

# DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## GOVERNANCE AND ETHICS COMMITTEE

### MINUTES OF THE MEETING HELD ON MONDAY, 16 JANUARY 2023

**Councillors Present:** Jeremy Cottam (Vice-Chairman), Jeff Beck, Tony Linden, David Marsh, Geoff Mayes, Andy Moore, Biyi Oloko and David Southgate

**Also Present:** Sarah Clarke (Service Director (Strategy and Governance)), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespey (Audit Manager) and Joseph Holmes (Executive Director - Resources), Sadie Owen (Principal Democratic Services Officer)

**Apologies for inability to attend the meeting:** Councillor Rick Jones and Bill Graham

**Councillor Absent:** Councillor Jeff Cant

#### PART I

##### 1 Minutes

Councillor Andy Moore queried whether it would be possible to review the minutes from the special meeting of Governance and Ethics held on 20 October 2022. Sarah Clarke commented that the minutes would be presented to a future meeting of the Committee.

The Minutes of the meeting held on 26 September 2022 were approved as a true and correct record and signed by the Chairman.

##### 2 Declarations of Interest

Councillor Tony Linden declared an interest in Agenda Item 6 by virtue of the fact that he was on the Local Government Pension Scheme for Councillors, but reported that, as his interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, he determined to remain to take part in the debate and vote on the matter.

##### 3 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Sadie Owen noted that the Draft Audit Plan had been added to the forward plan for June 2023.

Sarah Clarke confirmed that there was likely to be a further special meeting of the committee in March to review additional amendments to the Constitution.

Councillor Biyi Oloko questioned the value of the Committee's work given that many items were purely updates and reports to note. Joseph Holmes suggested that Councillor Oloko may be interested in a forthcoming report in March which would review the latest guidance from CIPFA and how it compared to best practice, and which may initiate a self-assessment into the work of the Governance and Ethics Committee.

**RESOLVED that:** the Governance and Ethics Committee note the Forward Plan, and the potential scheduling of a special Governance and Ethics Committee in early March to consider updates to the Constitution.

##### 4 Internal Audit Update Report

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Julie Gillhespey presented the Internal Audit Update Report (Agenda Item 5), which updated the Committee on the outcome of Internal Audit work completed during Quarter Two of 2022/23, and highlighted in particular section 5.2, which noted no areas of concern.

Julie Gillhespey noted that from a full team of five staff, the Audit department had been working with a staff vacancy since June 2022, and had made two unsuccessful attempts at hiring. Despite the vacancy the team were estimated to reach 73% of their 80% key performance target by the end of the year.

In response to a query from Councillor Tony Linden, it was explained that it would take between eighteen months and two years to train someone.

Simon Carey noted that the Key Performance Indicator (KPI) target was to achieve 80% of the Audit Plan, and queried why it was not 100%. Julie Gillhespey responded that 100% would not be achievable, as each audit had planned estimated time allocated which was subject to change. It was suggested that 80% was realistic and comparable with the targets set by other authorities that worked according to a percentage benchmark.

Councillor David Marsh noted that a draft report had been issued for an audit of Electoral Services, and queried whether it would need to be revisited considering the additional expenses required to implement Voter ID legislation. Julie Gillhespey responded that the scope of the audit had been day-to-day financial expenses rather than the full election process within Electoral Services.

Councillor Marsh queried whether the new voting requirements could be the subject of a future audit. Julie Gillhespey responded that it could if the Committee requested and proved a sufficient risk factor.

Councillor Biyi Oloko queried how the scope of the Audit Plan was defined. Julie Gillhespey responded that the Audit Plan was drafted over a three year period, with any area of the Council that presented a financial or reputational risk included, and assessed to determine the frequency that audits would take place, and key risks that would be highlighted.

David Southgate queried the target time and whether there were internal benchmarks from the end of an audit to issuing a report, noting that a number of items had been left over from the previous Audit Plan year without a report issued. Julie Gillhespey responded that the terms of reference allowed for a quarter year to allow a draft report to be issued, with issues such as a lack of information from the auditee causing unavoidable delays, but added that the issue had been highlighted for improvement.

David Southgate queried whether it could be added to future reports as a performance metric. Julie Gillhespey responded that it could, but that it would involve the reporting of a lot of information to explain delays that had occurred, and as a solitary percentage may not provide the necessary context for improvement.

### **RESOLVED that:**

- Governance and Ethics Committee note the report.
- An additional metric be added to future reports detailing a rolling metric of completed and issued reports for the past twelve months.

## **5 2022/23 Year-End Preparation**

Shannon Coleman-Slaughter presented the 2022/23 Year-End Preparation Report (Agenda Item 6), which informed the Committee of the accounting policies to be applied in the production of the Council's 2022/23 Financial Statements.

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Shannon Coleman-Slaughter reported that the 2021 and 2022 accounts were still open, and had not been signed off by the external auditors. The 2021 accounts were open due to a national issue around infrastructure accounting, but a statutory override had been enacted in an attempt to clear the backlog.

Councillor Jeremy Cottam stated that he was unhappy with the delays to the 2021/22 accounts, and that he considered the situation to be unacceptable. Councillor Cottam requested that a letter be sent to the external auditors to ascertain the date at which the accounts would be signed off.

Councillor Andy Moore queried whether any authorities had been able to sign off their accounts. Shannon Coleman-Slaughter responded that the issue was a national issues and related to infrastructure accounting and had not previously arisen. Joseph Holmes further noted that in 2020/21, only 9% of audits had received an audit opinion by their due date. In 2021/22, only 12% of auditors had met the 30 November deadline. It was suggested that the delays were due to the Covid-19 pandemic, financial reporting processes, and recruitment and retention issues.

Joseph Holmes commented that it was not satisfactory that Members were being asked to approve the 2023/24 Budget without previous accounts being signed and approved by the auditors. Councillor Cottam agreed, and reiterated that it was a valid action to request a timeframe for completion of the audit.

### **RESOLVED that:**

Members considered and approved the following recommendation:

- To approve the accounting policies which will be applied in the production of the Council's 2022/23 Financial Statements (Appendix A).

Members noted the following:

- Delay to the finalisation of the external audit of the 2020/21 financial statements. The delay has been due to the identification of an accounting treatment concern related to the financial reporting arrangements underpinning Infrastructure Assets, and potential non-compliance with the CIPFA Code. This issue has impacted Local Authorities on a national basis. In order to remedy this issue, a Statutory Instrument incorporating override provisions was published on Tuesday 29 November 2022 (becoming effective on Sunday 25 December 2022).
- Delay to the commencement of the external audit of the 2021/22 draft financial statements. Nationally, there are delays across the Local Government sector in respect of financial statements being finalised to publication, and the associated issuance of audit opinions. The Council's external auditors are scheduled to commence the external audit of the 2021/22 financial statements in January 2023.
- Forthcoming accounting requirements, issued but not yet adopted, in respect of the reporting requirements relating to IFRS 16 Leases;
- Potential implications for accounting arrangements in respect of the Council's operational interests in companies and other entities including Joint Ventures;
- The year-end timetable which will complement the production of the Draft 2022/23 Statement of Accounts (Appendix B).

## **6 Financial Year 2022/23 Mid-Year Treasury Report**

Shannon Coleman-Slaughter presented the Financial Year 2022/23 Mid-Year Treasury Report (Agenda Item 7), which set out an overview of the Treasury management activity for Financial Year 2022/23 as at 30 November 2022.

It was noted that due to the economic conditions and rising interest rates, the Council had followed short-term borrowing strategies in order to reduce costs.

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Councillor David Marsh queried the performance of the directly owned property portfolio (Appendix C). Joseph Holmes responded that, from an income perspective, they were performing well, with over 90% in income returns compared to the previous year.

Councillor David Marsh queried whether the stated value of £59 million was feasible if the Council decided to sell the properties. Joseph Holmes responded that investment properties were valued annually and that was their current market value.

Councillor Andy Moore noted that most of the investments were funded by a Public Works Loan Board loan (PWLB), and queried when and whether it needed to be paid back. Joseph Holmes responded that if the Council did decide to sell the assets, it would be need to pay the loan back, which had been taken out on a fixed term basis.

Councillor Biyi Oloko asked for clarity in relation to point 7.3 of the report. Shannon Coleman-Slaughter responded that there was an authorised limit and operational boundary on the loans the Council was able to take out, set out by the Investment and Borrowing Strategy. Exceeding the boundary would result in non-compliance with key performance indicators. Joseph Holmes clarified that those operational boundaries were set at full Council.

**RESOLVED that:** Governance and Ethics Committee note the report.

### 7 Exclusion of Press and Public

### 8 Risk Management Q2 2022/23 Report (GE4239)

(Paragraph 3 –information relating to financial business affairs of a particular person, Paragraph 5 – information relating to legal privilege and Paragraph 6- information relating to proposed action to be taken to the Local Authority)

Catalin Bogos introduced an exempt report (Agenda Item 9), concerning the corporate risks as at the end of September 2022, and actions taken to mitigate them.

**RESOLVED that:**

That, Governance and Ethics Committee note the report, including the actions taken to manage the existing risks on the Corporate Risk Register and the following recommendations agreed by Corporate Board and Operations Board:

- That, Corporate Board and Operations Board note the current (September 2022) position and actions undertaken to minimise the impact for existing 17 risks on the Corporate Risk Register (CRR).
- That, Corporate Board and Operations Board note the actions proposed to further minimise the impact for risks on the Corporate Risk Register.
- That, Corporate Board and Operations Board note the current (September 2022) progress with risk mitigation actions and that there is one risk proposed to be escalated on the Corporate Risk Register and two to be de-escalated.

*(The meeting commenced at 6.30 pm and closed at 7.31 pm)*

**CHAIRMAN** .....

**Date of Signature** .....