

# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

## ANNUAL REPORT 2022-23

This report details the work undertaken by the Corporate Governance and Standards Committee over the 2022-23 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 2022-23, the Committee met on seven occasions. Additionally, the Committee met informally with the Council's internal and external auditors in March 2023.

The membership of the Committee in 2022-23, and their individual attendance record, was as follows:

<b>Appointed councillors</b>	<b>Actual Attendance</b>	<b>% Attendance</b>
Cllr Ruth Brothwell*	2/2	100
Cllr Liz Hogger	1/7	14
Cllr Nigel Manning	3/7	43
Cllr Susan Parker	6/7	86
Cllr George Potter	7/7	100
Cllr Tony Rooth**	2/5	40
Cllr Deborah Seabrook	7/7	100
Cllr James Walsh	5/7	71
<b>Co-opted Independent Members:</b>		
Mrs Maria Angel MBE	4/7	57
Mr Murray Litvak	5/7	71
<b>Co-opted Parish Members:</b>		
Ms Julia Osborn	7/7	100
Mr Ian Symes	4/7	57
Mr Tim Wolfenden	5/7	71

\* from January 2023

\*\* to November 2022

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 Section 151 Officer (Chief Finance Officer), the Lead Specialist – Finance (Deputy Section 151 Officer), the Monitoring Officer, and the Democratic Services and Elections Manager (Deputy Monitoring Officer).

The 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 meeting 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 2022-23**

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 was not possible to adopt the 2020-21 accounts during the 2022-23 municipal year. Grant Thornton, the Council's external auditors, reported an update on progress with the audit to the Committee at its meeting on 28 July 2022.

##### **Internal Audit**

During 2022-23, the Committee considered reports from the Council's outsourced internal auditors, KPMG, in relation to the following activities:

- Performance Monitoring Arrangements. (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Customer Services Complaints Handling (Outcome: **Amber/Red** - Partial assurance with improvement required) KPMG issued one high priority recommendation which related to meeting agreed timescales for acknowledgement and response to complaints.
- Core Financial Controls: Payroll (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Corporate Risk Management (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- IT Infrastructure for Remote Working (Outcome: **Amber/Green** - significant assurance with minor improvement opportunities)
- Corporate Programmes –Redevelopment Projects (Outcome: **Amber/Red** - Partial assurance with improvement required) KPMG issued one high priority recommendation which related to the Weyside Urban Village Development and, specifically, to the importance of monitoring the

Council's contractual spend against the original contracted value and where there were large variances, to involve procurement and legal advice as per the Council's Procurement Procedure Rules.

- Financial Controls: Budgetary Controls (Outcome: Amber/Red - Partial assurance with improvement required) KPMG issued two high priority recommendations, the first related to securing tighter control on unbudgeted staff expenditure by finalising the HR establishment listing that outlines the total staffing numbers at the Council, and the second related to ensuring that the underlying forecasted revenue and expenditure from service areas were complete and accurate, by implementing a formal process for review and challenge of forecasts.
- Financial Controls: General Ledger (Outcome: Amber/Green - significant assurance with minor improvement opportunities)
- Controls over Receipt and Expenditure of Section 106 Contributions (Outcome: Amber/Green - significant assurance with minor improvement opportunities)
- Controls around the Preparation and Posting of Journals (Outcome: Amber/Green - significant assurance with minor improvement opportunities)
- Additional Review of the Payroll Budget Discrepancy against the expected control environment (Outcome: Amber/Red - Partial assurance with improvement required) KPMG issued two high priority recommendations, the first was to undertake a review to finalise the Council's establishment, and once finalised, to formally implement a regular payroll monitoring and reconciliation process to ensure that it is accurate and up to date; the second was to implement a formalised, clear and consistent process of Finance oversight of corporate programmes.

As part of their 2022-23 internal audit plan, KPMG had also followed up actions in previously audited areas and had prioritised looking at the 2021-22 reviews which had received 'no assurance' or 'partial assurance with improvements required', alongside a sample of reviews which received 'significant assurance with minor improvement opportunities'.

During the year, the Committee received update reports on progress against actions identified in the following internal audit reports:

- Customer Services Complaints Handling (following on from the report referred to above)
- Safeguarding Arrangements (following on from an internal audit report issued in November 2021)

Following completion of all the programmed activities in the internal audit plan for 2022-23, KPMG had also produced their Head of Internal Audit Opinion for 2022-23, for which significant assurance with minor improvement opportunities had been given on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Council's contract with KPMG as its internal audit provider ended on 31 March 2023. At its March 2023 meeting, the Committee approved the Internal Audit Charter and Internal Audit Plan for 2023-24 presented to it by the Council's new provider, Southern Internal Audit Partnership, in accordance with the requirements of the Public Sector Internal Audit Standards.

### **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.

In addition to the monitoring reports, in September 2022, the Committee considered a report which summarised the emerging financial position against the approved 2022-23 budget and highlighted the pressures on the already stretched Medium Term Financial Plan (MTFP).

The Committee also considered outturn reports for the 2021-22 financial year in respect of:

- Capital and Investment Strategy
- 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.

#### **Annual Governance Statement**

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 2021-22 AGS, had acknowledged the ongoing 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 finalising 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, and it was recognised that although there had been improvement in the governance arrangements in place, we were not yet back to our pre-transformation and pre-COVID high levels of governance.

### Monitoring Reports

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:

- Planning Appeals Monitoring Report
- Section 106 Monitoring

### Risk Management

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 2022 to approve the Risk Register and the Strategy and Policy. In November 2022, the Committee considered a further report on the changes made to the corporate risk register since it was last presented to the Committee in April 2022. That report also detailed how the new process continued to achieve the desired outcomes set out in the Risk Management Strategy and Policy as well as setting out changes made to the Strategy and Policy by the Risk Management Group.

The Committee made a number of recommendations to the Risk Management Group in respect of future reports in terms of content and presentation.

## Equalities

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, although following consideration of the 2023 Gender Pay Gap Report, the Committee agreed that in future, it would be circulated to committee members for information rather than as a formal report to Committee.

## Information Management

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.

Following a fall in performance standards in respect of responses to Freedom of Information requests during 2020-21, which was largely due to the Covid pandemic lockdown and corporate restructures, performance rates for timely delivery of responses within the 20-working day deadline had since improved over the 2021-22 financial year as well as during the first half of the 2022 calendar year and beyond.

## Councillor task groups reporting to the Committee

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 either group to report to the Committee on any matter requiring a formal decision, or recommendation to the Executive or full Council.

During the 2022-23 municipal year, the Committee considered the following matters referred to it by the Corporate Governance Task Group:

- Review of the Committee's terms of reference (June 2022 – see **Annex 1**)
- Protocol for Commercial Presentations to Councillors (July 2022)
- Review of the Probity in Planning Local Code of Practice - Handbook for Councillors and Officers (January 2023)

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. No such referrals were made in 2022-23.

## **Ethical Standards Activity**

In March 2023, the Committee considered the Annual Report of the Monitoring Officer on Misconduct Allegations dealt with during the 2022 calendar year.

Only four complaints were received in 2022 (which was a significant reduction compared to the two previous years), two complaints related to borough councillors, and two were against parish councillors. There were also three complaints which had started in 2021, two of which proceeded to stage 6, Hearings Sub-Committee, which met in September 2022.

The Committee expressed concern over the lengthy timescales built into the Arrangements for dealing with Misconduct Allegations, which meant that complaints often took more than a year to deal. Consequently, the Corporate Governance Task Group undertook a review of the Arrangements, which concluded in April 2023. The Task Group's findings will be fed into the work of the Joint Constitutions Review Group, which was established jointly by the Committee and Waverley's Standards & General Purposes Committee.

In considering the Annual Report, the Committee agreed the following action to increase openness and transparency in the complaints process:

- (1) That decision notices following determination of a complaint by the Hearings Sub-Committee be published on the Councillor Conduct webpages on the Council's website, together with a link to the relevant committee pages.
- (2) That the information provided in the Annual Report showing details of complaints received, and decisions taken in relation to Allegations of Misconduct for the previous calendar year be posted on the Councillor Conduct webpages and updated as appropriate by the Monitoring Officer at least twice per year to show decisions taken in respect of those complaints, and new complaints received.
- (3) That links to the latest Monitoring Officer Annual Report to the Corporate Governance and Standards Committee be included in the Councillor conduct webpages.



## **Training and Development**

During 2022-23, the new councillor induction programme was being put together for implementation following the Borough Council elections in May 2023. Induction training sessions in respect of the following relevant matters were included in the programme:

- Overview of role of Corporate Governance and Standards Committee
- Introduction to Local Government Finance
- Ethical Standards
- Data Protection and Freedom of Information
- Equality and Diversity

Further training will need to be provided for the Committee in respect of the following matters:

- Treasury Management
- Introduction to Investment and Strategy,
- 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 received in November 2022.

It was proposed that this assessment should be made following the Borough Council elections with future training and development targeted at identified skills and knowledge gaps. This piece of work is still outstanding.

## **Action Tracker**

The Committee maintains and decisions and action tracker, which is reviewed and updated at each meeting.

## **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**

Following the Borough Council elections In May 2023, the Committee has 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.

## **The Committee's comments on the Annual Report:**

The Committee expressed concern that the Annual Report does not recognise the various failures in governance, which have led to some of the issues around the Council's finances during 2022-23, and that the Council should reflect further on the Committee's role and terms of reference.

It was suggested that the failsafe mechanisms within the Council to prevent internal governance failures should be the audit process and this Committee. However, it was acknowledged that, until the external audit of the Council's accounts was fully up to date, the Committee cannot come to any conclusions as to what could have, or should have been done differently.

It was also felt that there needed to be a wider review of the role of corporate governance and standards within the Council to ensure that the key governance issues can be scrutinised in sufficient depth. The Committee noted that it was proposed to conduct a Constitutional review in the next 12 months, which would include a review of the structure of committees and their terms of reference.

## 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 members<sup>1</sup>
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.
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.

---

<sup>1</sup> 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.

**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.

DRAFT

**CORPORATE GOVERNANCE AND STANDARDS COMMITTEE ACTIVITY – 2022/23**

**Annex 2**

<b>REPORTS</b>	<b>Jun 2022</b>	<b>Jul 2022</b>	<b>Sep 2022</b>	<b>Oct 2022*</b>	<b>Nov 2022</b>	<b>Jan 2023</b>	<b>Mar 2023</b>
<b>Annual Reports</b>							
Equality Scheme and Action Plan							
Review of Task Groups Reporting to the Committee							
Planning Appeals Monitoring Report							
Annual Governance Statement 2021-22							
Capital and Investment Outturn Report 2021-22							
Housing Revenue Account Final Accounts 2021-22							
General Fund Revenue Outturn Report 2021-22							
Councillor Training and Development Update							
Capital and Investment Strategy (2023-24 to 2027-28)							
Annual Report of the Corp. Gov & Standards Cttee 2021-22							
Annual Report of the Monitoring Officer - Misconduct Allegations							
Gender Pay Gap Report 2023							
<b>Regular Reports</b>							
Corporate Performance Monitoring**							
Financial Monitoring							
Internal Audit Progress Reports							
Freedom of Information Compliance Update							
Data Protection and Information Security Update Report							
Section 106 Monitoring							
Risk Management and Corporate Risk Register							
Decision and Action Tracker							
Committee Work Programme							
<b>Other reports received in accordance with terms of reference</b>							
Review of the Committee’s Terms of Reference							
Protocol for Commercial Presentations to Councillors							
External Audit Progress Report (2020-21 audit)							
Budget Pressures 2022-23 and Medium-Term Financial Plan							

<b>REPORTS</b>	<b>Jun 2022</b>	<b>Jul 2022</b>	<b>Sep 2022</b>	<b>Oct 2022*</b>	<b>Nov 2022</b>	<b>Jan 2023</b>	<b>Mar 2023</b>
Future of Internal Audit							
Review of Probity in Planning Local Code of Practice - Handbook							
Safeguarding - Internal Audit Report Update							
Complaints Handling Audit Report Actions Update							
Internal Audit Charter 2023-24							
Internal Audit Annual Plan 2023-24							

\* special meeting

\*\* the quarterly Corporate Performance Monitoring Reports are now considered by the Overview & Scrutiny Committee

DRAFT