

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Monday, 27th September, 2021 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Sue Carter (Chairman)
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton
Cllr Jib Belbase
Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr A.J. Halstead
Cllr Sarah Spall

Cllr J. Canty (Standing Deputy for Conservative Group)

Apologies for absence were submitted on behalf of Cllr Christine Guinness, Cllr Prabesh KC and Cllr Jacqui Vosper.

15. MINUTES

The Minutes of the Meeting held on 27th July 2021 were signed as a correct record of the proceedings.

16. APPOINTMENT OF INDEPENDENT PERSON (AUDIT)

The Committee considered the Executive Director and Monitoring Officer's Report No. ED2101, which set out the outcome of the process to appoint an Independent Person (Audit) to the Committee and recommended that the Council should be asked to confirm the appointment of Gwilym Davies (known as Tom Davies) as an Independent Member of the Corporate Governance, Audit and Standards Committee.

It was noted that the appointment had followed a public advertisement, written application, and interview panel which had comprised the Chairman of the Committee, the Chief Executive and Executive Director/Monitoring Officer.

The Report set out the background to the appointment, role description and a synopsis of Mr Davies' area of expertise and experience.

The Committee was introduced to Mr. Tom Davies who addressed the Committee on his background and work experience.

The Committee **RECOMMENDED TO THE COUNCIL** that Mr Gwilym Davies (known as Tom Davies) be confirmed as an Independent Person (Audit) on the Corporate Governance, Audit and Standards Committee for a three-year term.

17. **ANNUAL OMBUDSMAN COMPLAINT REVIEW LETTER 2021**

The Committee received the Monitoring Officer's Report No. IT2175 which updated the Committee on the Annual Review Letter 2021 of the Local Government and Social Care Ombudsman (LGSCO), which provided an annual summary of statistics on the decisions made by the LGSCO in respect of the Council for the year ending 31st March 2021. It was noted that, at the end of March 2020, the LGSCO had taken the step of temporarily stopping its casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. Following feedback from authorities, it had been decided that it would be unnecessary for the LGSCO to pause casework again. Instead, authorities had been encouraged to talk to the LGSCO on an individual basis about difficulties responding to any stage of an investigation, including implementing LGSCO recommendations.

The Report advised that the LGSCO had carried out no detailed investigations on Rushmoor during 1st April 2020 to 31st March 2021 and therefore there were no further recommendations for service improvement. The Report provided the Council with the evidence that the Council was responding well to complaints through the current Complaints Policy without any having had to be escalated to the Ombudsman during the review period in question.

RESOLVED: That the Monitoring Officer's Report No. IT2175 be noted.

18. **RUSHMOOR COMMUNITY AWARD 2021**

The Head of Democracy and Community reported that the small group of Members from the Committee, which had been appointed at the previous meeting, had met on 2nd September 2021 to consider over 30 nominations for the Community Award 2021. The nominations had been assessed against the criteria for the Community Award.

The Committee was advised that Beryl Yeomans and Judi Page had been selected to receive the Award. It was noted that the Award to Judi Page was a posthumous award and that members of her family would be invited to receive the award. The presentation of the Award would be made at the Council Meeting on 8th December 2021.

It was further noted that those people who had been nominated for their voluntary work during the Covid-19 pandemic would be invited to an event hosted by Rushmoor Voluntary Services and the Council at Princes Hall in November 2021 to recognise volunteers and to say thank you for their work during the pandemic.

RESOLVED: That the Head of Democracy and Community's report be noted.

19. STATEMENT OF ACCOUNTS 2019/20 - UPDATE NO. 5

The Committee received the Executive Head of Finance's Report No. FIN2120, which informed Members of audit progress for the Council's Statement of Accounts for 2019/20 and the audit opinion since the Committee meeting on 27th July 2021. The Committee was reminded that the deadline for issuing a final set of audit statement of accounts and audit opinion of 30th November 2020 had not been met.

The Chairman welcomed to the meeting (via Microsoft Teams), Maria Grindley and Justine Thorpe from Ernst & Young (EY).

The Committee was advised that following consideration by the Committee of Audit Results Report at its meeting on 27th July 2021, officers from the Council and EY had held further meetings in July and August to assess progress and resolve audit queries in relation to the 2019/20 audit opinion. It had become clear during August 2021 that there would be no prospect of the outstanding information being provided before the end of the month, preventing the audit reaching a conclusion. It had therefore been agreed to work towards a revised timescale for the audit opinion and this was anticipated to be available during October 2021, subject to outstanding issues having been resolved. The Chief Executive and the Committee Chairman had been made aware of the delay and the consequential impact this would have on the timescale for the 2020/21 audit work.

The Committee was advised that the detailed Disclosure Note that addressed Going Concern issues had been provided to EY during August with a cashflow forecast covering the period required. This set out the updated impact on the Council's finances from Covid-19 and any Post Balance Sheet Event (PBSE) given the ongoing risk Covid-19 posed to the Council's financial standing.

It was also confirmed that all of the outstanding EY queries had been sent over to EY at the end of the previous week and were currently being looked at by EY. Maria Grindley confirmed that the company was pushing to get the audit opinion signed off as soon as possible and, if the answered queries had provided all the information required, every attempt would be made to finalise the audit opinion by the end of October 2021.

During discussion, Members raised questions concerning the reasons for the time taken to respond to information requested by EY and the impact on the 2020/21 audit. In response, Members were advised that staff absence due to sickness and other priority work for the Property Team together with historic information not yet being available digitally had all contributed to the delays. The Committee was also advised that, for the 2020/21 audit, there was a requirement to revalue all of the Council's properties. To ensure that similar issues were not experienced for the 2020/21 audit, steps had been taken to mitigate this including additional staffing resource and the roll out of the new property system.

RESOLVED: That

- (i) the Statement of Accounts Update Report No. FIN2120 be noted;
- (ii) the indicative timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit Opinion be noted; and
- (iii) subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approval formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

20. **ANNUAL GOVERNANCE STATEMENT - 2020/21**

The Committee considered the Executive Head of Finance's Report No. FIN2117, which presented the Annual Governance Statement 2020/21 (set out in Appendix A to the Report) for review and approval. The Council was required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement in order to report publicly on the extent to which the Council complied with its Code of Corporate Governance, including how the Council monitored the effectiveness of its arrangements in the year and on any planned changes to the governance arrangements in the coming year.

The Report set out the methodology for compiling the Annual Governance Statement and the requirements of the Committee in reviewing the Annual Governance Statements in order to be satisfied that the Annual Governance Statement reflected the risk environment and any actions required to improve it and demonstrated how governance supported the achievement of the Council's objectives.

During discussion, Members asked for an update on the temporary delegation arrangements currently in place due to the Covid-19 pandemic and when these would be removed.

RESOLVED: That

- (i) the Council's Annual Governance Statement 2020/21 be approved;
- (ii) approval be given to the Chief Executive and the Leader of the Council signing the Annual Governance Statement; and
- (iii) approval be given to the publication of the Annual Governance Statement alongside the Council's Statement of Accounts.

21. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2020/21**

The Committee received the Executive Head of Finance's Report No. FIN2121, which set out the main activities of the treasury management and non-treasury

investment operations during 2020/21. This was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

It was noted that the Council's treasury team had continued to concentrate on the security of investments, taking due regard of the returns available. The return on treasury management activity was in line with the revised budget for 2020/21. Pooled funds had proved to be robust and had performed well given the wider economic downturn as a result of Covid-19. The Report advised that, with increased levels of borrowing, the treasury team continually reviewed the Borrowing Strategy, weighing up interest rate levels and risk of refinancing. During the 2020/21 financial year short-term interest rates had remained low and were forecast to remain low. However, borrowing levels had increased, raising refinancing risk. It was confirmed that levels of borrowing would be continually reviewed to mitigate refinancing risk.

The Committee was advised that total borrowing as at 31st March 2021 was £102 million, which was an increase of £12 million from the 2019/20 year-end position. The increased level of borrowing had been offset by reduced interest rate for borrowing. This had resulted in interest cost of borrowing decreasing by £83,000 compared with 2019/20 costs. The Council's non-treasury investments risk exposure as at 31st March 2021 was £155.1 million, of which £91.6 million was funded via external loans. The rate of return across all the Council's investments had been variable. However, the aggregate rate of return on all Council investments was in line with the estimated return for 2020/21 which was due to the cost associated with commercial property being clarified during the financial year and the impact of Covid-19.

During discussion, Members raised questions regarding the Civic Quarter and Union Yard projects, the work of Arlingclose and whether Arlingclose could provide updates and training to the Committee.

RESOLVED: That the Executive Head of Finance's Report No. FIN2121 be noted.

22. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Interim Audit Manager's Report No. AUD2104 which provided: an update on work carried out by Internal Audit in Quarters 1 and 2 2021-22; an update on progress towards the Audit Plan for 2021-22; a schedule of work expected to be delivered in Quarter 3; and, an update on the outstanding audit issues from Internal Audit reports covering 2019-20 and 2020-21 focusing on the high-risk issues and management agreed actions with deadlines.

In discussing the Report, Members raised questions regarding: staffing resources contingency plans in place in respect of both Internal and External Audit work; the possible effect of more flexible working on work to be done; the need for more collaboration with service managers; and, the Section 113 Agreement with Wokingham Borough Council and how effective this had been. Members requested that an updated plan setting out achievable timescales for each of the outstanding actions be provided at the next meeting and were advised that this work was already underway. In some cases, this would require some re-prioritisation and/or additional resources to ensure outstanding work was completed within a reasonable timeframe.

RESOLVED: That

- (i) the audit work carried out in Quarters 1 and 2 be noted;
- (ii) the update to the expected deliverables for Quarter 3 be noted: and
- (iii) a revised plan setting out clear timings for the completion of the outstanding high priority audit issues be provided by the next meeting of the Committee.

23. **INTERNAL AUDIT OPINION 2020/21**

The Committee considered the Audit Manager's Report No. AUD2105 which set out the Internal Audit coverage, findings and performance for 2020/21 and presented the Audit Manager's overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment. The Report also covered the self-assessment which had been carried out against the Public Sector Internal Audit Standards (PSIAS) and the progress on the Quality and Assurance Improvement Plan (QAIP) for the year.

The Internal Audit Plan for 2020/21 had been approved by the Committee on 23rd March 2020. Due to the Covid-19 pandemic, changes had had to be made to the Plan as assurances had been required in other areas of the organisation. Subsequent changes to the Audit Plan had been communicated to the Committee within regular update reports. Covid-19 had had an adverse impact on the delivery of audits against the Audit Plan. The Council had prioritised its response to the pandemic and focused on supporting communities and ensuring vital services were provided. This had meant that planned audits had in some cases been deferred as the availability of auditors and Council staff had not necessarily been aligned. Remote working during the pandemic had also had an impact on the scope of audits covered during the year. Appendix A to the Report set out the areas of assurance which had been obtained in order to form the audit opinion.

In the opinion of the Internal Audit Manager, the reduced number and scope of audits meant that it was not appropriate to provide a full overall audit opinion on Rushmoor Borough Council's framework of governance, risk management and management controls. This had been due to a combination of factors including reduced audit resources and diversion of service resources to the Council's response to the pandemic. Where audits had identified areas for improvement, Internal Audit had worked with management to agree appropriate corrective actions and a timescale for improvement. The Report also advised on the reasons for the key areas of non-compliance for the PSIAS.

RESOLVED: That

- (i) the coverage assurance of assurance obtained across the Council be noted;
- (ii) the level of internal control assessed in 2020/21 through opinion-based audit assurance work be noted;

- (iii) the Audit Opinion given for 2020/21, set out in Appendix A to the Report, be noted;
- (iv) the Performance Indicators for the internal audit activity for 2021/22 be endorsed;
- (v) the self-assessment exercise against the Public Sector Internal Audit Standards and the areas of non-conformance with the standards be noted; and
- (vi) the Quality and Assurance Improvement Plan for 2020/21 set out in Appendix 3 to the Internal Auditor's Opinion, which detailed the areas of improvement to reduce the areas where audit activity did not conform to the PSIAS standards be endorsed.

The meeting closed at 9.02 pm.

CLLR SUE CARTER (CHAIRMAN)
