

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Wednesday, 31st July, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Bill O'Donovan (in the Chair)

Cllr A. Adeola
Cllr Gaynor Austin
Cllr Rhian Jones
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper
*Cllr Lisa Greenway
*Cllr Craig Card

Apologies for absence were submitted on behalf of Cllr A.H. Crawford.

*Cllr Lisa Greenway attended the meeting as a Standing Deputy.

*Cllr Craig Card joined the meeting remotely and was therefore unable to vote.

5. MINUTES

The minutes of the meeting held on 23rd May 2024 were agreed and signed as a correct record of the proceedings, subject to an amendment to Minute No. 2 in respect of the Annual Governance Statement 2023/25 to include that the Executive Head of Finance had stated at the meeting that the Council was not bankrupt.

6. INTERNAL AUDIT - ANNUAL AUDIT OPINION 2023/24

The Committee considered the Audit Manager's Report No. AUD2406 which set out the Internal Audit Manager's independent annual audit opinion for 2023/24 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. With reference to Appendix 1 of the Report, the Committee noted that assurance levels had been provided for each of these areas in order to provide a clear assessment:

- **Internal Control** – It was noted that, in the opinion of the Audit Manager, the internal control environment for the Council was reasonable. Whilst a reasonable assurance had been provided it was noted that this was on the lower level of this assurance bracket, therefore, improvements were required so that this downward trend did not continue – particularly around the financial systems where work was currently being undertaken.

During discussion on Internal Control, the Committee highlighted concerns in respect of audits carried out in 2023/24 where an assessment had been given of a limited assurance level in respect of cyber security within the supply chain and procurement cards.

The Audit Manager confirmed that where weaknesses had been identified through internal audit review, plans and actions had been discussed and developed with managers to address improvements needed.

- **Risk Management** – It was noted that, in the opinion of the Audit Manager, risk management for the Council was reasonable. Whilst a reasonable assurance had been provided the process required improvement and focus to ensure that it was an effective management tool rather than just process driven. The Committee noted that a risk appetite statement had not been defined and agreed with Members, resulting in a lack of clarity against the level of risk that would be deemed as acceptable by the Council, therefore, risks were categorised based upon individual perceptions and not calibrated against the Council’s adopted appetite.

On risk management, the Committee indicated support for the development of a risk appetite statement for the Council to support decision making.

- **Governance** - It was noted that, in the opinion of the Audit Manager, governance for the Council was reasonable. Governance issues were addressed through the corporate governance group, and it had been acknowledged that work needed to be done to improve the governance arrangements within the Council. In this way, the Corporate Governance Group had undertaken a review of the seven characteristics of good governance to assist this work and outcomes had started to be implemented, in particular around consistency and clarity of reports to the Cabinet and Council.

During discussion on governance, the Committee discussed whether a Working Group should be established to review and consider how governance arrangements within the Council’s decision-making structure were working, including the effectiveness of scrutiny, assessing how governance worked previously and how it was proposed to work going forward. In response, Mr Harrison, Executive Director, advised that the recommendations from the recent Peer Review and CIPFA reports, had proposed a review of governance arrangements and that a formal response and action plan was being developed in response to the CIPFA and Peer report recommendations. It was noted that this would establish and agree how a review should be taken forward and the Committee would play an integral part in that process.

RESOLVED That:

- (1) the Cabinet be recommended to develop a risk appetite statement for the Council to support risk management, planning and decision-making within the organisation (*proposed to be considered by informal Cabinet*)

- (2) further details in respect of those audits carried out in 2023/24 assessed as having limited assurance including cyber security within the supply chain, procurement cards and Rushmoor Homes Limited be reported in the next audit update report. Relevant Service Managers to be invited to report to the committee in the future as needed.
- (3) the Audit Opinion given for governance, risk management and internal control for 2023/24 be noted, and
- (4) the self-assessment exercise against the PSIAS and the improvement areas be noted.

7. ANNUAL STATEMENT OF ACCOUNTS UPDATE/EXTERNAL AUDIT PROVISIONAL AUDIT PLANNING REPORT

The Chairman welcomed Simon Mathers and Kalthiemah Abrahams of Ernst & Young (EY), who joined the meeting remotely via Microsoft Teams.

The Council's Executive Head of Finance, Peter Vickers, advised that following the publication of the Statement of Accounts for 2023/24 on 31st May, 2024, Ernst & Young had prepared a provisional audit planning report for the Committee (copy circulated with the agenda) to provide a basis for the Committee to review its proposed audit approach and scope for the 2023/24 audit. This was in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

Mr Mathers reported on the delays in audits being carried out on councils' Annual Statements of Accounts. It was noted that following the General Election in July 2024, the new Government had agreed that the previous leadership's legislation to address the delays would be passed. This would result in all accounts for the Council between 2020/21 and 2022/23 being completed through the process of a disclaimer by 13th December, 2024 and the 2023/24 accounts would be audited, in the proposed way as set out in the plan, by 28 February, 2025.

Mr Mathers, advised on the plan and the risks identified within it that could impact the financial statement audit. The identified risks were key as they helped direct EY's audit process and included risks around fraud, valuation of investment properties, Pension Liability Valuation and, new for 2024/25 inherent risks relating to, IFRS 16 and going concern disclosure. Also noted in the report were the levels set for planning and performance materiality and the audit difference threshold.

Mr Mathers advised that EY were currently in the process of concluding the final elements of the planning work and were selecting the samples that would be needed for detailed testing in October through to mid-December. It was expected that EY would be in a position to report on the outcomes from the audit by the end of December, 2024.

During discussions, queries were raised relating to the levels set on materiality, property and land valuations, the timetable of the audit process to fit with the setting of the budget due in February 2025, and staffing levels to deal with the demand and work within the timescales. The importance of timely responses to audit requests was emphasised to meet the timescales.

RESOLVED: That the proposed audit approach and scope for the 2023/24 audit, as set out in Ernst Young's Provisional Audit Planning Report circulated with the agenda be endorsed.

8. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2023/24**

The Committee received the Executive Head of Finance Report No. FIN2409, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations for the full financial year 2023/24 and reported on compliance with Prudential Indicators. The appendices in the report set out the Treasury Management Operations, Borrowing and Investments, as well as Non-Treasury Investment, Prudential Indicators, the list of borrowing counterparties and market commentary from the Council's treasury management advisors Arlingclose.

The Committee noted that all treasury activity had been conducted within the approved Treasury Management Practices, with the exception of the Interest Rate exposure measure. During 2023/24 there had been an unprecedented number of Bank of England base rate increases and while borrowing had remained within the approved limits, interest costs had increased significantly. It was noted that majority of the borrowing was short term and would remain so until interest rates reduced. The rates were predicted, by the financial markets, to reduce circa 4% by the end of the calendar year 2025. The Council's revenue budget had capacity to pay approximately £3million interest on its borrowing, but costs of interest above this would be funded by the Council's reserves.

The Committee noted the position on the Council's pooled funds, which were valued at less than the initial sum invested, and the planned mitigation which was to hold these funds into the future to avoid the crystallisation of the capital loss.

The key risks to the Council's delivery of successful treasury and non-treasury investment options were noted. These included:

- Inflation levels
- Bank of England base rates for quarters two and three
- Delivery of the Capital Programme

During discussion, the Committee asked that the next monitoring report include further details on the percentage interest rates and dates of maturity for the debt counterparties as set out in Appendix D.

RESOLVED: That the Executive Head of Finance Report No. FIN2409 on the Treasury Management and non-Treasury Investment Operations for the full financial year 2023/24, including the position on compliance on Treasury Management Practices and the key risks as set out in para 5.1 of the Report, be noted.

9. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024/25 - QUARTER 1**

The Committee received the Executive Head of Finance Report No. FIN2410 which set out the activities of the Treasury Management and non-Treasury Investment Operations for quarter one in the financial year 2024/25 and reported on compliance with Prudential Indicators.

The Committee noted that all treasury activity was compliant and had been conducted within the approved Treasury Management Practices.

The Committee also noted the position on the pooled funds, where funds were currently valued below the value of the initial sums invested. Notification had been received by the Council that the UBS pooled fund, in which the Council had an investment of £5million, would be closed from September 2024. It was proposed that the UBS fund would be redeemed once the quarterly dividend had been paid, and the funds used to make a reduction on some of the Council's debt.

RESOLVED: That

- (1) the Executive Head of Finance Report No. FIN2410 in relation to the treasury management and non-treasury investment operations carried out during 2024/25 be noted; and
- (2) the position on the pooled funds held in the UBS Multi Asset Income fund and the CCLA Local Authorities Property Fund as detailed in paragraphs 4.1 – 4.7 be noted.

10. **FREEDOM OF INFORMATION - ANNUAL UPDATE REPORT 2024**

The Committee received the Corporate Manager – Legal Services Report No. LEG2403 which set out information about Freedom of Information (FOI) requests received by the Council, and performance on responses to FOIs. It was noted that performance had been steadily improving and that further work was planned to progress this further. A new Microsoft Lists system had been launched to improve resilience and increase oversight by senior management, and regular monitoring was in place.

In response to a question, it was confirmed that good use was made of the Council's website to publish information which was frequently the subject of FOI requests. During discussion, it was proposed that an additional mid-year update be reported to the Committee to review the effects of further planned improvements, including an update on the implications of data protection on FOI requests by businesses.

RESOLVED: That officers:

- (1) Continue their work on reducing the number of overdue FOIs within the system in 2024 towards the 90% turnaround time, as per the ICO target;
- (2) Continue to raise FOI awareness and knowledge across employees through regular training and guidance; and
- (3) Publish as much information proactively to reduce the number of FOI requests.

11. APPOINTMENTS

The Committee was advised that the Council had been invited to appoint a councillor representative to the Citizens' Advice Rushmoor Board of Trustees in an observer capacity following a recent vacancy and review of the role.

The usual process had been taken to seek nominations and following a vote, it was **AGREED** that Cllr Bill O'Donovan be appointed as a Member of the Citizens' Advice Rushmoor Board for the remainder of the 2024/25 Municipal Year.

12. EXCLUSION OF THE PUBLIC

RESOLVED: That the public be excluded from the meeting during the discussion of the undermentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act 1972 indicated against such item:

Minute No.	Para. No.	Category
12	1	Information relating to an individual

THE FOLLOWING ITEM WAS CONSIDERED IN THE ABSENCE OF THE PUBLIC

13. APPOINTMENT OF HONORARY ALDERMEN

The Committee considered the Corporate Manager – Democracy Report No. DEM2405, which set out proposals for the appointment of Honorary Alderman of the Borough.

It was noted that the provisions for the appointment of Honorary Aldermen were contained in the Local Government Act, 1972 and that the criteria adopted by the Council had been circulated to Committee members. The criteria included that former councillors were required to have not less than 16 years' service with the Council or its constituent authorities and should normally be a resident of the Borough. If the proposals were supported by the Committee, then arrangements

would be made for an Extraordinary Meeting of the Council to be held later in the Municipal Year to enable the honour to be bestowed.

The Committee considered the report and was of the unanimous opinion that Mrs. D.B. Bedford should be appointed as Honorary Alderman of the Borough in recognition of her eminent and long service to the Borough.

RESOLVED: That the Council, at an Extraordinary Meeting arranged for this purpose, be asked to appoint Mrs. D.B. Bedford as Honorary Alderman of the Borough in recognition of her eminent and long service to the Council and Borough.

The meeting closed at 9.15 pm.

CLLR BILL O'DONOVAN
VICE-CHAIRMAN