

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

ANNUAL REPORT 2021-22

This report details the work undertaken by the Corporate Governance and Standards Committee over the 2021-22 municipal year. The purpose of this annual review of the work of the Committee is to help Members review the previous year's work and plan for the coming year.

In 2021-22, the Committee met on eight occasions. Additionally, the Committee met informally for the first time in January and March 2022 with the Council's internal and external auditors respectively.

The membership of the Committee in 2021-22, and their individual attendance record, was as follows:

Appointed councillors	Actual Attendance	% Attendance
Cllr George Potter (C)	8/8	100
Cllr Deborah Seabrook (VC)	8/8	100
Cllr David Goodwin	5/8	63
Cllr Nigel Manning	4/8	50
Cllr Susan Parker	7/8	88
Cllr John Redpath	6/8	75
Cllr James Walsh	5/8	63
Co-opted Independent Members:		
Mrs Maria Angel MBE	5/8	63
Mr Murray Litvak	3/8	38
Co-opted Parish Members:		
Ms Julia Osborn	5/8	63
Mr Ian Symes	5/8	63
Mr Tim Wolfenden	2/8	25

The attendance at most meetings by the Lead Councillors with audit and finance, and governance portfolio responsibilities ensures that the Committee maintains direct communication with the Executive.

Article 10 of the Council's Constitution limits the number of Executive members permitted to be members of the Committee to one, and they are also not permitted to be either chairman or vice-chairman of the Committee.

The Committee was supported at every meeting by the Director of Resources (S151 Officer), the Lead Specialist – Finance (Deputy S151 Officer), the Lead Specialist – Legal (Monitoring Officer), and the Democratic Services and Elections Manager.

This frequency of meetings ensures the Committee can fulfil its responsibilities in an efficient and effective way.

Purpose of the Annual Report

At its meeting on 24 March 2022, the Committee considered an Internal Audit Report from KPMG on the effectiveness of the Committee. One of the recommendations to management was the preparation of an annual report to full Council on an assessment of the performance of the Committee during the year.

The Committee agreed at its March 2022 to review its terms of reference, which was conducted by the Corporate Governance Task Group, who reported back to the Committee in June 2022. The Council adopted the revised terms of reference in July 2022 (see **Annex 1**).

The core functions of the Committee, which were not changed following adoption of the revised terms of reference, are to consider the Council's arrangements relating to:

- Audit and Accounts activity;
- Corporate Governance activity; and
- Ethical Standards activity

This annual report to full Council demonstrates the importance the Council places on the authority's governance and audit arrangements. The report on the work of the Committee provides assurance to the Council how the Committee is working towards:

- fulfilling its agreed terms of reference and adopted recommended practice; and
- strengthening risk management, internal control and governance arrangements.

This report also underpins the Annual Governance Statement, which is approved by this Committee.

Summary of work activity undertaken in 2021-22

A table showing the reports considered by the Committee in 2021-22 can be found in **Annex 2**. The main outcomes of the Committee's work in relation to its core functions can be summarised as follows:

Audit and Accounts Activity

External Audit

In a normal year, the Committee would be expected to approve the Council's audited Statement of Accounts and consider the external auditor's findings and management's response in that regard. However, due to a number of factors it has not yet been possible to adopt the 2020-21 accounts. Grant Thornton, the Council's external auditors, reported an update on progress with the audit to the Committee at its meeting on 21 April 2022.

During 2021-22, the Committee has received from the external auditor:

- Audit Reports on Certification of Financial Claims & Returns: Housing Benefit Subsidy and Pooling Housing Capital Receipts for the 2019-20 and 2020-21 financial years
- The external audit plan for 2020-21

The Committee also considered a report on arrangements for the re-appointment of the Council's external auditor for a 5-year period from 2023-24 and recommended to full Council that it accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government for five financial years from 1 April 2023.

Internal Audit

The Committee considered reports from the Council's outsourced internal auditors, KPMG, in relation to the following activities:

- HRA / RTB receipts. (Outcome: **Amber/Red** - Partial assurance with improvement required). KPMG issued one high priority recommendation which related to the lack of a formal policy setting out roles, responsibilities, accountability and ownership throughout the process of monitoring and reporting on the spend of Right To Buy receipts. The Executive adopted such a policy on 24 February 2022.
- Review of the design and effectiveness of performance monitoring arrangements at the Council through specific review of three KPIs (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Safeguarding (Outcome: **Amber/Red** - Partial assurance with improvement required)
- Key Learnings from Covid (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- The Future Guildford Programme (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Financial Controls: Capital Management (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Financial Controls: income and accounts receivable compliance (Outcome: **Amber/Red** - Partial assurance with improvement required) KPMG issued one high priority recommendation which related to the lack of formal procedures and controls to ensure regular monitoring of outstanding debt and subsequent chasing of customers. Management agreed various actions to address this recommendation with a target date of 30 June 2022.
- Financial Controls: expenditure and accounts payable compliance (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Financial Controls: Procurement (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Follow up reviews from 2020-21 (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- CIPFA Financial Management (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Audit Committee Effectiveness (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)

The Committee also received from KPMG the internal audit annual report and opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The overall opinion was stated as 'Partial assurance with improvements required'. A link to the Opinion was included in the Annual Governance Statement for 2021-22.

The Committee also agreed the internal audit plan for 2022-23.

Accounts

The Committee provides financial scrutiny of the Council's accounts by continuing to receive regular financial monitoring reports which summarise the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for each reporting period.

The Committee also considered outturn reports for the 2020-21 financial year in respect of:

- Capital and Investment
- Housing Revenue Account
- General Fund Revenue Account

As part of the budget setting process each year the Committee also considers the Capital and Investment Strategy before it is considered by the Executive and adopted by full Council at its Budget Meeting.

Corporate Governance Activity

The Committee has considered a range of reports relating to corporate governance activities within its terms of reference.

One of the key aspects of the Committee's corporate governance activity is to consider and approve the Council's Annual Governance Statement (AGS) in advance of the formal approval of the Statement of Accounts. The AGS is a statutory requirement which sets out the Council's governance framework and procedures operating at the Council during the year, reviews their effectiveness, and identifies any significant governance issues occurring during the year.

The Committee noted that the 2020-21 AGS, had acknowledged the significant challenges (both financial and organisational) placed on the Council due to the Covid 19 pandemic, which came at a time when the Council was undergoing a major organisational transformation (Future Guildford). Consequently, there were a number of significant governance issues identified during the year, some of which were Covid related with priorities necessarily changed to focus on the need to support our most vulnerable residents, local businesses, and essential services.

In respect of its monitoring role, the Committee has considered and made specific requests for improvements in terms of layout and information provided in relation to the following key monitoring reports:

- Corporate Performance Monitoring
- Planning Appeals Monitoring Report

- Section 106 Monitoring

Following audit recommendations from KPMG in March 2021, the Committee had monitored the work undertaken to improve the Council's risk management processes, in particular the development of a new Risk Management Framework. Consequently, in April 2022, the Committee considered the proposed Corporate Risk Register and Risk Management Strategy and Policy and had made a number of comments to the Executive to inform its decision taken on 28 April to approve the Risk Register and the Strategy and Policy.

In relation to equalities, the Committee considers and reviews on an annual basis the Council's Equality Scheme and updates to the Action Plan, as well as the Gender Pay Gap Report.

In relation to information management, the Committee receives biannual reports on the Council's performance in responding to Freedom of Information requests, together with update reports on Data Protection and Information Security initiatives.

The Committee is responsible for monitoring the work of two cross party councillor working groups, the Councillor Development Steering Group and the Corporate Governance Task Group. This is done at least annually, or on a more frequent basis whenever it is necessary for the one of the groups to report to the Committee on any matter requiring a formal decision.

In addition, the Committee may be asked to consider any relevant corporate governance related issue referred to it by the Joint Chief Executive, a Director, the Leader/Executive, or another committee. In 2021, the then Leader asked the Corporate Governance Task Group to review the Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen. The Task Group undertook the review and reported its findings to the Committee in September 2021 and the Committee submitted formal recommendations for approval by Council in October 2021.

Ethical Standards Activity

In March 2022, the Committee considered the Annual Report of the Monitoring Officer on Misconduct Allegations dealt with during the 2021 calendar year. The Assessment Sub-Committee met twice to consider how three of those misconduct allegations against two borough councillors should be dealt with.

Of the three complaints referred to the Sub-Committee, two were recommended for informal resolution and no further action was taken in respect of the other.

Training and Development

Although training has been provided for councillors and co-opted members on the following relevant matters:

- Overview of role of Corporate Governance and Standards Committee
- Introduction to Local Government Finance

- Treasury Management Training
- Introduction to Investment and Strategy, and
- Overview of Local Government Financial Reporting and Guide to the Accounting Statements

one of the recommendations contained in the Internal Audit Report from KPMG on the effectiveness of the Committee considered on 24 March 2022, was to note that the Chartered Institute of Public Finance and Accountancy (CIPFA) provided a knowledge and skills framework which included core areas of knowledge, specialist areas of knowledge and core skills against which members of the Committee should be assessed.

CIPFA subsequently confirmed that they were in the process of reviewing their knowledge and skills framework, which would form part of their revised *Audit Committees: Practical Guidance for Local Authorities and Police*, a copy of which was only received in November 2022. This piece of work is therefore still outstanding.

In the circumstances, it is proposed that this assessment should be made following the Borough Council elections with future training and development targeted at identified skills and knowledge gaps.

Work Programme

The Committee maintains a 12-month rolling-work programme, which is reviewed and updated at each meeting. It also includes unscheduled reports.

Looking Forward

Looking forward to the new municipal year following the Borough Council elections, the Committee will have a considerable number of matters to deal with on its work programme. Through the receipt of regular reports, the Committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with. In addition, the Committee will request and consider reports in relation to relevant matters which come to its attention during the course of the year.

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

TERMS OF REFERENCE

Statement of purpose

The Committee has a dual purpose both as an audit committee and a standards committee.

The Committee is a key component of the authority's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Committee is to provide independent assurance to councillors of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

With regard to standards, the Committee promotes high standards of conduct by councillors and co-opted members and oversees the arrangements for dealing with allegations of misconduct.

Audit and Accounts Activity

1. To consider reports on the summary of internal audit activity (actual and proposed) and the level of assurance that it can give over the Council's corporate governance arrangements and monitor the progress of high priority actions arising from audit recommendations
2. To consider reports dealing with the management and performance of the providers of the internal and external audit functions.
3. To approve the Internal and External Audit Plans, and significant interim changes.
4. To consider the external auditor's annual letter (including their audit fee), relevant reports (both financial and strategic) and the report to those charged with governance.
5. To consider specific reports submitted by the internal or external auditors
6. To comment on the scope and depth of internal and external audit work and ensure that it gives value for money.
7. To review and approve the annual statement of accounts and Audit Findings Report with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
8. To consider reports on the Capital and Investment Strategy prior to their referral to the Executive and Council
9. To consider budget monitoring reports at least on a quarterly basis.

Corporate Governance Activity

10. To monitor and review the operation of the Council's Constitution, particularly in respect of financial procedures and protocols, procurement procedures and guidelines

and make recommendations, as appropriate, in respect of any proposed amendments to the Executive and Council.

11. To consider the Council's arrangements for corporate governance and to recommend such actions necessary to ensure compliance with best practice, together with any relevant corporate governance related issues referred to the Committee by the Joint Chief Executive, a Director, the Leader/Executive or any other committee of the Council.
12. To monitor the effective development and operation of risk management undertaken throughout the Council including the review of the Corporate Risk Register.
13. To consider and approve the Council's Annual Governance Statement in advance of the formal approval of the Council's Statement of Accounts.
14. To consider an annual report of the operation of the whistle-blowing policy, including incidents reported
15. To monitor and audit the Council's equality and diversity policies and approve the Equality Scheme and associated action plan.
16. To monitor bi-annually the Council's performance in dealing with Freedom of Information and Environmental Information Regulations requests.
17. To monitor the Council's progress on various data protection and information security initiatives.
18. To consider annual reports on the work of task groups appointed by the Committee, together with other matters submitted to the Committee periodically by those task groups
19. To consider bi-annually Planning Appeals Monitoring Reports and S106 Monitoring Reports
20. To consider an annual report on the exercise of powers under the Regulation of Investigatory Powers Act 2000

Ethical Standards Activity

21. To promote and maintain high standards of conduct by councillors and co-opted members¹
22. To advise the Council on the adoption or revision of the Councillors' code of conduct.
23. To advise, train or arrange to train councillors and co-opted members on matters relating to the code of conduct.
24. To agree arrangements for the selection and interviewing of candidates for appointment as Independent Persons (including such joint arrangements with other councils as may be deemed by the Monitoring Officer to be appropriate) and to make recommendations to full Council on these appointments.
25. To agree allowances and expenses for the Independent Person and any Reserve Independent Persons
26. To grant dispensations, after consultation with the independent person, to councillors and co-opted members with disclosable pecuniary interests.

¹ A "co-opted member" for this purpose is, defined in the Localism Act section 27 (4) as "a person who is not a member of the authority but who

(a) is a member of any committee or sub-committee of the authority, or

(b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority; and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee".

Reference to councillors or co-opted members in paragraphs 30 and 31 includes councillors or co-opted members of parish councils in the Council's area.

27. To monitor and review the operation of the Code of Conduct for Staff and the Protocol on Councillor/ Officer Relations and to make recommendations as appropriate to Council in respect of any necessary amendments.
28. To consider the Monitoring Officer's Annual Report on misconduct complaints against councillors, and any other matter referred by the Monitoring Officer.

Accountability arrangements

To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report annually to full Council on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

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