

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 29 May 2025 at 6.00 pm

Present:-

Cllr E Connolly – Chair

Cllr M Andrews – Vice-Chair

Present: Cllr S Armstrong, Cllr J Beesley, Cllr J J Butt, Cllr E Harman (In place of Cllr M Tarling), Cllr M Phipps, Cllr V Slade, Cllr C Weight and Samantha Acton

Present Virtually: Lindy Jansen VanVuuren

Also in attendance: Cllr S Bartlett (virtual), Cllr P Canavan, Cllr M Cox, Cllr J Salmon (virtual)

1. Apologies

Apologies were received from Cllr M Tarling.

2. Substitute Members

Notification was received that Cllr E Harman was substituting for Cllr M Tarling for this meeting.

Cllr M Andrews in the chair welcomed Cllr J Butt as a newly appointed member of the BCP Audit and Governance Committee.

3. Election of Chair

Cllr M Andrews presided over this item. Nominations were received and seconded for Cllr E Connolly and Cllr J Beesley to be appointed Chair. Both nominees addressed the Committee to give reasons why they should be elected Chair. Following a secret ballot it was:

RESOLVED that Cllr E Connolly be elected Chair of the Committee for the 2025/26 municipal year.

Voting: 6 in favour of Cllr E Connolly and 3 in favour of Cllr J Beesley.

The Chair thanked Cllr M Andrews for his work as the previous chair. She thanked members for their support and explained how she intended to approach the role.

A committee member was advised to direct a query on the secret ballot procedure through the Constitution Review Working Group.

4. Election of Vice Chair

A nomination was received and seconded for Cllr M Andrews to be appointed Vice Chair. There being no further nominations it was:

RESOLVED that Cllr M Andrews be elected Vice Chair of the Committee for the 2025/25 municipal year

5. Declarations of Interests

In accordance with his previous declarations, in relation to Agenda Item 10 Cllr M Andrews reported for transparency that he was guarantor to his daughter's tenancy for a house near Carters Quay.

6. Confirmation of Minutes

RESOLVED that the minutes of the meeting held on 20 March 2025 were confirmed as an accurate record for the Chair to sign.

Voting: For – 7, Against – 0, Abstain – 2

7. Public Issues

The following public issues were received:

Public Questions:

Agenda item 9 – BCP FuturePlaces Investigation scope

Question from Alex McKinstry:

Regarding Item 9 tonight, "BCP FuturePlaces investigation scope" - page 75, paragraph 7, the fourth bullet point:

Some committee members have said they have external sources of information that they believe will be essential to the investigation. Committee members are invited to send/give the investigator any evidence they have ..." (Several provisos then follow.)

Does this invitation extend to councillors not on this committee, former councillors, Council officers, former Council officers, and former FuturePlaces employees? Can you also confirm whether anyone involved in FuturePlaces signed any kind of non-disclosure agreement, which may of course prohibit / inhibit those persons from reaching out?

Response:

If an individual has external sources of information relevant to the agreed scope of the investigation then they are able to send the evidence to the investigator. From an employment law perspective, non-disclosure agreements normally contain confidentiality clauses which restrict any party from raising awareness to the existence of such an agreement and or the terms contained therein.

Agenda Item 10 – Carters Quay Report Update

Question from Alex McKinstry:

Regarding the Carter's Quay update: have the investigators looked at an email (among the online planning records) sent from Inland Homes PLC to a planning officer on 24 August 2021 at 1333 hrs? This describes an upcoming meeting with a senior Council officer "about ensuring we are all on track for implementing in November - as the agreement it will be built for BCP has now been confirmed." The email is striking because at that point, 24 August, the Carter's Quay proposals hadn't been approved by Cabinet (which was on 1 September); nor full Council, which was three weeks away. If this matter has been investigated, what was the basis for that email and do any records of a confirmatory meeting, conducted on or around 24 August 2021, survive? If this matter has not been investigated, could it be inquired into.

Response:

Audit & Governance committee has indicated that a future investigation may be necessary, but the exact coverage and scope will be somewhat dependant on the outcome of the on-going administration of Inland Homes. The email was from a third party and so we have not established why the e-mail was drafted in those terms. Separately, the planning case officer followed due process in accordance with the statutory requirements for planning applications. Cabinet approved the proposal on 1 September 2021 and contracts were entered into subsequently in November.

Public Statements:

Agenda Item 8 – External Auditor - Audit Plan 2024/25

Statement 1 from Philip Gatrell

2023/24 OFFICER'S LOSS OF OFFICE COMPENSATION £37,500 -
"SPECIAL SEVERANCE PAYMENTS" GOVERNMENT GUIDANCE

The guidance emphasises accountability to taxpayers by limiting excessive exit payments to local authority officers.

"EX13" on Financial Regulations 5-54 defines guidance designated approvers and three payment bands.

On that basis the auditor contends there is no ultra vires element within the Compensation and no remedial action is required.

That incorrectly conflates two separate processes:

- The guidance regulates amount. It does not empower terminating staff employment in lieu of the 2015 and 2001 Standing Orders Regulations.
- Termination is not within the Leader's executive powers.

- The guidance reference to “settlement” agreements includes negotiated termination to avoid litigation. £37,500 approximates to three months salary including Monitoring Officer pay element.
- Whichever scenario applied, I explained that termination or “dismissal” of a Monitoring Officer requires under “2015 Regulation 2” Members’ approval before serving notice.
- Officers failed to initiate Members’ approval.

Statement 2 from Philip Gatrell

UNACCEPTABLE ACCOUNTS MISSTATEMENTS PASSING MUSTER WITH OFFICERS AND EXTERNAL AUDITOR

My 27 February 2025 public statements include identified material discrepancies in annual Accounts fixed assets net book values and narratives.

For example, an unflagged £14,162,000 increase in Other Land and Buildings arising between the 2022/23 finalised Accounts and then current 2023/24 draft Accounts.

A later Audit Findings adjustment reverses the increase by a rounded £14.4 million decrease in the 2023/24 final Accounts. The journalised adjustment incongruously contains two £3,400,000 debit items not reciprocal debit and credit.

The adjustment explanation regarding “a school ... converted to an Academy in the prior year not being de-recognised” discloses a concerning initial fundamental error. It also indicates the 2023/24 draft Accounts were prepared referencing 2022/23 draft Accounts figures.

The latter would not adequately explain further irregularities within the 2023/24 draft Accounts fixed assets notes; nor identified similar irregularities between the audited final 2021/22 and 2022/23 Accounts.

Agenda item 9 – BCP FuturePlaces Investigation scope

Statement from Craig Beevers (on behalf of himself and Gail Mayhew)

Dear Councillors,

As the former executive directors of BCP FuturePlaces Ltd, we fully support an independent investigation into the company.

We would be pleased to give evidence in person or in writing on the serious issues that need to be considered. Some of what we say will be surprising to residents and Members.

We understand that the Council is having problems locating original FuturePlaces documents, and most senior employees have left. Without our input, much will not be available to the investigation.

Further, we are concerned that the “investigation” will simply be officers marking their own homework – there is a need for openness and accountability.

If we are not called, then Members and residents may want to ask why this is; Whose interest is being served by excluding our evidence? What don't they want made public?

We look forward to giving evidence in due course

Statement from Alex McKinstry:

Regarding 3.1 of the FuturePlaces scoping proposals - recruitment processes. Of note is an email to Graham Farrant released under FOI, dated 14 June 2021 and describing a three-stage appointment process for a senior officer of the company. Stages 1 and 2 are redacted, but Stage 3 reads:

"The final stage will be a permanent offer of employment as the MD for the URC (which I believe [redacted] has already received from Drew) ... I was open that there will have to be a form of selection to justify the offer and position and that is work we have yet to do but I believe that we can make it safe for scrutiny purposes without causing a huge investment in time and resources"

I have notified the Head of Audit, who will doubtless peruse the entire unredacted email plus any related correspondence.

Agenda items 11 and 12 – Internal Audit – Audit Plan 2025/26

Statement from Philip Gatrell:

OBSERVATIONS CONCERNING ASSETS VULNERABILITY / PHYSICAL VERIFICATION / TRACKING SOFTWARE

"Laptops" expenditure reported to Cabinet on 5 February 2025 was:

2022/23	£ 760,000
2023/24	£ <u>822,000</u>
Total	£ <u>1,582,000</u>

£888,304 capitalised costs "FOR 2023/24" regarding laptops AND other mobile IT equipment and cellular phones were stated in answer to my unambiguous question on 27 February 2025 requesting those assets' "cumulative cost AT 31 March 2024".

Assuming that answer conformed with my question and factoring in Council's latest estimated 5 years laptop lifespan, a material irreconcilable assets cost decrease arises AT 31 March 2024 relative to the Cabinet figures. Because - although the £888,304 includes non laptop equipment - £1,582,000 was incurred on laptops alone between 1 April 2022 and 31 March 2024.

If in fact £888,304 was the cost of all the defined equipment PURCHASED IN 2023/24, reconciliation anomalies still arise, given an awareness also of the previous IT assets major fraud. Further bearing in mind projected lifespans and Council's "laptops replacement programme" totalling £1,515,000 for 2024/25 and 2025/26.

8. External Auditor – Audit Plan 2024/25

Peter Barber, Barrie Morris and Katie Whybray, 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.

The External Auditor team provided a brief update on the 2023/24 position and responded to questions, with the following points noted:

- The outstanding objection had been concluded. All concerns raised in the objection had been considered, the payment referenced was not ultra vires and no further action was required.
- The closure of the audit remained uncertified because the National Audit Office (NAO) had yet to complete its work on the Council's Whole of Government Accounts. This was a national issue affecting all councils not just BCP. The risk was confirmed as minimal.
- The uplift had increased the audit fee to £493,539. The delay in certifying the audit's closure would not adjust the fee further.
- The audit fee was driven by a scale fee set annually by the Public Sector Audit Appointments (PSAA). Any variation was subject to challenge by the PSAA and the Council. BCP Council's fee was considered appropriate for the size and complexity of its accounts. Fee comparison data was publicly available at [PSAA Auditor Directory 2024 to 2025](#)
- It was confirmed that FuturePlaces was referenced in the Value for Money (VFM) conclusions which had found that the Council's governance arrangements as a whole were now effective.

The Committee was advised of the work planned in undertaking the audit of the Council's Statement of Accounts 2024/25, as detailed in the Appendix 1. The Audit Plan set out key developments impacting the audit approach, identified risks (including International Financial Reporting Standards (IFRS) 16), group audit, the IT audit strategy and value for money arrangements. Details of the fee estimate were also included.

The External Auditor team and officers responded to questions, with the following points noted:

- On VFM arrangements, it was confirmed that prior year recommendations were checked to see if they had been addressed
- The Council was in a better starting position for the 2024/25 audit than others and in the next few years the level of assurance should increase to a point of giving an unmodified opinion on the accounts.
- The Chief Financial Officer agreed to confirm how the audit fee appeared in the 2025/26 budget compared to the proposed fee.
- The procedures for considering and rebutting the risk of fraud in revenue and expenditure cycles were explained

- A lower materiality figure was specified for senior officer remuneration disclosures but not for other areas
- Risks relating to national/global events were considered to some extent, however the main focus was on risks which had a direct impact on the Council's financial statements and VFM arrangements
- The same Grant Thornton team now audited the accounts for Dorset County Pension Fund (DCPF), meaning there would be more awareness of the progress of DCPF's audit
- An assessment of Barnett Waddington's approach as actuary including an evaluation of its assumptions and data would form part of the External Auditor's audit opinion
- The audit procedures in relation to non-rebuttable presumed risk of management override, included focussed testing to identify unusual journals and testing for new/unusual/complex items
- The escalation policy aimed to address delays in the production of financial statements. For urgent matters there was a mechanism for the External Auditor to expedite any concerns to the Chair.

Members raised concerns about the implications of IFRS16 in relation to leases, particularly the potential impact on community organisations and whether it was factored into the Internal Audit Plan. It was noted that the Audit Plan was an evolving document and that Internal Audit would liaise with management on expected issues and actions. The Portfolio Holder confirmed that much work had already been completed by the Finance team in preparation for the external audit.

RESOLVED that the Grant Thornton External Audit Plan 2024/2025 for the Council be noted.

Voting: Unanimous

Following this item the meeting was adjourned for a short comfort break.

9. BCP FuturePlaces Investigation Scope

The Chair introduced this item and drew attention to the use of language when referring to the independence of the committee and its investigations and the HAMA's role in reporting to members objectively and independently.

The Head of Audit and Management Assurance (HAMA) 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 proposed scope of an investigation into the arrangements in place for the creation, operational running and closure of BCP FuturePlaces Limited. The scope took into account what was resolved at the last meeting on 20 March 2025. It was noted that at the conclusion of the internal audit led investigation there could still be gaps in understanding and the Committee could decide that further investigation through other means was required.

The HAMA assured the committee that the more detailed ‘sub questions’ submitted by members in relation to the scope would be included in an appendix which would explain where they were referenced in the report. He confirmed that external sources of information would be considered if relevant to the agreed scope. The interim report would enable the committee to receive input from the Chief Executive before his retirement. The Committee was also reminded of the procedures in place should any attempt be made to influence the HAMA in carrying out his role.

In response to questions the HAMA signposted members to various sections of the scope where the points they raised were covered. It was noted that information provided in the March 2025 committee report could answer some of the detailed sub questions, however the HAMA’s report would be able to consolidate this information in one place. He confirmed that additional points could be considered throughout the reporting process.

A councillor not on the committee asked that Cabinet be requested to draw up costings for an external investigation. This was not intended to question the independence of Internal Audit but would appear more independent to the public. A committee member spoke in support of this and felt that it would allow members to make a more informed decision. Other members agreed that the committee should undertake its own investigation first, then, if necessary, refer any residual matters externally at a later date. It was noted that the committee had already discussed these issues at length at the last meeting and now needed to move on and agree the scope.

Members welcomed the opportunity for external evidence to be submitted. As two former FuturePlaces executive officers had submitted a public statement, it was considered appropriate to formally invite them to submit any evidence relevant to the scope of the investigation to the HAMA. It was suggested that clarity around non-disclosure agreements would be helpful and a closer look at governance and safeguards

Members considered the detailed points circulated in advance of the meeting and put forward by Cllr S Armstrong for inclusion in the scope. These related to whether any steering groups or advisory groups to FuturePlaces Ltd existed and its relationships with other bodies, initiatives and companies and council companies/delivery vehicles. It was agreed to include these points into the scope in a way the HAMA thought appropriate for public consumption, so that he could take the purpose behind the questions and put it into the same language as the rest of the scope.

Members considered the proposed reporting timescales. The Chair agreed to a suggestion to arrange an additional meeting in August 2025 to allow more time to prepare an interim report. Members were reminded of the need to factor in availability during August. Members asked to retain an item on the agenda for the July meeting but accepted that an interim report at that stage would need to be in whatever form the HAMA could achieve in that timescale.

RESOLVED that the Committee agrees

- **the scope of the Internal Audit investigation as shown at Appendix 1 as amended following the committee's discussion;**
- **to expect interim reports on 24 July 2025 and at an additional meeting to be arranged in August and a final report on 4 September 2025 or 16 October 2025;**
- **any recommendations arising from the investigation will be assigned to a lead officer and have a target date for implementation. A&G will monitor implementation in line with High (priority) recommendations.**

Voting: Unanimous

Cllr S Armstrong wished it to be recorded that she voted for the resolution but supported the request for costings of an external investigation.

A request to speak on this item from a councillor not on the committee (Cllr P Canavan) was omitted in error for which the Chair apologised.

10. Carters Quay Report Update

The Committee had previously agreed to add to its forward plan an investigation into the Council's governance and processes around regeneration projects with a focus on Carters Quay. In the meantime, Members had requested an update on Carters Quay for this meeting. The Chair advised that the following information had been received from the Director, Investment and Development:

"Following the meeting in March, the Council has reiterated its formal offer to the Administrator and instructed legal advisors to prepare a robust response given the lack of progress since last year. Cabinet and Council will be presented with an option report in August to agree a way forward. The Committee are reminded that the Council has a charge over the land which means the Administrator cannot sell the land without the Council's agreement to release."

The Committee was advised that the Director, Investment and Development, had offered to produce a timeline of key events as a recap for members.

Some members were concerned at the lack of progress in scoping the investigation they had asked for. A councillor not on the committee argued that the investigation was retrospective and should not affect whatever legal process was now underway. It was suggested that a report on the timeline of key events, setting out clearly 'how we got to where we are', could provide the committee with a better understanding and help inform members when scoping the investigation at a later date. As some of this information had already featured in previous reports including to the overview and scrutiny committee, the Chief Executive agreed that a report

of this nature, focussing on governance and process, could be produced for the next meeting on 24 July meeting. This would enable members to ask questions before deciding when and how to scope an investigation.

It was also agreed to circulate by email the update provided by the Director, Investment and Development together with the advice previously provided by the Monitoring Officer on what the committee can/cannot undertake at the present time.

11. Internal Audit – Audit Plan 2025/26 Response to Queries

The Audit 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.

At the meeting on 20 March 2025, the approval of the 2025/26 Internal Audit Plan was deferred to provide clarification on nine points raised at the meeting by one of the independent Persons and which derived from the Institute of Internal Auditor's (IIA) Supplementary Guidance (non-mandatory) document "Developing a Risk Based Internal Audit Plan". The report responded to each point and clarified the process followed in determining the Internal Audit Plan and demonstrating conformance to the IIA's mandatory requirements of the International Professional Practices Framework 2024 (IPPF).

The Committee was assured that the Chief Internal Auditor was satisfied that the Internal Audit team complied with relevant mandatory audit standards in producing the Internal Audit Plan. Information provided to the Committee continued to evolve over time with the aim of providing a level of content which was helpful without being unnecessarily detailed. As a trial, additional information had been incorporated into the Internal Audit – Audit Plan 2025/26 report, including more detail on work planned in quarter one, and further details for the whole year subsequently circulated.

The Chair thanked the Head of Audit and Management Assurance (HAMA) for arranging a briefing session in preparation for this meeting to go through the responses with members in more detail. Members agreed this had been a very useful and accessible session. The Chair commented on Internal Audit's risk based approach and members supported the suggestion of including a briefing at a non-core meeting on how Internal Audit achieved 'comfort' with its coverage. It was also intended to use the Committee's Teams channel to provide more detailed information for those who wanted it.

One of the Independent Persons noted that one of the Council's corporate risks, (CR27 – We may fail to adequately address concerns around environmental impacts) did not seem to feature in the 25/26 Audit Plan. The HAMA stated that it was difficult to cross reference and immediately respond to that comment in the meeting. He would take it away and provide

a written response to be circulated to the whole committee and included in the minutes, as set out below:

“Corporate Risk 27 “We may fail to adequately address concerns around environmental impacts” is further described as “This risk has been created to capture emerging risks in relation to environmental impacts. The first risk to be included under this group is that of cliff instability and the risk will primarily reflect this initially. The risk will continue to develop to include further areas over the next several months.” This risk was added to the risk register in March 2025. A 2024/25/26 (cross-over year) audit of Flood and Coastal Erosion Risk Management (FCERM) is currently underway, of which the scope comprises FCERM Commercial Operations (including business cases, grant funding bids), Procurement Activity and Team Resilience (capacity/expertise). A draft report is expected next week and the outcome of the audit will be included in the July Internal Audit quarterly update report. As part of the on-going review of the audit plan, this will be considered again during the year, particularly given the emerging nature of the risk on the corporate risk register and the outcome of the audit. For information - please note there is a further environmental corporate risk, CR20 “Potential of climate change to outstrip our capability to adapt” is in relation to the BCP Council’s response to its declared climate and ecological emergency. This risk is included in the proposed Sustainable Environment audit, currently planned for quarter 3, as per the schedule circulated to Audit & Governance Committee.”

RESOLVED that the responses to the audit planning queries raised at the Audit & Governance Committee on 20 March 2025 be noted

Voting: Unanimous

12. Internal Audit - Audit Plan 2025/26

The Audit Manager 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.

This report was originally brought to Audit & Governance Committee on 10 March 2025. Following queries raised at the March meeting, a separate updated version of the report was now brought to this Committee as explained in the preceding agenda item.

Members noted that the final Internal Audit Plan for 2025/26 had been produced and that completion of the plan would enable the Head of Audit & Management Assurance to provide an annual conclusion on the Councils’ governance, risk management and control arrangements. The allocated budget resource for 2025/26 was considered adequate to deliver the Internal Audit Charter and Audit Plan for 2025/26.

In response to Independent Persons’ feedback, the Chair agreed to consider adjusting the order of agenda items for future meetings to bring forward internal audit reports when it was expedient to do.

RESOLVED that

- (a) the Internal Audit Plan 2025/26 including the detailed breakdown of quarter 1 audits be approved;**
- (b) the 2025/26 budget for the Internal Audit service, which was approved by Council as part of the 2025/26 Council Budget setting and Medium Term Financial Plan update in February 2025, be noted**

Voting: Unanimous

The meeting ended at 9.23 pm

CHAIR