

Governance, Risk and Audit Committee



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29th November 2021

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Offices, Holt Road, Cromer, NR27 9EN** on **Tuesday, 7 December 2021** at **2.00 pm**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: matthew.stembrowicz@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Mr J Rest, Mr S Penfold, Mr C Cushing, Mr H Blathwayt, Dr P Bütikofer and Mr P Fisher

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



If you have any special requirements in order to attend this meeting, please let us know in advance

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Chief Executive: Steve Blatch

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A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. SUBSTITUTES

3. PUBLIC QUESTIONS

To receive public questions, if any.

4. ITEMS OF URGENT BUSINESS

To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act 1972.

5. DECLARATIONS OF INTEREST

1 - 2

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

6. MINUTES

3 - 12

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 28th September 2021.

7. CIVIL CONTINGENCIES REPORT

13 - 18

| | |
|-------------------------------------|---|
| Summary: | Annual report from the Resilience Manager on Civil Contingencies. |
| Options considered: | This is a briefing report only. |
| Conclusions: | Not applicable. |
| Recommendations | To note the report and the council's contributions to the Norfolk Resilience Forum and the response to the Covid-19 pandemic. |
| Reasons for Recommendations: | A better understanding of the challenges in the past year and the role of the Norfolk Resilience Forum in emergency preparedness planning and incident response will help to discharge our obligations under the Civil Contingencies Act, 2004. |

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

N/A

| | |
|--------------------------|-------------------------|
| Cabinet Member(s) | Ward(s) affected |
| Nigel Lloyd | All |

Contact Officer, telephone number and email: Emily Capps, Assistant Director for Environmental and Leisure Services. Emily.capps@north-norfolk.gov.uk 01263 516274

8. EY EXTERNAL AUDIT PLAN 2019/20

19 - 60

To review and note the EY External Audit Plan.

9. **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 21 SEPTEMBER 2021 TO 29 NOVEMBER 2021** 61 - 72

Summary: This report examines the progress made between 21 September 2021 to 29 November 2021 in relation to delivery of the annual internal audit plan for 2021/22.

Conclusions: A total of two final reports from quarter two are provided for the Committee's to review.

Recommendations: **It is recommended that the Committee notes internal audit progress within the period covered by the report.**

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number,
and e-mail:

Faye Haywood
01508 533873
faye.haywood@southnorfolka.gov.uk

10. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 SEPTEMBER 2021 TO 29 NOVEMBER 2021 73 - 86

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion within the period covered by this report.

Conclusions: Progress continues to be made in addressing audit recommendations.

Recommendations: **It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.**

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number,
and e-mail:

Faye Haywood, Head of
Internal Audit for North Norfolk
DC
01508 533873
[faye.haywood@southnorfolka](mailto:faye.haywood@southnorfolka.gov.uk)
ndbroadland.gov.uk

11. EXTERNAL AUDIT PROCUREMENT EXERCISE

87 - 90

Summary: This report provides an update on the options for the upcoming procurement of external audit provider, currently appointed through a joint procurement exercise undertaken by Public Sector Audit Appointments (PSAA) Ltd.

Options considered: The options considered are:
1. NNDC opts in to the PSAA Ltd joint procurement exercise
2. NNDC pursues its own procurement exercise
Option 1 is the officer preference, as outlined within the paper.

Conclusions: Although the sector has experienced issues with audit timescales following the first PSAA procurement exercise, officers do not believe that opting out of this exercise and procuring directly would solve these issues. NNDC would also miss out on economies of scale arising from a joint procurement, and would risk fewer (or no) bidders coming forward.

Recommendations: **That the Committee recommends to Full Council that NNDC opt-in to the PSAA joint procurement exercise, while also providing feedback to them on how the process could be improved.**

Reasons for Recommendations: To enable more cost effective procurement of external auditors, which is a statutory requirement.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

None

| | |
|-------------------|------------------|
| Cabinet Member(s) | Ward(s) affected |
| Eric Seward | All |

Contact Officer, telephone number and email:
Lucy Hume (Chief Technical Accountant) lucy.hume@north-norfolk.gov.uk 01263 516246

- 12. PROCUREMENT EXEMPTIONS REGISTER 1ST SEPTEMBER - 11TH NOVEMBER 2021** 91 - 92
- To review and note the Procurement Exemptions Register.
- 13. CORPORATE RISK REGISTER** 93 - 130
- To review and note the Corporate Risk Register.
- 14. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST** 131 - 132
- To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.
- 15. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME** 133 - 134
- To review the Governance, Risk & Audit Committee Work Programme.
- 16. EXCLUSION OF THE PRESS AND PUBLIC**
- To pass the following resolution, if necessary:
- “That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in part 1 of schedule 12A (as amended) to the Act.”

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Declarations of Interest at Meetings

When declaring an interest at a meeting, Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.

Does the interest directly:

1. Affect yours, or your spouse / partner's financial position?
2. Relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?
3. Relate to a contract you, or your spouse / partner have with the Council
4. Affect land you or your spouse / partner own
5. Affect a company that you or your partner own, or have a shareholding in

If the answer is "yes" to any of the above, it is likely to be pecuniary.

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

Does the interest indirectly affect or relate to any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?

If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

Is the interest not related to any of the above? If so, it is likely to be another interest. You will need to declare the interest, but may participate in discussion and voting on the item.

Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

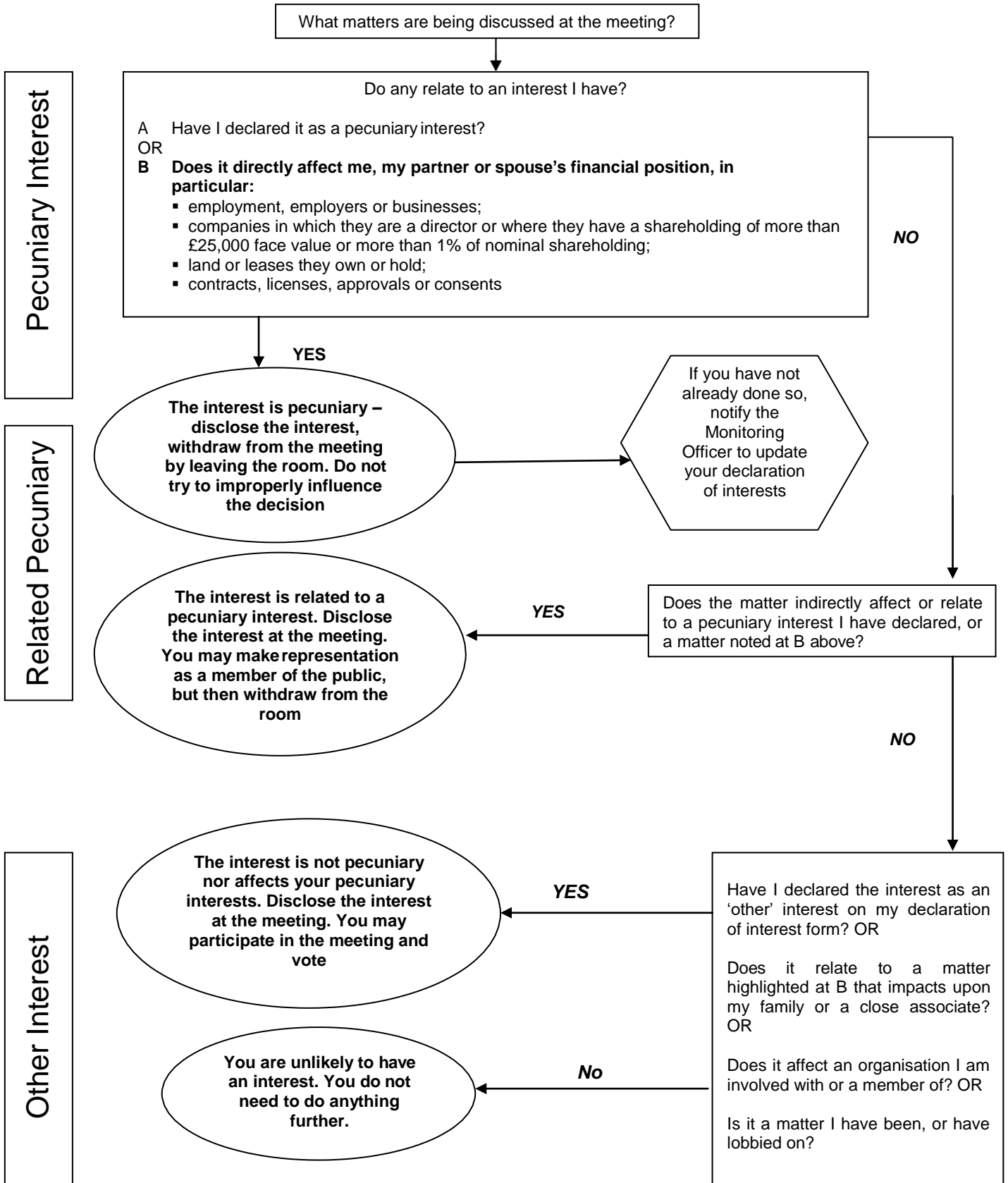
FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF

PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST INSTANCE

DEVELOPMENT COMMITTEE MEMBERS SHOULD ALSO REFER TO THE PLANNING PROTOCOL

Declarations of Interest at Meetings

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 28 September 2021 at the Council Chamber - Council Offices at 12.30 pm

Committee

Members Present:

| | |
|----------------------|---------------|
| Mr J Rest (Chairman) | Mr C Cushing |
| Mr P Fisher | Mr P Heinrich |
| Ms L Withington | |

Members also attending:

Mr E Seward (Observer)
Mr A Brown (Observer)

Officers in Attendance:

Democratic Services and Governance Officer - Scrutiny (DSGOS), Head of Internal Audit (HIA), Chief Technical Accountant (CTA), Director for Resources/Section 151 Officer (DFR), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO) and Director for Communities (DFC)

14 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr H Blathwayt, Cllr S Penfold and Cllr P Bütikofer.

15 SUBSTITUTES

Cllr P Heinrich and Cllr L Withington.

16 PUBLIC QUESTIONS

None received.

17 ITEMS OF URGENT BUSINESS

None received.

18 DECLARATIONS OF INTEREST

None declared.

19 MINUTES

Minutes of the meeting held on 15th June 2021 were approved as a correct record and signed by the Chairman.

20 DRAFT STATEMENT OF ACCOUNTS 2020/21

The CTA introduced the reports and informed Members that the draft 2021 accounts had been published on the Council's website in advance of the statutory deadline of

31st July. Whilst some changes to the accounts had been expected following the adoption of international accounting standards regarding leases, it was noted that the Pandemic has caused CIPFA to delay implementation of these changes. The CTA referred to a further change highlighted in note 41, relating to material unusual items of income and expense as a result of the Pandemic, such as collection fund movements and business grant funds. It was reported that a date had not been set for the audit of the accounts, though audit of the 19/20 accounts was expected to begin in December, with the 20/21 accounts to follow.

Questions and Discussion

- i. Cllr C Cushing referred the significant increase in funds held due to Government grants and asked whether any of this funding had to be repaid, or whether it had now been paid out. The CTA replied that as the accounts were prepared in July, there were still grants to be paid at the time, and most of these funds had now been spent, leaving little to return to Central Government. She added that some ringfenced funds also remained from NCC, which the Council would be obliged to return, if unspent. It was stated that Central Government had estimated the amount authorities were expected to pay out in business grants, and had put in place a reconciliation process to recover any unspent funds.

RESOLVED

To note the draft Statement of Accounts.

21 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2020/21

The DFC introduced the report and informed Members that the Annual Governance Statement was a statutory requirement that outlined the governance structure in place to support the accounting process and the control environment within which the accounts were prepared. He added that all statutory officers and senior managers had contributed to its development, with an improvement plan provided by the HIA to ensure processes and governance structures remained up to date and secure. The DFC informed Members that the Local Code of Corporate Governance was a best practice report recommended by CIPFA, which outlined the Council's control environment and explained how it interlinked with policies and procedures to support the Council's governance arrangements.

Questions and Discussion

- i. The Chairman referred to target dates outlined on p196, and asked whether officers were comfortable these would be achieved, and how much flexibility had been allowed. The DFC replied that the first target relating to procurement had already been agreed by Council with Team Planning due to be completed by the end of October. He added that the Whistleblowing Policy was included on the Committee's agenda and EAC improvements had been approved by Council at the last meeting. He added that any remaining deadlines in December and the new year should be achievable.
- ii. The recommendation was proposed by Cllr P Heinrich and seconded by Cllr C Cushing.

RESOLVED

To review and approve the Annual Governance Statement and the Local Code of Corporate Governance.

22 LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW LETTER 2021

The DFC introduced the report and informed Members it was included to raise awareness of the review that the Local Government Ombudsman carries out in relation to Council complaints. It was reported that if the Council was not able to satisfy a complainant, then they would be entitled to make a complaint with the Ombudsman for review, who would then rule either for or against the applicant. It was noted that no complaints had been upheld by the Ombudsman in the period covered by the report.

RESOLVED

To receive and note the LGO Annual Review Letter.

23 DRAFT PROCUREMENT STRATEGY 2021-2025

The DFC introduced the report and informed Members that the Procurement Strategy had been updated following the Pandemic, and would focus on strengthening the Council's environmental credentials, as well as seeking to provide wider social benefit through the Council procurement process. It was reported that updating the strategy had been recommended by Internal Audit, and Committee approval would fall within the required deadline.

Questions and Discussion

- i. Cllr E Seward informed the Committee that pending any comments or concerns, the Strategy was due for approval at the next Cabinet meeting.
- ii. It was proposed by Cllr P Fisher and seconded by Cllr P Heinrich that the Procurement Strategy be recommended to Cabinet for approval.

RESOLVED

To recommend the Draft Procurement Strategy to Cabinet for Approval.

24 CORPORATE RISK REGISTER

The DFC introduced the report and informed Members that the new format had been produced using InPhase, which Members could view live if required. He added that one of the key risks facing the Council at present was procurement, due to increases in construction industry costs of approximately twenty percent. It was suggested that these increased costs and difficulties in sourcing materials would need to be taken into account when undertaking large projects.

Questions and Discussion

- i. The Chairman referred to rising prices in the construction industry, and asked at what point would officers need to seek further approval for increased costs. The DFC replied that this would depend on the specific contract, as in some cases the risk of price increases was shared between the Council and its contractors. In severe cases where increased costs had gone over the

agreed budget envelope, then officers would need to return to Members for approval. It was suggested that given that the level of price increases was known, these could be factored into budgets.

- ii. Cllr C Cushing referred to p284 on operational risks and noted that increased workload caused by Covid had increased risk. He then asked whether this had passed its peak, and whether the risk would reduce as a result. The DFC replied that whilst Covid had impacted the Council's available resource, demand was reducing, and fixed-term resource had been provided to ease pressure and support teams to reduce any potential risks. In response to a question from Cllr C Cushing, the DFC confirmed that the Council was close to being back to normal in terms of service delivery. He added that officers were now able to make progress on other important priorities such as the zero based budgeting exercise and team planning.

RESOLVED

To review and note the Corporate Risk Register.

25 ASSET REGISTER REVIEW

The CTA introduced the report and informed Members that a list of assets had been provided along with their current valuation, date of valuation, their use and designated class. She added that this could be cross-referenced with the statement of accounts to consider each asset's usefulness to the Council. She added that any suggestions on additional information would be welcome.

Questions and Discussion

- i. The Chairman referred to p311 and suggested that it was comforting to see that community assets were identified for their value to local communities, and asked whether there was any protection in place for these assets. The CTA replied that there was no specific law to protect community assets, though any sale would be considered on a case by case basis, with any purchaser required to show how the community benefit would be maintained prior to sale.
- ii. Cllr L Withington sought clarification on whether community assets had been nominated as such, or designated by the Council. The CTA confirmed that community assets would have been designated by the Council, as it was required to do so for accounting purposes. Cllr L Withington noted that no indication of a community asset nomination had been provided, and suggested that this would be helpful information, as it may impact potential future use.
- iii. Cllr C Cushing asked how often each asset was reviewed to consider its value and usefulness to the Council. The CTA replied that this was done on an ad-hoc basis, though the Assets Team were reviewing this process. Cllr C Cushing noted that several assets were listed as having no value, and asked whether this was because they hadn't been valued. The CTA replied that this would depend on the type of asset, as often community assets were considered to have a very low monetary value. She added that it was the aim of the Council to review assets every five years, though community assets could be reviewed less frequently due to their limited economic value. It was noted that assets were also valued differently depending on their category or

use, with assets listed for sale at market value, whereas other land and buildings might be shown at existing use value, and investment properties shown at fair value. It was noted that the low value of community assets may therefore not be representative of a sale value, as the community value was considered to be of greater importance.

- iv. Cllr P Heinrich referred to the heading of surplus assets, which he suggested might apply to small patches of land, and asked whether any consideration had been given to disposing of these. The CTA replied that the definition of surplus assets was fairly specific, in that CIPFA would allow designation of assets as such when not being used for a specific service purpose. She added that this category often applied to small patches of land, and in some cases these had been sold or transferred to the assets held for sale category. It was suggested that these would need to be considered on a case by case basis for alternative use prior to sale.
- v. Cllr E Seward stated that it was helpful to see the Council's assets outlined in a single register, and noted that many of the surplus assets were areas such as verges that required maintenance. He added that small pockets of land were often transferred and sold, though this took time to complete. It was noted that most of these assets did not provide an income for the Council, and often cost the Council to maintain.
- vi. The Chairman asked whether it would be simple to cross-reference the assets with the accounts to determine the true value of the asset, including any income or expenditure. The CTA replied that this might not be simple in all cases, though the income from investment properties would be clearly listed within the accounts. She added that non-investment property income could be added to future reports if required.
- vii. Cllr A Brown referred to an asset for which the record of the lease was unknown, and suggested this could impact its valuation. He then asked whether the legal status of the Council's assets had been audited, and whether any restrictions or impacts on assets were up to date, to avoid any future embarrassment prior to sale. The CTA replied that the register provided was the audited list of assets, and added that whilst any lease information would be held by the Estates Team, all values provided took into account leases. She added that the values would also include any liabilities, such as maintenance costs or repairs required.
- viii. The Chairman referred to small areas of land and asked whether there were any ransom strips on the register. The DFC replied that the Estates Team would hold this information, and they would be shown on the register. He added that it would be for the Council to determine whether to sell or use these areas of land at the appropriate time, though these sales were often market driven.
- ix. Cllr E Seward suggested that if Members were aware of any assets that did not provide any particular benefit to the Council, then they could raise it to be considered for sale or transfer.

RESOLVED

To note the contents of the Report and Appendices.

26 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 16 JUNE 2021 TO 20 SEPTEMBER 2021

The HIA introduced the report and informed Members that it covered the progress made on the planned Internal Audit activity for 2021/22 that had been agreed in June. She added that thirty-five days of programmed work had now been completed, equating to twenty-one percent of the planned audit work. It was noted that there were no executive summaries to report, as the deadline for the quarter had not yet been reached.

RESOLVED

To note the internal audit progress within the period covered by the report.

27 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 16 JUNE 2021 TO 20 SEPTEMBER 2021

The HIA introduced the report and informed Members that it provided details of all audit recommendations that had not been implemented and signed-off within the required timeframe. She added that appendix 1 provided the status and overall picture of outstanding recommendations, whilst appendix 2 related to important or urgent outstanding recommendations. It was noted that revised timeframes and a management explanation was provided for outstanding recommendations. The HIA stated that recommendations relating to the Project Management framework and Cromer Tennis Hub project represented a more significant risk to the Council, and it was difficult to close these recommendations down without evidence to show implementation of the recommendations in practice. It was suggested that a more pragmatic approach would be to review available documentation to determine whether the recommendations could be signed-off, rather than waiting for examples to be provided.

Questions and Discussion

- i. Cllr C Cushing referred to long outstanding recommendations on p45 and asked whether any update was available. The DFC referred to the outstanding recommendation NN1807 on updating the processes used within Environmental Health, and stated that implementation of a new system called RIAMS would provide access to a range of services and a library of procedures. He added that this would provide automatic updates to procedures to ensure that they remained up to date, as well as creating notifications of these changes. It was noted that team plans would need to be linked to the system to ensure that RIAMS provided a single point of information, which would allow the recommendation to be signed-off. The DFC referred to recommendation NN1914 on the publishing of licensing registers currently completed using Northgate Assure system. He added that this software provided the ability to publish licenses in real-time, though this aspect of the system did not link with the NNDC website or comply with existing connectivity that would impact the Council's accessibility rating. It was stated that officers sought to publish the license register as a PDF on the NNDC website in the coming weeks, that would effectively resolve the issue until a live register could be published via the Northgate system.
- ii. The Chairman asked whether the revised due dates would be achievable, to which the HIA confirmed that they were realistic.

- iii. Cllr C Cushing referred to the outstanding recommendation NN1803 relating to procedure notes on the land charges service. The DSGOS replied that the responsible officer had provided an update that the Team were in the process of producing procedure notes for the local land charge service, and whilst there were delays caused by resource limitations, it was hoped this would be complete by the year end.
- iv. The Chairman asked whether it would be possible to include names of the responsible officers on the follow-up report. The CBM replied that she would be working with officers to ensure that recommendations were implemented as soon as possible, and that the information provided was improved. The HIA added that she would need to confirm with officers whether they would be comfortable for their names to be included in the report.
- v. Cllr C Cushing asked how many projects were in progress at the Council in total, to which the HIA replied that she did not have this information, but would include it in future reports.
- vi. Cllr P Heinrich referred delayed due dates and asked officers what confidence they had that these would be achieved, particularly those due in December. The HIA replied that she was comforted by the level of support and focus being applied to each recommendation, and the InPhase system made following these up easier. She added that improved coordination between officers, Internal Audit and the CDU gave her confidence that the number of outstanding recommendations would be reduced by December.
- vii. Cllr L Withington referred to comments made on requiring evidence to ensure that recommendations had been implemented, and asked whether evidence of the project framework implementation would be sought when reviewing the Reef project. The HIA confirmed that she would be seek evidence of the project management framework and other controls when reviewing the project.

RESOLVED

To note the management actions taken to date regarding the delivery of audit recommendations.

28 UPDATED WHISTLEBLOWING POLICY

The MO introduced the report and informed Members that the Policy was reviewed every three years, with minor changes made to the existing document. She added that similar policies were used nationally to ensure employees felt safe to raise concerns. The MO stated that whilst a Whistle Blowing Policy was not a statutory requirement, it was good practice to protect the public interest, as well as protect individuals that wished to raise concerns. It was reported that changes to the existing Policy included changes to Statutory Officers and the relevant officers for making disclosures. The MO noted that the HIA position had also changed since publication of the agenda, and Members were asked to approve the Policy taking this into account. Other changes included the way in which disclosures were handled by statutory officers, as convening a panel to consider the response was no longer required.

Questions and Discussion

- i. The Chairman referred to p179 and noted that an incorrect contact number had been provided.
- ii. Cllr A Brown asked whether the provision to prevent untrue allegations being made would deter individuals from making disclosures, and potentially encourage them to make these disclosures to third parties rather than the correct responsible officer. The MO replied that the Policy made clear that any disclosure made in good faith, which had subsequently been found to be untrue, would not be a matter for disciplinary action. She added that a key purpose of the Policy was to encourage individuals to report matters of serious concern in a safe way, and third party disclosures could not be discouraged for this reason. Cllr A Brown asked what disciplinary action would be taken for anyone that had been found to have made a disclosure in bad faith. The MO replied that in this case the HR Department would follow its normal disciplinary procedures.
- iii. It was proposed by Cllr L Withington and seconded by Cllr P Heinrich that the Whistleblowing Policy be approved.

RESOLVED

To approve the revised Whistleblowing Policy.

29 MONITORING OFFICER ANNUAL REPORT 2020/2021

The MO introduced the report and informed Members that whilst it was not a statutory requirement, various Council policies required that information contained within the report be reported to the Committee on an annual basis. She added that the report covered the period from 1st April 2020 to 31st March 2021, and noted that she had not been in post for the majority of this period, hence the information was taken from records.

Questions and Discussion

- i. Cllr C Cushing referred to item F on p239, and noted that there were no breaches reported in 2020/21, though there had been in the previous year, and asked when and how the Council had been informed of the alleged protocol breach. The MO replied that she would provide a written response. Cllr C Cushing asked why this issue had not been included within the 2019/20 report, given that it had occurred within that period. The MO replied that it was her understanding that at the time of preparing the report, officers would not have been aware of the information. Cllr C Cushing asked whether this potential omission would make the 2019/20 report inaccurate, and whether any internal investigations relating to the protocol breach had been undertaken. The MO replied that the Council's processes had been followed, and no criminality had been found following a Police investigation. She added that auditors were yet to complete their report on the matter, and any learning opportunities would be addressed appropriately. It was confirmed in response to a question from Cllr C Cushing that no further investigations had taken place on the matter, and the Council's procedures had been followed. It was suggested that a written response could be provided to any further questions relating to the alleged protocol breach.

RESOLVED

To receive and note the Monitoring Officer's Annual Report 2020/21.

30 GRAC ANNUAL REPORT 2019-2020 & 2020-2021

The DSGOS introduced the report and informed Members that it summarised all work undertaken by the Committee throughout the 2019/20 and 2020/21 years, as a result of delays caused by the Pandemic. He added that points of interest included the delays with external audit, the revision of the internal audit plan, and outstanding audit recommendations that had been discussed at length. It was reported that despite delays, the Committee had met its obligations to maintain oversight for the Council, and once approved the report would go to Full Council for consideration by all Members.

Questions and Discussion

- i. The Chairman noted that remote meetings had significantly increased meeting attendance, and suggested it would be helpful to see a return to hybrid meetings in the future.
- ii. The recommendation was proposed by Cllr P Fisher and seconded by Cllr P Heinrich

RESOLVED

To recommend that Council notes the report, affirms the work of the Governance, Risk & Audit Committee, and considers any concerns raised within the report.

31 PROCUREMENT EXEMPTIONS REGISTER 1ST APRIL 2021 - 31ST AUGUST 2021

The MO introduced the report and informed Members that an audit recommendation had been made to provide a list of all procurement exemptions to the Committee on a quarterly basis to maintain better oversight.

Questions and Discussion

- i. Cllr C Cushing referred to the exemption listed in relation to the Council's insurance policy, and asked whether there were any other suppliers that had been considered. The MO replied that she did not have any further information beyond the written explanation provided, but would seek clarification from officers. Cllr C Cushing suggested that it would be helpful to know whether further comparison or research had been undertaken.
- ii. In response to a question from the Chairman, it was confirmed that the insurance premium had been subject to a five percent increase from the previous year.
- iii. Cllr P Heinrich sought assurances that a normal tendering process would be undertaken to award the insurance contract in the next calendar year. The MO replied that she would discuss the issue with the Finance Team and Procurement Officer to determine whether other options were available. She added that she had also asked the Procurement Officer to review contracts

well in-advance of their renewal date.

- iv. Cllr L Withington suggested that at Parish level, she was aware that insurance options were very limited.
- v. Cllr E Seward stated that it was evident that reviewing the procurement exemptions on a more regular basis would be helpful to raise issues and concerns.

RESOLVED

To review and note the Procurement Exemptions Register.

32 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DSGOS referred to the action list and noted that the Procurement Strategy had been reviewed by the Committee, in addition to a review of the procurement exemptions. He added that the CWP agenda had been shared with Members as requested. It was noted that a response had not yet been received on the S106 monitoring module of the Uniform planning system, though the Overview and Scrutiny Committee were also pursuing this issue for an update to be included in the planning performance review.

RESOLVED

To note the update.

33 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

- i. The DSGOS informed Members that External Audit delays could be expected to continue, with the audit plan for 2019/20 expected to be presented to the Committee in December, which was significantly behind schedule. He added that a Civil Contingencies update was also expected at the December meeting.
- ii. The HIA noted that the follow-up reports would also be coming to the Committee on a quarterly basis until the long outstanding recommendations were signed-off.
- iii. Cllr A Brown asked how and when the External Auditors were paid, to which the Chairman replied that this was paid in advance on an annual basis, and non-payment was not an option, despite the ongoing delays.

RESOLVED

To note the Committee Work Programme.

34 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 2.18 pm.

Chairman

CIVIL CONTINGENCIES REPORT

| | |
|-------------------------------------|---|
| Summary: | Annual report from the Resilience Manager on Civil Contingencies. |
| Options considered: | This is a briefing report only. |
| Conclusions: | Not applicable. |
| Recommendations | To note the report and the council's contributions to the Norfolk Resilience Forum and the response to the Covid-19 pandemic. |
| Reasons for Recommendations: | A better understanding of the challenges in the past year and the role of the Norfolk Resilience Forum in emergency preparedness planning and incident response will help to discharge our obligations under the Civil Contingencies Act, 2004. |

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

N/A

| | |
|--------------------------|-------------------------|
| Cabinet Member(s) | Ward(s) affected |
| Nigel Lloyd | All |

Contact Officer, telephone number and email: Emily Capps, Assistant Director for Environmental and Leisure Services. Emily.capps@north-norfolk.gov.uk 01263 516274

1. Introduction

1.1 It has been exceptionally busy year again for the Civil Contingencies Team, at times dealing with multiple concurrent incidents on top of the ongoing Covid-19 response. Unfortunately, the Resilience Manager has been off on long term sick leave since January 2021. However, the wider Environmental Health team have supported and covered the most pressing parts of the role and have responded when necessary to emergency situations. With winter approaching and increased risk of incidents such as severe weather, a Resilience Officer has been seconded to NNDC from NCC initially for a 2-month period. The North Norfolk Safety Advisory Group coordinated by the NNDC resilience team has again supported events throughout the District, bringing together stakeholders both internally and externally to ensure that the appropriate advice is given to event organisers with a particular focus on Covid-19.

2. Emergency Planning and Incidents

2.1 The Civil Contingencies Act, 2004 sets out a number of duties around emergency preparedness and response. As a Category 1 Responder under

the Act the council has a duty to assess risk, put emergency plans in place and to share information and cooperate with other local responders. In respect of emergency preparedness planning this is generally achieved through the Norfolk Resilience Forum (NRF) with an annual programme of multi-agency group meetings progressing work streams and reviewing plans. North Norfolk District Council pays an annual contribution to the NRF towards administration costs and the training and exercising programme. This year, as last, the council's contribution is **£2,386**.

The Norfolk Resilience Forum pre-planning work resumed with a pool of emergency planners across Norfolk, working together virtually to review and revise the multi-agency, countywide plans; including completing the review of the Evacuation and Shelter Plan amongst others. This close collaboration is intended to improve the resilience across the County and simplify mutual aid when it is required.

- 2.2 The national 'CoastEx 2021' exercise, planned for 12-14 October 2021, was postponed due to Covid-19. This event was designed to exercise national and county response, information exchange and mutual aid during a major flooding incident along the East Coast from Northumbria to Kent. It has been rescheduled to September 2022, when it is anticipated that NNDC will take the opportunity to test local response.
- 2.3 In respect of single agency plans, the Council's Operational Flood Plan has been updated and the Flood Warden Risk assessment have been reviewed. Work is currently ongoing to review the NNDC Emergency Response Plan (ERP).
- 2.4 The council has established a Memorandum of Understanding (MoU) with the British Red Cross (BRC), to provide support at rest centres to supplement the numbers of council staff. This costs NNDC £1200 per year and is a valuable and important investment, especially during the pandemic as there is an inherent risk of concurrent incidents; which would necessitate additional rest centre staff being required.
- 2.5 **Norfolk Strategic Flooding Alliance** – Following torrential rain and associated flooding, across multiple locations in Norfolk over the Christmas period. Norfolk County Council under the chairmanship of Lord Dannatt set up a new multi-agency group to identify areas at greatest risk of flooding to try and introduce new mitigation measures. This group brought together agencies such as the Environment Agency, Lead Local Flood Authority (NCC), Independent Drainage Board, Anglian Water and many over Norfolk Resilience Agencies. In September 2021 Full Council Ratified the Norfolk Strategic Flooding Alliance Strategy and Action Plan. A multi-agency exercise EX Tempesta was held in October, from which an action plan was formed. Two groups were created one for inland areas and the other covering Coastal areas. There work is ongoing with initiatives such as encouraging parish communities to take responsibility for aspects of response to flooding in their areas. North Norfolk District Council are an exemplar with their well-established flood warden scheme, involving around 120 voluntary flood wardens covering 16 parishes.

- 2.6 A virtual meeting of the Senior Flood Warden Liaison Group is planned and will be held on the 2nd December. A guest speaker Mr Phil Berry who is a National Tactical Flood Advisor will be giving a presentation. This will include an overview of the new Norfolk Strategic Flood Alliance (NSFA).
- 2.7 The Environment Agency acknowledged that the intelligence, pictures and videos from the council and coastal and river flood wardens had been very useful to them; as a result, they have amended the Flood Alert level in the Potter Heigham area to a lower level. This is a very positive step which will give the Flood Wardens and local communities, much more confidence in the Environment Agency warning system.
- 2.8 **Covid-19** - Planning for, response to and reporting around the Coronavirus pandemic continue to create additional tasking for the Civil Contingencies Team and the wider council. The command and control structure within the council, has changed from SCG and TCG participation, to weekly Recovery Co-ordination Groups (RCG) with detailed outbreak information delivered by the Health Protection Board (HPB). This is supplemented with regular reporting and analysis. These arrangements ensure a timely response including targeted messaging to this rapidly changing situation.

The council's reporting structures have helped to inform both internal decision-making and external shared situational awareness with partner agencies in the NRF and the Ministry of Housing, Communities and Local Government, sometimes at very short notice.

- 2.9 **EU Exit Transition** - The Covid pandemic has caused many of the EU Exit critical dates to be delayed and some of the reasonable worst case scenarios are yet to be pressure tested. The NRF Transition Group continues to monitor the situation and circulates information appropriately. It is ready to resume meetings and escalate to TCG / SCG level as necessary. Our EU Transition Lead Officer for NNDC, the Head of Economic & Community Development, who will now lead this work going forward.

- 2.10 **Other incidents in the past 12 months** – The Environment Agency has issued a host of coastal flood alerts, over the past year for the North Norfolk Coastline and inland locations affected by the River Bure such as Potter Heigham. Each occurrence requires a minimum of notification and coordination and follow up and, depending upon the severity, physical response.

Since the last annual report to the Governance Risk and Audit Committee the following incidents have required a response:

- 16 Jan 2021 – Amber Warning for Snow issued by the Met Office.
- 6 Feb 2021 – Yellow Snow warning led to Storm Darcy widespread travel disruption, worked with NRF multi-agency to set up 4x4 Cell. This was essential to ensure critical care and health workers could continue with their duties.
- 17 Feb 2021 – Amber and yellow warning for rain coincided with a period of tidal locking in the river Bure. This led to the issue of flood alerts in that area,

overtopping occurred in Horning, Ludham and Potter Heigham but no major damage.

- Feb, Mar and April 2021 – outbreaks of Avian Influenza required national restrictions to be managed across Norfolk.
- 15 Apr 2021 – Op Forth Bridge Death of the Duke of Edinburgh
- 30 May 2021 – Sea Pollution incident reported at Brancaster, from Yacht minor spillage.
- 20 Sep 2021 – Unexploded Mortar shell located on a farm near Roughton, Army Bomb Disposal Unit made safe.
- 24 Sep 2021 – National fuel disruption caused by a shortage of HGV drivers and communities reaction to media messaging. Focus on ensuring critical workers and services retained the ability to obtain fuel and carry out their duties.
- 21 Oct 2021 – Flood Warnings and alerts issued for the North Norfolk Coast, coinciding with the first spring tides as we approach winter.
- 14 Nov - Suspected unexploded ordinance on Walcott Beach. Made safe no further issues
- 22 Nov - Suspected unexploded ordinance at Holt Country Park. Made safe no further issues
- 27 Nov – Yellow weather warning for high winds

2 Business Continuity

- 3.1 Due to the long term absence of the Resilience Manager and the number of emergency planning incidents, elements of planned Business Continuity Management work have been delayed. NNDC has taken steps to address this by recruiting a Resilience Officer from NCC 2 days a week for the next two months. The existing plans are all fit for purpose, however, many plans are due their annual review in November and December 2021. This task will be prioritised to ensure plans and teams are best prepared for winter.
- 3.2.1 The council has continued to maintain all its critical activities, and to maintain service to our customers throughout the entirety of the Covid-19 emergency and lockdown periods. The council's business continuity management arrangements have been tested fully and proven to work.

4. Conclusion

The Civil Contingencies Team and the wider council has continued to discharge its responsibilities under the Civil Contingencies Act, 2004.

5. Implications and Risks

It is acknowledged that the ongoing response to Covid-19 and ongoing risks associated with EU Transition, mean that response to concurrent severe weather incidents etc. will be continue to be a challenge.

6. Financial Implications and Risks

There are no financial implications and risks directly arising from this report.

7. Sustainability N/A

There are no sustainability implications directly arising from this report.

8. Equality and Diversity

There are no equality and diversity implications directly arising from this report.

9. Section 17 Crime and Disorder considerations

There are no Section 17 Crime and Disorder implications directly arising from this report.

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North Norfolk District Council

Audit Plan

Year ended 31 March 2020

4 October 2021



Governance, Risk and Audit Committee Members
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

4 October 2021

Dear Governance, Risk and Audit Committee Member

2019/20 Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance, Risk and Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the next available Governance, Risk and Audit Committee, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee, and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee, and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

| Risk / area of focus | Risk identified | Change from PY | Details |
|---|------------------|------------------------------|--|
| Misstatements due to fraud or error | Fraud risk | No change in risk or focus | As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. |
| Incorrect capitalisation of revenue expenditure | Fraud risk | No change in risk or focus | Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We focus on the risk of incorrect capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) and Intangible Assets, given the extent of the Council's capital programme. This also links to the risk above as a specific area susceptible to manipulation by management. |
| Valuation of Land and Buildings | Significant risk | Increased from inherent risk | The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts (£79.8 million at 31 March 2020) and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. For 2019/20 we have increased the risk associated with asset valuations due to: <ul style="list-style-type: none"> issues identified in prior year testing in relation to unposted valuations and adjustments to impairment and depreciation; and a change in valuer (Management's expert). |
| Pension Liability Valuation | Inherent risk | No change in risk or focus | The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council. The Council's pension fund liability (£43.6 million as at 31 March 2020) is a material estimated balance and the Code requires that the liability be disclosed on the Council's balance sheet. |

Overview of our 2019/20 audit strategy

Audit risks and areas of focus (continued)

| Risk / area of focus | Risk identified | Change from PY | Details |
|---|-----------------|-------------------|--|
| Omission or understatement of NDR appeals provision | Inherent risk | New inherent risk | We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated. The quantum of the provision has fluctuated over recent financial years. |

Materiality

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Planning materiality
£1.121m

Materiality has been set at £1.121 million for the Council, which represents 2% of the gross expenditure on provision of services.

Performance materiality
£0.841m

Performance materiality has been set at £0.841 million for the Council, which represents 75% of materiality.

Audit differences
£56,000

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £56,000 for the Council. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of North Norfolk District Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension assets and obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion.

We are currently in the process of discussing the extent of these areas and the audit risks highlighted in this Audit Plan as relevant in the context of North Norfolk District Council's audit, and the resultant impact on the scale fee. We have only set out the published Scale Fee in Appendix A, at this point in time.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

| | What is the risk? | What will we do? |
|--|---|--|
| <p>Misstatements due to fraud or error *</p> | <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on 'Property, Plant and Equipment' and 'Intangible Assets' given the extent of the Council's capital programme (see below).</p> | <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages; ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management's processes over fraud; ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; and ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements and evaluating the business rationale for any significant unusual transactions. |

Our response to significant risks (continued)

| | | |
|--|---|--|
| <p>Incorrect capitalisation of revenue expenditure *</p> | <p>What is the risk?</p> | <p>What will we do?</p> |
| <p>Financial statement impact</p> <p>We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.</p> <p>We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the 'Comprehensive Income and Expenditure Statement'.</p> | <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and Intangible Assets given the extent of the Council's capital programme (see above).</p> | <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature; ▶ Performing sample testing on additions to Property, Plant and Equipment and Intangible Assets, ensuring that they have been correctly classified as capital and included at the correct value, to identify any revenue items that have been inappropriately capitalised; and ▶ Testing the appropriateness of journal entries recorded in the general ledger moving expenditure items from revenue codes to capital codes. |

Our response to significant risks (continued)

| | What is the risk? | What will we do? |
|---|--|---|
| <p>Valuation of Land and Buildings</p> | <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances (£79.8 million) in the Council's accounts and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>For 2019/20 we have increased the risk associated with asset valuations due to:</p> <ul style="list-style-type: none"> • issues identified in prior year testing in relation to unposted valuations and adjustments to impairment and depreciation; and • a change in valuer (Management's expert). | <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council's valuers (Wilks Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, assumptions about the impact of Covid-19); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; ▶ Consider circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used; and ▶ Consider changes to useful economic lives as a result of the most recent valuation; and ▶ Test accounting entries have been correctly processed in the financial statements. |

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?

Pension liability valuation - Inherent risk

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £43.6 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2019/20 it is possible these entries will be subject to further volatility as a consequence of Covid-19.

Omission or understatement of NDR appeals provision - Inherent risk

We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated. The quantum of the provision has fluctuated over recent financial years.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to North Norfolk District Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Review the impact of Covid-19 on the value of Pension Fund assets and consider whether there are any risks of material misstatement arising from this.

In order to address this risk we will carry out a range of procedures including:

- ▶ Testing the calculation of the NDR provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing is performed we will apply a lower testing threshold to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued; and
- ▶ Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of the provision.

Audit risks

Other areas of audit focus (continued)

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. These may include, but not be limited to:

- ▶ **Going concern** - management's assessment of whether the Council is a going concern will need to consider the impact of the current conditions on the Council's future performance. Additional narrative disclosure will be required, including on the future principal risks and uncertainties, including the impact on operations for 2020/21 and beyond.
- ▶ **Revenue recognition** - there may be an impact on income collection (Council and Business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.

Tangible assets - there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.

Pensions - volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.

Receivables - there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.

- ▶ **Holiday and sickness pay** - the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- ▶ **Government support** - any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- ▶ **Annual Governance Statement** - the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Governance, Risk and Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will continue to discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its full application for 2020/21.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

For 2019/20 our risk assessment has considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.



Value for Money Risks

What is the significant value for money risk?

The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year; as follows:

- ▶ Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 - March 2021 in relation to a "whistle-blower" allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and

Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom.

Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.

These issues highlight potential weaknesses with the non-compliance of internal policies and procedures and as such we are categorizing them as a significant risk.

What arrangements does the risk affect?

Maintaining a sound system of internal control

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Engage EY Forensics to examine and review the 'whistleblower' allegation alongside the Cambridgeshire Police investigation';
- ▶ Review the EY Forensics report and any governance issues identified, and the Council's response to those issues;
- ▶ Ensure that Internal Audit recommendations from their own reviews have been implemented; and
- ▶ Assess whether any additional audit procedures are required.



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04

Audit materiality

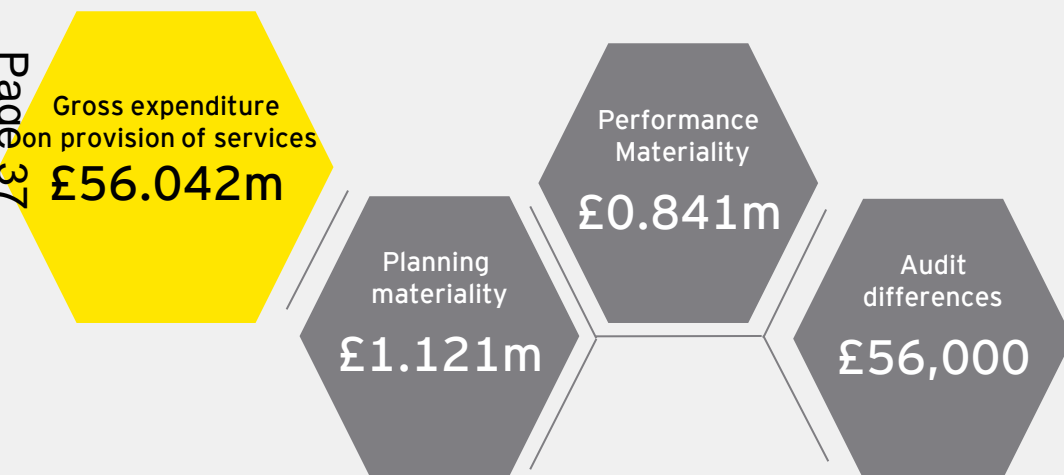


Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £1.121 million. This represents 2% of the Council's gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this percentage on the basis of there being no shareholders; no traded debt or covenants; limited changes in the business environment; good viability of the business and limited external financing.

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We request that the Governance, Risk and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance Materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.841 million which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

- Remuneration disclosures, related party transactions and councillor allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance, Risk and Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will review the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



Scope of our audit

Deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. Whilst this has been relaxed for 2019/20 in light of Covid-19, the Council is still working to the original timelines in respect of the draft financial statements and audit timing.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Council staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Authority we will:

- ▶ Work with the Authority and officers to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Authority's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate a closedown workshop with Statutory Finance Officers to agree an approach to enable us all to achieve a successful closure of accounts for the 2019/20 financial year.
- ▶ Work with the Authority to implement/ embed/ improve the use of EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.



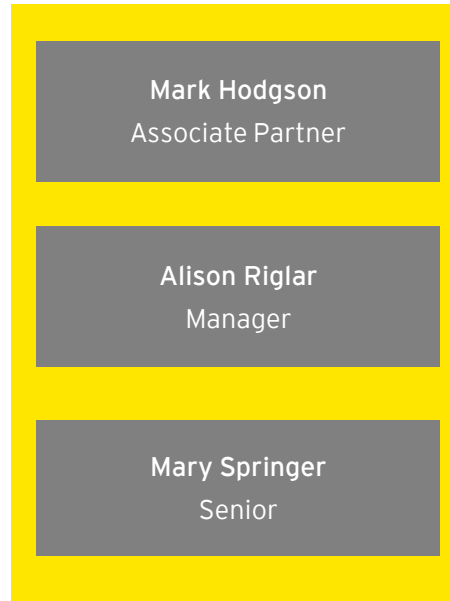
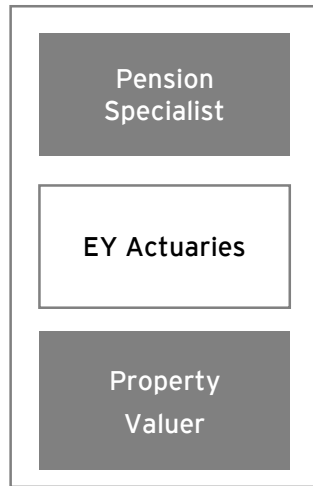
06

Audit team



Audit team

Audit team structure:



Working together with the Council

We will continue to work together with officers to establish strong communication and processes for the 2019/20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

The engagement team is led by Mark Hodgson. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mark is supported by Alison Riglar, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Chief Accountant. The day to day audit team will be led by Mary Springer, Senior.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

| Area | Specialists |
|-----------------------------------|---|
| Valuation of Land and Buildings | EY Valuations Team and Wilks, Head and Eve (the Council's property valuer) |
| Pensions disclosures | EY Pensions Team, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary) |
| Fair Value Investment Measurement | Arlingclose (the Council's treasury advisor) |

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

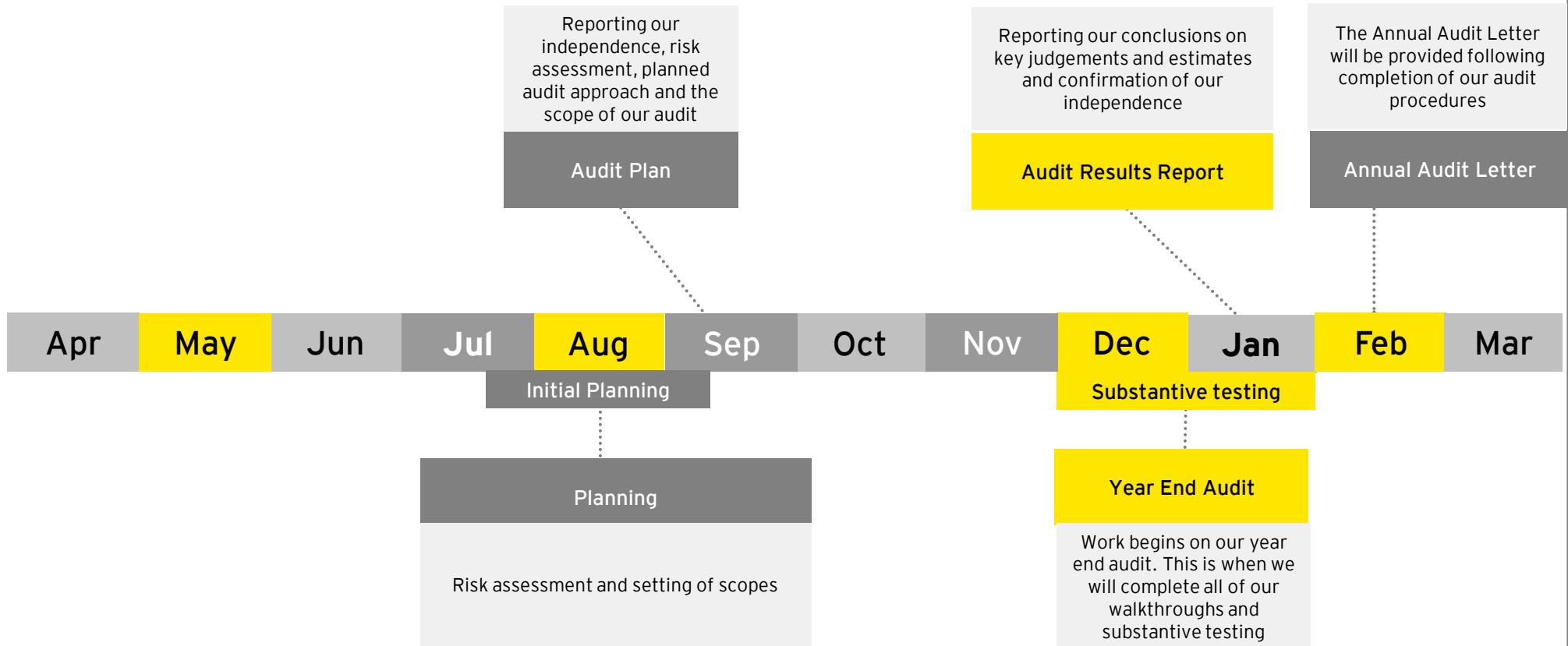
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Governance, Risk and Audit Committee and we will discuss them with the Governance, Risk and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 28%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefit certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements

An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Governance, Risk and Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Governance, Risk and Audit Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019/20 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

| | Planned fee 2019/20 | Scale fee 2019/20 | Final Fee 2018/19 |
|---|------------------------|-------------------|-------------------|
| | £'s | £'s | £'s |
| Total Audit Fee - Code work | 41,667 | 41,667 | 41,667 |
| Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1) | 28,238 | - | - |
| Revised Proposed Scale Fee | 69,905 | 41,667 | 41,667 |
| Additional procedures: | | | |
| 2018/19 additional procedures in relation to Property, Plant and Equipment, Financial Instruments and Going Concern | - | - | 8,702 |
| 2019/20 additional procedures required in response to the increased risks in respect of the valuation of land and buildings, NDR appeals provision and the impact of Covid-19 | Note 2 | - | - |
| 2019/20 additional procedures required in relation to the significant VFM risk, including engagement of EY Forensics | 17,153 | - | - |
| Total audit fees | To be confirmed | 41,667 | 50,369 |
| Other non-audit services not covered above - Housing Benefits | 11,708 | - | 13,800 |
| Total other non-audit services | 11,708 | - | 13,800 |
| Total fees | To be confirmed | 41,667 | 64,169 |

All fees exclude VAT

Fees (continued)

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of North Norfolk District Council - £13,932
- Additional work to address increase in Regulatory standards - £13,020
- Client readiness and IT support for Data Analytics - £1,285




This revised scale fee has been discussed with management and is subject to review and determination by PSAA Ltd.

Note 2 - We cannot quantify the impact of any work resulting as a response to increased risks or Covid-19 in 2019/20 at this point. We will provide an update on the additional fee implications at the conclusion of the audit.





Appendix B

Required communications with the Audit Committee




We have detailed the communications that we must provide to the Governance, Risk and Audit Committee.

| | | Our Reporting to you |
|-------------------------------------|---|--|
| Required communications |  What is reported? |   When and where |
| Terms of engagement | Confirmation by the Governance, Risk and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p> | Audit Plan - September 2021 |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process. | Audit Results Report - January 2022 |
| Group audits | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements | <p>Audit Results Report - January 2022</p> <p>Audit Plan - September 2021</p> |

Required communications with the Audit Committee (continued)




| | | |  Our Reporting to you |
|---------------------------------------|---|--|--|
| Required communications |  What is reported? |   When and where | |
| Page 56 | Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | <p>Audit Plan - September 2021</p> <p>Audit Results Report - January 2022</p> |
| | Internal confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | Audit Results Report - January 2022 |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance, Risk and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Risk and Audit Committee may be aware of | Audit Results Report - January 2022 | |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Audit Results Report - January 2022 | |

Required communications with the Audit Committee (continued)

| | | Our Reporting to you |
|-------------------------|--|--|
| Required communications |  What is reported? |   When and where |
| Going concern | Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: | Audit Results Report - January 2022 |
| | <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management | Audit Results Report - January 2022 |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud | Audit Results Report - January 2022 |
| Related parties | <ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | Audit Results Report - January 2022 |

Appendix B

Required communications with the Audit Committee (continued)

| | |  Our Reporting to you |
|--|---|---|
| Required communications |  What is reported? |  When and where |
| Representations | Written representations we are requesting from management and/or those charged with governance | Audit Results Report - January 2022 |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit Results Report - January 2022 |
| Auditors report | <ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit Results Report - January 2022 |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | Audit Plan - September 2021 Audit Results Report - January 2022 Annual Audit Letter - February 2022 |

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Governance, Risk and Audit Committee reporting appropriately addresses matters communicated by us to the Governance, Risk and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Progress Report on Internal Audit Activity: 21 September 2021 to 29 November 2021

Summary: This report examines the progress made between 21 September 2021 to 29 November 2021 in relation to delivery of the Annual Internal Audit Plan for 2021/22.

Conclusions: A total of two final reports from quarter two are provided for the Committee's to review.

Recommendations: **It is recommended that the Committee notes internal audit progress within the period covered by the report.**

Cabinet member(s): Ward(s) affected:
All All

Contact Officer, telephone number, and e-mail: Faye Haywood
01508 533873
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1. Background

1.1. This report reflects progress made regarding internal audits for the agreed 2021/22 plan approved by GRAC on 16 June 2021.

2. Overall Position

2.1. The overall position in relation to the 2021/22 Internal Audit Plan is within the attached report.

3. Conclusion

3.1 The 2021/22 Internal Audit Plan of work is underway, with two final reports issued.

4. Recommendation

4.1 It is recommended that the Committee notes internal audit progress within the period covered by the report.

Appendices attached to this report:

Progress Report on Internal Audit Activity

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Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 21 September 2021 to 29 November 2021

Responsible Officer: Faye Haywood – Head of Internal Audit for North Norfolk District Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from audits; and
 - Performance to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 No significant changes have been made to the plan since its approval on 15th June 2021.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 71 days of programmed work has now been completed, equating to 42% of the Internal Audit Plan for 2021/22.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report, two Internal Audit reports have been finalised.

| Audit | Assurance | P1 | P2 | P3 |
|--|------------|----|----|----|
| Performance Management, Corporate Policy and Business Planning | Reasonable | 0 | 0 | 4 |
| Income | Reasonable | 0 | 2 | 1 |

The Executive Summary of these reports are attached at **Appendix 2**, full copies can be requested by Members.

4.5 As can be seen in the table above as a result of these audits seven recommendations have been raised and agreed by management.

4.6 In addition one operational effectiveness matter has been raised for management consideration.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA is reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.

5.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by TIAA and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

5.3 Delays have been experienced in completing and finalising quarter two work with the contractor being subject to resourcing and sickness difficulties. Quarter three work is now back on track however, progress against delivering the plan of work is being carefully managed with the contractor to ensure that resources are sufficient to complete the plan of work.


APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

| Audit Area | Audit Ref | No. of days | Revised Days | Days Delivered | Status | Assurance Level | Recommendations | | | | Date to Committee |
|--|-----------|-------------|--------------|----------------|---|-----------------|-----------------|-----------|-----------------|----|-------------------|
| | | | | | | | Urgent | Important | Needs Attention | Op | |
| Quarter 2 | | | | | | | | | | | |
| Performance Management, Corporate Policy and Business Planning | NN2203 | 10 | 10 | 10 | Final report issued on 11 October 2021. | Reasonable | 0 | 0 | 4 | 0 | December 2021 |
| Counter Fraud and Corruption | NN2204 | 8 | 8 | 7 | Draft report issued 25 November 2021. | | | | | | |
| Income | NN2208 | 7 | 7 | 7 | Final report issued on 4 October 2021. | Reasonable | 0 | 2 | 1 | 1 | December 2021 |
| COVID-19 Business Grants | NN2209 | 8 | 8 | 6 | Fieldwork complete. Draft report being prepared. | | | | | | |
| Environmental Health | NN2214 | 12 | 12 | 11 | Draft report issued on 4 November 2021. | | | | | | |
| TOTAL | | 45 | 45 | 41 | | | | | | | |
| Quarter 3 | | | | | | | | | | | |
| Annual Governance Statement | NN2201 | 8 | 8 | 4 | Audit Planning Memorandum issued on 8 September 2021. Fieldwork underway. | | | | | | |
| Project Management Framework | NN2205 | 8 | 8 | 4 | Audit Planning Memorandum issued on 3 November 2021. Fieldwork underway. | | | | | | |
| Accountancy Services | NN2206 | 16 | 16 | 6 | Audit Planning Memorandum issued on 4 November 2021. Fieldwork underway. | | | | | | |
| Accounts Receivable | NN2207 | 10 | 10 | 8 | Audit Planning Memorandum issued on 21 September 2021. Fieldwork complete, draft report being prepared. | | | | | | |
| Customer Services | NN2210 | 10 | 10 | 1 | Audit Planning Memorandum issued on 9 November 2021. Fieldwork begins December. | | | | | | |
| TOTAL | | 52 | 52 | 23 | | | | | | | |
| Quarter 4 | | | | | | | | | | | |
| Key Controls and Assurance | NN2201 | 15 | 15 | 0 | | | | | | | |
| Waste Management | NN2213 | 10 | 10 | 0 | | | | | | | |
| Economic Growth | NN2211 | 10 | 10 | 0 | | | | | | | |
| Environmental Charter | NN2212 | 8 | 8 | 0 | | | | | | | |
| TOTAL | | 43 | 43 | 0 | | | | | | | |
| IT Audits | | | | | | | | | | | |
| Information Management | NN2015 | 10 | 10 | 0 | Quarter 4 | | | | | | |
| Change Control and Patch Management | NN2016 | 10 | 10 | 0 | Quarter 4 | | | | | | |
| TOTAL | | 20 | 20 | 0 | | | | | | | |
| Follow Up | | | | | | | | | | | |
| Follow Up | N/A | 10 | 10 | 7 | | | | | | | |
| TOTAL | | 10 | 10 | 7 | | | | | | | |
| TOTAL | | 170 | 170 | 71 | | | 0 | 2 | 5 | 1 | |
| Percentage of plan completed | | | | 42% | | | | | | | |

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Performance Management, Corporate Policy and Business Planning

Executive Summary

| <p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a large yellow circle labeled 'REASONABLE ASSURANCE' with a blue border containing the text 'Adequate & effective governance, risk and control processes'. To the right are four horizontal bars representing assurance levels: 'SUBSTANTIAL ASSURANCE' (green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p> | <p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Performance management</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> </tbody> </table> <p>No recommendations have been raised in respect of Corporate Plan and Delivery Plan, Business Planning or Use of InPhase.</p> | Control Area | Urgent | Important | Needs Attention | Operational | Performance management | 0 | 0 | 4 | 0 | Total | 0 | 0 | 4 | 0 |
|--|---|--------------|-----------------|-------------|-----------------|-------------|------------------------|---|---|---|---|--------------|----------|----------|----------|----------|
| Control Area | Urgent | Important | Needs Attention | Operational | | | | | | | | | | | | |
| Performance management | 0 | 0 | 4 | 0 | | | | | | | | | | | | |
| Total | 0 | 0 | 4 | 0 | | | | | | | | | | | | |
| <p>SCOPE</p> <p>Due to the significance of the Covid-19 Pandemic, the Corporate Plan for the Council has been reviewed taking lessons learnt, new ways of working and changes to local needs into account. Our review will provide assurance that the new strategy reflects the environment, that reliable information has been used to inform the process, that risks to delivery have been considered and that performance measures have been revised that are achievable yet challenging. This review will be undertaken consortium-wide to draw on similarities and good practice where relevant.</p> | | | | | | | | | | | | | | | | |

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Performance Management (NN/18/01), issued in June 2017, concluded in a 'Substantial' assurance opinion, with three 'needs attention' recommendations being raised, indicating that the level of control has reduced slightly.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- The Council has a public performance portal that is linked to its performance system, so that members of the public can view how the Council is performing in achieving its objectives.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Corporate Plan and Delivery Plan were reviewed in light of Covid-19 and a set of priority objectives was selected, to ensure that resources were focused in key areas.
- All actions and performance measures are recorded on the Council's performance management system, InPhase, and assigned to an owner, to ensure that all data is accessible in one place and that responsibilities for maintaining it are clear.
- A performance report, containing updates on progress against Delivery Plan actions and performance against indicators, is presented to Cabinet and Overview and Scrutiny Committee on a quarterly basis, to ensure that Members are aware of and can challenge the Council's performance in key areas.
- All users of InPhase have received training on using the system, to ensure that all actions, performance measures and risks are updated consistently across all services.
- The Corporate Plan and Delivery Plan were reviewed in light of Covid-19 and a set of priority objectives was selected, to ensure that resources were focused in key areas.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where four 'needs attention' recommendations have been made.

Performance Management

- The Performance Management Framework be updated to reflect current arrangements, to reduce the risk of outdated processes being followed.
- Completed actions be removed from the quarterly performance reports once they have been reported as complete, so that the focus is on actions which remain outstanding. This was implemented subsequent to completion of audit testing. No further action required.
- Commentary be provided against all amber indicators in the quarterly performance reports, to reduce the risk of underperformance not being addressed.
- Data on the public performance portal be updated on a monthly basis, to reduce the risk of outdated information being reported. This was implemented subsequent to completion of audit testing. No further action required.

Previous audit recommendations

The previous internal audit report on Performance Management (NN/18/01) was issued in June 2017 with a 'Substantial' assurance opinion. Three 'needs attention' recommendations were raised, all of which have been confirmed as implemented.


Other points noted

Service plans were not updated for 2021/22. A comprehensive business planning process is currently ongoing so that service plans will be updated to cover the period from October 2021 to March 2023. Workshops have been conducted with managers during June and July and managers have been provided with template documents to complete. The draft service plans will be reviewed by Assistant Directors at the end of August and will receive final sign off by the relevant Director and Portfolio Holder by the end of September. As part of this process, performance measures and targets will be reviewed to ensure that they are appropriate. Risks that may affect the delivery of objectives will also be captured, as there should be clear links between the Council's risk registers and its objectives.

In the quarter four 2020/21 performance report, several performance measures did not have targets set. Managers have received reminders and guidance on how to do this, to ensure that a target has been set for all measures that need one, by the quarter two performance reporting deadline.

Assurance Review of the Income Arrangements

Executive Summary

| <p>OVERALL ASSURANCE ASSESSMENT</p>  | <p>ACTION POINTS</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #2c5e8c; color: white;"> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Policies and Procedures</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td> Receiving</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td> Banking</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td> Reconciling Income</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr style="font-weight: bold;"> <td>Total</td> <td>0</td> <td>2</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>No recommendations have been raised in relation to physical security, receiving and posting of income.</p> | Control Area | Urgent | Important | Needs Attention | Operational | Policies and Procedures | 0 | 0 | 0 | 1 | Receiving | 0 | 1 | 0 | 0 | Banking | 0 | 0 | 1 | 0 | Reconciling Income | 0 | 1 | 0 | 0 | Total | 0 | 2 | 1 | 1 |
|---|--|--------------|-----------------|-------------|-----------------|-------------|-------------------------|---|---|---|---|-----------|---|---|---|---|---------|---|---|---|---|--------------------|---|---|---|---|-------|---|---|---|---|
| Control Area | Urgent | Important | Needs Attention | Operational | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Policies and Procedures | 0 | 0 | 0 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Receiving | 0 | 1 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Banking | 0 | 0 | 1 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reconciling Income | 0 | 1 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 0 | 2 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>SCOPE</p> <p>These key financial systems feed into the Statement of Accounts and requires periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Income (NN2207) concluded in a 'Reasonable' assurance opinion having raised five 'needs attention' recommendations, thereby indicating no change in the direction of travel.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Receipting

- Cash and cheque receipting was shown to be detailed with audit trails present for all income sources.

Income

- Daily exemption and reconciliation reporting for all income was shown to be comprehensive and well documented with strong compliance to controls.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Receipting

- Banking to be undertaken when amounts held reach agreed amounts, with regular banking scheduled in advance.

Reconciling Income

- All monthly bank reconciliations should be completed and reviewed promptly at the end of each month.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Banking

- The council's Business Continuity Management document with the banking contingency plans should be reviewed annually to ensure it is reflective of current practise and up to date.

Operational Effectiveness Matters

- Consideration to be given to the inclusion of a 'Ways to pay' page being set up on the councils website detailing all accepted payment methods.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

Follow Up on Internal Audit Recommendations 21 September 2021 to 29 November 2021

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion within the period covered by this report.

Conclusions: Progress continues to be made in addressing audit recommendations.

Recommendations: **It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.**

Cabinet member(s): All
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Faye Haywood, Head of Internal Audit for North Norfolk DC

01508 533873

faye.haywood@southnorfolkandbroadland.gov.uk

1. Background

- 1.1. In accordance with an agreed action at the previous GRAC, internal audit has agreed to increase follow up reporting to highlight progress made against outstanding internal audit recommendations. This report, will now be provided to the committee at every meeting.
- 1.2. This report now seeks to provide an update on the status of all internal audit recommendations, highlighting management responses where any are over the agreed deadline for completion.

2. Overall Position

- 2.1. The overall position in relation to the implementation of Internal Audit Recommendations is within the attached report.

3. Conclusion

- 3.1 We strongly recommend that officers focus on completing recommendations raised during 2017/18, 2018/19, 2019/20 as these are now significantly overdue.

4.1 It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Appendices attached to this report:

Follow Up Report on Internal Audit Recommendations

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 21 September 2021 to 29 November 2021

Responsible Officer: Faye Haywood – Head of Internal Audit for North Norfolk DC

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1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
1. The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 In 2017/18 internal audit raised 50 recommendations; 49 of which have now been implemented. One important recommendation remains outstanding and can be seen at **Appendix 2** to the report.

| | | |
|-----------------------|----|-----|
| Number raised to date | 50 | |
| Complete | 49 | 98% |
| Outstanding | 1 | 2% |

- 2.4 A total of 40 recommendations were raised during 2018/19. A total of 37 have been completed. Three recommendations are outstanding (one important, two needs attention). The important recommendation can be seen at **Appendix 3** to the report.

| | | |
|-----------------------|----|-----|
| Number raised to date | 40 | |
| Complete | 37 | 93% |
| Outstanding | 3 | 7% |

2.5 A total of 56 recommendations were agreed in 2019/20. A total of 34 have now been completed. A total of 22 recommendations, 13 important and nine needs attention recommendations are outstanding. Outstanding important recommendations can be seen at **Appendix 4** to the report.

| | | |
|-----------------------|----|-----|
| Number raised to date | 56 | |
| Complete | 34 | 61% |
| Outstanding | 22 | 39% |

2.6 A total of five important recommendations included within the above total relate to the NN2001 audit of Project Management. All recommendations raised as part of this review will be followed up during the NN2205 audit of Project Management which is currently in progress. A full update will be provided on conclusion of this work and reported back to the Committee at its next meeting. Due to this, updates have not been provided. The outstanding recommendations from this review can be found at **Appendix 6** and will remain open until completion is verified.

2.7 A total of 33 recommendations were raised in 2020/21. A total of 12 have been completed. A total of 18 recommendations are outstanding, six urgent, 11 important and one needs attention. A total of three remain within deadline. The details of the important outstanding recommendations can be seen at **Appendix 5** to the report.

| | | |
|-----------------------|----|-----|
| Number raised to date | 33 | |
| Complete | 12 | 36% |
| Outstanding | 18 | 55% |
| Within Deadline | 3 | 9% |

2.8 A total of six urgent and four important recommendations included within the above total relate to NN2112 audit of the Cromer Tennis Hub. All recommendations raised as part of this review will be followed up during the NN2205 audit of Project Management which is currently in progress. A full update will be provided on conclusion of this work and reported back to the Committee at its next meeting. Due to this, updates have not been provided. The outstanding recommendations from this review can be found at **Appendix 6** and will remain open until completion is verified.

2.9 A total of 7 recommendations have so far been raised in 2021/22. A total of two have now been completed and five are within deadline.

| | | |
|-----------------------|---|-----|
| Number raised to date | 7 | |
| Complete | 2 | 29% |
| Within Deadline | 5 | 71% |

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

| | | | Completed bt 21 September 2021 and 29 November 2021 | | | Previously reported to Committee as outstanding | | | (New) Outstanding | | | Total Outstanding | Not Yet Due for implementation | | |
|---------------------------------------|--|--------------------|---|------------|------------|---|------------|------------|-------------------|------------|------------|-------------------|--------------------------------|------------|------------|
| | | | Priority 1 | Priority 2 | Priority 3 | Priority 1 | Priority 2 | Priority 3 | Priority 1 | Priority 2 | Priority 3 | | Priority 1 | Priority 2 | Priority 3 |
| Audit Ref | Audit Area | Assurance Level | | | | | | | | | | | | | |
| 2017/18 Internal Audit Reviews | | | | | | | | | | | | | | | |
| NN1803 | Land Charges | Reasonable | | | | | 1 | | | | | 1 | | | |
| NN1807 | Environmental Health | Reasonable | | 1 | | | | | | | | 0 | | | |
| 2018/19 Internal Audit Reviews | | | | | | | | | | | | | | | |
| NN1906 | Accounts Payable | Reasonable | | | | | | 1 | | | | 1 | | | |
| NN1914 | Environmental Health | Reasonable | | | | | 1 | 1 | | | | 2 | | | |
| 2019/20 Internal Audit Reviews | | | | | | | | | | | | | | | |
| NN2004 | S106 Agreements | Reasonable | | 1 | | | 4 | | | | | 4 | | | |
| NN2005 | Accountancy Services | Substantial | | | | | | 1 | | | | 1 | | | |
| NN2006 | Accounts Recievable | Reasonable | | | | | | 2 | | | | 2 | | | |
| NN2009 | Planning and Development | Reasonable | | | | | 2 | | | | | 2 | | | |
| NN2015 | Business Continuity and Disaster Recovery | Reasonable | | | | | | 2 | | | | 2 | | | |
| NN2011 | Key Controls and Assurance | Substantial | | | | | | 1 | | | | 1 | | | |
| NN2001 | Project Management Framework | Position Statement | | | | | 5 | | | | | 5 | | | |
| NN2017 | GIS Application | Reasonable | | | | | 2 | 3 | | | | 5 | | | |
| 2020/21 Internal Audit Reviews | | | | | | | | | | | | | | | |
| NN2103 | Accounts Payable | Substantial | | | 1 | | | | | | | 0 | | | |
| NN2110 | Private Sector Housing DFGs | Reasonable | | | 1 | | | | | | | 0 | | | |
| NN2106 | Payroll and Human Resources | Substantial | | | | | | | | 1 | | 1 | | | |
| NN2112 | Cromer Tennis Hub | No Assurance | | | | 6 | 4 | | | | | 10 | | | |
| NN2111 | Remote Access | Reasonable | | | 1 | | 1 | | | 3 | | 4 | | 1 | 2 |
| NN2107 | Procurement Contract Management | Position Statement | | | | | | | | 3 | | 3 | | | |
| 2021/22 Internal Audit Reviews | | | | | | | | | | | | | | | |
| NN2203 | Performance Management, Corporate Policy and Business Planning | Reasonable | | | 2 | | | | | | | 1 | | | 2 |
| NN2208 | Income | Reasonable | | | | | | | | | | 0 | | 2 | 1 |
| TOTALS | | | 0 | 2 | 5 | 6 | 20 | 11 | 0 | 6 | 1 | 44 | 0 | 3 | 5 |

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18 AUDIT REVIEWS

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|---------------------|--|----------|--|----------------------------------|------------|------------------|-------------|---|
| NN1803 Land Charges | <p>Recommendation 1: Procedure notes be produced for all aspects of the local land charge service. These notes to be version controlled and reviewed on a regular basis.</p> <p>Rationale & risk: Ensuring procedure notes are in place and up to date for all aspects of the service will provide assurance to management that staff are following correct practices. This reduces the risk of errors being made within the process where staff follow incorrect practice, leading to reputational damage and financial loss for the Council.</p> | 2 | The service accept that the current procedural manual is incomplete and could be improved to include version control and recent changes that have occurred within the service. | Property Information Team Leader | 31/12/2017 | 31/01/2022 | Outstanding | Following the implementation of the new Uniform system, new Procedure Notes are now substantially complete with remaining action being to compile into a single document. |

APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19 AUDIT REVIEWS

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|-----------------------------|---|----------|---------------------|----------------------------------|------------|------------------|-------------|---|
| NN1914 Environmental Health | <p>Recommendation 2: An updated version of the licence register is published on the Council's website, using the method used prior to Assure implementation if necessary.</p> | 2 | Agreed | Environmental Protection Manager | 30/05/2019 | 28/02/2021 | Outstanding | IT have been working on Crystal Reports which pull the relevant data from the Environmental Health database into a format which can be published to the website. Due to the complexity of the various register requirements each different licensable activity needs a separate report to ensure it is compliant with the publishing requirements. The initial data quality testing of the data, produced through the crystal reports for the first registers, identified a small number of inaccuracies in the reports which would have led to inaccurate registers being published if used; these anomalies are currently being investigated, in order to ensure accurate registers are published. A priority order has been established based on risk for the production of the registers. |

APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20 AUDIT REVIEWS

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|---------------------------------|---|----------|--|---------------------|------------|------------------|-------------|---|
| NN2004 - Section 106 Agreements | Recommendation 1: Individual obligations and triggers from S106 agreements are recorded and monitored on a systematic basis, by a designated officer. | 2 | Agreed, but requires a single officer to be designated for monitoring of S106. | AD Planning | 30/04/2020 | 31/03/2021 | Outstanding | Completion dependant on implementation of EXACOM (S106 software). |
| NN2004 - Section 106 Agreements | Recommendation 2: Deadlines for spending financial contributions be recorded with each sum received. Deadlines to be routinely monitored and decisions made in respect of the use of monies at agreed intervals prior to deadlines approaching, including the two cases found where the deadlines had passed. | 2 | Agreed. Short term pre Q2 20202 meetings to be held on with group accountant quarterly to risk asses upcoming spend deadlines. | AD Planning | 30/04/2020 | 31/03/2022 | Outstanding | UNIFORM project completed. EXACOM project (Section 106 software) is being commissioned. Section 106 monitoring officer post is included within the team plan and budget proposals for 2022. Target date for completion now end of March 2022 to coincide with EXACOM implementation target date. |
| NN2004 - Section 106 Agreements | Recommendation 4: Parish and town councils are regularly informed of money from S106 agreements that is available for them to spend and be required to submit expenditure commitments within given deadlines, giving explanations for monies held for extended periods with no commitments, through a quarterly statement of existing and new receipts that is updated and returned to the Councils designated officer. | 2 | Agreed. Short term – pre 30/04/2020 lead by quarterly meeting with group accountant. Mid / longer term Post 30/04/2020 software is publically viewable and monitoring officer will be tasked with contacting PC/ TC. | AD Planning | 31/01/2020 | 31/03/2022 | Outstanding | UNIFORM project completed. EXACOM project (Section 106 software) is being commissioned. Section 106 monitoring officer post is included within the Team Plan and budget proposals for 2022. Target date for completion 31 st March 20222 to coincide with EXACOM implementation target date. |
| NN2004 - Section 106 Agreements | Recommendation 5: The process for approving the expenditure of S106 funds and ensuring that it is in accordance with the agreement be formally agreed and consistently applied, with evidence retained. | 2 | Agreed. Process map to be agreed by the Major Projects Manager, or the Head of Planning and group accountant. | AD Planning | 31/01/2020 | 31/03/2022 | Outstanding | UNIFORM project completed. EXACOM project (Section 106 software) is being commissioned. Section 106 monitoring officer post is included within the team plan and budget proposals for 2022. |

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|---|---|----------|---|-------------------------------------|------------|------------------|-------------|---|
| NN2009 - Planning Applications and Development Management | Recommendation 2: Response time targets and fees for pre-application work be reviewed, to ensure that they enable good quality, timely responses to be provided to applicants. | 2 | Agreed, but to be actioned post go-live of UNIFORM system. NNDC customer satisfaction survey to correlate with review of Pre-application advice service. This will commence on 1st July 2020, to complete by 31st October 2020. | AD Planning | 31/10/2020 | 30/06/2022 | Outstanding | Action included in Team Plan. Process review of planning preapplication advice to be completed by June 2022. |
| NN2009 - Planning Applications and Development Management | Recommendation 4: Monthly reconciliations of planning fee income be reinstated and subject to independent review. | 2 | Agreed. | AD Planning / Director of Resources | 01/04/2020 | 31/03/2022 | Outstanding | UNIFORM software now installed. Awaiting completion of the review of the reconciliation process between Planning and Finance systems. Action included in Team Plan process review. |
| NN2017 – Cadcorp SIS (GIS) Application Audit | Recommendation 2: The Council to ensure that the formally documented operational Cadcorp policies and procedures are reviewed on a regular basis. | 2 | Agreed. We have documentation but it does need reviewing and updating and with a new member for the team to be recruited it will be ideal timing to bring them up to speed too | ICT Applications Manager | 31/07/2020 | 31/03/2022 | Outstanding | This work is delayed due to the post of Applications Manager being vacant and due to insufficient resources in the GIS team. Measures to address this have been approved by CLT and a minor restructure and recruitment is currently in progress. |
| NN2017 – Cadcorp SIS (GIS) Application Audit | Recommendation 1: Management to ensure the GIS service is resourced appropriately according to workload to ensure that continued appropriate seamless support and resilience for the Cadcorp environment is put in place. | 2 | Agreed. The role of GIS administrator has been recruited and the successful candidate starts in post on 14 February 2020. | ICT Applications Manager | 01/05/2020 | 31/03/2022 | Outstanding | This work is delayed due to insufficient resources in the GIS team. Measures to address this have been approved by CLT and a minor restructure and recruitment is currently in progress. |

APPENDIX 5 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21 AUDIT REVIEWS

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|----------------------|--|----------|---------------------|---------------------|------------|------------------|-------------|--|
| NN2111 Remote Access | Recommendation 4: ICT management to document the end-to-end Change Management process as part of a policy document. This should include requirements and controls regarding any third-party changes to Council owned systems. Management will also complete retrospective changes for any major changes completed as a result of the move to home working. | 2 | Agreed | Network Manager | 31/08/2021 | 30/11/2021 | Outstanding | This will be finished by end of November following consultation with ICT managers. |
| NN2111 Remote Access | Recommendation 1: ICT management to make required updates to the ICT Security Policy to ensure policies and procedures are up-to-date and reflect the latest processes and controls. | 2 | Agreed. | Network Manager | 30/09/2021 | 24/12/2021 | Outstanding | Due to other pressures there hasn't been time to start this yet. |
| NN2111 Remote Access | Recommendation 2: ICT management to review the Information Security Incident Management Policy to ensure this is up-to-date and reflects the latest processes and controls. | 2 | Agreed. | Network Manager | 31/10/2021 | 30/11/2021 | Outstanding | This review will be finished by the end of November 2021. |
| NN2111 Remote Access | Recommendation 5: ICT management to implement activity logging of administrator and other high privilege accounts. The approach to management of administrator account logging should also be documented as part of the IT Security Policy. | 2 | Agreed. | Network Manager | 30/09/2021 | 31/12/2021 | Outstanding | Activity logging of administrator and other high privilege accounts has been implemented. This has been verified by Internal Audit. However, the approach to management of administrator account logging has not yet been documented within the IT Security Policy. This is currently being updated. |

| Job | Recommendation | Priority | Management Comments | Responsible Officer | Due Date | Revised Due Date | Status | Latest Response |
|---|--|----------|---------------------|-----------------------------|------------|------------------|-------------|---|
| NN2107 Procurement Contract Management | Action 2: That management risk assess the ability of contractors to continue provision in light of the ongoing current economic challenges. This could be incorporated within business planning work currently underway. | 2 | Agreed. | Chief Technical Accountant | 31/08/2021 | 31/01/2022 | Outstanding | The work on updating the procurement templates and financial sustainability assessments has paused due to officers being involved in the Zero-Based Budgeting exercise and other recruitment pressures. |
| NN2107 Procurement Contract Management | Action 3: That management review and update the Business Continuity Plan, and other relevant policies in light of the COVID response, including reference to review of contracts. | 2 | Agreed. | Civil Contingencies Manager | 31/08/2021 | 31/12/2021 | Outstanding | We are currently managing staff absence in this service area and as such have not had the resource to conduct this review. Support is currently being arranged for this area and this task will form part of the work to be completed by the additional resource. |
| NN2107 Procurement Contract Management | Action 6: A pragmatic and feasible process for regular review of 'off contract' spend is agreed. Consideration to be given to including the contracts register, and mechanisms for automatically identifying 'off contract' payments within the scope of the new finance system. | 2 | Agreed. | Chief Technical Accountant | 30/09/2021 | 30/04/2022 | Outstanding | This has been brought in-scope for the new Finance System that is due to be implemented by April 2023. The Procurement Officer is currently undertaking a review using a more manual process. Therefore, I suggest the due date be amended to April 2023. We will continue in the meantime with manual processes. |

APPENDIX 6 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – Project Management and Cromer Tennis Hub Audits

| Audit | Recommendation | Priority | Responsible Officer | Due Date |
|--|---|--------------------|--------------------------------|------------|
| NN2001 Project Management Framework | Action Point 4: Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required. This should include updates on projects within the Digital Transformation Programme, although not at the same level of detail. Updates need to be at a frequency which allows the information presented to be meaningful/informative and allow queries/challenge. | Position Statement | Project and Programme Managers | 31/07/2021 |
| NN2001 Project Management Framework | Action Point 7: Funding requests to Cabinet/Council should be robust and have input from Finance, to reduce the risk of budget overspend and to more accurately control the Council's budgets | Position Statement | Chief Technical Accountant | 31/07/2021 |
| NN2001 Project Management Framework | Action point 10. post-implementation reviews to be completed for all major projects to identify areas of success and lessons learnt for future projects. | Position Statement | Project and Programme Managers | 31/07/2021 |
| NN2001 Project Management Framework | Action point 8. Initial Risk assessments consistent - standard template and methodology | Position Statement | Project and Programme Managers | 31/10/2021 |
| NN2001 Project Management Framework | Action point 9: Project objectives and milestones defined and regularly reported on. | Position Statement | Project and Programme Managers | 31/10/2021 |

| Audit | Recommendation | Priority | Responsible Officer | Due Date |
|-------------------------------------|--|----------|---|------------|
| NN2112 Cromer Sports Hub Project | Recommendation 1: Terms of reference are drafted for all project group meetings making it clear the purpose of the group, the decision making responsibilities and a named officer for each of the key roles. These to be agreed in draft as part of the business case sign off, presented to the individual board or group for agreement and then presented back to the appropriate authorising body. | 1 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 3: A business case, that includes both financial and non-financial benefits, is reviewed and tested to provide assurance of its accuracy with key stakeholders prior to submission to the appropriate authorising body. Improved and broader stakeholder engagement is also required to provide additional feedback. | 1 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |

| Audit | Recommendation | Priority | Responsible Officer | Due Date |
|-------------------------------------|---|----------|---|------------|
| NN2112 Cromer Sports Hub Project | <p>Recommendation 4: The Senior Responsible Officer for the project must ensure that key documentation is completed to help ensure projects run effectively and efficiently. This will include:</p> <ol style="list-style-type: none"> 1. That all decisions are properly recorded and reported to the Project Board and Group; 2. A realistic timelines for project delivery is agreed; 3. Critical dates are included in the timeline and complied with; 4. A risk log is regularly reviewed with clear mitigation actions where risk is identified; 5. Updates are regularly provided to the appropriate authorising body based on the most recent documentation. | 1 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 5: The most senior officer at the Council, i.e. the Chief Executive Officer, to operate at a strategic level without any formal involvement in project governance thereby allowing this officer to remain impartial in the event of dispute resolution. | 1 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 6: The Council must ensure that challenge and market testing is applied to repeat contracts. | 1 | Procurement Manager | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 7: As part of business case development the opportunity costs of spending on a project are clearly laid out. | 2 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 8: Critical steps in project delivery are identified within an overarching project plan. This to include applications for securing funding. The Project Board to sign off all applications prior to their submission. | 2 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 9: Prior to presenting to the appropriate authorising body all figures are robustly reviewed for reasonableness and accuracy. Consideration is given to testing the key assumptions with stakeholders. | 2 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |
| NN2112 Cromer Sports Hub Project | Recommendation 10: Stakeholder and public engagement are identified as a key part of business case development. It must be considered and programmed at project inception, and continued throughout the project. | 2 | Project and Programme Managers, Corporate Delivery Unit | 31/05/2021 |

EXTERNAL AUDIT PROCUREMENT EXERCISE

Summary: This report provides an update on the options for the upcoming procurement of external audit provider, currently appointed through a joint procurement exercise undertaken by Public Sector Audit Appointments (PSAA) Ltd.

Options considered: The options considered are:
1. NNDC opts in to the PSAA Ltd joint procurement exercise
2. NNDC pursues its own procurement exercise
Option 1 is the officer preference, as outlined within the paper.

Conclusions: Although the sector has experienced issues with audit timescales following the first PSAA procurement exercise, officers do not believe that opting out of this exercise and procuring directly would solve these issues. NNDC would also miss out on economies of scale arising from a joint procurement, and would risk fewer (or no) bidders coming forward.

Recommendations: **That the Committee recommends to Full Council that NNDC opt-in to the PSAA joint procurement exercise, while also providing feedback to them on how the process could be improved.**

Reasons for Recommendations: To enable more cost effective procurement of external auditors, which is a statutory requirement.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

None

| | |
|-------------------|------------------|
| Cabinet Member(s) | Ward(s) affected |
| Eric Seward | All |

Contact Officer, telephone number and email:
Lucy Hume (Chief Technical Accountant) lucy.hume@north-norfolk.gov.uk 01263 516246

1. Introduction

- 1.1 Under the Local Government Audit & Accountability Act 2014 (“the Act”), NNDC is required to appoint an auditor to audit its accounts for each financial year. A Council may do this either on its own, jointly with other authorities, or by opting in to a national scheme which has a designated “appointing person” as administering body for the procurement process.
- 1.2 Public Sector Audit Appointments Ltd (PSAA) is a company that was set up by the Local Government Association (LGA) following the closure of the Audit Commission to undertake the appointment of external auditors for public sector bodies under a national scheme. This is done on the basis of geographical area. The benefits to this approach are two-fold. Firstly, it is likely that the prices offered by bidders will be more favourable, as bidding for larger contracts enables economies of scale. Secondly, larger contracts are more attractive to bidders, so there are likely to be more to choose from as part of the procurement exercise.
- 1.3 NNDC was part of the joint procurement exercise in 2016/17 which appointed EY as external auditors in the East of England to 2022/23.
- 1.4 PSAA formally invited all eligible bodies to opt in to the national scheme for local auditor appointments for the audits of 2023/24 through to 2027/28 on September 22nd, with the deadline to accept the invitation of 11th March 2022. In order to formally opt-in to this scheme, a decision must be made by Full Council to that effect. It is expected that a report will be forthcoming to the February meeting of Full Council to that effect to ensure that NNDC meets the deadline.
- 1.5 The current contract period has not been without its well documented issues. There have been significant delays to sign off of audited Accounts as a result of auditor availability, which has only been compounded by the COVID pandemic. Despite efforts of audit firms with respect to recruitment, these issues still exist across the sector. As a result, only 9% of Councils achieved audited accounts for 2020/21 by the deadline of 30th September 2021, and at the time of writing no significant progress had been made. Several Councils, including NNDC, are still experiencing delays to completion of their 2019/20 audits.
- 1.6 As a result of these delays, officers have previously contacted PSAA to enquire about what provisions were made in the contract with respect to performance around timeliness of audits, and were told that that information was confidential as the Council was not legal party to the contract. It is officers view that this is not acceptable, and PSAA should be lobbied to make the process more transparent to allow Councils whom they are procuring on behalf of to have greater confidence in the performance which is specified in the contract, and any means that exist to enforce this.
- 1.7 The Redmond Review into Local Government Finance and Audit made recommendations around extra work that should be undertaken by external audit, particularly in respect of Value for Money opinions. This will result in more auditor time needed to complete assignments, which will then have a knock on effect on the cost of the audit to the individual Councils. The Government has

committed to providing £15m of one-off funding to support this, but so far there is no clarity around ongoing support for these extra costs.

2. Current Procurement options

The first procurement option open to NNDC is to opt-in to the joint national exercise as run by PSAA. The second option would be for NNDC to procure alone, or with other Norfolk Councils.

There are risks inherent with not opting in to the national exercise:

- The Council does not achieve value for money during its own appointment process
- Lack of interest from bidders means that the Council fails to appoint an auditor in line with the requirements and timing as required by the relevant legislation

In addition, if NNDC chose to appoint its own auditor, the following would be required, which would have cost implications:

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council/Authority itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.
- Manage the contract for its duration (including managing issues of independence), overseen by the Auditor Panel.

- 2.2 It is the view of Norfolk Section 151 Officers that the lowest risk option is to opt-in to the national exercise (and there was no appetite for a Norfolk-wide procurement option), and the LGA have written to Section 151 officers to encourage their continued involvement. On this basis, this report recommends that NNDC opt-in to the national exercise, while providing feedback to PSAA about the issues of transparency as discussed in section 1.5 of this report.

3. Conclusion

- 3.1 Although the sector has experienced issues with audit timescales following the first PSAA procurement exercise, officers do not believe that opting out of this exercise and procuring directly would solve these issues. NNDC would also miss out on economies of scale arising from a joint procurement, and would risk fewer (or no) bidders coming forward. It is therefore recommended that NNDC accepts the invitation to opt-in to the national exercise.

4. Implications and Risks

As explained in the main body of the report, the main risk of joining the joint procurement is the resulting lack of control of the process. This could be mitigated by feeding back to PSAA on some of the issues that have arisen as a result of the way the procurement was dealt with last time. This is considered lower risk than the alternative, a separate NNDC run procurement exercise, for the reasons discussed in section 2.

5. Financial Implications and Risks

By opting in to the joint procurement exercise, NNDC may be able to secure external audit services at a more favourable cost than procuring separately. It is likely that the cost of external audit contracts will rise following this procurement exercise due to market conditions and the extra work resulting from the Redmond Review, but this would be a risk regardless of the procurement option selected.

6. Sustainability

Participating in a joint procurement exercise is the option which is least likely to result in disruption to the service provision. In terms of Environmental Sustainability, there are no considerations as a direct consequence of this report, but NNDC will feed back to PSAA that the Environmental, Social and Governance credentials of prospective bidders should be tested as part of the procurement exercise.

7. Equality and Diversity

None as a direct consequence of this report.

8. Section 17 Crime and Disorder considerations

None as a direct consequence of this report.

Exemptions granted from 1 September 2021 to 11 November 2021

No exemptions were granted during this period.

| Date | Contractor | Type of Work | Amount | Exemption /Critical factors |
|------|------------|--------------|--------|-----------------------------|
| | | | | Nil |

Notes

- The previous period reported to GRAC was for the period 1 April 2021 – 31 August 2021. In that period 4 exemptions were reported to the Committee.
- The next reporting period to GRAC will follow on from the last reporting period.

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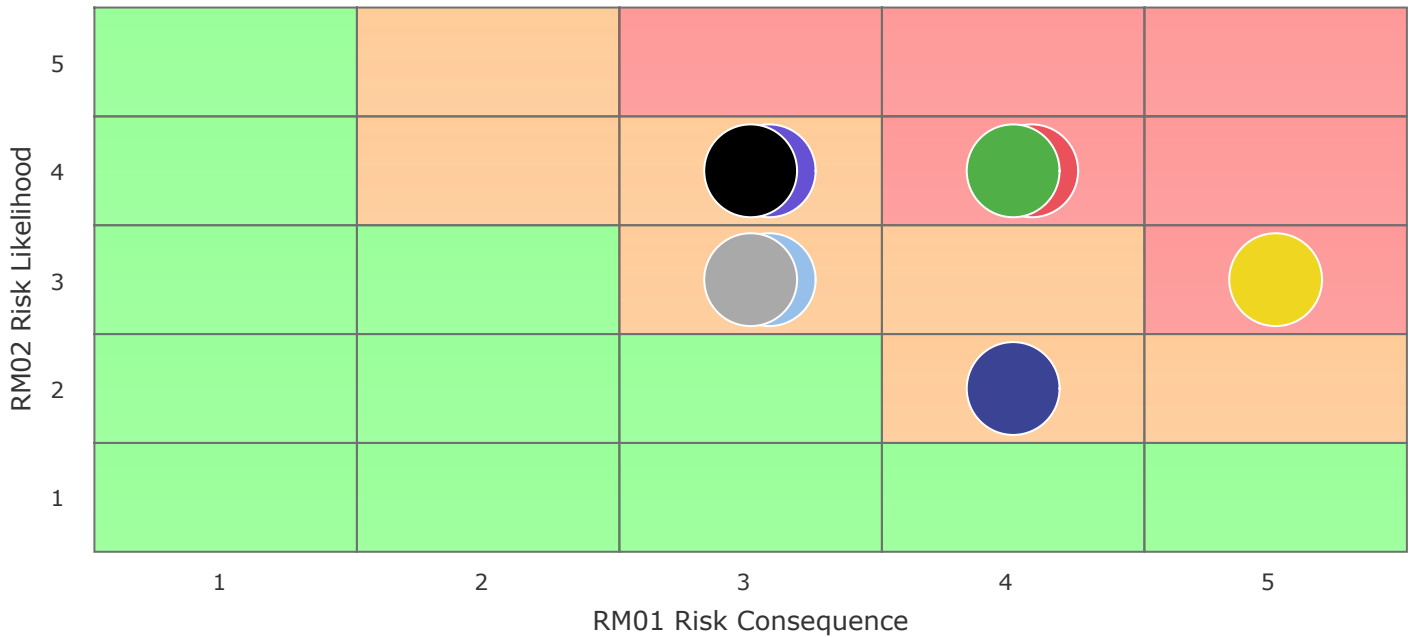
Corporate Risk Register

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Corporate Risk Register

Strategic Risk Matrix



- SR 001 Financial (including credit & counterparty)
- SR 002 Operational
- SR 003 Macroeconomic
- SR 004 Strategic
- SR 005 Environment & Social
- SR 006 Governance
- SR 007 Reputation
- SR 008 Corporate project related risks

Corporate Risk Register (CRR) overview update for Governance, Risk & Audit Committee (GRAC) – December 2021

The last update to the Risk Management Policy and Framework was approved by the Governance, Risk and Audit Committee (GRAC) in June 2020 and is next due an updated in June 2022.

The policy sets the framework for the Council's Corporate Risk Register (CRR) which monitors and tracks the Council's most significant risks. Responsibility for coordinating the CRR and the risk management framework currently rests with the Section 151 Officer (Director for Resources).

Following governance improvements made last year the CRR is now a standing item on both the Corporate Leadership Team (CLT) and Management Team (MT) agendas and is reported every quarter. It is also updated and considered for every Governance, Risk and Audit Committee (GRAC) meeting.

The new InPhase performance management system is fully operational and is now being used for performance and risk reporting. The system helps to automate the process and make it more efficient, enabling access to the detailed risk information and mitigations should this be required. InPhase contains a risk module which represents a step change improvement in relation to the management of risk at the Council and will mean project leads/service managers can update the system direct, making the risk registers more agile, with the information being available 'live' as soon as the update is made. This is significant improvement compared to the previous spreadsheet based system.

The Council's approach to risk, its risk appetite and risk tolerance has a significant part to play in terms of supporting both the Corporate Plan and the Medium Term Financial Strategy (MTFS). Without a robust risk management framework, the Council is at risk of failing to deliver its corporate objectives and meeting its financial targets required to ensure we have a sustainable financial position in the future.

The levels of risk which the Council is willing to accept will have a direct bearing on the types of projects that Members are willing to take forward to support the Council's Financial Sustainability Strategy (under development) in the future and how and where the Council will deliver increased income.
Issues to note

Since the committee last considered the register the various risks have been reviewed and updated by service managers, Management Team and the Corporate Leadership Team. The following should be noted;

Procurement (CR009) – As with the previous update construction procurement continues to bring challenges due to the combined impact of the ongoing COVID pandemic, Brexit and a number of global forest fires, all of

which are impacting on material prices, with the industry currently experiencing significant price increases (in the region of 20%). The Council will need to continue to monitor this position and take this into account when putting together any budget estimates for repair and construction works over the coming months.

This is similarly affecting supply chains for areas of work such as Disabled Facilities Grants (DFGs), where there is pressure on the available numbers of contractors to undertake works and also the supply, cost and availability of materials. Availability of contractors is also evident in terms of the Council's recent construction tenders and attracting suitable qualified and experienced contractors, within a reasonable budget envelope, remains challenging as the construction market is very buoyant at the current time.

The Council's waste contractor Serco is being similarly impacted as there is a national shortage of drivers to complete the rounds, but it is also having a wider impact on the service through suppliers not being able to deliver goods (bins) as quickly as normal.

The COVID pandemic has also heightened the risk of business failure and companies going into liquidation more generally.

Operational (SR002) - Operational capacity continues to be a challenge as teams grapple with recovering from the additional workload that was brought about in a number of areas as a consequence of the COVID pandemic, the majority of which has been managed without additional resourcing. The Corporate Leadership Team are continuing to monitor the position and supporting with temporary additional resource where possible to try and ensure the Council can continue to provide first class services.

It should however be recognised that a significant amount of resource is required to cover and operate 'business as usual' activities, which means that the capacity to deliver new projects, service improvements and efficiencies is more limited, so more focus on prioritisation on key corporate objectives and 'doing less better' will be key over the short to medium term in terms of delivery. The focus, performance management framework and sifting/prioritisation of projects through the Corporate Delivery Unit (CDU) will further support with this.

The Council continues to progress with its Covid Recovery Plan and to monitor the current increase in cases being experienced across the country.

Strategic (SR004) - Linked to SR02 above (operational) the Council's ability to deliver its strategic objectives is very much reliant on the capacity available over and above what is required to continue to undertake the 'business as usual' work. Recovery from COVID continues to bring challenges in terms of managing an increased workload across a number of service areas corporately and prioritisation will be key over the coming months to help ensure continued focus around delivery.

SR007 – Reputation - The Reef leisure centre in Sheringham has now reached practical completion and is due to open at the end of November. This represents the Council's largest ever directly delivered and financed project and following the successful completion of the scheme, the reputational risks to the Council in respect of delivery of the project should now be significantly reduced.

Delivery of the government's various business grant streams in response to the Covid pandemic represented a potentially significant risk to the authority in terms of reputation as, from the outset, there was an expectation that the Council would distribute £60m to its various small businesses within a very short period of time whilst trying to minimise fraud and protect the public purse. Not only did the Council successfully achieve this but, building on the success of the process and procedures initially developed and established, has then gone on to distribute nearly £130m to in excess of 5,000 local businesses. While there are still some schemes running at the present time the bulk of the work and payments have been made and if anything the successful delivery of these schemes has enhanced the reputation of the Council.

Risk Appetite and Risk tolerance

Risk appetite is often described as 'the amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives'. Risk tolerance is the amount of risk an organisation could actually take, usually from a financial perspective, before services and objectives are significantly impacted. The two are linked, with most organisations having a risk appetite lower than their risk tolerance. At its meeting in June 2020 the GRAC set agreed to set the Council's risk appetite at 'moderate'.

The Council will be required to make some difficult decisions in the short to medium term to help ensure that we are able to balance the budget given the current funding restrictions and uncertain financial climate, particularly due to the ongoing COVID pandemic. This will undoubtedly involve looking to invest in new opportunities and to take a more commercial approach to our activities whilst also looking to drive social value.

The CRR has been updated as at November 2021 and will be presented to the next meeting of GRAC scheduled for 7 December 2021.

Risk scoring key

Corporate Risks

Each corporate risk (a similar matrix is used for service risks) will be assessed against the following criteria:

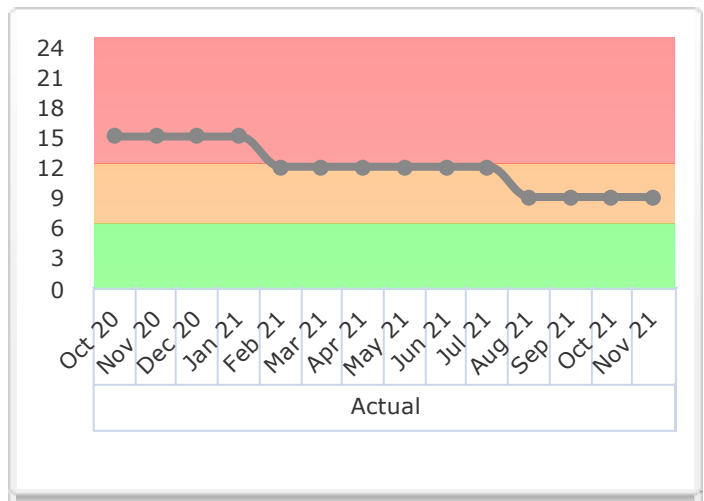
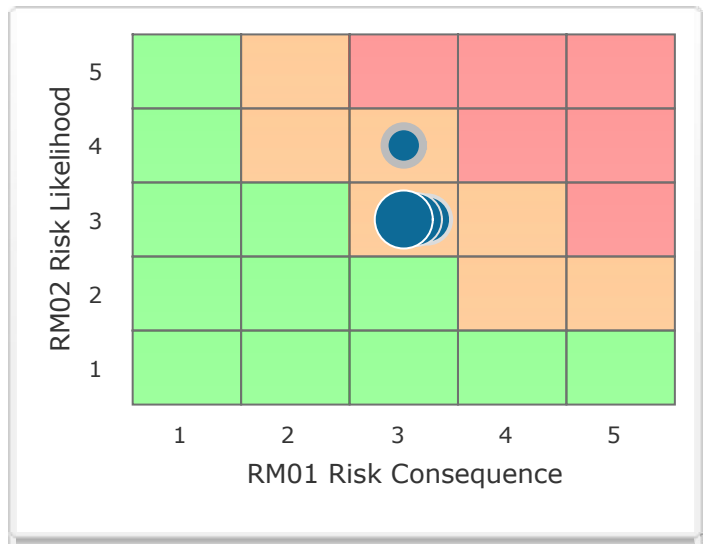
| Impact Type | Catastrophic 5 | Critical 4 | Moderate 3 | Marginal 2 | Negligible 1 |
|--------------------------------|--|--|--|---------------------------------------|--|
| Objectives | The key objectives in the Corporate Plan will not be achieved. | One or more Key Objectives in the Corporate Plan will not be achieved. | Significant impact on the success of the Corporate Plan. | Some impact on more than one Service. | Insignificant impact on more than one Service. |
| Financial Impact (Loss) | Over £1.5m | £500K - £1.5m | £300K - £500K | £20K - £300K | £0-20K |

Likelihood ratings and dimensions are tabled below:

| Grade | Likelihood | Probability | Timing |
|-------|------------|-------------|--------------------------|
| 5 | Very High | Over 90% | Within six months |
| 4 | High | 60 - 90% | Within a year |
| 3 | Moderate | 40 - 60% | Within 1 to 2 years |
| 2 | Low | 10 - 40% | Probably within 15 years |
| 1 | Very Low | below 10% | Probably over 15 years |

SR 001 Financial (including credit & counterparty)

| | |
|------------------|--|
| Responsibility | Resources |
| Risk Description | <p>FINANCIAL: related to the financial position and investment of the Council's assets and cash flow, market volatility, currency etc.</p> <p>Credit and Counterparty: related to investments, loans to institutions and individuals and counterparties in business transactions.</p> <p>Risk - that the Council's expenditure in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</p> <p>Effect - the Chief Finance Officer has to issue a Section 114 report to Full Council to report an unbalanced budget.</p> |
| Risk Category | <ul style="list-style-type: none"> ■ A Financial ■ C Credit and counterparty |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|---|---------------------|---|
| SR 001 Financial (including credit & counterparty) : Status | Score | 9.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | <p>The impacts of Brexit and COVID have not had such a bad impact on our investments as originally anticipated. In terms of the Covid pandemic, some of the direct support received from central government through the various funding programmes has helped to offset and mitigate against some of the impact experienced. This includes both additional expenditure incurred and also in terms of lost income, from areas such as car parking for example.</p> <p>The significant amounts of funding received in advance for programmes such as the local business grant support has also had a significant and beneficial impact on the Council's cash flow position over the last year. This has meant that, while the Council was anticipating having to borrow externally to support the capital programme for schemes such as The Reef leisure pool complex and the new waste vehicles, this was not actually required so the borrowing costs have been saved. The Council's pooled fund investments continue to perform well despite the challenging global position. The period 6 budget monitoring report (as at the end of September 2021) highlights that the current interest received from the Council's investments is in line with budget projections which forecast income of just over £1m by the end of the financial year.</p> |

| | | 31/10/2021 |
|--|---------------------|------------|
| SR 001 Financial (including credit & counterparty) : RM01 Risk Consequence | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 001 Financial (including credit & counterparty) : RM02 Risk Likelihood | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |

SR 001 Financial (including credit & counterparty)

Associated Corporate Risks

| | | 31/10/2021 |
|--|---------------------|---|
| CR 015 Medium Term Financial Plan : Status | Score | 12.00 |
| | Target | 12.00 |
| | Performance | ● |
| | Direction of change | ↓ |
| | Comments | The Fair Funding Review and the review of the Business Rates Retention Scheme has been delayed until possibly 2025. The recent Spending Review has indicated a real terms increase in local government funding. |

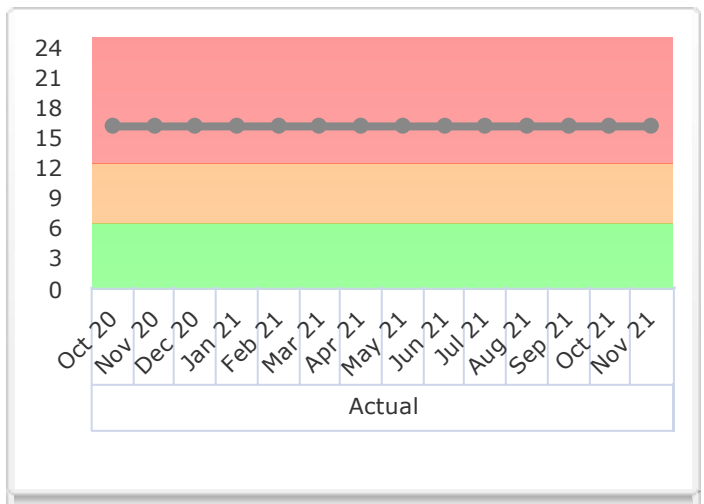
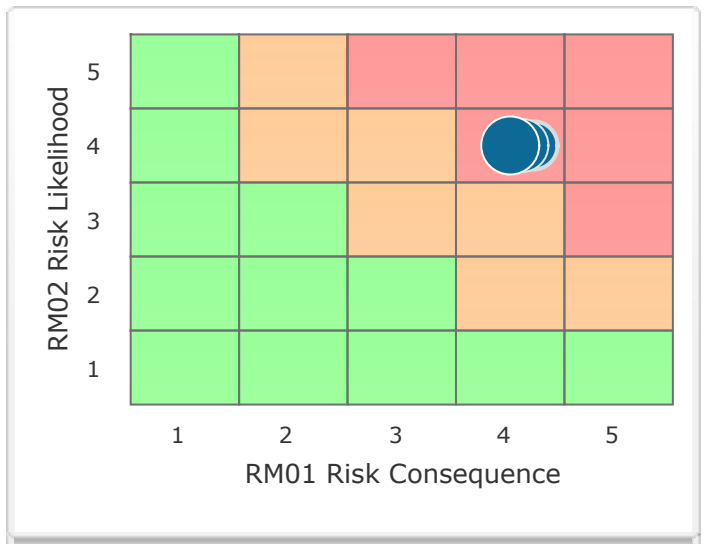
Control, Contingency & Mitigating Actions

| Implemented | | |
|--|--------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Annual review of the Council's reserves | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Balanced budget agreed | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Budget Process / Budget Monitoring | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> Business cases for commercialisation of assets to deliver future income and efficiencies | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Growth forecasting models | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Lobbying Central Government | Steve Blatch | ✔ |
| <input checked="" type="checkbox"/> Policy Work | Steve Blatch | ✔ |
| <input checked="" type="checkbox"/> Project Management Plans | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Reporting - New legislation and consultation | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Timely agreement of the annual Localised Council Tax Support Scheme | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Utilisation of the New Homes Bonus grant within the base budget for 2018/19 onwards | Duncan Ellis | ✔ |

| Outstanding | | | | |
|--|-------------|--------------|-------------|---|
| | Stage | Responsible | | Sep 21 |
| <input checked="" type="checkbox"/> Medium Term Financial Strategy | In Progress | Duncan Ellis | Performance | ★ |
| | | | Comments | The Medium Term Financial Strategy for the future financial years will be approved as part of the budget setting process for the 2022/23 budget in February 2022. |
| <input checked="" type="checkbox"/> Monitoring impact of the business rates retention and the localised council tax support system | Blocked | Duncan Ellis | Performance | ● |
| | | | Comments | |

SR 002 Operational

| | |
|------------------|---|
| Responsibility | Resources |
| Risk Description | <p>OPERATIONAL: related to operational exposures within its organisation, its counterparties, partners and commercial interests.</p> <p>Risk - operational issues prevent or hinder the achievement of the Council's aims.</p> <p>Effect - the Council does not achieve it's operational or strategic aims.</p> |
| Risk Category | D Operational |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|-----------------------------|---------------------|---|
| SR 002 Operational : Status | Score | 16.00 |
| | Target | 4.00 |
| | Performance | ▲ |
| | Direction of change | → |
| | Comments | <p>Operational capacity continues to be a challenge as teams grapple with recovering from the additional workload that was brought about in a number of areas as a consequence of the COVID pandemic, the majority of which has been managed without additional resourcing. The Corporate Leadership Team are continuing to monitor the position and supporting with temporary additional resource where possible to try and ensure the Council can continue to provide first class services.</p> <p>It should however be recognised that a significant amount of resource is required to cover and operate 'business as usual' activities, which means that the capacity to deliver new projects, service improvements and efficiencies is more limited, so more focus on prioritisation on key corporate objectives and 'doing less better' will be key over the short to medium term in terms of delivery. The focus, performance management framework and sifting/prioritisation of projects through the Corporate Delivery Unit (CDU) will further support with this.</p> <p>The Council continues to progress with its Covid Recovery Plan and to monitor the current increase in cases being experienced across the country.</p> |

| | | 31/10/2021 |
|--|---------------------|------------|
| SR 002 Operational : RM01 Risk Consequence | Score | 4 |
| | Target | 2 |
| | Direction of change | → |
| SR 002 Operational : RM02 Risk Likelihood | Score | 4 |
| | Target | 2 |
| | Direction of change | → |



Associated Corporate Risks

| | | 31/10/2021 |
|---|---------------------|---|
| CR 001 Deteriorating/ underused property assets : Status | Score | 9.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | |
| CR 003 Digital Customer Service Improvement failure : Status | Score | 4.00 |
| | Target | 4.00 |
| | Performance | ★ |
| | Direction of change | ➔ |
| | Comments | The Digital Customer Service Improvement Programme is an ongoing improvement programme made up of many individual projects and workstreams. The likelihood of a significant number of them failing is very small. Therefore this should be considered for closure as a specific risk and the residual risks be managed as ongoing business as usual service or project level risks. |
| CR 008 Loss of Information : Status | Score | 9.00 |
| | Target | 2.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | |

| | | |
|----------------------------------|---------------------|--|
| CR 009 Poor Procurement : Status | Score | 9.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | <p>As with the previous update construction procurement continues to bring challenges due to the combined impact of the ongoing COVID pandemic, Brexit and a number of global forest fires, all of which are impacting on material prices, with the industry currently experiencing significant price increases (in the region of 20%). The Council will need to continue to monitor this position and take this into account when putting together any budget estimates for repair and construction works over the coming months.</p> <p>This is similarly affecting supply chains for areas of work such as Disabled Facilities Grants (DFGs), where there is pressure on the available numbers of contractors to undertake works and also the supply, cost and availability of materials. Availability of contractors is also evident in terms of the Council's recent construction tenders and attracting suitable qualified and experienced contractors, within a reasonable budget envelope, remains challenging as the construction market is very buoyant at the current time.</p> <p>The Council's waste contractor Serco is being similarly impacted as there is a national shortage of drivers to complete the rounds, but it is also having a wider impact on the service through suppliers not being able to deliver goods (bins) as quickly as normal.</p> <p>The COVID pandemic has also heightened the risk of business failure and companies going into liquidation more generally.</p> |
| CR 013 Emergency event : Status | Score | 8.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ↗✗ |
| | Comments | |
| CR 024 People Resources : Status | Score | 9.00 |
| | Target | 9.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | The level of risk to the organisation remains unchanged. The most recent Office for National Statistics (ONS) figures reported 1.1million vacancies across the UK. In order for the organisation to remain competitive and relevant when recruiting people it is anticipated that the authority will move forward with procurement of recruitment software. |
| CR 025 Contract failure : Status | Score | 12.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | |



Control, Contingency & Mitigating Actions

| | | |
|---|----------------|---|
| <input checked="" type="checkbox"/> Adequate budget provision both from revenue and capital to support R&M works and capital investment | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Adequate staff or appropriately qualified external contractor support | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Asset Condition Surveys | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Business cases for commercialisation of assets to deliver future income and efficiencies | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Compliance policies in place and up to date | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Compliance works undertaken in a timely fashion | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Procure a Strategic Development Partner | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Production and approval of the Asset Management Plan | Renata Garfoot | ★ |
| <input checked="" type="checkbox"/> 3.1.2 Review and refine our Customer Strategy | Stuart Harber | ★ |
| <input checked="" type="checkbox"/> Communications plan around the programme to ensure buy-in | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Develop and Implement a Communications Strategy | Joe Ferrari | ✔ |
| <input checked="" type="checkbox"/> Digital Transformation progress reports provided to Cabinet & O&S | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> ICT Strategy | Sean Kelly | ★ |
| <input checked="" type="checkbox"/> Maintain technical competence | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Market Pay Review report | James Claxton | ✔ |
| <input checked="" type="checkbox"/> PSN Code of Connection compliance | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Review of recruitment practices | Phillip Rowson | ✔ |
| <input checked="" type="checkbox"/> Review Pay Policy | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Review relocation policy | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Certified Security Professional Training | Kate Wilson | ✔ |
| <input checked="" type="checkbox"/> Data Protection training | Cara Jordan | ✔ |
| <input checked="" type="checkbox"/> GDPR compliance framework | Cara Jordan | ✔ |
| <input checked="" type="checkbox"/> Implement data security protocols | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Information Risk Policy and Role Description | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> IT Monitoring | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> IT Security Policies | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Regular 3rd party data protection and integrity testing | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Regular audits of IT security arrangements | Sean Kelly | ✔ |
| <input checked="" type="checkbox"/> Advice for external suppliers | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Joint procurement protocol and opportunities for joint/shared procurement with other authorities | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Procurement Framework | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Procurement responsibility assigned | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Procurement Strategy | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Budget Process / Budget Monitoring | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> Business Continuity Planning | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Complete critical services' Business Continuity Plans (BCP) | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Consideration of COVID-19 implications | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Corporate Business Continuity key role training | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Corporate Policies and Procedures | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Create and issue adverse weather guidance | Alison Sayer | ✔ |
| <input checked="" type="checkbox"/> Emergency Response & Recovery Planning | Alison Sayer | ✔ |

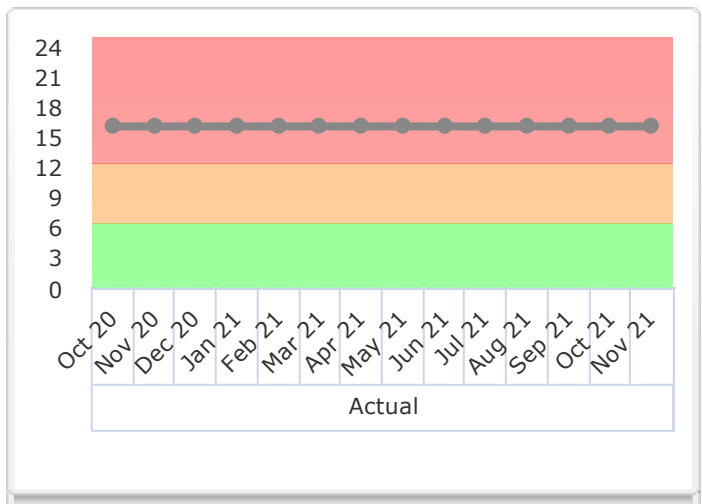
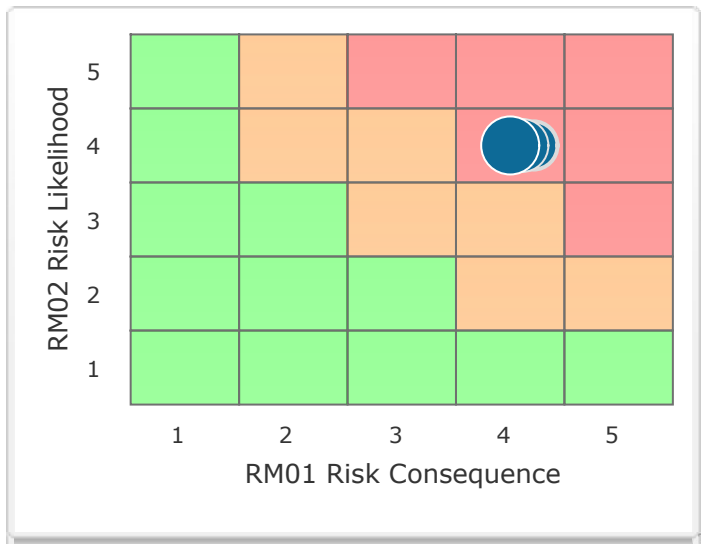
| | Responsible | Sep 21 |
|--|---------------|--------|
| <input checked="" type="checkbox"/> Employment Policies | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Refresh the project management framework | Kate Rawlings | ✔ |
| <input checked="" type="checkbox"/> Apprenticeship programme | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Check-in process | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Employee Referral Scheme | James Claxton | ✔ |
| <input checked="" type="checkbox"/> New Ways of Working - Policy Creation | James Claxton | ✔ |
| <input checked="" type="checkbox"/> Procurement Officer post established | Duncan Ellis | ✔ |

Outstanding

| | Stage | Responsible | | Sep 21 |
|--|-------------|---------------|-------------|--------|
| <input checked="" type="checkbox"/> Review and update of Web Strategy | Cancelled | Sean Kelly | Performance | |
| | | | Comments | ~ |
| <input checked="" type="checkbox"/> ER1 Review Emergency Response Plan | In Progress | Alison Sayer | Performance | ● |
| | | | Comments | |
| <input checked="" type="checkbox"/> Develop 'People Strategy' | In Progress | James Claxton | Performance | ● |
| | | | Comments | |

SR 003 Macroeconomic

| | |
|------------------|--|
| Responsibility | Resources |
| Risk Description | <p>MACROECONOMIC: related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.</p> <p>Risk - national/global recession resulting in business failure and unemployment.</p> <p>Effect - increased requirement for benefits, housing, council tax support, business advice and support.</p> |
| Risk Category | B Macroeconomic |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|-------------------------------|---------------------|---|
| SR 003 Macroeconomic : Status | Score | 16.00 |
| | Target | 4.00 |
| | Performance | ▲ |
| | Direction of change | → |
| | Comments | <p>The ongoing impact of Covid and the various restrictions continue to create a very challenging economic climate for local businesses. The area has benefitted from the increase in 'staycations', particularly over the summer months, as a result of the ongoing restrictions around traveling abroad although this is focused more intensively around the coastal resorts. The various business rate grant schemes have now seen the delivery of in excess of £120m of support to a wide range of local businesses and whilst this support is very much welcomed and appreciated there are still significant impacts being felt by various business sectors.</p> |

| | | |
|---|---------------------|---|
| SR 003 Macroeconomic : RM01 Risk Consequence | Score | 4 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 003 Macroeconomic : RM02 Risk Likelihood | Score | 4 |
| | Target | 2 |
| | Direction of change | ➔ |

Associated Corporate Risks

| | | 31/10/2021 |
|--|---------------------|------------|
| CR 026 Impact of recession on the North Norfolk economy : Status | Score | 15.00 |
| | Target | 4.00 |
| | Performance | ▲ |
| | Direction of change | ↗ |
| | Comments | |

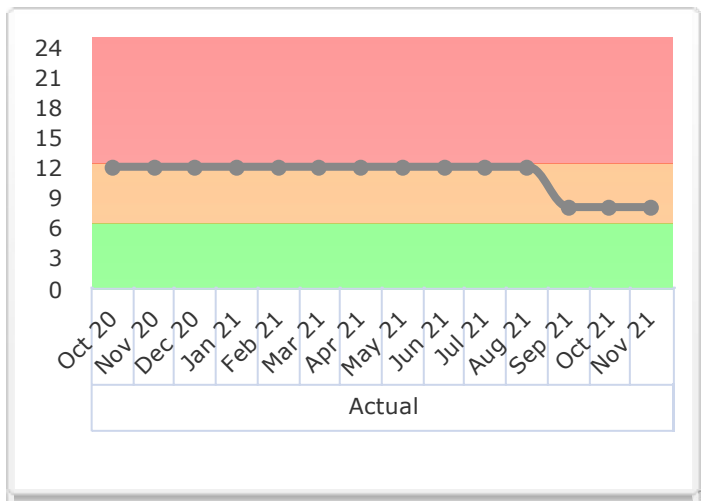
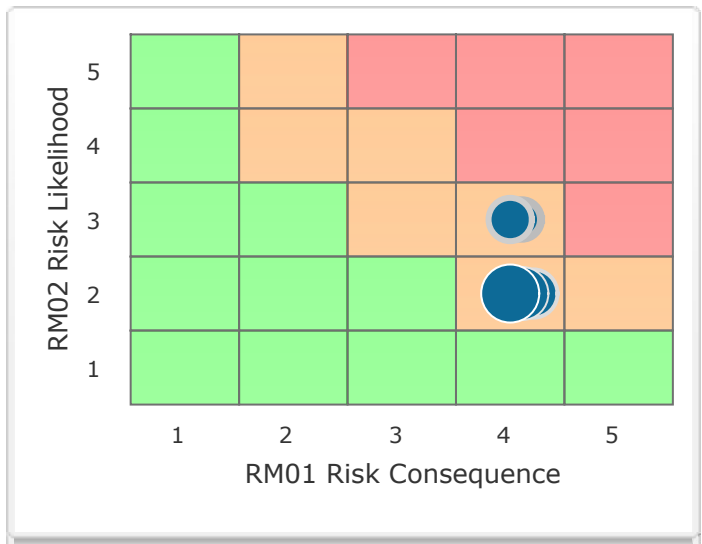
Control, Contingency & Mitigating Actions

| Implemented | | |
|---|-----------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Business Survey | Stuart Quick | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Fund Management advice from Arlingclose | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> HS 003 - Monitor the need for temporary accommodation and ensure suitable provision | Graham Connolly | ★ |
| <input checked="" type="checkbox"/> Operation of the Council Tax Hardship Fund | Trudi Grant | ✔ |
| <input checked="" type="checkbox"/> Treasury Management Strategy | Lucy Hume | ✔ |

| Outstanding | | | | |
|--|-------------|--------------|-------------|---|
| | Stage | Responsible | | Sep 21 |
| <input checked="" type="checkbox"/> 2.2.1 Economic Growth Strategy (2020 - 2023) | In Progress | Stuart Quick | Performance | ▲ |
| | | | Comments | Delayed due to Covid-19 pandemic. The strategy will need to reflect the likely post-pandemic climate and support the restart and rebuild of the local economy. Therefore it is considered that the due date should be amended to the end of March 2022. |
| <input checked="" type="checkbox"/> Medium Term Financial Strategy | In Progress | Duncan Ellis | Performance | ★ |
| | | | Comments | The Medium Term Financial Strategy for the future financial years will be approved as part of the budget setting process for the 2022/23 budget in February 2022. |

SR 004 Strategic

| | |
|------------------|---|
| Responsibility | Resources |
| Risk Description | <p>STRATEGIC: key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.</p> <p>Risk - Corporate Plan and Projects may not be delivered within agreed timescales or budget.</p> <p>Effect - objectives not delivered, poor use of council financial resources.</p> |
| Risk Category | E Strategic |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|---------------------------|---------------------|--|
| SR 004 Strategic : Status | Score | 8.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | <p>Linked to SR02 above (operational) the Council's ability to deliver its strategic objectives is very much reliant on the capacity available over and above what is required to continue to undertake the 'business as usual' work. Recovery from and catch up following Covid continues to bring challenges in terms of managing an increased workload across a number of service areas corporately and prioritisation will be key over the coming months to help ensure continued focus around delivery.</p> |

| | | |
|---|---------------------|---|
| SR 004 Strategic : RM01 Risk Consequence | Score | 4 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 004 Strategic : RM02 Risk Likelihood | Score | 2 |
| | Target | 2 |
| | Direction of change | ➔ |

Associated Corporate Risks

| | | 31/10/2021 |
|--|---------------------|------------|
| CR 027 Strategic financial and performance management : Status | Score | 9.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | → |
| | Comments | |

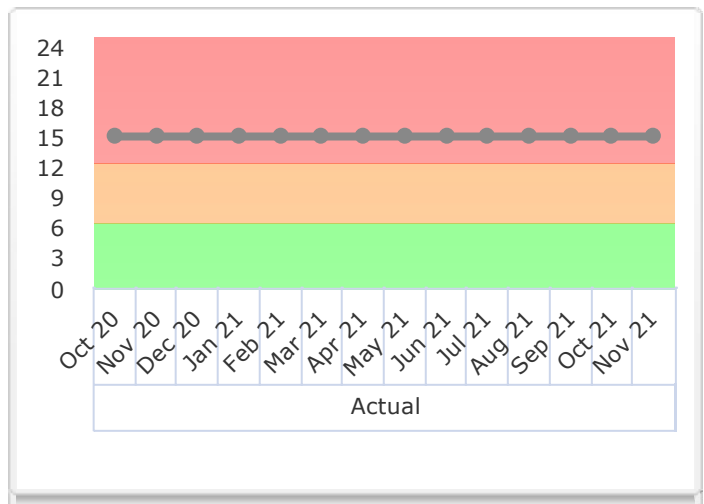
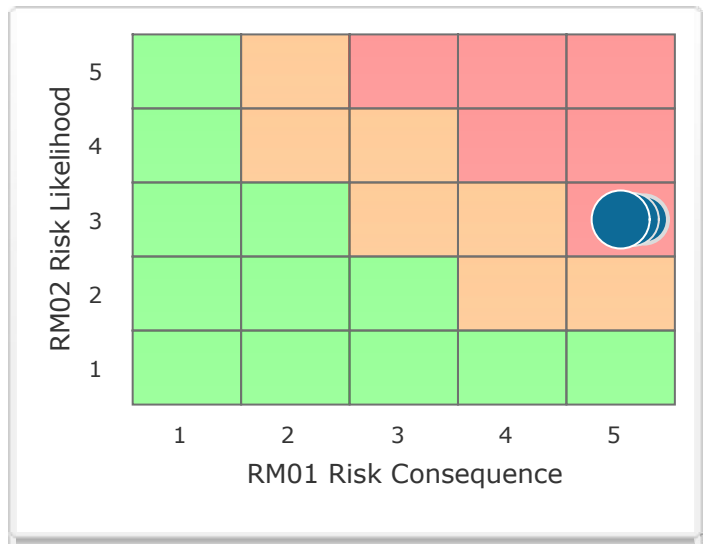
Control, Contingency & Mitigating Actions

| Implemented | | |
|---|---------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Annual review of the Council's reserves | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Budget Process / Budget Monitoring | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Establish the financial impact of Covid-19 | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Refresh the project management framework | Kate Rawlings | ✔ |
| <input checked="" type="checkbox"/> Review the Corporate Plan 2019-23 post Covid-19 | Steve Blatch | ✔ |

| Outstanding | | | | |
|--|-------------|--------------|-------------|---|
| | Stage | Responsible | | Sep 21 |
| <input checked="" type="checkbox"/> Emerging Local Plan | In Progress | Mark Ashwell | Performance | ★ |
| | | | Comments | |
| <input checked="" type="checkbox"/> Medium Term Financial Strategy | In Progress | Duncan Ellis | Performance | ★ |
| | | | Comments | The Medium Term Financial Strategy for the future financial years will be approved as part of the budget setting process for the 2022/23 budget in February 2022. |
| <input checked="" type="checkbox"/> Review Performance Framework for Extended Management Team | Not Started | Lucy Hume | Performance | ● |
| | | | Comments | |
| <input checked="" type="checkbox"/> Review Performance Framework for the Strategic Leadership Team | Cancelled | Lucy Hume | Performance | ? |
| | | | Comments | |

SR 005 Environmental and Social

| | |
|------------------|---|
| Responsibility | Resources |
| Risk Description | <p>ENVIRONMENTAL AND SOCIAL: related to the environmental and social impact of the Council's strategy and interests.</p> <p>Risk - Council fails to take into account changing environmental and social needs.</p> <p>Effect - strategic objectives don't reflect environmental and social issues.</p> |
| Risk Category | F Environmental & Social |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|--------------------------------------|---------------------|--|
| SR 005 Environment & Social : Status | Score | 15.00 |
| | Target | 4.00 |
| | Performance | ▲ |
| | Direction of change | → |
| | Comments | <p>The Council has a new Environmental Charter in place and is currently in the process of developing a Carbon Reduction Strategy and accompanying Action plan to help identify how we will meet our aspiration of achieving net-zero carbon emissions by 2030. The Council's virtual Green Build event was also undertaken during November and saw in excess of 700 people attend 10 virtual sessions from 15 different speakers covering a range of related topics.</p> <p>A draft tree planting strategy has been prepared and was considered by Overview and Scrutiny on the 10th November. The strategy sets a framework and direction for the 110,000 tree project and considers what trees will be planted, where trees will be planted, the legal framework for tree planting and the procurement processes for delivering 110,000 trees. The Strategy will now be considered by Cabinet in December.</p> <p>The Procurement Strategy has also been updated and was approved by the Cabinet at their meeting in October. The update includes a focus on driving both environmental benefits and improvements through our contracting arrangements but also provides a focus around added social value and community benefit.</p> |

| | | 31/10/2021 |
|--|---------------------|------------|
| SR 005 Environment & Social : RM01 Risk Consequence | Score | 5 |
| | Target | 2 |
| | Direction of change | → |
| SR 005 Environment & Social : RM02 Risk Likelihood | Score | 3 |
| | Target | 2 |
| | Direction of change | → |

 Associated Corporate Risks

| | | 31/10/2021 |
|---|---------------------|---|
| CR 002 Flooding, erosion and loss of assets and delivery of services : Status | Score | 20.00 |
| | Target | 12.00 |
| | Performance | ▲ |
| | Direction of change | → |
| | Comments | Coastal and Climate risk remain high for North Norfolk and over time will increase based on climate change forecasts. NNDC has invested in coastal protection and management over a long period of time, however, with aging infrastructure, depleting beaches and sea level rise, coupled with government policy that is only beginning to recognise the challenges faced, the risk to North Norfolk coastal communities over future years is high. We have appointed on a temporary secondment a researcher from the University of East Anglia to investigate and collate information on coastal climate change knowledge and identify gaps. Ongoing work is required to understand the risks, develop the actions necessary to transition to a climate ready coast and to prepare communities and individuals to what will occur is essential. The CPE team are inputting into national projects such as DEFRA's historic erosion rates projects and also leading on LGA Action Plan for coastal Adaptation. The CPE Coastal Loss and Innovative Funding and Finance project is gathering momentum with support from DEFRA, LGA Coastal SIG, Environment Agency, Welsh LGA and Scottish Government. CPE has also been successful in progressing an Innovative Resilience Fund Expression of Interest of a value of £8M to Outline Business Case stage which seeks to pilot transition programmes for at risk communities in Norfolk and Suffolk. |
| CR 010 Housing Delivery : Status | Score | 6.00 |
| | Target | 4.00 |
| | Performance | ★ |
| | Direction of change | ↘ |
| | Comments | Publication of Housing Delivery is imminent. Planning Policy and Built Heritage Working Party briefed delivery stands at 104%. |

 Control, Contingency & Mitigating Actions

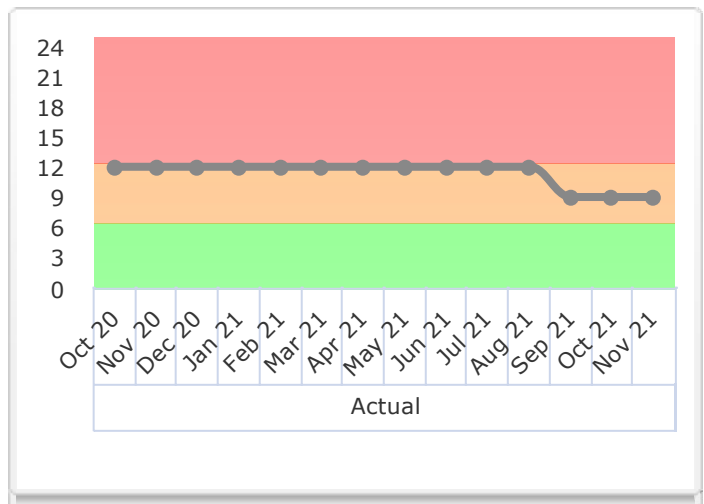
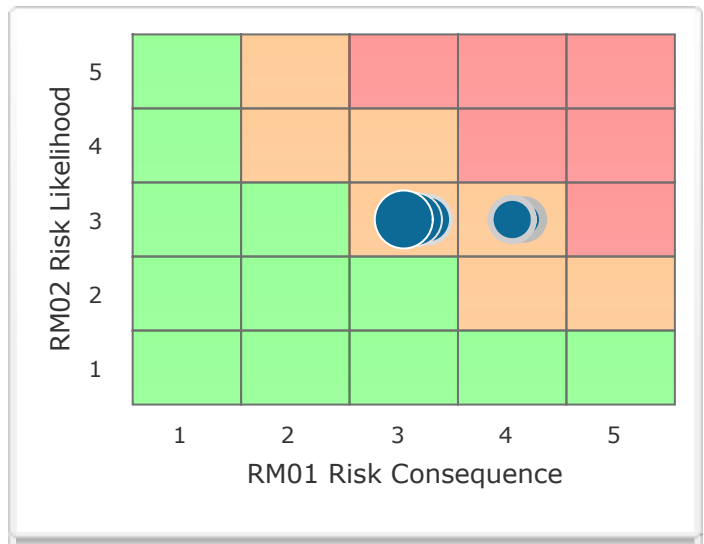
| Implemented | | |
|---|-----------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Bacton and Walcott coastal management scheme | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Coastal Monitoring | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Coastal Partnership East set up | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Control of coastal management schemes through procurement and regular checking | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> DEFRA funding of capital schemes | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Environment Forum | Robert Young | ✔ |
| <input checked="" type="checkbox"/> Health & Safety checking and monitoring | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Procurement practices | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Repairs & Maintenance Programme | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> Shoreline Management Plan (SMP) | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> The Pathfinder Project | Rob Goodliffe | ✔ |
| <input checked="" type="checkbox"/> 1.2.1 Formulate a new Housing Strategy | Graham Connolly | ✔ |
| <input checked="" type="checkbox"/> 1.4.1 Developing and implementing a new Homelessness and Rough Sleepers Strategy and Action Plan | Lisa Grice | ✔ |
| <input checked="" type="checkbox"/> 1.5.1 Investigate ways to support and assist affordable housing providers | Graham Connolly | ✔ |
| <input checked="" type="checkbox"/> Community Housing Fund | Graham Connolly | ✔ |
| <input checked="" type="checkbox"/> Enhance Housing Association delivery | Graham Connolly | ★ |
| <input checked="" type="checkbox"/> Housing Strategy implementation | Robert Young | ✔ |
| <input checked="" type="checkbox"/> HS 003 - Monitor the need for temporary accommodation and ensure suitable provision | Graham Connolly | ★ |
| <input checked="" type="checkbox"/> Increased Focus | Nicky Debbage | ✔ |
| <input checked="" type="checkbox"/> Internal planning protocol | Phillip Rowson | ✔ |
| <input checked="" type="checkbox"/> Local Development Framework (LDF) policies | Mark Ashwell | ✔ |
| <input checked="" type="checkbox"/> Local Investment Plan | Nicky Debbage | ✔ |
| <input checked="" type="checkbox"/> Monitor Brexit and its potential impact on the ability to deliver and acquire homes as a home owner | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Partnership work with Registered Providers | Graham Connolly | ✔ |
| <input checked="" type="checkbox"/> Use of capital | Nicky Debbage | ✔ |

Outstanding


| | Stage | Responsible | | Sep 21 |
|--|-------------|---------------|-------------|--|
| <input checked="" type="checkbox"/> 10 year capital programme | In Progress | Rob Goodliffe | Performance | ● |
| | | | Comments | Due to external factors such as Brexit and Covid-19 material costs of construction have increased. There are risks that some schemes may require further sources of funding. This is mitigated by working with our consultants and partners to reassess levels of eligibility of funding. |
| <input checked="" type="checkbox"/> 4.3.1 Baseline carbon audit and carbon reduction action plan | In Progress | Robert Young | Performance | ★ |
| | | | Comments | The Carbon Reduction Strategy and Action Plan is in preparation which will be presented to Cabinet in the next few months. |
| <input checked="" type="checkbox"/> CM 002 - Refurbish coastal defences at Mundesley | In Progress | Rob Goodliffe | Performance | ● |
| | | | Comments | Due to external factors such as Brexit and Covid-19 material costs of construction are likely to have increased. This is mitigated by working with our consultants and partners to reassess levels of eligibility of funding. Due to factors out of NNDC control marine licensing required for the scheme is delayed which impacts on the wider timescales of the scheme.. |
| <input checked="" type="checkbox"/> 1.3.1 Develop a business case for a housing company | In Progress | Nicky Debbage | Performance | ★ |
| | | | Comments | The Housing Strategy (agreed by Cabinet 5th July 2021) has set new target dates relating to this objective: Agreed objectives for direct delivery/ housing company - October 2021, Update Housing Company business case - December 2021. |
| <input checked="" type="checkbox"/> To produce a Service Level Agreement with Registered Providers | Not Started | Lisa Grice | Performance | ~ |
| | | | Comments | ~ |

SR 006 Governance

| | |
|------------------|--|
| Responsibility | Resources |
| Risk Description | <p>GOVERNANCE: related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.</p> <p>Risk - Council acts outside established procedures or unlawfully.</p> <p>Effect - risk of litigation/reputational risk to Council/poor decision making.</p> |
| Risk Category | G Governance |
| Risk Response | Treat |



 Latest Update

| | | 31/10/2021 |
|----------------------------|---------------------|--|
| SR 006 Governance : Status | Score | 9.00 |
| | Target | 4.00 |
| | Performance |  |
| | Direction of change | ➔ |
| | Comments | A number of improvements were made to procurement processes during July which have now been approved by Full Council. These improvements were implemented as a result of a number of audit recommendations and will help to improve the efficiency and transparency of some of the Council's procurement processes in the future. A new review mechanism has also been introduced with Management Team and the Corporate Leadership Team to monitor and review outstanding audit recommendations on a quarterly basis to try and ensure that progress continues to be made on addressing any outstanding recommendations. The Council is also continuing to introduce improvements required by CIPFA's Financial Management Code, which needs to be in place by the end of March 2022 and is recommended best practice. Further to this, the Corporate Delivery Unit (CDU) continues to provide guidance and support in relation to project management and strengthens the overall governance framework. |

| | | 31/10/2021 |
|---|---------------------|------------|
| SR 006 Governance : RM01 Risk Consequence | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 006 Governance : RM02 Risk Likelihood | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |



Associated Corporate Risks

| | | 31/10/2021 |
|-------------------------------------|---------------------|---|
| CR 028 Governance failures : Status | Score | 6.00 |
| | Target | 4.00 |
| | Performance | ★ |
| | Direction of change | → |
| | Comments | There are no governance issues to raise at the present time. The Council's Annual Governance Statement (AGS) for the 2021/22 financial year was presented and approved to the Governance, Risk and Audit Committee at their meeting in September 2021 along with the annual report from the internal auditors and the Monitoring officer and there were no significant issues highlighted. Improvements have also been made and approved by Full Council in respect of the Council's procurement exemption processes and this includes reporting any exemptions to GRAC at every meeting to increase scrutiny and transparency. |



Control, Contingency & Mitigating Actions

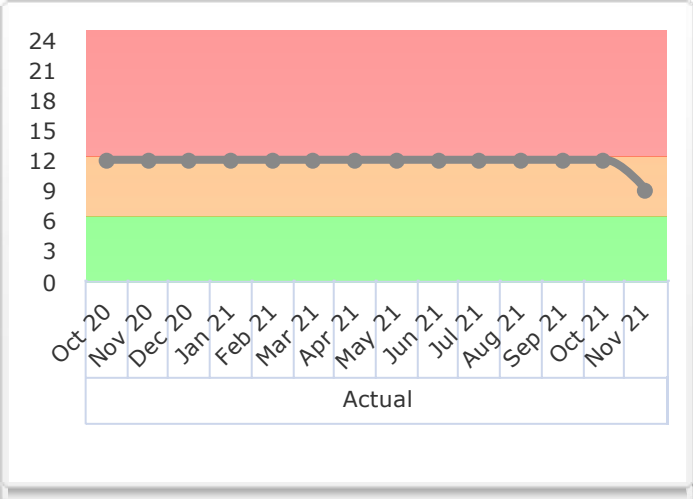
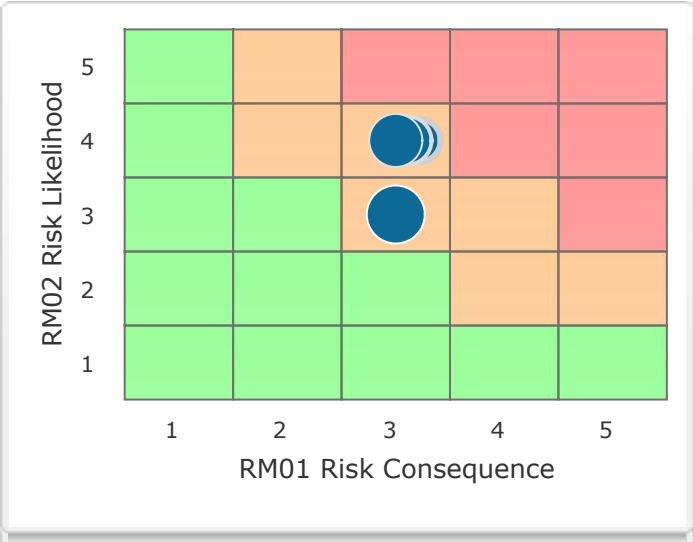
| Implemented | | |
|--|--------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Annual Assurance Statements | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Annual Audit Report | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> Annual Governance Statement 2019/20 supported by assurance framework | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Annual Governance Statement 2020/21 supported by assurance framework | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Audit programme | Lucy Hume | ✔ |
| <input checked="" type="checkbox"/> Committee report templates | Emma Denny | ✔ |
| <input checked="" type="checkbox"/> Constitution/Standing Orders/Scheme of Delegations | Cara Jordan | ✔ |
| <input checked="" type="checkbox"/> Corporate Planning / Service Planning | Helen Thomas | ✔ |
| <input checked="" type="checkbox"/> Head of Internal Audit assurance | Duncan Ellis | ✔ |
| <input checked="" type="checkbox"/> Member/ Officer Protocol | Emma Denny | ✔ |
| <input checked="" type="checkbox"/> Monitoring Officer actions to ensure governance risk is minimised | Cara Jordan | ✔ |
| <input checked="" type="checkbox"/> Monitoring Officer Report | Cara Jordan | ✔ |
| <input checked="" type="checkbox"/> Operation of Constitutoon Working Party | Emma Denny | ✔ |
| <input checked="" type="checkbox"/> Operation of Standards Committee | Emma Denny | ✔ |
| <input checked="" type="checkbox"/> Section 151 Officer actions to ensure governance risk is minimised | Duncan Ellis | ✔ |

Outstanding

| | Stage | Responsible | | Sep 21 |
|---|-------------|----------------|-------------|--------|
| <input checked="" type="checkbox"/> Clear robust corporate governance framework | In Progress | Renata Garfoot | Performance | |
| | | | Comments | ~ |

SR 007 Reputation

| | |
|------------------|---|
| Responsibility | Resources |
| Risk Description | <p>REPUTATION: related to the Council’s dealings and interests, and the impact of adverse outcomes on the Council’s reputation and public perception.</p> <p>Risk - Council's reputation is adversely affected.</p> <p>Effect- reduced public confidence.</p> |
| Risk Category | H Reputational |
| Risk Response | Treat |



Latest Update

| | | 31/10/2021 |
|----------------------------|---------------------|--|
| SR 007 Reputation : Status | Score | 12.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | <p>The Reef leisure centre in Sheringham has now reached practical completion and is due to open at the end of November. This represents the Council's largest ever directly delivered and financed project and following the successful completion of the scheme, the reputational risks to the Council in respect of delivery of the project should now be significantly reduced.</p> <p>Delivery of the government's various business grant streams in response to the Covid pandemic represented a potentially significant risk to the authority in terms of reputation as, from the outset, there was an expectation that the Council would distribute £60m to its various small businesses within a very short period of time whilst trying to minimise fraud and protect the public purse. Not only did the Council successfully achieve this but, building on the success of the process and procedures initially developed and established, has then gone on to distribute nearly £130m to in excess of 5,000 local businesses. Further to this, the performance in relation to the grant distribution work has seen the Council win a national award from the Chartered Institute of Public Finance (CIPFA) under the 'Digital Finance Project of the Year' and was also highly commended in the recent Institution of Revenues Ratings and Valuations (IRRV) under the 'Excellence in Innovation (Service Delivery)' category. While there are still some schemes running at the present time the bulk of the work and payments have been made and if anything the successful delivery of these schemes has enhanced the reputation of the Council.</p> |

| | | 31/10/2021 |
|---|---------------------|------------|
| SR 007 Reputation : RM01 Risk Consequence | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 007 Reputation : RM02 Risk Likelihood | Score | 4 |
| | Target | 2 |
| | Direction of change | ➔ |

Associated Corporate Risks

| | | 31/10/2021 |
|---|---------------------|---|
| CR 029 Poor reputation of the Council in the Community : Status | Score | 4.00 |
| | Target | 4.00 |
| | Performance | ★ |
| | Direction of change | ➔ |
| | Comments | <p>The Reef leisure centre in Sheringham has now reached practical completion and is due to open at the end of November. This represents the Council's largest ever directly delivered and financed project and following the successful completion of the scheme, the reputational risks to the Council in respect of delivery of the project should now be significantly reduced.</p> <p>Delivery of the government's various business grant streams in response to the Covid pandemic represented a potentially significant risk to the authority in terms of reputation as, from the outset, there was an expectation that the Council would distribute £60m to its various small businesses within a very short period of time whilst trying to minimise fraud and protect the public purse. Not only did the Council successfully achieve this but, building on the success of the process and procedures initially developed and established, has then gone on to distribute nearly £130m to in excess of 5,000 local businesses. Further to this, the performance in relation to the grant distribution work has seen the Council win a national award from the Chartered Institute of Public Finance (CIPFA) under the 'Digital Finance Project of the Year' and was also highly commended in the recent Institution of Revenues Ratings and Valuations (IRRV) under the 'Excellence in Innovation (Service Delivery) category. While there are still some schemes running at the present time the bulk of the work and payments have been made and if anything the successful delivery of these schemes has enhanced the reputation of the Council.</p> |

Control, Contingency & Mitigating Actions

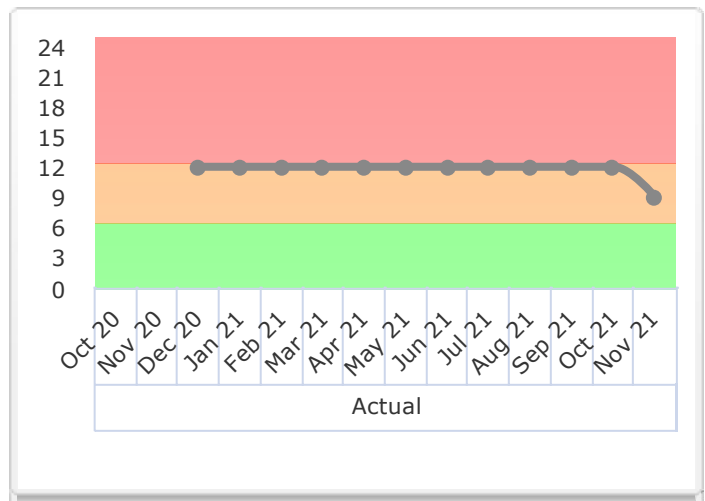
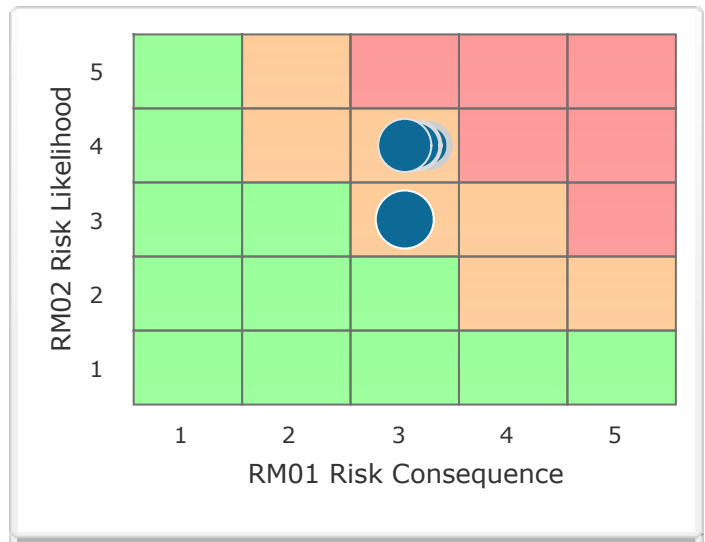
| Implemented | | |
|---|---------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> 3.1.2 Review and refine our Customer Strategy | Stuart Harber | ★ |
| <input checked="" type="checkbox"/> Develop and Implement a Communications Strategy | Joe Ferrari | ✔ |

Outstanding

| | Stage | Responsible | | Sep 21 |
|---|-------------|----------------|-------------|--------|
| <input checked="" type="checkbox"/> Clear robust corporate governance framework | In Progress | Renata Garfoot | Performance | |
| | | | Comments | ~ |
| <input checked="" type="checkbox"/> Review and update of Web Strategy | Cancelled | Sean Kelly | Performance | |
| | | | Comments | ~ |

SR 008 Corporate project related risks

| | |
|------------------|--|
| Responsibility | Resources |
| Risk Description | CORPORATE PROJECT RELATED RISKS: Related to individual corporate project risks |
| Risk Category | I Projects |
| Risk Response | Treat |



Latest Update

| 31/10/2021 | | |
|---|---------------------|--|
| SR 008 Corporate project related risks : Status | Score | 12.00 |
| | Target | 4.00 |
| | Performance | ● |
| | Direction of change | ➔ |
| | Comments | It is worth noting that the new Reef leisure project has now officially undergone practical completion and been handed over to the Council from the contractor Metnor. The centre is due to open on 30 November 2021 and as part of the new project management framework the scheme will now undergo final review to identify any lessons learnt to help inform future project delivery. |

| | | 31/10/2021 |
|---|---------------------|------------|
| SR 008 Corporate project related risks : RM01 Risk Consequence | Score | 3 |
| | Target | 2 |
| | Direction of change | ➔ |
| SR 008 Corporate project related risks : RM02 Risk Likelihood | Score | 4 |
| | Target | 2 |
| | Direction of change | ➔ |

Associated Corporate Risks

| | | 31/10/2021 |
|---|---------------------|------------|
| CR 030 Sheringham Leisure Centre : Status | Score | 4.00 |
| | Target | 4.00 |
| | Performance | ★ |
| | Direction of change | ↓✓ |
| | Comments | |

Control, Contingency & Mitigating Actions

| Implemented | | |
|---|--------------|--------|
| | Responsible | Sep 21 |
| <input checked="" type="checkbox"/> Operation of Overview and Scrutiny Committee | Emma Denny | ✓ |
| <input checked="" type="checkbox"/> Project management & reporting procedures - Sheringham Leisure Centre | Robert Young | ✓ |

| Outstanding |
|---------------------------------------|
| This report does not contain any data |

GOVERNANCE, RISK & AUDIT COMMITTEE ON 28th SEPTEMBER 2021 – OUTCOMES & ACTIONS LIST

| Minute No. | Agenda item and action | Action By |
|------------|---|----------------|
| 20 | DRAFT STATEMENT OF ACCOUNTS | |
| | RESOLVED 1. To note the Draft Statement of Accounts. | GRAC |
| 21 | LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2020/21 | |
| | RESOLVED 1. To review and approve the Annual Governance Statement and the Local Code of Corporate Governance. | GRAC |
| 22 | LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW LETTER 2021 | |
| | RESOLVED 1. To receive and note the LGO Annual Review Letter. | GRAC |
| 23 | DRAFT PROCUREMENT STRATEGY 2021-2025 | |
| | RESOLVED 1. To recommend the Draft Procurement Strategy to Cabinet for Approval. | Cabinet |
| 24 | CORPORATE RISK REGISTER | |
| | RESOLVED 1. To review and note the Corporate Risk Register. | GRAC |
| 25 | ASSET REGISTER REVIEW | |
| | RESOLVED 1. To note the contents of the Report and Appendices. | GRAC |
| 26 | PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 16 JUNE 2021 TO 20 SEPTEMBER 2021 | |
| | RESOLVED 1. To note the internal audit progress within the period covered by the report. | GRAC |

| | | |
|-----------|--|----------------|
| 27 | FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 16 JUNE 2021 TO 20 SEPTEMBER 2021 | |
| | RESOLVED 1. To note the management actions taken to date regarding the delivery of audit recommendations. | GRAC |
| 28 | UPDATED WHISTLEBLOWING POLICY | |
| | RESOLVED 1. To approve the revised Whistleblowing Policy. | GRAC |
| 29 | MONITORING OFFICER ANNUAL REPORT 2020/2021 | |
| | RESOLVED 1. To receive and note the Monitoring Officer's Annual Report 2020/21. | GRAC |
| 30 | GRAC Annual Report 2019-2020 & 2020-2021 | |
| | RESOLVED 1. To recommended that Council notes the report, affirms the work of the Governance, Risk & Audit Committee, and considers any concerns raised within the report. | Council |
| 31 | PROCUREMENT EXEMPTIONS REGISTER 1ST APRIL 2021 - 31ST AUGUST 2021 | |
| | RESOLVED 1. To review and note the Procurement Exemptions Register. | GRAC |

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

| Date | Topic | Lead Officer | Comments | Cycle |
|----------------------------------|--|---|--|------------------------|
| 15th June 2021 | | | | |
| | Strategic and annual plans internal audit plan 2021/22 | Internal Auditors – Emma Hodds/Faye Haywood | | Annual |
| | Progress report on Internal Audit Activity | Internal Auditors – Emma Hodds/Faye Haywood | | Quarterly |
| | Follow up on Internal Audit Recommendations | Internal Auditors – Emma Hodds/Faye Haywood | To include update on historical recommendations | Six Monthly |
| | Annual Report/Opinion & Review of the Effectiveness of Internal Audit | Internal Auditors – Emma Hodds/Faye Haywood | | Annual |
| 13th July 2021 | Meeting Cancelled | | | |
| 28th Sept 2021 | | | | |
| | Procurement Exemptions Register | Monitoring Officer – Cara Jordan | To review Procurement Exemptions | Quarterly |
| | Monitoring Officer's Report | Monitoring Officer – Cara Jordan | | Annual |
| | Progress Report on Internal Audit Activity | Internal Auditors – Emma Hodds/Faye Haywood | To review progress on active internal audit recommendations | Quarterly |
| | Follow Up Report on Internal Audit Recommendations | Internal Auditors – Emma Hodds/Faye Haywood | To follow-up outstanding audit recommendations | Quarterly |
| | Corporate Risk Register | Director for Resources – Duncan Ellis | To review the corporate risk register | Quarterly |
| | Draft Statement of Accounts 2020/21 | Chief Technical Accountant – Lucy Hume | To review the draft statement of accounts | Annual |
| | Review of Council's Asset Register | Chief Technical Accountant – Lucy Hume | To review the number and value of Council assets | Committee Request |
| | Whistle Blowing Policy | Monitoring Officer – Cara Jordan | To review the updated Whistleblowing Policy | Tri-annual (June 2021) |
| | Annual Governance Statement 2020/21 & Local Code of Corporate Governance | Director for Resources – Duncan Ellis | To review and approve the AGS and Local Code of Corporate Governance | Annual |
| | GRAC Annual Report 2019-20 & 2020-21 | Committee Officer – Matt Stembrowicz | To review the work of the Committee in the previous year | Annual |
| | LGO Annual Review Letter 2021 | Chief Executive – Steve Blatch | | Annual |
| | Draft Procurement Strategy | Director for Resources – Duncan Ellis | To review the draft Procurement Strategy | |

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

| 7 th Dec 2021 | | | | |
|--------------------------|--|---|--|-------------|
| | EY Audit Plan 2019/20 | External Auditors - EY | | Annual |
| | Corporate Risk Register | Director for Resources – Duncan Ellis | | Quarterly |
| | Progress Report on Internal Audit Activity | Internal Auditors – Emma Hodds/Faye Haywood | To review progress on internal audit recommendations | Quarterly |
| | Follow Up Report on Internal Audit Recommendations | Internal Auditors – Emma Hodds/Faye Haywood | To follow-up outstanding audit recommendations | Six Monthly |
| | Civil Contingencies Update | Resilience Manager – Alison Sayer | | Annual |
| | Procurement Exemptions Register | Monitoring Officer – Cara Jordan | To review Procurement Exemptions | Quarterly |
| | PSAA Update | Chief Technical Accountant – Lucy Hume | | |

| Date | Topic | Lead Officer | Comments | Cycle |
|----------------------------|--|---|---|--------------------|
| 8 th March 2022 | | | | |
| | Audit Results Report 2019/20 | External Auditors - EY | | Annual |
| | Letter of Representation 2019/20 | Director for Resources – Duncan Ellis | | Annual |
| | Final Statement of Accounts | Chief Technical Accountant – Lucy Hume | | Annual |
| | Progress Report on Internal Audit Activity | Internal Auditors – Emma Hodds/Faye Haywood | | Quarterly |
| | Undertake self-assessment | Internal Auditors – Emma Hodds/Faye Haywood | | Annual |
| | Strategic and Annual Audit Plans | Internal Auditors – Emma Hodds/Faye Haywood | | Annual |
| | Corporate Risk Register | Director for Resources – Duncan Ellis | To review the corporate risk register | Quarterly |
| | Risk Management Framework | Director for Resources – Duncan Ellis | To review the Council's risk management framework | Annual |
| | Process/Oversight Review for Projects | TBC | TBC | |
| June 2022 | Annual Audit Letter 2019/20 | External Auditors - EY | | Annual |
| | Anti-money laundering policy | Internal Auditors – Emma Hodds/Faye Haywood | | 3 years – Due 2021 |