

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Tuesday, 27th July, 2021 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

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

Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr Jacqui Vosper
Cllr Jessica Auton
Cllr Jib Belbase
Cllr Sarah Spall

An apology for absence was submitted on behalf of Cllr Prabesh KC.

7. STATEMENT OF ACCOUNTS AND AUDIT OPINION 2019/20

The Chairman welcomed to the meeting Adrian Balmer (Senior Manager) and Justine Thorpe (Audit Manager) of Ernst & Young (EY) via Microsoft Teams to update the Committee on the Draft Audit Results Report for the financial year ended 31st March 2020.

Mr Balmer referred to the Executive Summary which stated that the audit had been carried out in accordance with the audit scope for the audit of the 2019/20 financial statements. As a result of Covid-19, new regulations – the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, had come into force on 30th April 2020. The Regulations announced a change to the publication date from 31st July to 30th November 2020 for all relevant authorities. It was noted that 30th November 2020 was not a statutory deadline for the completion of the audit of the Council's 2019/20 financial statements.

As a result of Covid-19, Mr Balmer gave further details of changes made to EY's risk assessment in respect of the following:

- Valuation of investment properties and property plant and equipment
- Disclosures on Going Concern
- Adoption of IFRS16

Reference was also made to changes in materiality. EY had updated its planning materiality assessment using the draft financial statements and had also

reconsidered its risk assessment. Based on its materiality measure of gross expenditure on provision of services, EY had updated its overall materiality assessment to £1.512 million. The basis for this assessment had remained consistent with prior year at 2% of gross expenditure on the provision of services. This had resulted in an updated performance materiality of £1.135 million and an updated threshold for reporting mis-statements of £75.6k.

In respect of the status of the audit, the draft Audit Results Report stated that, subject to satisfactory completion of the remaining areas of the audit to be completed, EY expected to issue an unqualified opinion on the Council's financial statements. However, it was noted that until the work was complete, further amendments could arise. Outstanding work included:

- Property Plant and Equipment and Investment Properties valuation – the provision of source valuation information
- Going Concern – some final information required from the Council

Mr Balmer referred to the sections in the Executive Summary of the Audit Report concerning control observations and other reporting issues. It was noted that EY had no other matters to report in respect of the Annual Governance Statement and the National Audit Office Whole of Government Accounts submission.

Once outstanding queries had been answered, EY would review the final position on the concluded work, audit adjustments and reporting (including financial instruments, journals and income). Together with Council's management team, the final version of the accounts would be produced and reviewed. Completion of subsequent events procedures to the date of signing the audit report would also be undertaken. The Committee would also produce a signed management representation letter, with the Chairman and Section 151 delegated to sign this off.

Ms Thorpe drew attention to the area of audit focus in respect of mis-statements due to fraud or error and it was noted that EY had not identified:

- any material weaknesses in controls or evidence of material management override
- any instance of inappropriate judgements being applied
- any other transactions during the audit which appeared unusual or outside the Authority's normal course of business
- any errors or fraud issues

In addition to giving an audit opinion, EY was required to consider whether the Council had put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources (the Value for Money conclusion). The Committee noted that the value for money risk assessment at the planning stage of the audit had considered both the potential financial impact of issues facing the Council and also the likelihood that the issues would be of interest to local taxpayers, the Government and other stakeholders. At the time of planning, EY had identified one significant risk relevant to its 'Value for Money' conclusion, which was the effectiveness of the Council's Governance and Risk Management Framework. EY had concluded that the Council's risk management arrangements were adequate

and recognised that there had been improvements in the Council's Governance and Risk Management Framework during 2019/20. EY had made some suggestions in the draft Audit Results Report that the Council might like to consider to further embed risk management in the day-to-day business and reporting of the Council. It had further been suggested that disclosures in the draft 2019/20 Annual Governance Statement could be improved so that the Statement better described the effectiveness of the Council's governance arrangements in the year in question and any significant weaknesses and action plans for the resolution of prior year issues and issues going forward. EY had also considered that the Council could better disclose how the Council's risk management framework enabled the Council to achieve its strategic objectives and address areas for improvement.

In respect of the assessment of the internal financial control environment, EY had made recommendations in respect of:

- ensuring that appropriate documentation was retained and accessible in relation to property, plant and equipment and investment properties held;
- reviewing policies and procedures to ensure these were kept up-to-date;
- appropriate officer capacity to respond to audit queries within agreed timelines; and
- the collection and retention of all Declarations of Interest forms for all Members and key Officers

The Executive Head of Finance advised the Committee that progress had been made in terms of responding to the outstanding issues. Discussion would be required on the draft Audit Report by the management team. The Committee also noted that a draft timetable had been agreed by EY and the Council for the 2020/21 audit. The Council would be putting resources in place to respond to audit questions and it was hoped that EY would respond positively and timely when information had been provided.

During discussion, questions were raised regarding: risk management; the updating of the Council's policies and procedures; asset valuations; and, EY's audit fees. The Committee requested a breakdown on the final audit fee from EY.

The Chairman thanked Mr Adrian Balmer and Ms Justine Thorpe for their presentations.

RESOLVED: That the update be noted.

8. **MINUTES**

The Minutes of the meeting held on 27th May 2021 were approved and signed by the Chairman.

9. **STATEMENT OF ACCOUNTS 2020/21 - PROGRESS/UPDATE**

The Executive Head of Finance advised the Committee that work would commence in August 2021 on the 2020/21 financial statements. EY would be on site to do

testing of the financial statements and it was hoped to have an audit opinion by November 2021.

The Committee was referred to the late agenda paper circulated on EY's 'Going Concern' consultation for 2019/20 and the response provided by the Executive Head of Finance, as updated on 22nd July 2021.

During discussion, the Executive Head of Finance was asked to provide the Committee with a synopsis in respect of the Statement of Accounts for the 2020/21 financial year.

RESOLVED: That the update be noted.

10. **ANNUAL GOVERNANCE STATEMENT 2020/21**

The Executive Head of Finance gave an update on progress with the Annual Governance Statement for publication alongside the Council's Statement of Accounts, under Regulation 6(1) of the Accounts and Audit Regulations 2015.

It was noted that the Regulations required councils to ensure that their financial management was adequate and effective and that there was a sound system of internal control. This facilitated the effective exercise of the Council's functions, including the management of risk and review of performance management. The system of internal control included more than the financial aspects of the Council's business. It included matters such as the establishment and monitoring of objectives, the arrangements for decision-making and ensuring compliance with established policies.

The Committee was advised that recent CIPFA guidance had requested that the Annual Governance Statement should include the Council's position in respect of continuing services during the Covid-19 pandemic. In accordance with the Council's Code of Corporate Governance, assurance statements had been obtained from Heads of Service in this respect. The Executive Head of Finance confirmed that there were no significant areas of concern given in the assurance statements.

The Executive Head of Finance undertook to provide the Committee with a synopsis on progress with the Annual Governance Statement.

RESOLVED: That the Executive Head of Finance's update be noted.

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

The Executive Head of Finance updated the Committee on the Internal Audit Opinion for 2020/21. It was noted that the Internal Audit Manager, Nikki Hughes, was currently on maternity leave and that an interim Internal Audit Manager (Mr David Thacker) had been appointed. Mr Thacker would commence work at the beginning of August 2021 and would be working closely with the Committee.

The Committee was advised that Nikki Hughes was being consulted to give an opinion on audits outstanding since the start of her maternity leave. An updated Audit Opinion would be provided to the Committee in due course.

The Executive Head of Finance also updated the Committee on audit resources negotiated with Wokingham Borough Council through a Section 113 agreement.

During discussion, the Executive Head of Finance was asked to provide the Committee with a written synopsis of the situation with regard to the Internal Audit Opinion for 2020/21.

RESOLVED: That the Executive Head of Finance's update be noted.

12. **RUSHMOOR COMMUNITY AWARD 2021**

The Head of Democracy and Community advised the Committee that the Rushmoor Community Award was an initiative that the Council had had in place for many years to recognise outstanding achievements of Borough residents. The Award was open to all local people and nominations were sought through advertising in the Arena magazine and through the Council's social media. Nominations made had to meet certain criteria: outstanding service to the community; outstanding service to an individual or individuals; or outstanding service to the voluntary sector.

2021 had seen an unprecedented number of nominations received for the Award. In previous years, between 5-10 nominations were normally received. However, 32 nominations had been received for 2021 and would require some time to go through by the Committee to make its decision for one, or rarely two, recipients of the Rushmoor Community Award. It was therefore proposed to set up a small group from the Committee to go through the nominations comprising the Chairman, Vice-Chairman, one representative of the Conservative Group and two representatives of the Labour Group. All Members of the Committee would receive a strictly confidential list of all nominees in order to make any comments to the Head of Democracy and Community before the small group would meet to make its decision. It was the intention to present the Rushmoor Community Award for 2021 at the October meeting of the full Council.

During discussion, Members agreed to the proposed way forward and suggested that a set of robust criteria be circulated to the Committee with the information on the nominees to assist with being able to make comments.

RESOLVED: That the following Members be appointed to the group to consider nominations for the 2021 Rushmoor Community Award and recommend a recipient:

- Chairman
- Vice-Chairman
- Conservative Group representative - Cllr Jacqui Vosper
- Labour Group representatives – Cllrs Sarah Spall and Ashley Halstead

13. TAXI LICENSING HEARINGS AND WHEELCHAIR ACCESSIBLE VEHICLES

The Committee considered the Head of Operations' Report No. OSP2109 which proposed an amendment to the Scheme of Delegation set out in the Council's Constitution (Taxi and private hire licensing and associated licensing arrangements) to reflect new arrangements required when an authorised officer was minded to refuse or revoke a licence for a private hire operator or a hackney carriage and/or private hire driver. The Report also proposed the designation of Wheelchair accessible vehicles in accordance with the power provided under Section 167 of The Equality Act 2010.

In respect of taxi decision making, the Report advised that the Council's current Scheme of Delegation allowed for all decisions on taxi licence applications and any interferences with licences once issued to be made by the Head of Operations or delegated officers. Historically, these decisions had been made by officers with the option to refer them to a sub-committee, which had been determined by the Manager or Head of Service on an exception basis with no specific criteria. This had resulted in very few taxi hearings.

DfT statutory guidance had recently been released which required the licensing authority to refer a contentious decision by the authorised officer to a sub-committee. However, an exception should be specified that delegation to the Head of Operations would remain in place where it was determined urgent or necessary for an expedient decision.

The Report also set out a proposed protocol and procedures for the arrangements for taxi hearings. It was proposed that training would be provided for the Committee incorporating mock hearings based on previously determined cases to comply with the DfT guidance to ensure that Members were confident on decision making on taxi hearing cases.

In respect of wheelchair accessible vehicles, it was proposed that the Council designated wheelchair accessible vehicles in accordance with the power provided at Section 167 of The Equality Act 2010, introducing statutory duties on the drivers of these vehicles. The DfT guidance recommended that the criteria used to determine that a vehicle was designated was if it would be possible for the user of a 'reference wheelchair (as detailed in Schedule 1 of The Public Service Vehicle Accessibility Regulations 2000, as appended to the Report) to enter, leave and travel in the passenger compartment in safety and reasonable comfort whilst seated in their wheelchair'. It was proposed that the responsibility for determining whether a vehicle was designated in accordance with the criteria should be delegated to officers in accordance with the current Scheme of Delegation. Licensing officers would produce a draft list of vehicles to be designated in accordance with the criteria and that the proprietors/drivers of these vehicles should be informed in writing of the decision to designate the vehicle, the duties that this put on them and additional information to assist them in those duties. The Report advised the Committee that, as there was a right of appeal to the Magistrate's Court within 28 days of the decision, the designated vehicles list and duties would be published online and

therefore made available to members of the public at the end of the appeal period for all vehicles where no appeal had been received.

During discussion, Members raised questions regarding: the number of taxi licensing hearings held over recent years; the training required for Members to sit on the Licensing Sub-Committee to undertake hearings; and, the enforcement of wheelchair accessibility requirements.

RESOLVED: That approval be given to:

- (i) the updating of the Scheme of Delegation, set out in Part 3, Section 4, Para. 4.5.2 of the Constitution (taxi and private hire licensing and associated licensing arrangements) to reflect that, where the authorised officer is minded to refuse or revoke a licence for a private taxi hire operator or a hackney carriage and/or private hire driver, the matter be referred to a taxi licensing hearing for decision, but an exception to be specified that delegation to the Head of Operations will remain in place where it is deemed urgent or necessary for an expedient decision; and
- (ii) a panel of three Members drawn from the Corporate Governance, Audit and Standards Committee by rotation, forming a sub-committee, be authorised to deal with the determination of taxi licensing applications, as set out in Recommendation (i) above, and that the Head of Democracy and Community be authorised to make the appointments to the sub-committee from amongst the trained Members of the Committee, in accordance with the proposed protocol and procedure, as set out in Appendix 3 of the Head of Operations' Report No. OSP2109;
- (iii) the adoption of the Taxi Hearings Protocol and Procedure, as set out in Appendix 3 of the Report;
- (iv) the arranging of training to support Members to determine matters at taxi licensing hearings and the Head of Operations be authorised to continue to use delegated powers in the absence of trained Members.
- (v) the designation of Wheelchair Accessible Vehicles in accordance with the power provided at Section 167 of The Equality Act 2010, using a reference wheelchair as detailed in Appendix 4 of the Report; and
- (vi) the delegation to officers of the designation of Wheelchair Accessible Vehicles, in accordance with the current Scheme of Delegation.

14. **APPOINTMENT OF INDEPENDENT MEMBER**

The Monitoring Officer reminded Members that, at the meeting on 29th March 2021, the Committee had approved the appointment of Independent Members with technical knowledge and expertise in respect of audit matters to be co-opted on to the Committee to help with the process of in-depth questioning and committee discussion.

A public advertisement to recruit Independent Members had been published and, following an initial interview of candidates by the Monitoring Officer and the Committee Services Manager, two candidates would be interviewed in August 2021 by the Chairman of the Committee, Chief Executive and the Monitoring Officer.

The Monitoring Officer undertook to circulate details of the successful candidate(s) following the interviews.

During discussion, Members were advised that the Committee could have up to three Independent Members co-opted on to the Committee.

RESOLVED: That the update by the Monitoring Officer be noted.

The meeting closed at 8.39 pm.

CLLR SUE CARTER (CHAIRMAN)
