

# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

26 September 2024

- \* Councillor Phil Bellamy (Chairman)
- \* Councillor Bob Hughes (Vice-Chairman)
- Councillor Ruth Brothwell
- \*Councillor Stephen Hives
- Councillor Vanessa King
- \*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 Commercial Services, Councillor Catherine Houston, the Lead Councillor for Finance & Property, Councillor Richard Lucas, the Lead Councillor for Community and Organisational Development, Councillor Carla Morson, the Lead Councillor for Regulatory & Democratic Services, Councillor Merel Rehorst-Smith, and the Lead Councillor for Planning, Councillor Fiona White were also in attendance.

Councillor Jo Shaw was in remote attendance.

## **CGS44 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillors Ruth Brothwell and Vanessa King.

## **CGS45 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

## **CGS46 MINUTES**

The minutes of the meetings held on 6 June, 1 July, and 25 July 2024 were confirmed as a correct record.

## **CGS47 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.

#### **CGS48 QUESTIONS FROM MEMBERS OF THE PUBLIC**

No questions had been received.

#### **CGS49 QUESTIONS FROM MEMBERS OF THE COUNCIL**

No questions had been received.

#### **CGS50 ANNUAL GOVERNANCE STATEMENT 2023-24**

The Committee noted that the Accounts and Audit Regulations 2015 required the Council to prepare an Annual Governance Statement (AGS) detailing the governance framework and procedures that had operated at the Council during the year, a review of their effectiveness, significant governance issues that had occurred and a statement of assurance. The Committee considered the AGS for 2023-24, noting that was underpinned by:

- the Annual Opinion Report (April 2023 to March 2024) prepared by the Council's outsourced internal audit managers, Southern Internal Audit Partnership, which had been considered by the Committee at its meeting held on 25 July 2024; and
- a self-assessment of the Council's compliance with the CIPFA Financial Management Code.

Once approved, the AGS would be included in the Council's statement of accounts for 2023-24. The AGS acknowledged the ongoing significant financial and organisational challenges placed on the Council. It also recognised the need to return to the good governance practices and processes that the Council normally prided itself upon. The arrangements the Council had for delivering good governance in light of the recently published SOLACE report was detailed in the draft AGS, together with recent achievements and progress made. Where areas had been identified for further improvement, officers would take the action necessary to implement changes that would further develop the Council's governance framework.

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

- It was suggested that, in the interests of transparency, an additional column could be added to the “principles of good governance” table within the AGS showing shortcomings in governance and remedial actions taken.
- Typographical error in the “principles of good governance” table on page 19 of the Supplementary Agenda Pack: “Corporate Values were approved in May 2024 2025”
- In response to an enquiry as to how the contents of the AGS would be communicated to the public, it was noted that the AGS would be published on the Council’s website alongside the statement of accounts, but the Comms/Web Teams would be asked to advise as to how these documents could be given greater prominence.

Having considered the draft AGS, the Committee

RESOLVED: That the Council’s Annual Governance Statement for 2023-24, as set out in Appendix 1 to the report, be adopted and published alongside the adopted Statement of Accounts for 2023-24.

Reason:

To comply with the Accounts and Audit Regulations 2015, the Council must prepare, approve, and publish an Annual Governance Statement.

Action:	Officer to action:
<ul style="list-style-type: none"><li>• To consider the addition of a column in the “principles of good governance” table within the AGS showing shortcomings in governance and remedial actions taken.</li><li>• To explore with the Comms/Web Teams how the AGS could be given greater prominence on the Council’s website.</li></ul>	Finance Business Partner

**CGS51 VALUE FOR MONEY RESPONSE TO AUDITOR’S REPORT ON GUILDFORD BOROUGH COUNCIL**

The Committee noted that the Council’s External Auditors were required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.

The code of Audit Practice issued by the National Audit Office required the external Auditors, Grant Thornton, to report to the Council any commentary relating to proper arrangements, reporting all significant matters that come to their attention.

This was the first year the External Auditors had been required to report their findings in this way and had issued a report covering both 2020-21 and 2021-22.

It was noted that this report had been due for consideration last year, but it had been withdrawn due to the housing maintenance fraud investigation. However, in September 2023, the Committee did consider a letter from the External Auditors to the s151 Officer setting out the various recommendations contained in the report now before the Committee.

The report had identified significant weakness in arrangements and key recommendations identified in both Financial Sustainability and Governance in both 2020-21 and 2021-22, and no significant weakness in arrangements identified but recommendations made in respect of improving economy, efficiency, and effectiveness in both years.

The audit of the 2020-21 financial statements had been completed and Grant Thornton intended to issue an unqualified audit opinion. Their findings were set out in Appendix 1 to the report. The audit of the 2021-22 accounts had not commenced following the publication of draft accounts in August 2022.

Management response to the findings where weaknesses and recommendations had been identified were set out in Appendix 2 to the report for the Committee to note.

Financial Sustainability was described as arrangements for ensuring the Council could continue to deliver services. This included planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance was described as arrangements for ensuring the Council makes appropriate decisions in the right way. This included arrangements for budget setting and management, risk management and ensuring the Council made decisions based on appropriate information.

Improving economy, efficiency and effectiveness was described as arrangements for improving the way the Council delivered its services. This included arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

During the debate, the Committee made the following points:

- The external auditor's report had provided a very good summary of the Council's overall position. The critical impact that the pandemic and Future Guildford had on the organisation, together with the long-standing governance issues, was reiterated.
- The risk to which the Council was being exposed in relation to North Downs Housing (NDH) should it not receive all monies due was highlighted. The Committee was informed that details of the potential impact that would have on the Council's balance sheet, together with proposed timescale for the dissolution of NDH and the holding company would be reported to the Executive Shareholder and Trustee Committee in November.

Having considered the report, the Committee

RESOLVED: That the management responses to the key recommendations and the improvement recommendations as set out in Appendix 2 to the report submitted to the Committee, be noted.

Reason:

To comply with the Accounts and Audit Regulations 2015, the Council must respond to the recommendations.

#### **CGS52 EXTERNAL AUDIT PLAN 2023-24**

The Committee considered a report setting out an overview of the planned scope and timing of the 2023-24 statutory audit of Guildford Borough Council for those charged with governance.

The scope of the audit had been set in accordance with the Code and International Standards on Auditing (ISAs) (UK). The external auditors were responsible for forming and expressing an opinion on the Council and group's financial statements that had been prepared by management with the oversight of those charged with governance (this Committee); and considering whether there were sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in the use of resources. Value for money related to ensuring that resources were used efficiently in order to maximise the outcomes that could be achieved.

The External Auditor informed the Committee that the 2020-21 accounts had now been signed off, resulting in the audits of the 2021-22, 2022-23 and 2023-24 accounts remaining outstanding. The Committee was advised that legislation had now been introduced, which imposed a deadline of mid-December 2024 by which audits for 2021-22 and 2022-23 had to be completed. The External Auditors had agreed with management that they would have insufficient time to conclude the audits of the Council's accounts for those years given some of the issues that would potentially require disclosure and the significant work that would be necessary

around the Housing Maintenance issue. It had had therefore been agreed with the External Auditors that they would take the opportunity to disclaim both of those years using the backstop legislation which would mean that they would move on to the 2023-24 audit, the plan for which was set out in the report.

The Committee noted that the timescale for completion of the 2023-24 audit was end of February 2025. The implications in terms of opening balances was also noted as there would no assurance on the accuracy of those figures within the accounts; however, this was a national issue impacting on several hundred other councils.

During the debate, the Committee made the following points:

- In response to questions as to how confident the External Auditors were in being able to complete the 2023-24 audit by the end of February 2025, and whether the Council would be refunded the audit fee for those audits that had been disclaimed, the External Auditors confirmed that the Council would be refunded, subject to payment for the value for money work carried out in respect of the 2021-22 audit, the joint report in respect of 2022-23 and 2023-24, and any costs associated with the disclaimer. The External Auditors confirmed that, although they had not yet started work on the 2023-24 audit and had not yet received the full set of accounts, they were confident that they had the resources to complete the work on or before the deadline.
- In relation to the risk associated with recognition of HRA maintenance costs, the External Auditor confirmed that they might need to qualify the accounts if they could not complete the work necessary to respond to that risk.

Having considered the report, the Committee

RESOLVED: That the 2023-24 External Audit Plan, as set out in Appendix 1 to the report submitted to the Committee, be approved.

Reason:

External audit is required to communicate its audit plan with those charged with governance (this Committee).

### **CGS53 INTERNAL AUDIT PROGRESS REPORT – JULY 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 four-month period up to the end of July 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.

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

- In response to a request for an update as to whether the overdue high priority management actions
  - (a) in respect of the Housing Benefits internal audit report, which was due by 30 September 2024, would be met, and
  - (b) in respect of clarification of the revised due date for the action regarding the Housing Allocations Scheme,
 the internal auditor confirmed that they would make enquiries with relevant officers.
  
- In response to a request for an indication in the Rolling Work Programme of internal audit reports as to whether those reports were on track and to provide a target date for their submission, the internal auditor confirmed that they would include such detail in future reports.

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.

<b>Action:</b>	<b>Officer to action:</b>
(a) To provide an update as to whether the overdue high priority management actions <ul style="list-style-type: none"> <li>• in respect of the Housing Benefits internal audit report, which was due by 30 September 2024, had been met, and</li> <li>• in respect of clarification of progress with the action regarding the Housing Allocations Scheme internal audit report</li> </ul> (b) To provide, for future reports, an indication in the Rolling Work Programme of internal audit reports as to whether those reports are on track and to	 Joint Strategic Director of Finance  Joint Strategic Director of Housing, Communities & Environment  Neil Pitman/Iona Bond Southern Internal Audit Partnership

<b>Action:</b>	<b>Officer to action:</b>
provide a target date for their submission	

#### **CGS54 INTERNAL AUDIT PLAN QUARTER 3 – 2024-25**

In accordance with the requirements of the Public Sector Internal Audit Standards, the Committee considered the proposed Internal Audit Plan for Quarter 3 of 2024-25, which comprised of four internal audit reviews, including Repairs and Maintenance (HRA) and Repairs and Maintenance (Non HRA – internal requisitioning and recharging), which would seek to provide some independent assurance in and around the control and governance framework within those areas of work.

During the debate it was noted that the Internal Audit Plan made erroneous reference to the out-of-date corporate plan, whereas the Council had adopted its new Corporate Strategy in July 2024.

Having considered the report, the Committee

RESOLVED: That the Internal Audit Plan for 2024-25 Quarter 3 attached as Appendix 1 to the report submitted to the Committee, be approved.

#### Reasons:

- The Committee had a responsibility to approve the Internal Audit Plan in accordance with the Public Sector Internal Audit Standards.
- To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

#### **CGS55 INTERNAL AUDIT ANNUAL REPORT 2023-24**

The Committee considered the Annual Internal Audit Report & Opinion which provided a summary of audit work that had been undertaken during 2023-24 in order to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment was both reasonable and effective. The Committee noted that whilst no assurance could ever be absolute, on the basis of the audit work completed, it was the Chief Internal Auditor's opinion that the Council's framework of governance, risk management and control was 'limited'.

It was acknowledged that the Council had faced significant challenges over the past year and the recent improvements put in place following receipt of the two SOLACE reports would help to strengthen the Council's governance, risk and control arrangements.



This Annual Report had been resubmitted to the Committee for formal approval, as the version considered by the Committee at its last meeting had been updated to reflect changes in the risk management section following further consultation with officers. No additional changes had been made.

Furthermore, the Committee had been requested at its last meeting to note the Annual Report, when it should have been invited to approve it.

In debating this item, the Committee raised the following points:

- Concern expressed regarding the statement in the Annual Report that the Council's risk management framework had been audited in 2022-23 by the Council's previous auditors which had resulted in a substantial assurance opinion.
- In response to concerns raised, the Internal Auditor gave the committee some assurance, by confirming that they would be following up all the key financial areas previously highlighted and these would be reported back to the Committee through their progress reports, which would include the Homes for Ukraine.

Having considered the report, the Committee

RESOLVED: That the Annual Internal Audit Report and Opinion for 2023-24, attached as Appendix 1 to the report submitted to the Committee, be noted.

Reasons:

- The Committee had a responsibility to consider the Annual Internal Audit Report and Opinion in accordance with the Public Sector Internal Audit Standards.
- To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

## **CGS56 RISK MANAGEMENT AND CORPORATE RISK REGISTER**

The Committee considered an update report on the Council's corporate risks as at the end of Quarter 1 for 2024-25. The corporate risk register had undergone review with individual risk owners and the wider Joint Leadership Team. Since the Committee last received an update on risk at its last meeting on 25 July 2024, a number of substantive changes had been made to the risk register, full details of which were set out in the report. Work was also progressing in respect of the development of a new risk management strategy.

During the debate, the following comments and observations were made by the Committee:

- Welcomed the helpful new format and the positive direction of travel across the board, with improvements being made compared to previous iterations of the risk register, whilst noting the significant number of outstanding high-risk items.
- In response to concerns raised previously in respect of CR5 – failure to make lawful decisions and follow governance, it was encouraging to note that the Council had recently adopted a revised scheme of officer delegation, and new financial procedure rules, and contract procedure rules.
- In noting the Committee’s role in provide independent assurance to councillors of the adequacy of the risk management framework and the internal control environment, it was suggested, and accepted by the Corporate Strategy and Performance Manager, that future reports should recognise the work that was in progress to address the previously identified shortcomings in the process.
- In respect of the external audit assessment discussed by the Committee earlier in the meeting and noting that, for the years, 2022-23 and 2023-24, improving economy, efficiency and effectiveness had been “red” for both years and the significant risk around that. In response to where that featured in the corporate risk register and whether it was below the threshold for inclusion in the top dozen risks, the Corporate Strategy and Performance Manager would follow this up with the external auditors.
- Concern regarding the lack of progress in terms of direction of travel in respect of CR2 Financial Sustainability, and a request to understand the timescales over which it was expected that the mitigation actions would translate into a reduction in the residual risk. In response, officers indicated that the direction of travel was aligned to the Medium-Term Financial Plan. The Council was currently working hard to ensure that the capital programme, which massively affects our borrowing, was in the best shape it could be. Moving forward, the Council’s financial sustainability would be improved, and an update could be brought back to the Committee.

Having considered the report, the Committee

RESOLVED: That the updated corporate risk register be noted.

Reason:

To support the Committee’s constitutional role in respect of risk management.

## **CGS57 ANNUAL DATA PROTECTION AND INFORMATION SECURITY REPORT 2023-24**

The Committee considered a report from the Information Governance Officer that provided an update on developments in data protection and information security within the council since the last report in September 2023. The report also covered details of data breaches in 2023-24, key risks for the Council, and objectives for the coming twelve months.

During the debate, the following points were made:

- Reassurance was requested that notwithstanding the delay in removing legacy hardware and software, measures were still being taken to ensure that services were able to operate using out of date hardware and software.
- In response to an enquiry as to whether there were protocols and processes in place to ensure that there could be no, or very limited, opportunity for breaches involving very sensitive data, and of those breaches that did take place, whether it was because the processes were not really necessary, because it did not involve sensitive information, the Information Governance Officer confirmed that the action taken generally depended on the severity of the breach. This would include the volume and nature of the personal information that had been compromised. For example, disclosure of a person's name, email address, or telephone number would not be considered to be as sensitive as a person's medical condition, or previous criminal convictions. Most data breaches that had occurred at the Council involved inadvertent disclosure of non-sensitive personal information.
- Request for assurance that the ICT Team is able to meet all the priorities that were currently being set for them within their existing resources available.
- Welcome the detail now provided in these reports and support for separate annual reports on data protection and information security in future.

Having considered the report, the Committee

**RESOLVED:**

- (1) That the update report be noted.
- (2) That future reports are separated so that there is an annual report on data protection and an annual report on information security.

Reasons:

- To recognise that the Committee has reviewed the developments that had occurred since the last report was presented on 28 September 2023 and

ensure that the Committee remained aware of the Council’s data protection and information security framework.

- The Data Protection Officer (Information Governance Officer) and the Information Assurance Officer sit in different directorates as a result of reorganisation within the Council and it was therefore no longer appropriate to have a single report covering these areas. It will support good governance to have reports which focused on the separate and distinct areas and ensure sufficient consideration was given to both.

Action:	Officer to action:
(a) To provide separate annual reports on data protection and information security in future.	Information Governance Officer/ Information Assurance Officer
(b) To provide assurance that, notwithstanding the delay in removing legacy hardware and software, measures were still being taken to ensure that services were able to operate using out of date hardware and software.	Lead Specialist ICT
(c) To provide assurance that the ICT Team is able to meet all the priorities that were currently being set for them within their existing resources available.	Lead Specialist ICT

## CGS58 THE COMMITTEE’S WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme.

During the debate, the following points were made:

- In response to a query as to what would happen to the outstanding actions on the Action Tracker following the dissolution of this Committee by full Council, the Democratic Services & Elections Manager confirmed that the outstanding actions would be included on Action Trackers for both of the proposed new committees. Where any actions related to matters which were not included within the terms of reference of the new committees, they would be picked up by the relevant committee to which responsibility for those actions had been allocated.
- It was noted that the agenda for the January 2025 meeting appeared to be light compared with the next meeting on 14 November.
- When the Committee considers the proposed establishment of the two new committees at its next meeting, following the reference back to the

Joint Constitutions Review Group, there would need to be discussion as to which committee would have responsibility for consideration of Regulation of Investigatory Powers matters.

- It was also suggested that discussions be held with the chairs of the Overview and Scrutiny Committee in respect of proposals for future consideration of S106 monitoring reports.

The Committee

RESOLVED: That, subject to the above comments, the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved.

Reason:

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

#### **CGS59 EXCLUSION OF THE PUBLIC**

The Committee

RESOLVED: That in accordance with Section 100A(4) of the Local Government Act 1972:

- (1) the public be excluded from the meeting during consideration of agenda item 17 on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the item, there would be disclosure to them of exempt information (as defined by Section 100I of the Act) of the description specified in paragraph 2 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, which was Information which was likely to reveal the identity of an individual.
- (2) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

#### **CGS60 WHISTLEBLOWING: GUILDFORD BOROUGH COUNCIL REGULATORY SERVICES**

The Committee considered a report on an investigation into an allegation of malpractice or wrongdoing connected to the Council's Regulatory Services.

The report had set out details of the investigation which had found that the allegations, if proved, related to performance within the role and would therefore be a matter for HR and the officer's line-manager.

The Committee noted that the Monitoring Officer had concluded that there was no available evidence to suggest that malpractice or wrongdoing had taken place, and that therefore no further action was necessary in respect of the matter.

During the debate on the matter, the following points were raised:

- Give that the report had been anonymised, query as to whether future reports should be considered in closed session if they were similarly anonymised, or whether more detail could be provided in the exempt reports. In response, it was suggested that it might still be possible, particularly where a whistleblowing matter related to a small team, to deduce the identity of individuals from an anonymised report in the public domain. The Monitoring Officer also reminded the Committee that the categorisation of exempt information was always subject to the public interest test, particularly whether the public interest in maintaining the exemption outweighed the public interest in disclosing the information. It was also noted that it was helpful to provide reassurance to whistleblowers that, when matters were referred to the Committee, they would not be in the public domain.
- The Committee welcomed the investigation which had taken place promptly after the Whistleblower had come forward.

Having considered the report, the Committee

RESOLVED: That the contents of the report be noted.

Reasons:

- This Committee is a key component of the authority's corporate governance regime. The Committee provides an independent and high-level focus on the assurance and reporting arrangements that underpin good governance.
- This Committee has, within its terms of reference in Part 3 of the Council's Constitution: 'To consider an annual report of the operation of the whistleblowing policy, including incidents reported' (paragraph 14).

The meeting finished at 9.09 pm

Signed .....

Date .....

Chairman