

## **Boston Borough Council**

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

### **Present:**

Councillor Barrie Pierpoint, in the Chair.

Councillors Richard Austin BEM, James Cantwell, Mike Gilbert, Paul Gleeson, Patricia Marson, David Middleton, Chris Mountain and David Scoot.

In attendance:

Councillor Andy Izard and Councillor Stephen Woodliffe.

Officers:

Deputy Chief Executive (Corporate Development) and S151 Officer, Assistant Director - Governance and Monitoring Officer, Deputy Chief Finance Officer (Corporate), Finance Manager – Corporate, Interim Treasury Manager, Financial Services, Insights & Transformation Manager, Scrutiny & Policy Officer, Internal Audit Team Manager, Engagement Director, KPMG and Democratic Services Team Leader.

### **1 Apologies for Absence**

Apologies for absence were received from Councillor Lina Savickiene.

### **2 Declarations of Interest**

No declarations of interest were received.

### **3 Minutes**

The Minutes of the previous meeting held 18<sup>th</sup> March 2024 were agreed and signed by the Chairman.

### **4 Public Questions**

No questions were received.

The Chairman announced that Jo Brigham had resigned from the Committee as the co-opted independent person as she was now a Non-Executive Director of Public Sector Partnership Services Ltd (PSPS) and the Chairman of the Boston Town Deal Board. He advised that a new independent person would be recruited in due course.

The Committee gave thanks for the work and support that Jo had given.

### **5 Draft External Audit Plan & Strategy Report**

The External Auditor Manager, KPMG, presented the Draft External Audit Plan and Strategy report, which provided details of the indicative external audit strategy and audit plan and memorandum for the financial year end as at 31<sup>st</sup> March 2024. The aim of the report was to lay out the nature, scope and timing of planned external audit activities for

the financial year and also to provide some mandatory communications that were required to be made to the Audit and Governance Committee in line with audit and standards.

The Engagement Director, KPMG highlighted the following areas:

- Materiality figure
- Significant risks to the financial statements that were deemed to be the most significant or greatest possibility of material misstatement within the financial statements, whether due to error or fraud:
  - Valuation of land and buildings
  - Management override of controls
  - Valuation of post retirement benefit obligations
- Mandatory communications
- Value for money
- Summary of risk assessment
- Value for money arrangements
- Recommendations raised and followed up

Members noted that three performance improvement observations had been identified, which management had responded to, in respect of:

- Group performance
- Risk management reporting
- Formalisation of review of budget monitoring action plans

Councillor David Middleton suggested that an executive summary be added to future reports to highlight the key areas. He referred to page 19 of the report and requested clarification as to whether any fraud had been identified in respect of management override of controls. The Engagement Director, KPMG advised that nothing had been identified to date.

Councillor Middleton referred to page 20 of the report in respect of Valuation of post retirement benefit obligations and queried whether any benchmarking had been done against the market and other Councils. The Engagement Director, KPMG advised that there was a specific risk related to error in terms of the assumptions that will be used within the valuation of those liabilities. As part of their work KPMG had engaged someone specifically to look at the key assumptions. As part of that KPMG assessment within a range of terms of whether they were prudent, optimistic or neutral. As part of that they also considered the assumptions used by all other pension funds in order to determine appropriateness. All that information enabled them to provide assurance to the Committee.

Councillor Middleton queried whether the auditors were of the opinion that the pensions were moving into surplus. The Engagement Director, KPMG confirmed that yes that was their opinion. The majority of risks that they had seen over the past two years had moved on to the surplus position. The sensitivity of those assumptions that were used required careful consideration in terms of what effect that has on the surplus or deficit position.

Councillor Middleton referred to page 41 of the report and queried whether the authority was getting value for money in respect of PSPS. He queried how the performance of services was monitored and actions identified in response to areas of poor performance and the monitoring of outsourced services. The Engagement Director, KPMG advised that

the auditors were required to understand the arrangements in place for the Council to monitor whether value for money was being achieved. He added that at this stage they were assured that through the consideration of engaging an independent experts to provide a commentary on those arrangements and the fact that it was constantly a point of consideration and assurance being gained by the Committee. From their role as external audit it was to understand the arrangements in place to consider and constantly challenge and apply management scepticism over value for money arrangements. The current arrangements were deemed to be appropriate. The External Auditor confirmed that it would not be for them to determine whether value for money was being achieved in the arrangements and this was for the Council to consider.

Councillor Middleton also queried whether the Council should have a customer supplier relationship with PSPS or not. The Engagement Director, KPMG stated that it was their role as external auditors to remain independent. He advised that internal audit may be better placed to answer that query. The Deputy Chief Executive – Corporate Development and S151 advised that South Holland District Council and East Lindsey District Council had commissioned Grant Thornton to review the PSPS arrangements and to test that it was providing value for money, back around 2017. As a result, those organisations had decided to extend the arrangement in that it was providing value for money. She added that PSPS did undertake its own benchmarking on a regular basis, which compared favourably to other delivery options from what she had seen. Members noted that the majority of the staffing costs within PSPS were not linked to NJC and therefore savings were being made as a result of that.

Councillor Gleeson declared that he was a Director of PSPSL. He referred to the complexity of the report and suggested that an executive summary at the beginning of the report would be useful to both members and the public. The Chairman agreed and requested that an overview be included within all future reports to the Committee, to include the key bullet points highlighting the key issues and referring to the relevant page numbers within the report documents.

Councillor Cantwell referred to pages 6 and 7 of the report and queried the dates of the planned responses to identify when the actions would be carried out. The Engagement Director, KPMG referred to page 34 of the report which contained the audit cycle and timetable. He explained that it was expected that the work would take place when undertaking the final financial statements audit visit which was due to be done throughout July, August and September. He added that a more detailed timeline would be provided in future.

Councillor Middleton referred to the audit procedure for PSPS and the Deputy Chief Executive – Corporate Development and S151 advised that PSPS did have its own external auditors as well, Duncan and Toplis.

The Chairman thanked KPMG for their report.

**RESOLVED:****That the report be noted.**

## 6 Internal Audit Annual Report and Opinion 2023-24

The Internal Audit Manager presented the Internal Audit Progress report, which detailed the work that Internal Audit had carried out within 2023/24.

The Internal Audit Manager highlighted the following areas:

- Internal Audit Coverage
- Internal Audit Opinion
- Key Observations on Governance, Risk & Control
- Additional Observations
- Quality Assurance, Improvement & Performance

Members noted that 95% of the plan had been delivered by the end of March which was actually unheard of.

Councillor Cantwell referred to page 11 of the report and queried whether the initial fraud risk registers were considered to be of a more strategic or operational nature. The Internal Audit Manager advised that they were quite detailed and operational.

The Chairman queried the follow up progress of the P-Cards and the Payroll. The Internal Audit Manager advised that Internal Audit were in the process of agreeing to carry out that work which should start over the next few weeks. It was expected for Payroll to be dealt with in Quarter 3. The Deputy Chief Executive – Corporate Development and S151 added that all of the actions regarding the P-Cards had been implemented and that the new system was very robust.

The Chairman thanked Internal Audit for their report.

### **RESOLVED:**

**That the report be noted.**

## 7 Q4 Risk Report 2023/24

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 March 2024 (Quarter 4). A summary of the risks, scores and changes since the last report were set out at paragraph 2.2, with full details in Appendix A. The strategic risks to the partnership had also been reviewed. The partnership risks and scores were set out at paragraph 2.3, with full details in Appendix B.

Members noted that three new risks had been identified around business continuity, health and safety and information. The high operational risks had been reviewed and that mitigation and monitoring was in place. The fraud risks that had been identified had been reviewed with assistance from Internal Audit colleagues. Fraud risk was now part of the regular quarterly monitoring and reporting. The Group Manager – Insights and Transformation advised that the Quarter 1 risks were being updated up to the end of June. Risk leads were being requested to review their action wording, in particular, and to confirm action dates.

The Chairman queried how the three new risks had been identified. The Group Manager – Insights and Transformation advised that risks were reviewed by Assistant Directors and Managers on a quarterly basis. The two risks relating to business continuity and health and safety were from other parts of the partnership, but had been added as they were also relevant to Boston. She added that the information risk had been identified by the Data Protection Officer.

The Chairman queried who was monitoring the risks on an ongoing basis. The Group Manager – Insights and Transformation explained that at the end of each quarter an email is circulated to the Assistant Directors and Managers to request that they review their current risks and report back, and at the end of each year everyone would meet to discuss those risks together. She added that a corporate governance clinic was held at the end of each quarter, where officers would get together to review the risks. The information was then fed back to the Audit and Governance Committee.

Councillor Mike Gilbert referred to the various levelling up projects which were ongoing in Boston and queried whether they were picked up within the risk reports. The Group Manager – Insights and Transformation advised that each project would have its own project risk register, the information for which could be fed into the Committee.

Councillor James Cantwell advised that he was pleased to see that the high operational risks had been added into the reporting, as well as the fraud risk register. He referred to the tables which contained wording such as ‘tolerate’ and requested that more information be given to ensure that members of the public fully understood its meaning.

The Vice-Chairman queried how the risks to local businesses were measured as he had concerns regarding the number of closures within the area. The Manager – Insights and Transformation explained that risks to the local businesses themselves was not measured, but the impact to the Council regarding what happened to them. She agreed to feed back the concerns raised to the Lead Officer.

#### **RESOLVED:**

**That the report be noted.**

### **8 Annual Governance Statement - Action Plan Update**

The Deputy Chief Executive – Corporate Development & S151 provided the Committee with an action plan update in respect of the Annual Governance Statement. She reported that there were some key actions outstanding and advised that these updates would be provided more regularly, as part of the reporting.

Members noted that in terms of financial capacity and capability, a review had been undertaken by CIPFA for PSPS and significant progress had been made since that time in terms of resourcing, skills and expertise within the finance service. All of the quarterly reports were being achieved to the required timescales, and the statement of accounts had been completed in accordance with statutory requirements.

The Deputy Chief Executive – Corporate Development & S151 advised that she attended monthly SLT meetings specifically to look at governance related issues, along with the Internal Audit Manager, the Chief Executive and the Monitoring Officer. She also referred

to the housing benefit performance, where there had been some issues, and advised that the issues were in the process of being resolved.

Councillor James Cantwell queried whether the External Auditors also attended the monthly SLT meeting to review governance. The Deputy Chief Executive – Corporate Development & S151 advised that they did not currently attend those meetings, but they were more than welcome to do so.

**RESOLVED:**

**That the report be noted.**

**9 Audit & Governance Committee Self-Assessment Action Plan**

The Scrutiny and Policy Officer presented a report by the Assistant Director – Governance which provided details on the outcomes of the Audit and Governance Committees' evaluation of its own impact and effectiveness.

Members noted that the purpose of the Self-Assessment Action Plan, attached at Appendix A within the report, was to support the committee in ensuring continuous effective audit and governance practice for the Committee and across the Council. The results of the anonymous questionnaire were attached at Appendix B within the report, which led to the creation of the Action Plan. The self-assessment had been undertaken as a result of CIPFA best practice where "the committee should evaluate its impact and identify areas for improvement".

The Chairman thanked the Scrutiny and Policy Officer for her work, and the Committee Members for taking part in the process. He was reassured that the Committee was operating effectively but added that there was a need for further training ongoing with regards to all the different aspects of the Audit and Governance Committee work.

**RESOLVED:**

**That the report be noted.**

**10 Annual Treasury Report 2023/24**

The Interim Treasury & Investments Manager, PSPSL presented a report by the Deputy Chief Executive – Corporate Development & S151 which provided details of the Annual Treasury Report 2023/24, attached at Appendix A within the report, for the Committee to provide comments on prior to consideration by Full Council on 16<sup>th</sup> September 2024.

The report covered the following areas;

- An economic update for the 2023/24 financial year;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- Debt position; and
- Compliance with Treasury and Prudential indicators.

The Council approved its Treasury Management Strategy for 2023/24 on 6th March 2023.

The Chairman referred to the liquidation of the M&G fund and queried when it was going to happen. The Interim Treasury & Investments Manager, PSPSL advised that it was already happening as M&G had already sold the majority of those assets and were expecting the finalisation to be in the next financial year 2025/26.

Councillor James Cantwell referred to page 116 within the report and queried why there was a difference between the unfinanced capital expenditure estimate and actual. The Interim Treasury & Investments Manager, PSPSL explained that the actual figures had been included in the financial statements; and the audited financial statements for 2022/23 and the 31<sup>st</sup> March 2024 estimate had been based at a time prior to the end of the financial year when the budgets were produced. Members noted that the M&G receipts had impacted on these figures and there was a discussion regarding property funds in general.

**RESOLVED:**

**That the report be noted.**

**11 Unaudited Financial Statements 2023/24 including Narrative Report and Annual Governance Statement**

The Senior Finance Business Partner (Corporate), PSPSL presented a report by the Deputy Chief Executive – Corporate Development & S151 which provided details of the unaudited Financial Statements, the narrative report and the Draft Annual Governance Statement, attached at Appendix A within the report, for the Committee's review in line with best practice.

Members noted that the statements had been produced by the statutory deadline of 31<sup>st</sup> May 2024 and had been prepared in accordance with the Code of practice and the Council's accounting policies, which had been brought to the Committee for consideration in March. The external audit was due to commence on 29<sup>th</sup> July 2024, by KPMG, and this was the first year of the new contract.

Councillor Chris Mountain referred to page 144 within the Appendix, specifically the political structure, and queried whether the date was correct as it reflected two independent members in addition to the other groups. The Senior Finance Business Partner (Corporate), PSPSL explained that the figures related to the 2023/24 financial year. She advised that she would check the details and report back.

Councillor James Cantwell referred to page 148 within the Appendix and queried the variance for economic growth. The Deputy Chief Executive – Corporate Development & S151 explained that the statement was to note and a report that would be going to Cabinet would set out the detail in respect of variances. She advised that the officers would check and report back.

**RESOLVED:**

**That the report be noted.**

**12 Combined Assurance Status Report 2023/24**

The Assistant Director, Governance & Monitoring Officer presented the Combined Assurance Status report 2023/24, attached at Appendix A within the report, which provided a record of assurance against the Council's critical services, key risks, partnerships and projects. It supported the Council's commitment to achieving good corporate governance. The report had been supported by the Internal Auditors.

Members noted that the report provided an overview of assurance across the Council which made it possible to identify where assurances were present, their source and where there were potential 'unknowns or gaps.' It offered a triangulated view of assurance with opinion provided by management, corporate and/or third party assurance and Internal Audit.

The Assistant Director, Governance & Monitoring Officer explained that there had been a reduction in overall red RAG (Red, Amber, Green) rated assurance levels, a slight reduction in the amber and a slight increase in the green, which was a positive direction of travel for the organisation.

The Chairman requested that future reports contain the names of the responsible individuals in addition to the posts referred to.

The Vice-Chairman referred to page 248 in respect of internal communications and queried why the risk rating was high. The Assistant Director, Governance & Monitoring Officer explained that the information was taken directly from the risk register. He advised that he would check the details and report back to the next meeting.

Councillor Paul Gleeson noted that comparative information against the previous year was provided for overall assurance levels but not for the other breakdowns within the report. It was confirmed that officers would look at including further comparison information in future years assurance reports. He also referred to one of the charts which contained a red RAG rating and queried why it was referred to as zero elsewhere within the report. The Assistant Director, Governance & Monitoring Officer explained that it was a rounding matter due to the number of critical activities.

**RESOLVED:**

**That the report be noted.**

**13 Work Programme**

The Chairman presented the annual Audit and Governance Work Programme 2024/25 and asked members if they wished to add any additional items into the programme.

The Deputy Chief Executive – Corporate Development & S151 advised that the current work programme was quite fulsome. She added that a Fund Manager Briefing and Pensions training would be organised in due course.

Councillor James Cantwell referred to the actions listed within the minutes of the previous meeting and queried whether an item for actions from the previous meeting could be added to future agendas.



**RESOLVED:**

- 1. That the work programme be noted; and**
- 2. That 'actions' be included within future meeting Agendas.**

The Meeting ended at 8.07 pm.