

## **Boston Borough Council**

At the meeting of the **Audit & Governance Committee** held in the Committee Room - Municipal Buildings, West Street, Boston, PE21 8QR on Monday, 18th March, 2024 at 6.30 pm.

### **Present:**

Councillor Barrie Pierpoint, in the Chair.

Councillors Richard Austin BEM, James Cantwell, Mike Gilbert, Paul Gleeson, David Middleton, Chris Mountain, Lina Savickiene and David Scoot; and Jo Brigham (Co-opted Independent Member).

In attendance:

Councillors Sandeep Ghosh and Stephen Woodliffe.

Officers:

Deputy Chief Executive (Corporate Development) and S151 Officer, Deputy Chief Executive - Communities, Assistant Director - Wellbeing and Community Leadership, Assistant Director - Regulation, Assistant Director - Culture and Leisure, Assistant Director – Organisation and Corporate Services, Assistant Director - Governance and Monitoring Officer, Interim Deputy Chief Executive – Programme Delivery and Assistant Director - Assets, Assistant Director – Strategic Growth and Development, Chief Executive - Public Sector Partnership Services Ltd, Insights & Transformation Manager, Chief Finance Officer (PSPS), Interim Treasury Manager, Financial Services, Senior Finance Business Partner, External Auditor (KPMG) and Senior Democratic Services Officer.

### **50 Apologies**

Apologies for absence were received from Councillor Patricia Marson.

### **51 Minutes**

The Minutes of the previous meeting held 29<sup>th</sup> January 2024 were agreed and signed by the Chairman.

### **52 Declaration of Interests**

Councillor Paul Gleeson declared that he was a Board Member of Public Sector Partnership Services Ltd (PSPSL).

Jo Brigham advised that she had recently applied for a Non-Executive role at PSPSL.

### **53 Public Questions**

There were none.

### **54 Internal Audit Progress Report**

The Internal Audit Manager presented the Internal Audit Progress report, which detailed progress with Internal Audit work as at March 2024.

The Internal Audit Manager updated Members on the following areas:

- The status of live internal audit reports;
- An update on progress against the internal audit plan;
- A summary of internal audit performance, planning and resourcing issues; and
- A summary of significant issues that impact of the Head of Internal Audits annual opinion.

Members noted that all the work was currently underway and nearing completion; and that the last few audits would be finalised by the end of March.

Attention was drawn to the report section 'Update on Internal Audit Activity' which provided information regarding the one No Assurance review, the one Limited Assurance Review, and a further five completed reviews which had been done since the last report. Information was also provided on the management actions in respect of audits that had been implemented following recommendations received. There was only one high outstanding action and seven medium actions, fully detailed within the report, which was a very good position to be in.

Members noted the analysis of the audit reviews, in particular noting the Strategic Risk Register Review, Building Control, Housing Benefit Follow Up; and the Fraud Risk Register Development which would be made part of regular risk management reporting in order to strengthen the process.

The Internal Audit Manager also drew attention to the Annual Plan and its current position. Details of the outstanding actions were documented within Appendices 1 and 2.

Jo Brigham welcomed the update and stated that it would be helpful to have details of any new date for delivery. She also advised that it would be helpful to understand the risks and actions in the interim. In respect of the Housing Benefit audit, she asked if the manual quality assurance process was being addressed in order to bring it in line with the other Partnership Authorities.

The Chief Executive – PSPSL advised that there was still a manual process in place and that it would be necessary to align the Revenues and Benefits System with the other Councils in order to address the issue, which would be done as part of a transformation plan. In respect of timescales and process, he advised that it would span a 3 year business plan period. If the transformation plan was agreed by all Councils there was still a sizable piece of work to be done. He reassured members that the manual process would continue to be sufficient in the interim.

Councillor James Cantwell referred to the Work Programme and queried why the ICT High Risk Review was listed as 'Not Applicable' in the Final Report column. The Internal Audit Manager advised that N/A had been written in error instead of a tick.

### P-Card

The Internal Audit Manager reported on the P-Card audit work which had been carried out.

The Chairman advised that he had invited Officers (P-Card users) to attend the meeting in order to emphasise the severity of the issue. He stated the importance of learning lessons and moving forward. The Chairman referred to a question and answer document, that had

been completed by the Deputy Chief Executive – Corporate Development and Section 151 Officer, which had been circulated to members. He then asked officers in attendance to advise how many P-Cards they were responsible for, and to clarify that they and their staff members had all completed the necessary training.

The Officers in attendance provided the relevant information. Members were also advised that the P-Cards now were administered through an App which enabled a full audit trail and tracking of any use of the card; along with notifications to and sign offs by Group Managers or Senior Officers. Full training on the relevant policies and procedures was provided prior to anyone being issued with a P-Card.

The Chairman stated the importance of having strict controls in place and the full use of receipts when using P-Cards. The Chairman thanked officers for attending the meeting.

The Chairman referred to Lloyds Bank being the issuer of the P-Cards and queried the approval process in respect of handing them out. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that if a service decided it wanted access to a P-Card it would need to go through a service authorisation process. Following that it would come to her to either sign off a new card or to make a change to the card limit, for example a temporary increase. She mentioned that a full review had been completed recently and regular reviews would continue to be carried out.

The Chairman asked who was responsible, and what checks were in place, for bank Statements. The Deputy Chief Executive – Corporate Development and Section 151 Officer explained that using the App the Officer would make a payment and take a photo of the receipt which would then be submitted to their authorising manager. That payment would reconcile exactly against the statement and therefore there should be no discrepancies. She advised that if there were any issues to pick up, for example the procurement card was not appropriate, they would need to move to a purchase order which could be picked up immediately as opposed to the old manual system that had delays in its process. She then stated that the P-Cards should be used for procuring 'things' rather than services.

Councillor Paul Gleeson noted that the answers being given were referring to the new system which had been introduced as a result of the audit. He stated that there was a need to look at the culture and the wider issue of resourcing.

The Chairman noted the comments which had been made and advised that there was no excuse for not doing the job properly in respect of spending money, finance and receipts.

Councillor Chris Mountain queried whether enhanced DBS checks were being done on P-Card users. He referred to the training being provided and asked whether it was being delivered annually as refresher training. He also asked what had been delivered previously and when. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that background checks were a matter for the service to consider as it would depend on the services circumstances as to whether it was appropriate. In respect of training she advised that everyone had been trained, and added that cards would be frozen or withheld for anyone who did not undertake training. The Chief Finance Officer (PSPS) advised that new card holders would have to undertake training as part of the terms and conditions of using a P-Card. She added that she would obtain further information in respect of how regularly refresher training would be delivered. Members

noted that every live card holder had the date of when they attended training next to their name in the records held by the P-Card Team.

Councillor Mike Gilbert queried the number of P-Cards currently in circulation at Boston. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that she would check the latest figure and report back. Councillor Gilbert also queried whether scoping the use of the card was part of the training process and whether there were any preferred suppliers for the cards to be used with. The Deputy Chief Executive – Corporate Development and Section 151 Officer stated that using suppliers would require pre-procurement using a call-off contract, as opposed to a P-Card. She added that the terms and conditions of use were quite limited. Cllr Gilbert added that use of the P-Cards should be continually monitored in future to ensure no further issues.

Jo Brigham thanked the Internal Auditor for the update report in respect of Boston Borough Council and PPSL. She stated that it was important to look back and that this was an opportunity for everyone to learn from the matter. Jo Brigham added that the Risk Register should be used if there were not enough resources available. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that officers had acted rapidly once they had become aware of the issue. She added that SLT was monitoring governance in general at their meetings on a regular basis. The Chief Executive – PPSL mentioned that of the sample of transactions that had been looked at, there were also many transactions with no issues which was important to be aware of.

The Chairman asked how long the matter had been going on and why an audit of the P-Cards had not been done before. He applauded officers for the work they had done to date, but was cautious of the issues spanning previous years.

Councillor James Cantwell queried whether the training, as well as the terms and conditions, had substantially altered. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that she was not aware of any substantial alterations. The Chief Executive – PPSL stated that the process had certainly improved since becoming digital. Councillor Cantwell also queried whether the issue with the P-Cards was with the training or the culture, as both needed addressing going forward. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that there had been a major impact in respect of the training as officers had been reminded about the processes involved such as call-off contracts. The limits had also been reviewed and more robust processes were in place for sign off.

Councillor Chris Mountain queried how much VAT had been lost from non-submitted receipts and the current policy to deal with this. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that use of the new system would force a receipt to be produced. She added that a review had been undertaken and that the VAT could be reclaimed if previous receipts were made available.

Councillor Anton Dani queried how many people were using the cards. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that the P-Cards would have been given out with associated guidance. The issue was not the lack of process, but the implementation of process. She added that some services required several P-Cards due to individual need, such as homelessness and housing. Cllr Dani also queried why the P-Card expenditure had never showed up in the budget reports. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that all expenditure was undertaken within existing budgets.

Jo Brigham stated that no operational risk had been highlighted regarding the use of P-Cards, however there was a general financial risk. She advised that a general risk would catch everything, but an operational risk would need to be more specific so that it could be managed at operational day to day level.

Councillor Stephen Woodliffe queried whether it was a post partnership legacy issue. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that Covid had affected working practices. The new full review made it irrelevant and all the checks and balances were there.

The Chairman asked members to consider the managerial response which had been circulated with the Agenda. The Assistant Director – Organisation and Corporate Services thanked the Committee for the opportunity to attend their meeting. He confirmed that all of the actions set out by Internal Audit had been fully implemented. He referred to how the issue had come about, and the training and work that had taken place across the organisation. He stated that no fraudulent or inappropriate transactions had been found; and mentioned that having the App in place provided assurance of a more robust process.

The Chairman gave his appreciation to officers for attending the meeting and for providing assurance that things were under control. He requested that the Internal Auditor undertake another audit on the P-Card process. The Internal Auditor advised that it was standard process to follow up any 'no' or limited audit reports and that if the actions had all been implemented the work could be done fairly quickly, in time to bring a report to a future committee meeting.

#### Payroll Reconciliation

The Internal Audit Manager reported on the Payroll Reconciliation follow up work which had been carried out.

Councillor David Middleton referred to the Executive Summary and queried whether there was a measurement that could be done in the next audit in respect of culture. The Internal Audit Manager advised that there was work which could be undertaken on governance, culture and ethics.

Councillor Mike Gilbert queried whether the errors were administrative in terms of impact or whether they actually affected people in a meaningful way. The Chief Finance Officer (PSPS) clarified that the audit was regarding the Payroll Control Account Reconciliation process i.e. monthly payroll. She added that the payroll file was interfaced into the general ledger to ensure pay components were reflected accurately in the general ledger. So, individuals were paid as per their salary and Finance then interfaced into the general ledger data. A manual process was being used where the two systems (HR and Unit 4) were not aligned.

Councillor James Cantwell referred to the ICT section within the quarterly risk reports and stated that there was no mention of risk in relation to the incompatibility of systems which was resulting in a manual process. He requested that a bit more highlighting be done in future. The Chief Finance Officer (PSPS) clarified that the issue was not with incompatibility of the systems but with the mapping of the pay elements to the general ledger coding. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that she had requested monthly reports on the status of the identified risks in order for them to fully understand what areas need to be reviewed or discussed.

The Chairman referred to page 71 of the report where various actions had not been implemented and queried what the issue was. The Chief Finance Officer (PSPS) referred to the timeline and clarified that the report referred to 2022, however the final audit for the Payroll Control Account Reconciliation was not signed off until July 2023. She stated that as of the end of January 2024 the Payroll Control Account Reconciliations were up to date.

Councillor Paul Gleeson suggested that the Senior Management Team be requested to look at the culture as a way forward. The Chief Executive – PSPSL advised that responsibility for the Payroll Control Account Reconciliation sat with PSPSL. It was a finance administration task that they undertook. He gave assurance that there was no cultural issue and that it was a task for a small Finance Team to undertake technically reconciling the pay, payroll and then matching to budgets across four entities. The Chief Executive – PSPSL added that Payroll accuracy audits were very high. He then advised that he would take responsibility for monitoring on a monthly basis with the Chief Finance Officer (PSPS).

The Chairman requested that, following reports to Committee, updates be provided to members prior to the meeting so it was clear as to that point in time.

Jo Brigham queried whether the team was now fully resourced. The Chief Executive – PSPSL advised that as of last week most of the posts had been recruited to. He added that the Councils had agreed some additional posts for which the process of hiring would commence very soon. Members noted that due to staff turnover some of the tasks would move and processes were being put in place for that.

Jo Brigham stated that for the Committee it was a two fold matter in terms of what happens in PSPSL and what happens in the Council. It was therefore important, from the Councils perspective, to check the levers were in place regarding performance, or any other issue, and that the Council was exerting those levers correctly, as a customer and through stakeholder arrangements. It was important for the Committee to be content that performance was being managed appropriately. The Deputy Chief Executive – Corporate Development and Section 151 Officer stated that there was a need to look at enhanced performance processes in order to identify any issues and to work with PSPSL to resolve them.

Councillor Anton Dani stated that it was necessary to have things in place and to know what actions had been taken. The Internal Audit Manager advised that an audit was always at a moment in time, which was then reported to the Committee, along with the assurance as to where they were at present in order to improve and move forward. He added that more management response reports would provide the Committee with a better oversight.

The Chairman queried how long in the work cycle it would be until the next audit took place. The Internal Audit Manager advised that where there was a no or limited assurance opinion it would be 9 – 12 months, but would be quicker if the actions were done.

Councillor Chris Mountain stated that culture markers should be included within the report. The Chief Executive – PSPSL reminded members that officers needed to factor in the time to do that worked. He added that it was a lot more manageable when being done monthly.

The Chairman gave his appreciation for the work of PSPSL and the Finance Team.

**RESOLVED:**

- 1. That the report be noted; and**
- 2. That the Internal Audit Manager bring a follow-up report back to Committee in respect of the P-Cards.**

[The Assistant Director - Wellbeing and Community Leadership, Assistant Director - Regulation, Assistant Director - Culture and Leisure, Assistant Director – Organisation and Corporate Services, Interim Deputy Chief Executive – Programme Delivery and Assistant Director - Assets, Assistant Director – Strategic Growth and Development, left the meeting at 7.23 p.m, following consideration of the P-Card aspect of the Internal Auditors' report.]

[Councillor Mike Gilbert left the meeting at 7.29 p.m. and returned to the meeting at 7.30 p.m., during consideration of the above item.]

[The Chief Executive - Public Sector Partnership Services Ltd left the meeting at 7.46 p.m., following consideration of the above item.]

**55 Internal Audit Plan**

The Internal Audit Manager presented the latest Internal Audit Progress Plan 2024/2025. He advised that the plan was linked to the strategic risks and corporate plan priorities and that it would enable him to give a robust opinion at the end of the year. Members noted the flexibility of the plan in cases of high risk issues.

The Internal Audit Manager highlighted the following areas:

- Performance Management;
- PSPS SLA's and Performance Management;
- Finance Budget Monitoring;
- Transformation Consultancy;
- Finance Control Testing;
- Depots and Waste Services; and
- Capital Programme / Towns Fund.

Councillor James Cantwell stated his assurance of seeing Depots and Waste Services, and ICT within the plan. He queried the reasoning behind 'technology infrastructure failure' and 'coverage to be announced'. The Internal Audit Manager advised that 'technology infrastructure failure' was a strategic risk description and that later in the year they would be looking at the risks around ICT and then agreeing the areas to cover.

Councillor Mike Gilbert referred to the Capital Programme / Towns Fund and queried how they evaluated the success. The Internal Audit Manager advised that they looked at the governance and controls in the way the Capital Programme / Towns Fund was being managed. The Deputy Chief Executive – Corporate Development and Section 151 Officer referred to various aspects, one being 'on budget on time' which was very difficult in the current contract inflation environment. She added that in terms of outputs and outcomes, when the funding was awarded they were given very specific targets which were built into the monitoring; and in respect of processes the Internal Auditors would be looking at where they were with it.

Jo Brigham stated that she expected benefit realisation to be part of the governance. She referred to the PSPSL SLA's and Performance Management and queried whether it would include looking at the arrangements for the Council as a customer and also from the owners' perspective. The Internal Audit Manager advised that they would agree a terms of reference with management and pick up the key areas (risks, process and governance) on that. Jo Brigham queried whether it would highlight where responsibilities had transferred and where the risks were. The Internal Audit Manager clarified that it would.

**RESOLVED:**

**That the content of the plan be noted.**

**56 Risk Management Report**

The Group Manager – Insights and Transformation presented a report by the Assistant Director – Governance which provided the Committee with an update on Risk Management as at the end of December 2023.

The Group Manager – Insights and Transformation highlighted the risk scores, changes in Quarter 3 and direction of travel in section 2.2 within the report. She advised that there was one new risk in relation to the net zero target.

The Group Manager – Insights and Transformation mentioned the risk workshops that were being held at the end of March 2024. She added that work had been done with the Assistant Directors to review of all their strategic partnerships and fraud risk for Quarter 4 reporting. Members noted that the fraud work that Internal Audit had done would feed into the workshops, the results of which would be reported to the next meeting. The feedback from the Committee meeting in respect of P-Cards, governance, ethics and manual processes would also be fed into the workshops. It was also suggested that inherent risks be added to the risk register, which was currently being considered.

Jo Brigham thanked the Group Manager – Insights and Transformation for the new format of the risk register and welcomed the work planned. She added that the benefit of 'inherent' was that it gave confidence that the mitigating factors were working.

Councillor James Cantwell queried whether high or critical operational risks could be included within the table to make the Committee aware. The Group Manager – Insights and Transformation advised that it was being picked up in the Quarter 4 reporting.

Councillor Mike Gilbert referred to the local business and bank closures in the town. He queried whether something around this in respect of local economy could be added in. The Group Manager – Insights and Transformation advised that she would address the matter with the relevant Assistant Director.

Councillor Dani queried whether the market should actually be a high risk. The Group Manager – Insights and Transformation advised that she had picked this up with the lead and had included more details. She added that she would pick it up again at the next workshop. Councillor Dani requested details of the exact numbers of stalls in the market on a Wednesday and Saturday in order to give a clearer picture.



**RESOLVED:**

**That the report be noted.**

[The Group Manager – Insights and Transformation left the meeting at 8.03 p.m., following consideration of the above item.]

**57 Q3 Treasury Management Update 2023/24**

The Interim Treasury & Investments Manager PSPSL presented a report by the Deputy Chief Executive – Corporate Development and Section 151 Officer which contained the Quarter 3 Treasury Management update on the Council’s “Treasury Management Strategy Statement and Annual Investment Strategy” as at 31<sup>st</sup> December 2023.

The Appendix covered the following areas;

- An economic update for the 2023/24 financial year;
- The interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council’s investment performance for 2023/24;
- A review of the Council’s borrowing strategy for 2023/24;
- Debt rescheduling;
- Summary of the net position against the budget and forecast outturn; and
- Compliance with Treasury and Prudential indicators.

Members thanked the Interim Treasury & Investments Manager PSPSL for a very concise and clear report.

Jo Brigham referred to the Payroll Reconciliation and queried whether the following areas could be included within the risk report: the slippage in the capital programme; and the risks highlighted in the audit report. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that slippage was not unusual in projects of that size and scale. She added that they were well within the timelines for delivery of those projects. The Deputy Chief Executive – Corporate Development and Section 151 Officer stated that detailed updates were provided in the quarterly report to the Cabinet that was managing the Capital Programme. She agreed to feed the information back to The Group Manager – Insights and Transformation.

**RESOLVED:**

**That the report be received and noted.**

[The Interim Treasury & Investments Manager PSPSL left the meeting at 8.17 p.m., following consideration of the above item.]

**58 2022/23 Audit Completion Report**

The Audit and Assurance (Public & Social Sector) Manager, Mazars presented the Audit Completion report which provided a summary of audit conclusions. The report outlined that the Audit was substantially complete, with only a small number of areas still outstanding that were actively being worked on regarding performance management.

The following areas were covered within the report;

- Status of the audit;
- Audit approach;
- Significant findings;
- Internal control recommendations;
- Summary of misstatements; and
- Value for money.

The Chairman queried why it had taken eleven months to get a bank reconciliation. The Chief Finance Officer (PSPS) agreed to investigate and report back. She gave assurance that measures had been taken to bring everything up to date and proactive action would be taken on a monthly basis going forward.

The Chairman queried what the non significant items were. The Chief Finance Officer (PSPS) clarified that one was in relation to the pensions liability. The Audit and Assurance (Public & Social Sector) Manager, Mazars referred to the timing difference which would be reversed out next year. Members noted that the pensions were managed by Lincolnshire County Council. The Chief Finance Officer (PSPS) advised that the other item was in respect of a lease for a rental property.

Members thanked the Auditors for their work.

**RESOLVED:**

**That the report be noted.**

**59 Approval of Financial Statements 2022/23**

The Chief Finance Officer (PSPS) presented a report by the Deputy Chief Executive – Corporate Development and Section 151 Officer which provided an update on the progress for publishing the Financial Statements 2022/23.

The unaudited 2022/23 Financial Statements had been approved by the Audit and Governance Committee on 13<sup>th</sup> July 2023 with delegated authority having been given to the S151 Officer, in consultation with the Chairman of the Committee, to approve any required amendments after the Committee date and prior to the official signing of the accounts. The statutory deadline for approval of the Financial Statements was 30<sup>th</sup> September 2023.

**The recommendations were moved by Councillor Paul Gleeson and seconded by Councillor Anton Dani.**

**RESOLVED:**

- 1. That the Financial Statements 2022/23 (Appendix A) be approved;**
- 2. That the Annual Governance Statement 2022/23 be approved; and**
- 3. That the S151 Officer be authorised, in consultation with the chairman of the Committee, to approve any required amendments following the Committee meeting and prior to the official signing of the Financial Statements.**

**60 Financial Statement - Accounting Policies 2023/24**

The Senior Finance Business Partner presented a report by the Deputy Chief Executive – Corporate Development and Section 151 Officer on the Accounting Policies for inclusion in the Financial Statements 2023/24. The Financial Statements 2023-24 - Accounting Policies were attached as Appendix A to the report.

Members noted that the Financial Statements summarised the Council's transactions for the 2023/24 financial year and its position as at 31<sup>st</sup> March 2024. The Council was required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which required the accounts to be prepared in accordance with proper accounting practices. Those practices primarily comprised the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

The Senior Finance Business Partner drew attention to the key principles:

- Accruals of income and expenditure; and
- Interest in Companies and Other Entities.

**The recommendations were moved by Councillor Paul Gleeson and seconded by Councillor Anton Dani.**

**RESOLVED:**

**That the Accounting Policies for 2023/24, at Appendix A within the report, be agreed.**

**61 Work Programme**

The Assistant Director - Governance and Monitoring Officer presented the annual Audit and Governance Work Programme 2023/24.

Members noted that this was the last scheduled meeting for the municipal year and that the 2024/25 dates were awaiting final approval after which they would be circulated.

The Chairman announced that the Self Assessment training, which had previously been scheduled to follow the meeting, had been moved to Monday 8<sup>th</sup> April 2024 at 6.30 p.m. He requested that members bring their devices with them.

Councillor David Middleton referred to a previous meeting where a large settlement figure had been discussed in relation to the departing Chief Executive at that time. He queried the number, and also the reasons and risks around it. The Deputy Chief Executive – Corporate Development and Section 151 Officer advised that she was still looking into the issue and that she would circulate the previous reports that had been circulated to Full Council as part of that.

**RESOLVED:**

**That the work programme be noted.**

The Chairman thanked everyone that had attended the meeting. He also thanked the Audit and Assurance (Public & Social Sector) Manager, Mazars who had attended their last meeting.

The Meeting ended at 8.37 pm.