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Tom Horwood
Joint Chief Executive

Dear Councillor

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE - THURSDAY 28 JUL, 2022

Please find attached the following:

Supplementary Information Sheet Pages 1 - 14)

Yours sincerely

John Armstrong,
Democratic Services and Elections Manager
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Encs

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

28 JULY 2022

SUPPLEMENTARY INFORMATION

AGENDA ITEM 4: DECISION AND ACTION TRACKER

Updates:

On page 13 of the agenda, in relation to the actions raised as part of the Internal Audit Progress Report to the Committee on 24 March, the Committee is asked to note the following updates:

Decision/Action requested	Update on implementation
(a) To submit an interim report to the Committee from management on progress with implementation of audit recommendations, particularly in relation to the audit review on Safeguarding which had been reported to the Committee in November 2021.	(a) A report is scheduled to be submitted to the Committee at its meeting on 17 November 2022.
(b) To ask the Councillor Development Steering Group to arrange a skills assessment for Committee members and arrange appropriate training to address skills and knowledge gaps arising from the assessment	(b) This was reported to the Steering Group on 27 July. By way of update, CIPFA were asked to provide details of their knowledge and skills framework for Audit Committees and a template questionnaire in respect of the assessment. CIPFA confirmed that: (i) they are in the process of updating the 2018 edition of their guidance publication which includes a Knowledge and Skills framework. The 2022 edition is with their publications team and confirm that it should be available in the next few weeks; and (ii) they do not currently have a template questionnaire, but it is something they are considering for the future.

AGENDA ITEM 6: ANNUAL GOVERNANCE STATEMENT 2021-22

Corrections:

On page 40 of the agenda, delete the seventh bullet as it is repeated on page 47.

The commentary on pages 61 and 62 in Appendix 2 (CIPFA FM Code self-assessment 2021-22), under the following Key Questions should read as set out in the table below:

Key Question	Commentary
Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	The Council's Corporate Plan was reviewed and updated following the elections in 2019. The Corporate Plan was adopted in 2021 following a delay caused by COVID. The Council's financial strategy, through the service planning process, supports delivery of the Corporate Plan and its priorities. The Council's capital and investment is heavily linked to the priorities set out in the Corporate Plan. When capital expenditure and investment decisions are undertaken, officers are required to demonstrate how such investment meets the Corporate Plan priorities. Executive and CMT are aware of long-term threats to financial sustainability and working with a partner authority on further collaboration.

Key Question	Commentary
Does the authority have a strategic plan and long-term financial strategy that adequately address these risks?	A long-term financial strategy was put in place as part of the 2022 budget process. This is linked so the longer term 20 to 30 year budget forecast and sets out overall parameters within which the Council will operate financially. A financial risk register is in place to address the core financial risks faced by the Council. This is reported to Council as part of the budget report and is used to assess the adequacy of the level of reserves.

Update:

At its meeting on 21 July 2022, the Executive considered the Annual Governance Statement and has commended it to this Committee for adoption.

In the table in Appendix 2 (CIPFA FM Code self-assessment 2021-22), on pages 57 to 66 of the agenda, there are a number of possible improvement items where the due date has either passed or is due before September 2022. The following provides an update on those actions:

Improvement action	Officer Responsible	Due date	Update
Continue to develop service planning and performance monitoring processes, including by onboarding onto the Verto system to increase transparency of service delivery and performance. (page 57)	Strategy & Communications Manager	Sep 22	Complete, but this is an ongoing process
Risk management framework to be finalised, rolled out and embedded. (page 57)	Strategy & Communications Manager	Jun 22	Complete, but this is an ongoing process
Further training programme finance for non-finance managers to be run in 2022-23 for service/budget managers with refreshed emphasis of self-service via BusinessWorld. (Page 57)	Lead Specialist Finance	Sep 22	Training was run in June 2022
Finance pages on Intranet need a refresh following BusinessWorld introduction (Page 57)	Lead Specialist Finance	Sep 22	Still to be completed
Implementation of the minor improvements identified in the audit committee effectiveness Internal Audit report (Page 58)	Democratic Services & Elections Manager	Sep 22	On track, although submission of Annual Report on the work of the CGSC likely to be to the November 2022 meeting.
Implementation of the Audit recommendations in the Risk Management Audit Report (Page 58)	Strategy & Communications Manager	Jun 22	Complete.
Ensure personal development plans in place for finance team. (Page 58)	Lead Specialist Finance	Sep 22	In progress

Improvement action	Officer Responsible	Due date	Update
Financial Procedure Rules that form part of the Constitution need to be reviewed and updated following recent restructures. This is scheduled for 2022-23 following which training will need to be rolled out to managers and budget holders to ensure that they understand their roles and responsibilities. (Page 59)	Lead Specialist Finance	Sep 22	This is on the Work Programme for CGSC later in the year but might be delayed beyond Sept 22 as work has not yet started due to prioritising the accounts and audit of the accounts
Financial literacy of some budget managers still needs development. Further training to be provided on budget and financial management. (Page 60)	Lead Specialist Finance	Sep 22	As per above, further training was undertaken in June 2022

Amended Recommendation:

- (1) That, **subject to the deletion of the seventh bullet point on page 40 of the agenda referred to above**, the Committee adopts the Council's Annual Governance Statement for 2021-22, as set out in Appendix 1 to this report, and publishes the Annual Governance Statement alongside the adopted statement of accounts for 2021-22.
- (2) That, **subject to the corrections and updates referred to above**, the Committee approves the self-assessment of the Council's compliance with the CIPFA financial management code reported at Appendix 2.

AGENDA ITEM 8: WORK PROGRAMME

- (a) In view of the long list of items scheduled for the 29 September meeting, the Chairman and Vice-Chairman have suggested that a special meeting of the Committee be convened in October to deal with some of the business listed in the Work Programme for the September meeting. If the Committee is happy to have an additional meeting, it is suggested that it be held on **Thursday 6 October at 7pm** in the Council Chamber. Subject to the Committee's approval, it is suggested that the business to be dealt with at each meeting be as follows:

29 September 2022

Financial Monitoring 2022-23 Period 3 (April to July 2022)
 Capital and Investment Outturn Report 2021-22
 Revenue Outturn Report 2021-22
 Housing Revenue Account Final Accounts 2021-22
 Monitoring of S.106 Contributions
 Future of Internal Audit

6 October 2022

The Council's Constitution: Review and update of Financial Procedure Rules
 Data Protection and Information Security Update Report
 Freedom of Information Compliance update
 Councillor Training and Development Update

(b) Add the following items to the 17 November 2022 meeting:

- Annual Report of the work of the Corporate Governance & Standards Committee
- Interim report on progress with implementation of audit recommendations in relation to the audit review on Safeguarding which had been reported to the Committee in November 2021.

(c) The Chairman has agreed to allow the attached Audit progress report from Grant Thornton to be considered this evening.

The committee received a progress report from Grant Thornton on the progress of the Council's external audit of its 2020-21 statement of accounts at its meeting in April 2022. This report provides a further update on the progress in respect of the accounts audit for 2020-21.

The Council's audit of its statement of accounts for 2020-21 by Grant Thornton remains in progress. The audit planning process commenced in June 2021 which was later than anticipated due to the late sign off of the 2019-20 accounts in March 2021. The Council's production of the accounts for 2020-21 was delayed beyond the statutory deadline of 31st July 2021. This was due to a number of factors:

- a. the late running of the previous year audit, meant the finance team had limited capacity to prepare for closure of the 2020-21 accounts
- b. implementation of the new finance system during 2020-21 and the fact that it was the first year that the accounts were closed on that system
- c. turnover of staff within the finance team during 2020-21 meant that a number of staff in key roles were new to the Council shortly before the closedown process commenced
- d. the on-going impact of covid and impact of remote working, particularly remote auditing

The Council published its accounts for 2020-21 on 15th October 2021. Grant Thornton commenced their audit in December 2021. They have provided an update on the progress of the audit and a list of areas which are still outstanding in their progress report at Appendix 1.

Although progress is being made, there are still a number of areas that are outstanding and therefore although the audit recommenced in late June 2022 it has now been paused again to allow the finance team the capacity to continue with the production of the Council's accounts for 2021-22. It is intended to re-engage the audit week commencing 8 August 2022.

Progress with the 2021-22 Accounts

Although the statutory deadline for the production of the Council's accounts is 31st July 2022, the Council had set itself an internal deadline of 31st May 2022 to produce its accounts in anticipation of the statutory deadline returning to that date in future. Whilst the Council made initial good progress with the closedown of its accounts and the production of the draft statement of accounts, it didn't meet the internal deadline. Due to the re-engagement of the audit in June, progress then slowed considerably. As a result, the Chief Finance Officer made a decision in mid-July to pause the 2020-21 audit and re-focus resource on the production of the 2021-22 accounts.

The finance team are undertaking significant effort to ensure that the accounts are completed by the deadline of 31 July 2022. It is still currently anticipated that the deadline will be met but there is a risk that publication of the accounts may slip into the first week of August 2022.

Amended Recommendation:

- (1) That, subject to the above changes including the proposed additional meeting to be convened on 6 October 2022, the Committee approves its updated 12 month rolling work programme, as detailed in Appendix 1 to this report.
- (2) That the Audit Progress Report submitted by Grant Thornton be noted.

Guildford Borough Council Audit Progress Report

Year ended 31 March 2021

July 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Corporate Governance and Standards Committee (“the Committee”) with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2022

Financial Statements Audit

Our audit of the 2020/21 financial statements remains in progress. The audit planning process commenced in June 2021, which was later than planned due to the late sign off of the 2019/20 financial statements in March 2021.

The statutory deadline for the Council to publish its draft financial statements for 2020/21 was 31 July 2021. Due to issues primarily relating to the implementation of a new General Ledger the Council published the draft accounts on 15 October 2021. Our audit commenced in December 2021 and has continued over the last few months as and when audit evidence and queries have been responded to.

The list of outstanding tasks and requests are included in this report. Our team has recommended the audit in June 2022 however due to a number of outstanding requests, we were not be able to complete the audit. At the moment, the focus of the management is the production of the 2021/22 draft financial statements required for publication by 31 July 2022 and therefore our team has agreed to hold our 2020/21 audit and recommence after the publication of the draft financial statements.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

Audit Deliverables

2020/21 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.

Planned Date

June 2021

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the Committee as soon as the audit is concluded.

TBC

TBC

Auditors Report

This includes the opinion on your financial statements.

TBC

TBC

Auditor's Annual Report

This Report communicates the key issues arising from our Value for Money work.

TBC

TBC

2020/21 Audit-related Deliverables

Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

Planned Date

January 2022

Status

Completed

Pooling of housing capital receipts - certification

This is the report we submit to the Department for Levelling Up, Communities and Housing (“DLUCH”). based upon the mandated agreed upon procedures we are required to perform.

February 2022

Completed

Summary of outstanding tasks and requests

Area of audit	Status	Responsible	Details of outstanding tasks/requests
Journal entries test	Significant work required	GT	Journals samples being processed and expected to be sent in due course.
Debtors	Significant work required	GBC	<ul style="list-style-type: none"> - Samples outstanding: 26/38 - Queries on NNDR and council tax debtor balances and cost centre codes J01020 and J01025.
Creditors	Significant work required	GBC	Samples have not been selected due to outstanding subsidiary ledgers (year end breakdown).
Grants received in advance	Significant work required	GBC	Samples have not been selected due to outstanding subsidiary ledgers (year end breakdown).
Grant income	Significant work required	GBC	<ul style="list-style-type: none"> - For Covid grant, revised listing that will match with the accounts; - For S31 grants, one sample pending. - For other grants, further queries raised with management,
Value for money	In-progress	GBC and GT	Ongoing GT testing.
HRA Revaluations	In-progress	GT	Information to support valuation work on garage.
Tasks on receipt of draft financial statements	In-progress	GT	Audit procedures to be concluded to identify any further changes to the revised draft accounts.
Consolidated financial statements	In-progress	GT	Audit procedures to be concluded to identify any further changes to the revised draft accounts.
Other information included in the financial statements	In-progress	GT	Linked to financial statement review.
Expenditure and Funding Analysis	In-progress	GBC	We are awaiting journal entries for adjustments made in TB and vis-a-vis CIES Note in SOA.
PPE Closing Balances	In-progress	GBC	Further details on the status of Assets under construction outstanding.
Investment properties	In-progress	GBC	Response to inquiry of classification of investment property 'Middleton Estate' as asset under construction is outstanding.
Investments	In-progress	GBC and third parties	<ul style="list-style-type: none"> - Inquiries on mismatches between 4 confirmation letters & the balances on client workpaper; - 1 confirmation letter outstanding (Royal London)

Summary of outstanding tasks and requests

Area of audit	Status	Responsible	Details of outstanding tasks/requests
Fees and charges income	In-progress	GBC	Samples outstanding: 2/27.
Completeness of income	In-progress	GBC	Samples outstanding: 2/25.
Employee benefit expenditure	In-progress	GBC	Payroll reconciliation working paper still outstanding.
Other expenditure	In-progress	GBC	Samples outstanding: 36/56.
Financial instruments note	In-progress	GBC	Further queries raised with management.
Capital disclosures	In-progress	GBC	Responses to three queries still pending related to PPE total reconciliation, debtor reconciliation and REFCUS samples .
Housing revenue account	In-progress	GBC	Further queries raised with management.
PPE disposals	In-progress (largely done)	GBC	Pending responses to GT comments on RTB properties assessments made by GBC.
Remuneration disclosures	In-progress (largely done)	GBC	Exit packages - sample testing for Sarah Jane – back up support still pending.
Collection fund	In-progress (largely done)	GBC	Pending bad debts calculation.
Related parties note	In-progress (largely done)	GT	Processing changes to the draft accounts to check consistency and sufficiency of the substantive procedures.



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