CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the meeting held on Monday, 28th March, 2022 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

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

Cllr Jib Belbase
Cllr A.K. Chowdhury
Davies
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr Prabesh KC
Cllr Jacqui Vosper

Cllrs. J. Canty and K. Dibble attended the meeting as Standing Deputies

Non-Voting Member

Mr Tom Davies – Independent Member (Audit)

Apologies for absence were submitted on behalf of Cllr Jessica Auton, Cllr Sophia Choudhary and Cllr Sarah Spall.

39. MINUTES

The Minutes of the Special Meeting held on 15th February 2022 were agreed and signed as a correct record of the proceedings.

40. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Head of Democracy and Community reported on the outcome of the selection process for the Mayor-Elect and the Deputy Mayor-Elect for 2022/23. The appropriate Members on the seniority list had been contacted and Cllr A.K. Chowdhury was the next Member able to accept the nomination for Deputy Mayor. Through normal progression, Cllr J.H. Marsh, currently Deputy Mayor, would progress to the position of Mayor for 2022/23.

It was noted that, in order to secure a nomination for the position of Deputy Mayor, it had been necessary to break one of the criteria for selecting the Mayor and Deputy Mayor, which had been adopted as part of the Council's Constitution. The criterion that had not been met in respect of Cllr A.K. Chowdhury for the position of Deputy

Mayor was that he was standing for election in 2022. In view of the difficulties experienced in 2022 in meeting the requirements, it was proposed to review the criteria and report back to the Committee in due course following informal engagement with Members. This was considered necessary to ensure that the provisions continued to be effective and to reflect the changing composition of the Council's membership which comprised a greater number of newer councillors.

The Committee

(i) **RECOMMENDED TO THE COUNCIL** that:

(a) Cllr J.H. Marsh be appointed as Mayor-Elect for the 2022/23 Municipal Year; and

(b) Cllr A.K. Chowdhury be appointed as Deputy Mayor-Elect for the 2022/23 Municipal Year; and

(ii) **RESOLVED** that the criteria for the selection of Mayor and Deputy Mayor be brought back for consideration in due course following informal engagement with Members

NOTE: Cllr A.K. Chowdhury declared a personal and prejudicial interest in this item and, in accordance with the Members' Code of Conduct, left the meeting during the discussion and voting thereon.

41. **PAY POLICY STATEMENT/GENDER PAY GAP REPORT**

The Committee considered the Executive Director Report No. ED2202, which sought approval for a Pay Policy Statement for 2022/23. The Pay Policy Statement set out the framework within which pay was determined within the Council and provided an analysis comparing the remuneration of the Chief Executive with other employees of the authority. The Report also set out the calculations of the gender pay gap, which the Council was required to publish annually under the Equality Act 2021 (Specific Duties and Public Authorities Regulations 2017).

The Committee noted that the comparisons looked at the ratio between the Chief Executive and the full-time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2020/23 was 6.7:1. The second ratio included within the analysis looked at the relationship between the median remuneration of all staff compared to the Chief Executive. It was noted that the ratio for 20222/23 was 3.7:1 which represented a slight change to the previous year when it had been 3.6:1.

The Committee noted that mean gender pay gap equated to 11.7% with the female average salary being lower than the male average salary. The gap had reduced from 13.9% in 2021/22. The median gender pay gap equated to 11.3% with the female median rate being lower than the male median rate. The gap had increased slightly from 10.7% in the previous year.

The Committee

(i) **RECOMMENDED TO THE COUNCIL** that approval be given to the Pay Policy Statement 2022/23, as set out in the Executive Director Report No. ED2202; and

(ii) **RESOLVED** that the Gender Pay Gap report, as set out in the Report, be noted.

42. **RISK MANAGEMENT 2021/22**

The Committee received the Assistant Chief Executive Report No. ACE2203, which provided an update on the Council's risk management activity which had taken place during 2021/22 in line with the Council's Risk Management Policy (2021) and outlined work planned for 2022/23.

The Report advised that, over the past twelve months, the focus with risk had been to review and then embed the risk management process consistently across the Council. This work had begun in January 2021 with the roll-out of a revised Risk Management Policy and associated training and briefing for staff and Members of the Committee. The key changes and amendments implemented had included:

- The introduction of three types of risk onto the Corporate Risk Register (strategic risks; corporate standing risks; and, escalated service risks) with a consistent approach to identifying these.

- Setting the expectation that, whilst risks might be managed by a number of people across the Council, there should be a single risk owner identified for risk management purposes.

- A clear expectation that risk registers should be reviewed on a monthly basis by each service.

- The Council's risk management process would be overseen by the Assistant Chief Executive, with the day-to-day management and maintenance of the risk management system being the responsibility of the Corporate Risk Manager.

- Risk would be on the Council's Corporate Management Team agenda at least every two months to ensure that regular, routine, collective oversight was given to risk at a senior level.

It was noted that, in light of these changes and to bring risk management more closely to corporate planning and performance management, responsibility for the management of risk had been moved in July 2021 to the Democracy, Strategy and Partnerships Portfolio Holder.

The Committee was advised that, over the course of 2021/22, the Risk Management Policy had been adhered to and the arrangements had been subject to an internal audit, which had concluded in February 2022. The Internal Audit Manager's Report No. AUD2205 had recognised the improvements in the risk management process since 2017 and that the current Policy was being applied. The Internal Audit Update

Report (AUD2205) made six recommendations following the risk management audit, which would be addressed as set out in the management responses over the course of 2022/23, with a view to all six identified actions being addressed by the end of June 2022. It was felt that addressing these actions would further strengthen the risk management processes across the Council and allow for greater alignment between performance and risk management and more real-time reporting of the Corporate Risk Register. The Risk Management Policy would be updated later in 2022 and a training session had been scheduled for September 2022 for the Committee.

It was noted that, as set out in the Risk Management Policy, reports on risk had been presented to the Council's Corporate Management Team on a regular basis and presented to the Cabinet alongside the quarterly performance reports. In addition, risk was discussed with greater frequency outside these meetings, with regular discussions and risk register reviews taking place across projects and programmes and with risk being discussed by the Policy and Project Advisory Board as the new Council Plan 2022-2025 had been developed.

During discussion, Members raised questions regarding: how financial risk was managed; what steps the Council had taken to increase training on risk; the sharing with the Committee of the Corporate Risk Register; the review of project risk; and, the need for a risk guidance document to assist managers.

RESOLVED: That the Assistant Chief Executive Report No. ACE2203 be noted.

43. INTERNAL AUDIT - AUDIT OPINION 2020/21 REVISED

The Committee received the Interim Audit Manager's Report No. AUD2202 which set out the revision to the Internal Audit overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment for 2020/21 following external advice and guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA), which had been issued on 19th November 2020. This guidance had been issued in acknowledgement that the Covid-19 pandemic might have an adverse impact on the delivery of Audit Plans for local government bodies for 2020/21 and so issued guidance on the risks of issuing a "Limitation of Scope" for the annual internal audit opinion, where an insufficient amount of assurance work had been undertaken in the audit year.

It was noted that the recommendation for a revision of the internal audit opinion included splitting the opinion into three governance, risk management and internal control (GRC) elements with CIPFA assessing that the governance and risk management elements were stronger than the internal controls element. However, Internal Audit had given its original assurance opinion based on a holistic assessment of GRC across the Council, as all audit reviews were conducted on an appraisal of all three elements. The splitting of the GRC elements would have contradicted the Council's Internal Audit methodology. The Audit Opinion 2020/21 had now been revised following consideration of external advice from CIPFA with a "Limitation of Scope" over all three elements of GRC.

The Committee was advised that, whilst the Internal Audit Opinion has been assessed as a "limitation of scope", some audit work had been completed and other governance work had been carried out with the involvement of Internal Audit during the year. Where weaknesses had been identified through Internal Audit review, Internal Audit had worked with management to agree appropriate corrective actions and a timescale for improvement. The Report also set out the reasons for key areas of non-compliance with the public sector internal audit standards (PSIAS).

During discussion, the Independent Member (Audit) expressed his opinion that the steps the Council had taken to secure independent advice from CIPFA had enabled the Council to put things in order and had provided a good platform going forward. The Committee also acknowledged the work that had been undertaken by Internal Audit to move the Council forward in terms of corrective actions for improvement.

RESOLVED: That the Audit Manager's Report No. AUD2202 be noted.

44. ANNUAL GOVERNANCE STATEMENT - 2020/21 UPDATE

The Committee received the Audit Manager's Report No. AUD2203, which set out the updated Annual Governance Statement 2020/21 following the revision to the Internal Audit Opinion 2020/21.

RESOLVED: That the Audit Manager's Report No. AUD2203 be noted.

45. INTERNAL AUDIT - AUDIT UPDATE

The Committee received the Audit Manager's Report No. AUD2205, which set out: an overview of the work carried out by Internal Audit in Quarter 3 2021/22 to date; an update on progress on the 2021/22 Audit Plan; a schedule of work expected to be delivered in Quarter 4; and, an update on the outstanding audit issues from Internal Audit reports covering 2019/20 and 2020/21 focusing on the high-risk issues.

During discussion, Members raised questions regarding the decision-making process for work to be postponed to 2022/23. The Interim Audit Manager advised Members that the Audit Plan was fluid and could change priority based on risks. With the internal resource gap of five months in 2021/22, the Plan had been re-prioritised with Executive approval and the Committee had been informed and approval sought and obtained in the meetings since the Interim Audit Manager had been appointed.

RESOLVED: That the Audit Manager's Report No. AUD2205 be noted.

46. ANNUAL GOVERNANCE STATEMENT - UPDATE

The Committee received the Audit Manager's Report No. AUD2204, which gave details of the work carried out towards the implementation of the actions defined within the Annual Governance Statement which had been presented to the Committee in July 2021.

RESOLVED: That the Audit Manager's Report No. AUD2204 be noted.

47. **INTERNAL AUDIT - AUDIT PLAN**

The Committee considered the Audit Manager's Report No. AUD2206, which set out the Audit Plan for 2022/23, providing a framework to ensure that audit resources were focused on activities to enable the Interim Audit Manager to provide the Council with an overall assurance of the governance, risk management and internal control (GRC) environment.

The Report set out the methodology for compiling audit coverage, encompassing the areas of audit risk universe and criteria, input from the Executive Leadership Team and Heads of Service, developing the Audit Plan and the communication and monitoring of the Plan. It was noted that a rolling programme for communicating and monitoring the Plan meant that the Plan could be set for each quarter, allowing greater flexibility of audit coverage to meet the changing environments faced by the Council.

The Report also gave details of the Internal Audit budget for 2022/23, as approved by the Council in February 2022, which had included an increase of £52,780 for the year to ensure a smooth transition of the internal audit function following the return to work of the Audit Manager from maternity leave. It was noted that the Audit Plan, as set out in the Report, would require a further increase in the budget for 2022/23 of £37,835 as a result of the increased number of audits in the Plan (including audits postponed from 2021/22). A proposal for additional budget would be prepared by the Executive Head of Finance for consideration by the Cabinet and would include a review of other options that would reduce this budget pressure over the medium term. In order to deliver the Audit Plan, the Interim Audit Manager would assist the Audit Manager and contract auditors would continue to be utilised during 2022/23.

The Report set out the first six months' work of the 2022/23 Audit Plan, which had been selected from the higher risk areas and the five audits that had been postponed from 2021/22. The list of audits was subject to review due to the changing needs of the organisation or resource availability.

During discussion, the Independent Member (Audit) gave his support for the Audit Plan for 2022/23 as it covered the four key areas of financial systems, value for money, operations and IT,. He also stated that internal control work was strengthened by the Committee and that the purpose of audit was to effect improvement.

RESOLVED: That approval be given to the Audit Plan for 2022/23, which would be monitored and updated on a rolling, quarterly basis.

The meeting closed at 8.27 pm.