

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Monday, 28th November, 2022 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr P.J. Cullum (Chairman)
Cllr Jessica Auton (Vice-Chairman)

Cllr A. Adeola
Cllr M.S. Choudhary
Cllr K. Dibble
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Nem Thapa
Cllr S. Trussler
Cllr Jacqui Vosper

Non-Voting Member

Mr. Tom Davies – Independent Member (Audit)

Apologies for absence were submitted on behalf of Cllr Sarah Spall.

20. MINUTES

The minutes of the meeting held on 26th September 2022 were agreed and signed as a correct record of the proceedings.

21. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2022-23

The Committee received the Executive Head of Finance Report No. FIN2235 setting out the treasury management and non-treasury investment operations and prudential indicators for the first half of the 2022-23 financial year, which was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

The Committee noted that the Council's treasury team continued to concentrate primarily on the security of investments, taking due regard for the returns available whilst managing liquidity. In relation to borrowing, the treasury team continually reviewed the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2022-23 financial year, short-term interest rates had increased and were forecast to increase further. However, borrowing levels had remained the same. The Committee noted that all treasury management decisions had been taken with due regard to refinancing risk.

The Committee was also advised that total borrowing as at 30th September 2022 was £100 million, which was no change from the 31st March 2022 year-end position. Year-end borrowing was forecast to be £118.6 million, which was below the estimated levels due to slippage on the Capital Programme. The lower level of borrow but higher interest rates had resulted in a forecast interest cost of borrowing increasing by £0.05 million. The Council was forecast to have non-treasury investments risk exposure of £134.1 million, of which £118.6 million was funded via external loans. The Committee was also advised that the return of non-treasury investments was forecast to be below the estimated return for 2022-23 due to the deferral of interest on the Farnborough International loan until June 2023.

During discussion, Members sought updated information on investment activity, values of pooled funds as at November 2022 together with information on the impact of the recent mini budget. This information would be sent to the Committee by Philippa Dransfield, Finance Manager and Deputy Section 151 Officer.

RESOLVED: That the Executive Head of Finance Report No. FIN2235 be noted.

22. ANNUAL STATEMENT OF ACCOUNTS - EXTERNAL AUDIT OPINION - UPDATE NO. 3

The Committee received an update from the Executive Head of Finance on the current situation on the Annual Statement of Accounts – External Audit Opinion for 2019/20. It was explained that, due to different methodologies used by the Council's asset valuer and those used by the Council's External Auditor, there was a difference of opinion regarding the valuations of the Council's assets. As things stood, this meant that the current draft External Audit Opinion showed that a qualified opinion would be given on the Council's Statement of Accounts for 2019/20. If the Council did not adjust its valuations to be in line with the External Auditor, resulting in a qualified opinion, this would present a challenge to the Council going forward as each year the same situation would arise in the External Audit Opinion. It was noted that a qualified opinion could have several impacts on the Council, including limiting its ability to borrow money.

The Executive Head of Finance advised the Committee that, following discussion with the Chairman, his recommendation was that the Council should move its valuation position to be in line with the External Auditor to enable an unqualified opinion to be issued by the External Auditor. The Committee was further advised that the re-alignment of asset valuations would not result in any cost to the Council Tax payers. This recommendation was agreed by the Committee. It was further agreed that the Council would work more closely with the External Auditors to understand the different methodologies used in valuing assets. The Council would also work more closely with its valuers to advise them of the different methodologies used by EY. The Committee hoped that, in the future, there would be greater clarity on procedures and processes to bring about stability in achieving timely production of audited accounts and the External Auditor's Opinion going forward.

RESOLVED: That

- (i) the Executive Head of Finance and Section 151 Officer's report be noted; and

- (ii) approval be given to the re-alignment of asset valuations by the Council, as recommended by the Executive Head of Finance and Section 151 Officer in his report.

23. INTERNAL AUDIT - AUDIT UPDATE

The Committee received the Audit Manager's Report No. AUD2213, which set out the work completed by Internal Audit since the previous report and also gave an update on the 2022/23 Audit Plan and on outstanding audit issues.

During discussion on outstanding high risk issues, the Committee agreed that it reserved the right to call in Heads of Service to explain why there had been delays in completing outstanding audit issues and what was going to be done to resolve this.

RESOLVED: That

- (i) the audit work completed since the last update be noted;
- (ii) the update to the expected deliverables for Quarter 3 be noted; and
- (iii) the outstanding audit issues be noted.

24. INTERNAL AUDIT - AUDIT CHARTER

The Committee considered the Audit Manager's Report No. AUD2214 which set out an updated Internal Audit Charter for approval. The Internal Audit Charter detailed the purpose, authority and responsibility of Internal Audit within the Council, which was a requirement of the Public Sector Internal Audit Standards.

RESOLVED: That the updated Internal Audit Charter, as set out in the Audit Manager's Report No. AUD2214, be endorsed.

25. PROTOCOL FOR THE SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Committee considered the Chief Executive and Executive Director's Report No. DEM2201, which set out the results of work undertaken to review the criteria for the selection of the Mayor and Deputy Mayor to ensure that they continued to be effective in supporting the mayoral selection process.

It was noted that a survey of Members had been carried out in July – August 2022 to understand more about councillors' interest and considerations in taking on the role of Mayor. In October 2022, a group of Members appointed by the Committee (comprising Cllrs. P.J. Cullum, Christine Guinness, M.S. Choudhary and A. Gani) had met to consider the survey outcomes and had discussed the proposals for loosening the selection criteria to reflect the higher turnover of councillors and to ensure that those councillors who were interested in taking on the role had reasonable opportunity to be nominated without breaking the criteria.

The Report set out the proposed amendments to the criteria for the selection of the Mayor and Deputy Mayor. It was proposed to retain the use of order of seniority, determined by length of service, to decide the selection, within eligibility. Under revised arrangements, it was proposed that each year the process would begin with the Chief Executive inviting all Members to advise if they were interested in taking on the role of Deputy Mayor, progressing through to the position of Mayor. The seniority and eligibility criteria, as set out in Appendix 2 to the Report, would then be applied to all Members who had notified their interest. The Councillor who was highest up the seniority list would then be considered for the appointment, subject to the eligibility requirements and the Chief Executive would then follow up by consulting all Members to ensure a broad base of support for the appointment.

During discussion, it was agreed that to assist Members, the Mayoral protocol containing guidance on the role and commitments involved in the mayoral role should be provided to Members wishing to put their name forward to become Mayor.

The Committee **RECOMMENDED THE COUNCIL** to approve the amendments to the criteria for the selection of the Mayor and Deputy Mayor, as set out in the Chief Executive and Executive Director Report No. DEM2201.

The meeting closed at 8.40 pm.

CLLR P.J. CULLUM (CHAIRMAN)
