

# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

29 March 2018

\* Councillor Gordon Jackson (Chairman)

\* Councillor Jo Randall (Vice-Chairman)

\* Councillor Alexandra Chesterfield

Mrs Maria Angel MBE

\* Councillor Colin Cross

Mr Charles Hope

Councillor Mike Hurdle

\* Ms Geraldine Reffo

Councillor Nigel Kears

\* Mr Ian Symes

Councillor Nigel Manning

\*Present

The Lead Councillor for Infrastructure and Governance, Councillor Matt Furniss and the Lead Councillor for Finance and Asset Management, Councillor Michael Illman, were also in attendance.

## **CGS47 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillors Mike Hurdle, Nigel Kears, and Nigel Manning and from Maria Angel MBE and Charles Hope.

Councillor Richard Billington attended as a substitute for Councillor Manning.

## **CGS48 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

## **CGS49 MINUTES**

The Committee confirmed as a correct record the minutes of the meeting held on 18 January 2018. The Chairman signed the minutes.

## **CGS50 DISCUSSIONS WITH THOSE CHARGED WITH GOVERNANCE**

The Committee noted that, in carrying out their annual audit of the Council, Grant Thornton comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs required the auditor to make inquiries of Those Charged With Governance (TCWG) to determine whether they had knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made, in part, to corroborate the responses to the inquiries of management.

Grant Thornton had sent the Council a questionnaire setting out their inquiries of TCWG. Officers had prepared a response to the questionnaire, on behalf of the Chairman of this Committee. The questionnaire and the Council's proposed responses were set out in Appendix 1 to the report submitted to the Committee.

Having considered the report, the Committee

**RESOLVED:** That the responses to Grant Thornton provided in the Discussions with Those Charged with Governance document at Appendix 1 to the report submitted to the Committee, be approved, subject to the following corrections:

- (a) in the comment on item a of the questionnaire, substitute the following in place of the fourth and fifth paragraphs:

*“Also Surrey Chief Accountants Group, and Surrey Treasurers share fraud experiences which would highlight any areas of potential fraud.*

*Appropriate officers receive National Fraud Awareness Network bulletins on a regular basis which alerts them to potential threats.”*

(b) in the comment on item p of the questionnaire, delete “*and are accredited by Lexcel*”.

Reason:

To enable the Council’s external auditors, Grant Thornton, to carry out their duties under the Local Audit and Accountability Act 2014, the auditors must be provided with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

**CGS51 AUDIT REPORT ON THE CERTIFICATION OF FINANCIAL CLAIMS AND RETURNS 2016-17: HOUSING BENEFIT SUBSIDY AND POOLING HOUSING CAPITAL RECEIPTS**

The Committee considered an audit report on the certification of financial claims and returns for 2016-17.

The audit covered claims returns relating to expenditure of £39.85 million, spanning Housing Benefit Subsidy worth £34.5m and Pooling of Housing Capital Receipts worth £5.35m.

Although it had been necessary to qualify the Subsidy claim, the auditor had found a minimal number of errors. The auditor’s report had been very favourable towards the performance of the Benefits service, highlighting the improvements made compared to last year – with no new error types identified, and a reduction in errors found. The auditors had carried out a lower volume of additional testing compared to last year and, as a result, there was no additional audit fee to approve, the additional work being covered within the set scale fee.

The Council had provided assurance to the Department for Work and Pensions (DWP) that it was continuing with its checking regime and looking for ways to reduce errors further.

The auditor had no issues to report in respect of the total capital receipts.

Having considered the report, the Committee

RESOLVED: That the position regarding the certification of claims and returns for 2016-17 be noted.

Reason:

To formally sign off the claims and returns for 2016-17.

**CGS52 EXTERNAL AUDIT PLAN 2017-18**

The Committee considered the annual external audit plan for 2017-18, which had been prepared by the Council’s external auditors, Grant Thornton.

The plan contained details of the programme of work that Grant Thornton intended to carry out during 2017-18, the approach they would adopt and significant risks that they would review as part of the audit. The Audit Plan outlined:

- the elements of the audit cycle and the dates by which the work would be carried out

- the fee that Grant Thornton would charge in respect of the external audit of the Council. The overall fee for the core audit was the same as the fee charged in 2016-17 and was within budget as reported to the Committee at its meeting on 15 June 2017.

The Committee was reminded that, for audits of the accounts from 2018-19 Public Sector Audit Appointments (PSAA) were responsible for appointing an auditor to principal local government and police bodies that had chosen to opt into its national auditor appointment arrangements. At its meeting on 6 December 2016, full Council had resolved to opt-in to the appointing person arrangements made by PSAA. Grant Thornton UK LLP had been successful in winning a contract in the procurement process and had been recommended by PSAA as the Council's auditors for a period of five years from 2018-19. This appointment was made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and had been approved by the PSAA Board at its meeting on 14 December 2017.

Grant Thornton had also been appointed as auditors to nine Surrey Boroughs/ Districts and Surrey County Council. Having noted that there were no issues in respect of independence or any other reasons that would prevent the appointment of Grant Thornton as auditors, the Committee

RESOLVED: That the external audit plan submitted by Grant Thornton, including the audit fees set out on page 11 of the plan, be approved.

The Committee further

RECOMMEND (to Council: 10 April 2018):

That, following conclusion of the tendering exercise conducted through Public Sector Audit Appointments Ltd, Grant Thornton UK LLP be appointed as the Council's auditors for a period of five years commencing with the audit of the 2018-19 Statement of Accounts.

Reasons:

- To enable the Committee to consider and comment on the planned audit fee, work programme and update report
- To comply with regulation 13 of the Local Audit (Appointing Person) Regulations 2015

**CGS53 FINANCIAL MONITORING 2017-18 PERIOD 10 (APRIL 2017 TO JANUARY 2018)**

The Committee considered a report that set out the financial monitoring position for period 10 (April 2017 to January 2018).

The report summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for this period. Officers were projecting a reduction in net expenditure on the general fund revenue account of £1,915,464. This was the result of a combination of factors, which included a reduction in employee and consultancy expenditure across all services, higher than assumed levels of grant support and a reduction in the statutory Minimum Revenue Provision (MRP) charge to the General Fund to make provision for the repayment of past capital debt. This lower than budgeted MRP charge reflected a re-profiling of capital schemes, which also had a positive impact on the level of cash balances and assumed external borrowing costs, which had combined to produce higher than budgeted net interest receipts.

A surplus on the Housing Revenue Account, due to lower staffing and repairs and maintenance costs would enable a projected transfer of £9.61 million to the new build reserve and £2.5 million to the reserve for future capital at year-end, which had been £1,377,854 higher than budgeted.

Officers were making progress against significant capital projects on the approved programme as outlined in section 7 of the report. The Council was expected to spend £26.3 million on its capital schemes by the end of the financial year.

The Council's underlying need to borrow to finance the capital programme was expected to be £10.9 million by 31 March 2018, against an estimated position of £87.7 million, which was due to slippage on both the approved and provisional capital programme.

The Council held £154.9 million of investments and £239.7 million of external borrowing as at 31 January 2018, which included £193 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2017 as part of the Council's Treasury Management Strategy.

Having considered the report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April 2017 to January 2018 be noted.

Reason:

To allow the Committee to undertake its role in relation to scrutinising the Council's finances.

#### **CGS54 ANNUAL REPORT OF THE MONITORING OFFICER REGARDING MISCONDUCT ALLEGATIONS**

The Committee received and noted the Monitoring Officer's annual report about decisions taken on standards allegations against borough and parish councillors for the 12-month period ending 31 December 2017.

The chairman drew the Committee's attention to the information on the Supplementary Information sheet circulated at the meeting which set out details of the findings and approved sanctions in respect of the complaints of misconduct against Councillor David Reeve, considered by the Hearings Sub-Committee on 11 September 2017.

The Committee recognised that a number of lessons could be learned from this matter and accordingly the Monitoring Officer and the Democratic Services Manager had met with the Committee Chairman to discuss an approach to the review of the 'Arrangements for dealing with allegation of misconduct by Councillors' and the handling of confidential information. The Monitoring Officer indicated that the Council's Independent Persons would be consulted as part of the review, which would also look into the criteria for the initial assessment test within the Arrangements. A report on this would be submitted to the Committee in due course, together with suggested recommendations.

The Committee noted that the outcome of the initial assessment of three of the four complaints recorded during the year, resulted in no further action on the basis that the comments made by the subject member were considered to be an expression of disagreement rather than a personal attack and that this was part of the 'cut and thrust' of politics and lively debate. In response to comments from the Committee, the Monitoring Officer defined 'cut and thrust' in this context.

There were no other areas of concern upon which the Committee would like further information and/or further work carried out.

Accordingly, the Committee

RESOLVED: That the cases referred to in Appendix 1 to the report submitted to the Committee, be noted and that the outcome of the review of the Arrangements for dealing with allegations of misconduct, including suggested recommendations, be reported to the Committee for consideration.

Reasons:

- To ensure members of the Committee and others to whom the report is circulated are kept up to date
- To consider learning points for the future
- To seek to promote and maintain high standards of conduct amongst Members

**CGS55 LOCAL GOVERNMENT ETHICAL STANDARDS: STAKEHOLDER CONSULTATION**

The Committee considered a report on a review of local government ethical standards which was currently being undertaken by The Committee on Standards in Public Life (CSPL). As part of this review, the CSPL was holding a public stakeholder consultation, which would close on 18 May 2018.

A copy of the consultation paper was attached to the report.

In order to inform the Committee's consideration of this matter, all councillors had been sent a copy of the consultation paper and asked to submit any comments to the Monitoring Officer in time for this meeting. Similarly, the consultation had also been drawn to the attention of all parish councils in the borough and they too had been invited to submit comments.

The only response received had been submitted by Albury Parish Council, a copy of which was appended to the report.

Following the introduction of the item by officers, the Chairman invited Mr Bernard Quoroll, who was one of the Council's statutory Independent Persons in respect of ethical standards matters, to address the meeting. Mr Quoroll's view was that the process was not fit for purpose, not just in respect of whether there were sufficient penalties for those who misbehaved but also the wider issue relating to behaviour in public life.

In relation to the Council's response to the consultation, bearing in mind the 18 May deadline, it was suggested that the draft response could be circulated to the Committee for comments prior to submission, or if necessary, convening a special meeting for the purpose of approving the response.

The Committee agreed, in view of the poor response from parish councils to date, that they be requested to submit their individual responses directly to the CSPL, and send a copy to the Monitoring Officer.

During the debate, the Committee noted the following points:

- It was not merely whether there were sufficient sanctions available but also the extent to which they could be enforced
- Albury Parish Council had highlighted the lack of ethical standards related training for parish councillors

Having considered the matter, the Committee

**RESOLVED:**

- (1) That, taking into account the comments received and referred to above, the Monitoring Officer be authorised, in consultation with the Chairman and the Lead Councillor, to draft the Council's formal response to the CSPL's consultation on ethical standards in local government.
- (2) That the draft response be circulated to members of the Corporate Governance and Standards Committee for comment prior to submission to the CSPL.

- (3) That, if necessary, a special meeting of the Committee be convened in advance of the 18 May deadline for the purpose of formally approving the Council's response.

Reason:

To assist in maintaining robust standards arrangements to safeguard local democracy, to maintain high standards of conduct, and protect ethical practice in local government.

## **CGS56 REVIEW OF THE COUNCIL'S COVERT SURVEILLANCE POLICY**

Following a series of recommendations set out in an external audit report by the Investigatory Powers Commissioner's Office (IPCO) in August 2017, a number of amendments to the Council's Covert Surveillance Policy had been proposed and these were set out in a revised policy, which was the subject of a report to the Committee.

Having considered the revised Policy, the Committee

RESOLVED: That the Executive be commended:

- (1) to approve the amended Covert Surveillance Policy, as set out in Appendix 1 to the report submitted to the Committee; and
- (2) to appoint the Managing Director as the Senior Responsible Officer and the ICT Manager and Audit & Business Improvement Manager as the Council's official Authorising Officers for covert surveillance operations.

Reason:

The recommendations have been advised by IPCO, the regulatory body responsible for covert surveillance.

## **CGS57 GENERAL DATA PROTECTION REGULATION (GDPR) UPDATE**

The Committee received and noted an update report on progress, since the last meeting, on action taken towards implementation of the requirements of the General Data Protection Regulation by 25 May 2018.

All staff and councillors had received a GDPR update in February. This update covered what the Council needed to do to ensure compliance with GDPR; mandatory training opportunities for all staff; reviewing and cleaning up data and it explained who to contact and where to go for more information and help.

A mandatory training and awareness programme for staff had commenced and, to date, over 500 staff had been trained. Senior Managers and CMT would receive training on 16 and 18 April. It was also mandatory for all staff to complete an E-learning module, including a test, within 14 days of attending the direct training.

Councillors and Parish Councillors had received training in March and a repeat session was being planned for those who had been unable to attend the session on 20 March. The Chairman suggested that any councillor who does not attend the training should ensure that they watch the webcast of the training and confirm to Committee Services that they have done this.

The Committee noted that the Council had offered to assist parish councils in the borough with the appointment of an officer who would act as data processing officer for participating parish councils.

Alongside the training programme, the next key focus was to test the Council's current processes and develop new processes for the new personal rights that would be available under the Data Protection Act 2018.

The Council would also review the processes and procedures around data sharing, both internally and externally.

The Committee

RESOLVED: That the update report be noted.

Reason:

To review the Council's progress in complying with the GDPR by 25 May 2018.

### **CGS58 WORK PROGRAMME**

The Committee, having considered its work programme for the 2018-19 municipal year

RESOLVED: That the work programme for the 2018-19 municipal year, 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.

The meeting finished at 8.28 pm

Signed .....

Chairman

Date .....