

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

13 March 2024

- * Councillor Phil Bellamy (Chairman)
- * Councillor Bob Hughes (Vice-Chairman)
 - * Councillor Joss Bigmore
 - * Councillor Stephen Hives
 - * Councillor James Jones
 - Councillor George Potter
 - Councillor James Walsh

Independent Members:

- * Murray Litvak

Parish Members:

- * Julia Osborn
- * Simon Schofield
- * Tim Wolfenden

*Present

The Leader of the Council, Councillor Julia McShane, the Lead Councillor for Finance & Property, Councillor Richard Lucas, the Lead Councillor for Commercial Services, Councillor Catherine Houston, and Councillor Sue Wyeth-Price were also in attendance.

The Lead Councillor for Community and Organisational Development, Councillor Carla Morson, the Lead Councillor for Planning, Councillor Fiona White and Councillors Ruth Brothwell and Yves de Contades were in remote attendance.

CGS70 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors George Potter and James Walsh.

CGS71 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS72 MINUTES

The minutes of the meeting held on 18 January 2024 were confirmed as a correct record. The chairman signed the minutes.

CGS73 ACTION TRACKER

The Committee noted that the decision and action tracker had been introduced to monitor progress against the decisions and actions that the Committee had agreed, which would be kept up to date for each meeting. When decisions/actions were

reported as being 'completed', the Committee would be asked to agree to remove these items from the tracker.

The Committee

RESOLVED: That the decision and action tracker be noted and that the actions reported as being completed be removed from the table.

CGS74 INTERNAL AUDIT PROGRESS REPORT (FEBRUARY 2024)

The Committee considered an update report from the Southern Internal Audit Partnership which set out a clear and transparent articulation of internal audit activity, performance, and outcomes during the eleven-month period up to 29 February 2024.

The report had included the status of 'live' internal audit reports; an update on progress against the annual audit plan; a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that would impact on the Chief Internal Auditor's annual opinion.

Neil Pitman of the Southern Internal Audit Partnership presented the report and drew the Committee's attention to the summaries of two internal audit reviews that had been finalised since the last progress report was presented to the Committee, which had concluded in limited assurance opinions.

These reviews related to Homes for Ukraine and Accounts receivable and Debt Management. It was noted that all the management actions raised to mitigate the issues highlighted in the Homes to Ukraine report had since been fully implemented. There were eight management actions in place to address the issues raised in respect of the Accounts Receivable and Debt Management review, although these had not yet reached their implementation date.

As requested by the Committee at an earlier meeting, further update information had been provided in the report in respect of the overdue management actions.

During the debate, the following points were raised by the Committee:

- Concerns in respect of:
 - (a) the overdue high priority management action relation to the Budgetary Control review; in that regard the interim Joint Strategic Director of Finance confirmed that progress was being made on this and that he would circulate a written update to the Committee;
 - (b) the lack of any update in respect of the management actions associated with the S106 Contributions review, particularly with regard to updating

- policies and procedure documents. The relevant officers would be asked to provide a written response to this concern to the Committee.
- (c) lack of progress with the review of the Corporate Business Continuity Plan and query as to whether this ought to be of a significantly higher priority.
 - (d) Eleven-month slippage in finalising the job evaluation process in respect of the Programme Manager post which has prevented recruitment to that role (Redevelopment Projects review), and query as to whether, in light of the delay, the post was actually needed.
- Concerns over the lack of information in respect of the nature of the management actions arising from the Accounts Receivable and Debt Management review. In response, the interim Joint Strategic Director of Finance agreed to circulate to the Committee a written update on progress with implementation of these actions.
 - In relation to the Accounts Receivable and Debt Management review, concerns that:
 - (a) 32 out of 55 debts being tested were not being actively recovered, and that the impact of overdue debt at the end of the financial year would give rise to a bad debt calculation that would impact on the General Fund revenue account. In response, the interim Joint Strategic Director of Finance confirmed that bad debts had been actively managed over the last few months, with details of outstanding debt now included in the financial monitoring reports. It was also noted that debts had reduced considerably over the last few months, which meant that bad debt provision could be reduced;
 - (b) the review had found that the Council's Debt Management Policy was "devoid of key elements conducive to an effective debt recovery process", and that there were suppressed debts in excess of £2 million.
 - Concern in relation to the observation by the internal auditor in respect of Core Financial Controls – Journals, where it was stated that the Council's SFIs did not set out approval limits based on the sign off required for journals of significant monetary value. It was queried whether the action to update workflows by 28 February 2024 had been actioned. In response, officers reassured the Committee by confirming that journals and virements had been picked up some months ago and the Finance team had written specific instructions that they would not take action without express sign-off from the Deputy S151 Officer. In addition, the team were rewriting policies and procedures in that regard.

Having considered the report, the Committee

RESOLVED: That the progress made against the internal audit plan for 2023-24, as detailed in the report submitted to the Committee be noted.

Reason:

To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

Action:	Officer to action:
To circulate a written update to the Committee on progress with: (a) the high priority management action arising from the Budgetary Control internal audit review; (b) The management actions arising from the Accounts Receivable and Debt Management review.	Interim Joint Strategic Director of Finance
To provide a written response to the Committee in respect of the overdue management actions associated with the S106 Contributions review, particularly with regard to updating policies and procedure documents	Joint Executive Head of Planning Development

CGS75 INTERNAL AUDIT CHARTER 2024-25

The Committee considered a report from the Council's new Internal Auditors (Southern Internal Audit Partnership) on the proposed Internal Audit Charter, which was a formal document that defined the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards. Those Standards required the Charter to be reviewed and approved annually.

The Standards (attribute standard 1000) also required that all internal audit activities maintain an 'internal audit charter'. The internal audit charter established internal audit's position within the organisation including:

- Recognising the mandatory nature of the Public Sector Internal Audit Standards
- Defining the scope of internal audit responsibilities.
- Establishing the organisational independence of internal audit.
- Establishing accountability and reporting lines (functional and administrative).
- Arrangements that exist with regard to anti-fraud and anti-corruption.
- Establishing internal audit rights of access.
- Defining the terms 'board' and 'senior management' for the purpose of internal audit.

A draft copy of the Internal Audit Charter 2024-25 was appended to the report for review and comment.

During the debate, it was noted that the review of the Anti-Fraud and Corruption Policy had not yet been included on the Committee's rolling work programme. It was also suggested that circulating the existing version of the Policy would be helpful. The Interim Joint Strategic Director of Finance informed the Committee that the existing Policy was in the process of being updated and aligned with Waverley's Policy and would be submitted to the Committee in a few months' time.

The Committee

RESOLVED: That the Internal Audit Charter for 2024-25, attached as Appendix 1 to the report submitted to the Committee, be approved

Reason:

The Committee has a responsibility to approve the Internal Audit Charter in accordance with the Public Sector Internal Audit Standards.

Action:	Officer to action:
<ul style="list-style-type: none">• To ensure that the revised Anti-Fraud & Corruption is considered by the Committee in the next few months.• To circulate the current version of the Anti - Fraud & Corruption Policy to the Committee.	Interim Joint Strategic Director of Finance

CGS76 INTERNAL AUDIT PLAN 2024-25

The Committee considered a report on the proposed Internal Audit Plan for 2024-25 submitted by Southern Internal Audit Partnership, the aim of which was to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance was appropriate and operating effectively; and
- risks to the achievement of the Council's objectives were identified, assessed and managed to a defined acceptable level.

The Internal Audit Plan provided the mechanism through which the Chief Internal Auditor could ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

It was noted that internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.

All auditable areas of review remained within the audit 'universe' and were subject to ongoing assessment. The audit plan would remain fluid to ensure that internal audit was able to react to the changing needs of the Council.

Other reviews, based on criteria other than risk, could also be built into the work plan. These might include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.

A copy of the draft Internal Audit Plan 2024-25 was appended to the report for review and comment by the Committee.

The Committee

RESOLVED: That the Internal Audit Plan for 2024-25, attached as Appendix 1 to the report submitted to the Committee, be approved.

Reason:

To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

CGS77 MONTH 10 FINANCIAL MONITORING 2023-24

The Committee considered the Financial Monitoring Report for Period 10 which summarised the projected outturn position for the Council's General Fund (GF) revenue account and Housing Revenue Account (HRA), based on the latest actual and accrued data.

The revised budget had been adjusted to reflect the changes agreed to bring the budget back into a balanced position. Officers were projecting an overspend within services on the GF revenue account of £0.237 million, which included specific reserves transfers. Corporate adjustments, provisions and external interest receivable, was forecast to overachieve by £0.488 million to give an overall favourable variance of £0.251 million. Any surpluses or deficits would impact reserves at year end.

Officers were projecting an overspend on the HRA of £0.328 million, details of which were highlighted in the report. GF reserves were forecast to be £39.210 million at year end, of which £31.445 million were earmarked and £7.765 million were available and classed as usable, although this excluded the GF working balance.

Progress against the capital programme was underway. The Council expected to spend £73.68 million on its capital schemes by the end of the financial year against a budgeted expenditure of £228.64 million. This forecast supported the report of the Interim Joint Strategic Director of Finance reducing the Capital Programme by £96.6 million.

Debt due to the Council was £4.576 million of which £1.333 million was supported by payment plans.

There were £6.613 million savings within the 2024-25 budget which would be monitored and reported on monthly.

The Lead Councillor for Finance and Property, Councillor Richard Lucas thanked the finance team for the regular and timely financial monitoring reports to this Committee, which helped officers to better manage their operations.

During the debate, the following points were raised:

- Query as to how the figure of £370,000 in respect of capital schemes funded from s106 developer contributions was arrived at, and what plans were in place to spend this money. It was noted that the Committee was due to consider the Section 106 Monitoring Report at its meeting on 6 June. It was agreed that the previous S106 Monitoring Report considered on 29 November 2023 should be circulated to the Committee.
- Query over the “green” project status of the Ash Road Bridge scheme, when the report also states that the risk register has a “red” rating against both the current risks and the milestones.
- Query over the Ash Road Bridge scheme figures quoted in the General Fund Capital Programme Estimated Expenditure (Appendix 4), where estimated expenditure approved by Council in February was quoted as £22.492 million, with a revised estimate of £30.374 million, but the project officers' estimate was shown at £19.349 million. In response, the Deputy S151 officer indicated that the detail of these figures would be looked at and a response circulated to the Committee.
- In response to a query as to how the aged debt figures quoted in respect of HRA (Appendix 2) compared with previous years, the Interim Joint Strategic Director for Finance indicated that details of historic HRA debt figures would be circulated to the Committee.
- In response to a query as to where in the figures stated in the HRA capital expenditure table (Appendix 4) was the overspend against the housing maintenance contract under investigation, the Interim Joint Strategic Director for Finance informed the Committee that the expenditure on housing maintenance was against the £27.366 million budget for major repairs and improvements. However, that budget had been used for a

number of other contracts, not just with the contract in question. The actual spending against that budget, both in the last financial year and the current financial year, had actually been below the overall budget, but the actual spend against the contract in question had been in excess of the budget.

- In response to a question as to why the list of capital asset disposals of approximately £50 million could not be made available to councillors on a confidential basis, the Interim Joint Strategic Director for Finance informed the Committee that the Monitoring Officer had previously advised councillors about this. It was noted that a draft list had been produced prior to any valuations being actually undertaken, which had been discussed at the Financial Recovery Executive Working Group, but it was not something that would be publicly available, or available to all councillors at this stage. It was agreed that the Monitoring Officer be requested to re-circulate her advice to councillors.
- Concern regarding the outstanding risk in the year-end forecast and particularly in the GF and our confidence in the process that determined the figures. Whilst the improvements in reporting and forecasting were welcomed, and that the GF forecast remained favourable, concern was expressed around the considerable volatility in the figures provided at directorate level and below, compared with the period 8 monitoring report, and what might happen between periods 10 and 12. In response, the Deputy S151 Officer stated that between Periods 8 and 10, there had been some changes within the budget, so the actual outturn figures may have moved more than the variances. Officers were confident, however, in the accuracy of the forecasting. It was further suggested that going forward, the commentary in the report could be amended to indicate what was happening in terms of changes in forecast outturns at directorate level.
- In response to a request for clarification of the nature of the £2.913m spent on housing services the Deputy S151 Officer explained that the figure related to non-HRA expenditure (e.g. management of homelessness prevention and other non-HRA properties), but would circulate a more detailed breakdown of the figure.

Having considered the report, the Committee

RESOLVED:

- (1) That the Council's latest financial monitoring for the financial year 2023-24 be noted and the above comments and observations be passed on to the Executive.
- (2) That underspends be earmarked for any additional interim support needed at the current time.

Reason:

To ensure that Councillors and executives fulfil their responsibilities for the overall financial management of the Council's resources.

Action:	Officer to action:
(a) To circulate the previous S106 Monitoring Report considered on 29 November 2023 to the Committee.	Democratic Services & Elections Manager
(b) To review the detail of the Ash Road Bridge scheme figures quoted in the General Fund Capital Programme Estimated Expenditure and circulate a response to the Committee.	Deputy S151 Officer
(c) To circulate details of historic HRA debt figures to the Committee.	Interim Joint Strategic Director for Finance
(d) To re-circulate the Monitoring Officer's to councillors in respect of the disclosure to councillors of the list of capital assets being considered for possible disposal.	Monitoring Officer
(e) To circulate a more detailed breakdown of the £2.913m forecast spend on housing services for 2023-24 to the Committee.	Deputy S151 Officer

CGS78 WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme. In view of the considerable business proposed to be transacted at the 6 June 2024 meeting, which included consideration of the recommendations of the Joint Constitution Review Group in respect of its forthcoming review of Council Procedure Rules, it was suggested that an additional meeting of the Committee be held on Thursday 11 April 2024 in order to deal with that item. In addition, the Committee asked whether other items scheduled in the work programme for the 6 June meeting could be brought forward to the proposed April meeting, so that the June agenda might be more manageable.

The Committee

RESOLVED:

- (1) That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved.

(2) That an additional formal meeting of the Committee be convened on Thursday 11 April 2024 at 7pm.

Reason:

To allow the Committee to maintain and update its work programme.

The meeting finished at 8.03 pm

Signed

Date

Chairman