

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the meeting held on Thursday, 21st November, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr A.H. Crawford (Chairman)
Cllr Bill O'Donovan (Vice-Chairman)

Cllr A. Adeola
Cllr Gaynor Austin
Cllr Rhian Jones
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr Sarah Spall
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllrs Craig Card and P. G. Taylor.

Non-Voting Member

Mr Tom Davies (ex officio) watched proceedings virtually.

20. MINUTES

The minutes of the meeting held on 25th September 2024 were agreed and signed as a correct record of the proceedings.

21. EY AUDIT/STATEMENT OF ACCOUNTS UPDATE

The Chairman welcomed Simon Mathers, Director and Kalthiemah Abrahams, Audit Manager, from the Council's external auditors, Ernst and Young (EY), who joined the meeting remotely via Microsoft Teams.

The Committee received the Executive Head of Finance's Report No. FIN2418 which set out the latest position on the local audit delay backstop, and with recommendations to approve the outstanding years financial statements – 2020/21, 2021/22 and 2022/23.

The Committee was advised that three years of statutory annual accounts (as set out in Appendices 1-3 in the Report) needed to be disclaimed, to deal with the national backlog issues in local government audit as previously reported. The process of publishing the accounts, was to have the accounts open for public viewing for a statutory period of 20 days. Two of the sets of accounts, had not been held open for 20 days due to a Bank Holiday not being accounted for. The accounts therefore

needed to be republished with the public scrutiny period to end on the 13th December 2024.

Mr Mathers shared the draft Audit Completion Report from EY, reporting on the limited procedures that they needed to undertake to be able disclaim the historic audits for 2020/21, 2021/22 and 2022/23. The Committee needed to provide EY with letters of management representation for the accounts, with separate letters for each of the three open audit years.

The Executive Head of Finance also advised that the Council had been liaising with EY to arrange the external audit for the 2023/24 accounts. It was noted that the Statement of Accounts Audit for the 2023/24 Financial Year was on track and completion was expected in January 2025.

RESOLVED: That:

- (i) approval of the Statement of Accounts for 2020/21, 2021/22 and 2022/23 be delegated to the Chair of the Corporate Governance Standards and Audit Committee and the S151 Officer;
- (ii) the signing of the Letter of Representation for 2020/21, 2021/22 and 2022/23 be delegated to the Chair of the Corporate Governance, Standards and Audit Committee and the S151 Officer;
- (iii) the accounts be confirmed as having been prepared on a going concern basis;
- (iv) the Auditors Completion Report be noted; and
- (v) the Auditors Value for Money report be noted.

22. PROPOSALS FOR INTERNAL AUDIT

The Committee received the Executive Head of Finance's Report No. FIN2420 setting out proposals to use an external provider, Southern Internal Audit Partnership (SIAP) which was part of Hampshire County Council, to deliver the Council's full internal audit service.

The Committee heard from SIAP's Neil Pitman, who explained that they would act in partnership with the Council. The Council's S151 Officer would also sit on the Partnership Board. The benefits of using SIAP to undertake the work included increased independence from Council staff, increased resilience, a wider skill base including IT and systems expertise, as well as wider experience of other council's processes and procedures.

In response to a question about the effect of the current financial challenges faced by Hampshire County Council and how this could impact on the service provided, it was noted that an inter-authority arrangement with one of the region's largest providers of public sector internal audit would mean improved service resilience with adequate capacity and capability to enable strong internal audit.

RESOLVED: That the proposal to contract the Chief Internal Audit function to SIAP be agreed by the Committee.

23. PROPOSALS FOR COUNCIL INSURANCE

The Committee received the Executive Head of Finance's Report No. FIN2419 which set out options for the renewal of the Council's insurance. Neil Walker from London Borough of Sutton Insurance was in attendance to provide information on the self-insurance model.

The Committee heard from the Executive Head of Finance, Peter Vickers, that the Council's insurance contractual arrangements were due to expire on 31st March 2025. The Cabinet had previously considered Report No. FIN2414, which set out a proposal in relation to the process by which the Council would procure its insurance services in the future. The Cabinet had subsequently expressed support for the London Borough of Sutton (LBS) approach being progressed.

The Committee heard from Neil Walker and Emma Cotton from the LBS. It was noted that the Council would have increased policy cover and with jointly purchased insurance through a consortium of 9 other London Boroughs would afford significant purchasing power to achieve economies of scale and insurance premium stability well beyond the ability of individual councils to manage premiums through increased excess. LBS would put the council's insurance information out to tender or auto renewal and update information yearly. They would also give advice on events and contracts, as well as providing claims handling for the Council using an in-house dedicated team.

RESOLVED: That the Executive Head of Finance's Report No. FIN2419 be noted and the suitability of the London Borough of Sutton's insurance proposal to satisfy the Council's insurance requirements be confirmed.

24. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024/25 QUARTERLY REPORT

The Committee received the Executive Head of Finance Report No. FIN2417, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations during Quarter 2 of the 2023/24 financial year. This was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

The Committee was advised that all treasury activity had been conducted within the approved Treasury Management Practices. The majority of borrowing was short-term and would remain so until the Public Works Loan Board (PWLB) interest rate reduced to a level which would enable longer term affordable borrowing to be secured. The Committee noted that the Council had borrowed substantial sums of money and was therefore exposed to financial risks which included the loss of invested funds and the revenue effect of changing interest rates. The Authority's Treasury Management Strategy included the successful identification, monitoring and control of risks.

During discussion, Members raised questions regarding redeeming pooled funds. Pooled funds were being monitored monthly and consideration would be given to redeeming them as appropriate.

RESOLVED: That the Executive Head of Finance's report No. FIN2417 be noted.

25. **ANNUAL GOVERNANCE STATEMENT UPDATE**

The Committee received the Audit Manager's Report No. AUD24/08, which gave details of work carried out towards the implementation of the actions identified within the Annual Governance Statement, which had been considered by the Committee in May 2024.

The Committee heard that the new MS List System to support responses to Freedom of Information requests was fully functioning by July 2024.

It was noted that the Council had commissioned a review of some elements of its Committee and Governance arrangements as a result of the Corporate Peer Challenge and the Chartered Institute of Public Finance and Accountancy (CIPFA) Report. The findings of the review would be considered by the Committee in January 2025 with any agreed changes commencing in May 2025.

The Financial Resilience Plan had been agreed and was regularly reviewed by the Executive Leadership Team (ELT). The self-assessment against the CIPFA Financial Management Code was still to be carried out. It did, in part, form the wider review being carried out around Governance and the Financial Resilience Plan. The self-assessment had been reviewed with two high-priority actions being brought for review by ELT and the Corporate Governance Group.

The Committee noted that there had been a delay in the self-assessment against the CIPFA Financial Management Code due to higher priorities within the Finance Team taking precedence. It was advised that some areas of the self-assessment would be incorporated into the work of the wider service. The Financial Management Code reviewed all aspects of Governance, not only Finance.

RESOLVED: That the Audit Manager's Report No. AUD24/08 including the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement be noted.

26. **INTERNAL AUDIT - OUTSTANDING AUDIT RECOMMENDATIONS UPDATE**

The Committee received the Audit Manager's Report No. AUD24/09, which provided an update on the approach taken to review outstanding audit recommendations (prior to 2022/23), given the changes since the recommendations were originally made and showed all outstanding recommendations to date.

The Committee noted that a review of all outstanding audit recommendations had been carried out to re-evaluate them given the evolution of processes and changes over time. The review ensured that resources were specifically utilised on improving

areas of risk, governance and control weaknesses which would be most effective given the current environment. This approach had been taken for the 2019/20, 2020/21 and 2021/22 outstanding audits. The Report set out the changes that were being proposed and the outstanding audit recommendations which would continue to be pursued with progress on their implementation communicated quarterly to the Committee for monitoring.

During discussion, Members raised questions regarding procurement cards and cyber-security.

RESOLVED: That:

- (i) the changes made to recommendations being pursued for implementation to ensure the most effective use of Council resources to improve the overall governance, risk management and control environment be noted:
- (ii) an updated report on cyber-security be presented at the next Committee Meeting;
- (iii) a schedule setting out the target dates for completing the outstanding audit recommendations be prepared for the next update report.
- (iv) the overall audit recommendation which remained outstanding, be noted

27. **UPDATE ON GOVERNANCE REVIEW ACTIONS**

The Committee received a verbal update from Executive Director, Ian Harrison, regarding the Committee Structure Review being led by Ed Hammond from the Centre for Governance and Scrutiny (CfGS).

The Committee noted that the Review had begun with Mr Hammond inviting Members to join an online workshop with many of the Members of the CGAS Committee in attendance. He had a number of interviews scheduled with individual Members, senior officers, chairs and vice-chairs of committees and any Members who wished to discuss Governance with him, were invited to speak to him personally, on Microsoft Teams or by e-mail, which was to be arranged through Mr Harrison.

Following the Interview and Discovery Stage, which would conclude at the end of December, Mr Hammond would submit a draft report of findings in early January. The CGAS Committee would have significant input into the draft proposals of how to strengthen governance at the Council.

RESOLVED: That the update on the Governance Review be noted.

The meeting closed at 8.52 pm.
