

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Thursday, 22nd May, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Bill O'Donovan (Chairman)
Cllr Rhian Jones (Vice-Chairman)

Cllr Gaynor Austin
Cllr C.W. Card
Cllr Sue Carter
Cllr P.J. Cullum
Cllr C.P. Grattan
Cllr M.J. Roberts
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr Sarah Spall and Cllr P.G. Taylor.

Cllr Thomas Day attended the meeting as a Standing Deputy.

Non-Voting Member

Mr. Tom Davies – Independent Member (Audit)

1. MINUTES

The minutes of the meeting held on 2nd April 2025 were agreed and signed as a correct record of the proceedings.

2. AUDITOR'S ANNUAL REPORT 2023/24

The Chairman welcomed Simon Mathers, Director, 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. 24RBC. The purpose of the Auditor's Annual Report was to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, the auditors comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). The commentary aimed to draw to the attention of the Council and the wider public, relevant issues from the auditing work, including recommendations

arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they had been implemented satisfactorily.

The Committee noted that the report expressed an opinion on the 2023/24 financial statements, conclusions related to going concern and the consistency of other information published with the financial statements, including the narrative statement.

The Committee were advised that the Council needed to fully implement and action its Financial Resilience Plan which contained a range of medium and shorter-term actions designed to ensure its financial sustainability. Specifically:

- Develop and implement appropriate arrangements to deliver a permanent removal from the base budget of £0.5 million each year for the four years commencing 2024/25.
- Identify and deliver a £40 million asset disposal programme to achieve the Council's interest and cost reduction savings targets.
- Seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

During discussion, Committee Members commented on the use of reserves to ensure the achievement of a balanced budget and raised a question regarding asset disposal.

RESOLVED: That the Auditor's Annual Report No. RBC24 be noted.

3. EXTERNAL AUDIT PROPOSED AUDIT PLANNING REPORT 2024/25

The Committee received the 2024/25 Audit Planning Report No. RBC25. The report aimed to provide Members with a basis to review the proposed audit approach and scope for the 2024/25 audit. This was in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. The report summarised the evaluation of the key issues driving the development of an effective audit. The report also addressed the broader impact of the Government's proposals aimed at establishing a sustainable local audit system.

During discussion, Members raised questions regarding materiality, discounted rates and valuation of properties.

In answer to a question regarding assurance, the Committee were advised that almost a full programme of work was undertaken by the external auditors in 2024/25 and the level of assurance they could give would increase each year.

RESOLVED: That the Auditor's Annual Report No. RBC25 be noted.

4. **ANNUAL GOVERNANCE STATEMENT 2024/25**

The Committee considered the Financial Governance Manager's Report No. AUD25/03 which presented the Draft Annual Governance Statement 2024/25 for review and approval.

The Accounts and Audit Regulations 2015 stated that, for each financial year, the Council must conduct a review of the effectiveness of the Council's internal control and prepare an annual governance statement for review and approval by the Committee prior to it being signed by the Interim Managing Director and Leader of the Council. The statement would then be finalised with the signed Statement of Accounts.

The Report set out the methodology for compiling the Annual Governance Statement and the requirements of the Committee to ensure a meaningful review of the Annual Governance Statement. Members were reminded that they needed to be satisfied that the Annual Governance Statement reflected the governance environment and any actions required to improve it. Members also had to be satisfied that it demonstrated how governance supported the achievement of the Council's objectives.

During discussion, a question was raised regarding cyber security.

RESOLVED: That the Council's Annual Governance Statement 2024/25 be approved.

5. **INTERNAL AUDIT - ANNUAL AUDIT OPINION 2024/25**

The Committee considered the Financial Governance Manager's Report No. AUD25/04 which set out the Internal Audit Manager's independent annual audit opinion for 2024/25 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control environment. The Financial Governance Manager presented the report as, although they had changed roles from Audit Manager in February 2025, they were best placed to share the report. 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 Environment – It was noted that, in the opinion of the Audit Manager, the internal control environment for the Council was reasonable. The level of substantial assurances had decreased; however the level of reasonable has increased significantly, along with the limited assurances decreasing. No limited assurances had been given for the key financial systems across the 3-year cycle.
- 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 following the CIPFA and Peer Challenge reviews carried out in June 2024. As a result of the reviews, action plans had been put in place to implement the

recommendations made. The Council took a view on outstanding audit recommendations given the passage of time and the evolution of processes over the years. Accordingly, a reduced number of recommendations were present to Corporate Governance, Audit and Standards Committee as still outstanding. These would continue to be followed up for implementation.

- Risk Management – It was noted that, in the opinion of the Audit Manager, risk management for the Council was reasonable. Whilst a reasonable assurance has been provided, the process continued to require improvement to ensure that it was an effective management tool rather than just process driven. The Committee heard that the Council had in place Service Risk Registers and a Corporate Risk Register. Quarterly, the overall changes were reported to the Corporate Management Team (CMT) for review and scrutiny. Following this, the report was presented to Cabinet. CMT and Cabinet acted as layers of defence to ensure that risks had been identified and where necessary, actions taken to appropriately mitigate the risk. The Committee noted that a risk appetite statement had not been defined and agreed with Members. However, work was progressing in this area with a workshop being held and facilitated by an external consultant in order to define risk appetite for the Council.

During discussion, a question was raised regarding how the Council could gain full assurance in all areas. It was noted by the Committee that, as it was a risk-based audit, the Council needed to seek out areas of weakness, in order to make improvements and make it a better environment in terms of risk and control. Questions were also raised regarding risk management, procurement cards and an update was given on areas shown by the audit to have limited levels of assurance.

RESOLVED That:

- (1) the Audit Opinion given for governance, risk management and internal control for 2024/25 be noted, and
- (2) the self-assessment exercise against the Public Sector Internal Audit Standards (PSIAS) be noted.

6. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024-25

The Committee considered the Executive Head of Finance Report No. FIN2511 which set out the activities of the Treasury Management Strategy and Non-Treasury Investment Operations for Quarter 4 in the Financial Year 2024/25, as at 31st March 2025 and reported on compliance with Prudential Indicators. These were a statutory requirement under the Chartered Institute of Public Finance Accountants (CIPFA) Code of Practice on Treasury Management.

The Committee noted that for the forecast to 31st March 2025, the Council was estimated to have net borrowing of £125.20m arising from its revenue and capital income and expenditure. At 31st March 2025, the Council held £166m of loans, (an increase of £4m on 31st March 2024), as part of its strategy for funding previous and current years' capital programmes.

It was advised that all activity was conducted within the approved Treasury Management Practices (TMPs). The majority of borrowing was currently short-term Local Authority (LA), although the Public Works Loan Board (PWLb) interest rate was lower than LA rates and therefore some borrowing was secured with PWLB for 18 months. This diversified the borrowing the Council held. The Committee noted that the Council had borrowed substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remained central to the Authority's treasury management strategy.

During discussion, a question was raised about the Council's loan to Farnborough International Limited, who were supported during the Covid Pandemic. The Committee noted that the money would be paid back in two tranches over the following two years. Questions were also asked about debt counterparties and prudential indicators.

The Committee **RECOMMENDED TO CABINET** that the Executive Head of Finance Report No. FIN2511, be noted.

7. GRANTING DISPENSATION FROM PROVISIONS OF THE CODE OF CONDUCT FOR MEMBERS

The Committee were advised that the Monitoring Officer's Report No. LEG25/01, which sought the granting of dispensations relating to the declarations of interest, as set out in the Code of Conduct for Members, be withdrawn from the Meeting. The Committee noted that it was not considered to be of Pecuniary Interest and it was the decision of the Monitoring Officer, who was new to the post, to withdraw the report which had been submitted by their predecessor.

8. CONSTITUTION AND COMMITTEE REVIEW UPDATE

The Committee considered the Corporate Manager – Democracy Report No. DEM2505, which set out proposed updates to the Constitution in respect of:

- a proposed update to Standing Orders with a scheme to enable public questions at full Council Meetings (as set out in Para 3 and attached to the Report)
- a proposal to specify expected core training topics for all Elected Members in the Code of Conduct for Councillors (as set out in Para 4)
- a proposal to split the current Corporate Governance Audit and Standards Committee (CGAS) into two committees – creating an 'Audit and Governance Committee', and 'Licensing & Council Business Committee', with training plans to support Members on each.
- a proposal for a cross party 'work programme management group' to co-ordinate the work programmes of the non-executive committees (Policy & Project Advisory Board (PPAB), Overview and Scrutiny Committee (OSC) and the Committee with responsibility for audit and governance). The individual Progress Groups would no longer meet.

- the PPAB work programme to be more closely aligned to deliver Council Plan Priorities and with Cabinet Member engagement.

The Committee discussed the principle of splitting the CGAS Committee, and the responsibilities to be allocated to the new Licensing and Corporate Business Committee. A question was raised regarding political balance, and it was confirmed that the balance calculation would enable a seat on both committees for the Liberal Democrat group, and it was noted that licensing hearings did not need to be politically balanced. It was indicated that three meetings of the Licensing and Corporate Business Committee would be scheduled per annum.

During discussion on the proposed scheme for public questions at full Council, it was confirmed that the scheme included provision to reject questions and there were parameters for limits on time allowed.

In terms of next steps, it was agreed that the Constitution Working Group would progress the further detailed work to update the terms of reference for the committees to support the changes to the committee structure arising from the Committee Review. It was requested that there be an opportunity for the Members of the Corporate Governance and Audit Committee to review the proposed updates in advance of a report to the full Council.

- (i) **RECOMMENDED TO THE COUNCIL** that subject to any further modifications recommended by the Constitution Working Group the updates to the Constitution in respect of public questions at the full Council Meeting as set out in Para 3 of the Report, and updates to the Councillors Code of Conduct, as set out in Para 4 of the Report be approved, as set out in the Corporate Manager – Democracy Report No. DEM2505;
- (ii) **RESOLVED** that the Constitution Working Group be asked to progress the further detailed work to support the changes to the committee structure arising from the Committee Review as set out in paras 5.5. and 5.6 of the report, with an opportunity for the Committee to review the proposed updates in advance of a report to Council.
- (iii) **RESOLVED** that the Corporate Manager – Democracy be authorised, in consultation with the Chairman of CGAS, and Leader of the Council to make any further minor updates to the Constitution documents to be recommended for update to the Council, in advance of the report to the Council.

9. **APPOINTMENTS TO OUTSIDE BODIES, LICENSING SUB-COMMITTEES AND CONSTITUTION WORKING GROUP**

(1) **Outside Bodies –**

RESOLVED: That the appointment of representatives to outside bodies for the 2025/26 Municipal Year, as set out in the attached Appendix, be approved, with the following amendments:

- Councillors Lisa Greenway and Ivan Whitmee be appointed to the Aldershot and Farnborough Festival of Music and Art.
- Councillor Clive Grattan was appointed to the Hampshire Buildings Preservation Trust AGM

(2) Appointments and Appeals Panels –

RESOLVED: That the Corporate Manager – Democracy be authorised to make appointments to Appointments and Appeals Panels in accordance with the membership criteria set out in the Officer Employment Procedure Rules in the Constitution.

(3) Licensing Sub-Committee –

RESOLVED: That the following Members be appointed to serve on the Licensing Sub-Committee for the 2025/26 Municipal Year (three Labour representatives; two representatives of other Groups):

Labour Group: Cllrs Rhian Jones, Bill O'Donovan and Sarah Spall

Conservative Group: Cllr Jacqui Vosper

Liberal Democrat: Cllr C.W. Card

(4) Licensing Sub-Committee (Alcohol and Entertainments) –

RESOLVED: That the Corporate Manager – Democracy be authorised to make appointments from the membership of the Corporate Governance, Audit and Standards Committee in accordance with the procedure agreed by the Committee at its meeting on 21st May 2009 and detailed in the Licensing Sub-Committee (Alcohol and Entertainments) Hearings Protocol and Procedure.

(5) Licensing Sub-Committee (Taxis) –

RESOLVED: That the Corporate Manager – Democracy be authorised to make appointments from the membership of the Corporate Governance, Audit and Standards Committee, in accordance with the procedure agreed by the Committee at its meeting on 27th June 2021 and detailed in the Licensing Sub-Committee (Taxis) Hearings Protocol and Procedure.

(6) Constitution Working Group –

RESOLVED: That the following Members be appointed to serve on the Constitution Working Group for the 2025/26 Municipal Year (seven Members, including a Cabinet Member, the Chairman of the Committee and representatives of other groups):

- two Cabinet Members (Cllr Sophie Porter and a vacancy to be decided by the Leader of the Council)
- the Chairman of the Corporate Governance, Audit and Standards Committee (Cllr Bill O'Donovan)

- one representatives of the Labour Group (Cllr Gaynor Austin)
- two representatives of Conservative Group (Cllrs G.B. Lyon and Steve Harden)
- one representative of the Liberal Democrats (Cllr Craig Card)

The meeting closed at 9.02 pm.

CLLR BILL O'DONOVAN (CHAIRMAN)
