislation that impacted on a particular risk or area that would be questioned also. It was noted that the Corporate Management Board managed the risk register and would be invited to the next meeting to enable more in-depth scrutiny.

RESOLVED that:

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

20. Internal Audit - 1st Quarter, 2024/25, 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.
Public Report

The report detailed progress made on delivery of the 2024/25 Audit Plan for the 1st quarter – April to June (inclusive) 2024. This included completion of audits from the 2023/24 Audit Plan. The report highlighted that:

- 19 audit assignments had been finalised, including, 1 'Substantial', 9 'Reasonable' 4 'Partial' and 5 'Follow Up' / 'Consultancy' audit opinions;
- 26 audit assignments were in progress, including 3 at draft report stage;
- Total additional council tax yield of £404,935 had resulted, to date, from the Single Person Discount pilot project;

4 'High' priority audit recommendations had not been fully implemented by the original target date, and 4 'Medium' priority recommendations had not been fully implemented. Explanations from respective services had been provided and revised target dates had been agreed.

RESOLVED that

a) Note progress made and issues arising on the delivery of the 2023/24 and 2024/25 Internal Audit Plans.

b) Note the explanations provided (Appendix 1) and determine, in the case of the High and Medium priority recommendations highlighted, if further explanation and assurance from the Service / Corporate Director is required.

21. Annual review of Declarations of Interests, Gifts and Hospitality by Officers for 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.

An annual review and update of the Council's Declaration of Interests, Gifts & Hospitality (for officers) Policy took place in March 2024 and the revised policy was approved by Audit & Governance Committee (7 March 2024).

Some minor changes were made to the policy as part of the annual evolution including adding the need to confidentially store declarations as part of the responsibilities of Service Directors and the Monitoring Officer. A new In Year Minor Amendments and Editing Log was also added.

Internal Audit were able to provide reasonable assurance, through the completion of an annual exercise, that officers have made appropriate declarations of interests, gifts and hospitality.

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

The Head of Audit and Assurance Management provided the following information in response to questions from the Committee:

- Officers still had to complete the form with nil return if they were tier 4 and above which were generally all key decisions.
- Staff below tier 4 only made a declaration when they had something to declare.
- There was a minimum amount for gift was £25 and hospitality at £50 although a lot of officers chose to set this at £0.

RESOLVED that:

1. Audit & Governance Committee note the annual review of Declarations of Interests, Gifts & Hospitality by Officers (2023/24).

2. Endorse the opinion of the Head of Audit & Management Assurance that the Policy is fit for purpose and that there was a good level of awareness and compliance in 2023/24.

22. Use of Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Annual Report for 2023/24 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.

Following an annual review process, the Regulation of Investigatory Power Act (RIPA) and Investigatory Powers Act (IPA) Policy was updated with some minor changes to include a contents page, authorising officer title changes, expanding implications of not following correct procedures and adding a new in year minor amendments and editing log.

BCP Council had used powers under IPA once during the 2023/24 financial year to assist with a trading standards investigation.

BCP Council had not made use of powers under RIPA during the 2023/24 financial year.

The BCP Council statutory return for the 2023 calendar year was sent to the Investigatory Powers Commissioner's Office (IPCO).

RESOLVED that:

Audit & Governance Committee note that the Council has used powers under the Investigatory Powers Act once during the 2023/24 financial year, and that the Council has not made use of powers under the Regulation of Investigatory Powers Act during the 2023/24 financial year.

23. Annual Breaches & approved Waivers of Financial Regulations Report for 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 'G' to these Minutes in the Minute Book.

The report set out the breaches and waivers of Financial Regulations (the Regulations) which had occurred during the 2023/24 financial year and highlights the following:

	2023/24		2022/23		2021/22	
	Breaches	Waiver s	Breaches	Waiver s	Breaches	Waiver s
Total (count)	7	35*	11	47	4	77
Total (£)	£15,417,74 5	£0.7m*	£1,172,73 8	£3.2m	£1,347,42 9	£6.3m

* direct comparison to previous years cannot be made due to changes in waiver categories as explained in paragraph 9.

Whilst no breaches of Financial Regulations was the preferable position, the relatively low number of breaches again suggests a good level of understanding of the requirements amongst managers and officers in the majority of service directorates and had resulted in general compliance with the Regulations.

Whilst full compliance can never be guaranteed and ‘under-reporting’ of breaches, in particular, was an inherent possibility, arrangements were in place to detect instances of non-compliance.

The Director of Finance, or their formally delegated representative, had agreed 35 waivers totalling £0.7m.

For 2023/24, the lower number (35) of approved waivers compared to 2022/23 represents changes in waivers categories (in particular waivers could only be applied for <£25k) but also showed that significantly less Council expenditure was now subject to an approved waiver. This meant that a greater proportion of the Council's total expenditure was subject to the full requirements set out in the Council's Financial Regulations.

An effective and transparent breaches and waiver governance process maximised the chances of the Council achieving value for money and complying with UK Procurement Legislation (Public Contract Regulations 2015 (PCR15)) principles when procuring goods, services or works under PCR15 thresholds.

It was highlighted that Legislation on Procurement had changed, regarding areas such as the departure from the European Union and post Brexit changes.

RESOLVED that:

The Audit & Governance Committee note the breaches & waivers of Financial Regulations that occurred during 2023/24.

24. Chief Internal Auditor's Annual Opinion Report 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 'H' to these Minutes in the Minute Book.

It was the opinion of the Chief Internal Auditor that during the 2023/24 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; 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”.

It was noted that the Audit team were fully staffed and had been able to recruit an additional Audit Manager. The Chair passed on his thanks to the team for their work.

RESOLVED that:

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.

25. Annual Governance Statement (AGS) 2023/24 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 Accounts and Audit Regulations 2015* required councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.

The AGS concluded that BCP Council “**had effective and fit-for-purpose governance arrangements in place in accordance with the governance framework**”. This reflected the significant steps taken to improve governance following the council being issued with a best value notice.

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

- Best Value Notice
- Dedicated School Grant and Department for Education Statutory Direction for special educational needs and disability (SEND) services
- Delay in the completion of previous years’ External Audit
- Mandatory Training

An action plan to address the significant governance issues has been produced and was being implemented. An update against the action plan would be brought to Audit and Governance Committee in January 2025.

Only minor amendments to the Local Code of Governance had been necessary to keep pace with the Council’s changing governance arrangements.

The Monitoring Officer provided the following information in response to questions from the Committee:

- Legal services had been working with officers across the council reviewing arms length companies the council had and ensuring good governance arrangements were in place.

RESOLVED that:

- a. The 'pre-audited' Annual Governance Statement 2023/24 is approved**
- b. The annual update of Local Code of Governance is approved.**

Voting: Unanimous

*and as amended by the Accounts and Audit (Amendment) Regulations 2024

26. Audit & Governance Committee Annual Report 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 'J' to these Minutes in the Minute Book.

Good governance was ultimately the responsibility of Council as the governing body of BCP Council.

The report provided assurance as to the way in which the Audit & Governance Committee had discharged its role to support Council in this responsibility. In addition, the report underpinned the Annual Governance Statement, which was approved by the committee.

The attached report at Appendix A, Annual Report of the Audit & Governance Committee 2023/24, demonstrated how the committee has:

- Fulfilled its terms of reference;
- Complied with national guidance relating to audit committees; and
- Contributed to strengthening risk management, internal control and governance arrangements in BCP Council.

The Head of Audit and Assurance Management and the Monitoring Officer provided the following information in response to questions from the Committee:

- The role of the Audit committee would remain the same under a Cabinet and Scrutiny model or a Committee model.
- The role of the committee was wide ranging and it had a significant role in the governance of council.
- It was good practice to provide an annual report to advise Council of the corporate governance health of the organisation.

The committee welcomed the report and was appreciated the transparency for residents.

RESOLVED that

the Audit & Governance Committee had fulfilled its terms of reference, complied with national guidance relating to audit committees, and contributed to strengthening risk management, internal control and governance arrangements in BCP Council.

Voting: Unanimous

27. Forward Plan - For the 2024/25 municipal year

The Head of Audit and Assurance Management 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 & Governance Committee for the 2024/25 municipal year in order to enable it to fulfil its terms of reference.

It was suggested that at the September meeting there could be deeper dive into the Council's financial regulations and updates on Primary Legislation.

It was requested at the October meeting if colleagues from Childrens services could attend to enable a deep dive into that risk. It was cautioned that Children's service might not have capacity to resource this request.

RESOLVED that the Audit & Governance Committee approve the Forward Plan set out at Appendix A.

Voting – Unanimous

The meeting ended at 8.55 pm

CHAIRMAN