

Governance, Risk and Audit Committee



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14th April 2022

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber - Council Offices** on **Tuesday, 26 April 2022** at **10.00 am**.

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 - 6

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

7 - 14

To approve as a correct record, the minutes of the public part meeting of the Governance, Risk & Audit Committee held on 30 March 2022

7. EXCLUSION OF THE PRESS AND PUBLIC

To pass the following resolution, if necessary:

a. 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 paragraph 1 & 2, Part 1 of schedule 12A (as amended) to the Act, and:

b. That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:

Agenda Items	Paragraphs of Part 1 Schedule 12A, 1 & 2
8 and 9	

Information relating to any individual or information which is likely to reveal the identity of an individual and the public interest in maintaining this exemption outweighs the public interest in disclosure

8. EXEMPT MINUTES

To approve as a correct record, the exempt minutes from the private part of the meeting of the Governance, Risk & Audit Committee held on 30th March 2022.

9. DESK TOP REVIEW OF FORMAL EMPLOYMENT PROCESSES, SO AS TO IMPROVE CORPORATE LEARNING 15 - 34

For Governance, Risk & Audit Committee to review and consider the desk top review.

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Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative, close associate; or
 - c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

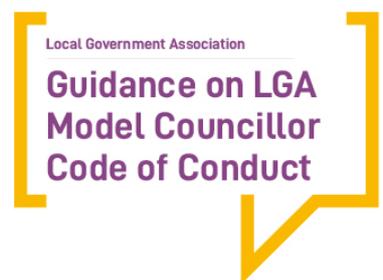
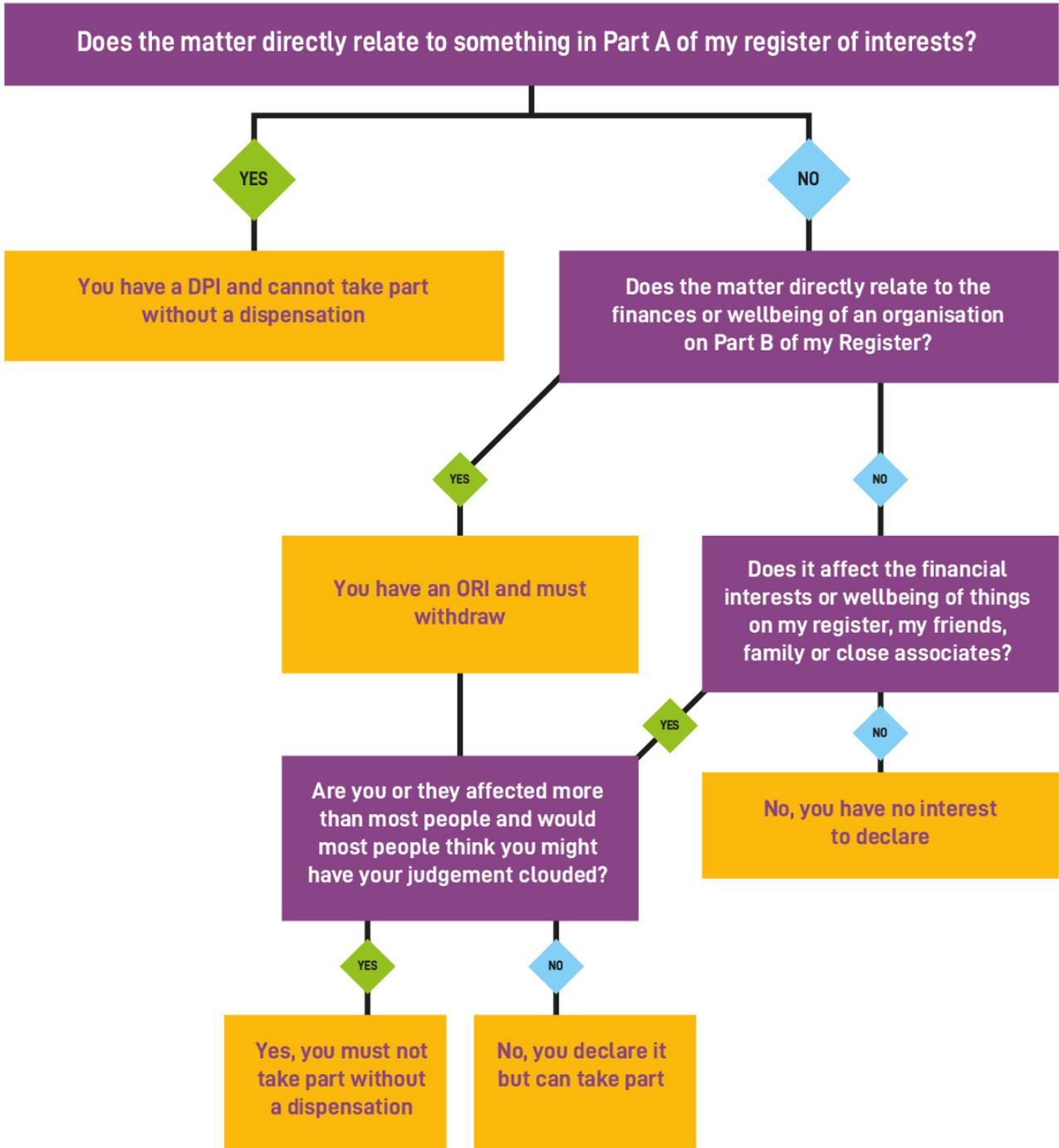
	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

<p>You have a personal interest in any business of your authority where it relates to or is likely to affect:</p> <ul style="list-style-type: none">a) any body of which you are in general control or management and to which you are nominated or appointed by your authorityb) any body<ul style="list-style-type: none">(i) exercising functions of a public nature(ii) any body directed to charitable purposes or(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)



GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Wednesday, 30 March 2022 at the Council Chamber - Council Offices at 10.00 am

Committee

Members Present:

Mr J Rest (Chairman)
Mr C Cushing
Mr P Fisher

Mr S Penfold (Vice-Chairman)
Mr H Blathwayt

Members also attending:

Mr N Dixon
Ms V Gay
Mr R Kershaw
Mr E Seward

Officers in Attendance:

Chief Executive, Democratic Services Manager, Director for Resources/Section 151 Officer and Assistant Director for Finance, Assets, Legal & Monitoring Officer

CHAIRMAN'S OPENING STATEMENT

The Chairman opened the meeting with the following statement:

'All persons present are reminded that the EY Audit Results Report, being considered today, contains exempt information relating to individuals or their identity. It is important that no question, response or statement is raised in this public session which would involve the likely disclosure of information which relates to individuals or is likely to reveal the identity of an individual. Any person doing so, having received this information, may be placing themselves in a difficult position.

If there are any questions/statements which you are concerned about raising in the public part of this meeting, you may provide a written question to the Democratic Services Manager for the Monitoring Officer to review. All discussion which may relate to specific individuals will need to be considered separately and after the consideration of the information at item 12 on the agenda.'

1 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr Dr P Butikofer.

2 SUBSTITUTES

Cllr A Brown substituted for Cllr Dr Butikofer.

3 PUBLIC QUESTIONS

None received.

4 ITEMS OF URGENT BUSINESS

None received.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES

The Chairman informed members that due to the close scheduling of meetings, the minutes of the meeting held on 8th March would be presented to the 8th June meeting for approval.

7 FINAL STATEMENT OF ACCOUNTS 2019/20

The Director of Resources and S151 Officer, introduced this item. He explained that the accounts presented to members were for 2019/20. He apologised for the lateness of the report and said that the Finance Team had been working hard with the Auditors to address the backlog and he was pleased to now present the Statement of Accounts for 2019/20 to the committee. He said that it included the External Auditor's report for 2019/20 and the Letter of Representation. He added that an updated version of the Annual Governance Statement 2019/20. This had been slightly amended following discussion with the Auditors. He then said that there had been no unadjusted mis-statements, which was a positive outcome.

Before providing an overview of the Statement of Accounts for 2019/20, the Director for Resources updated members on the schedule for upcoming audits. He said that audit for 2020/2021 was scheduled for July 2022 and the audit for 2021/2022 was due for February 2023. At this point, the delays would have been addressed and the schedule would be back on track.

The Director for Resources then explained that the accounts were produced in line with the CIPFA LASAAC Code of Best Practice. He said that discussions continued as to how the Council could make the accounts more accessible and easier to understand for the public, as the document was lengthy and quite complex in parts. He added that it was a prescriptive format and the Council was limited as to how it could change the layout and presentation. There was a narrative report at the start of the document, which was prepared by the Director for Resources and which provided a commentary on the Council's financial performance for the year. There was also a Statement of Responsibilities which was signed by himself and the Chairman of the Committee. He then outlined the key elements of the narrative statement and spoke about the core financial statements, briefly explaining each section.

The Chairman invited members to speak:

Cllr A Brown asked about gender pay balance and whether the Council was comfortable with the current position and if any contingency funds should be set aside. The Director for Resources replied that he was satisfied with the current situation. There was a robust job evaluation process in place which reviewed the equality of the job based on any requirements of the role rather than gender issues. He added that there was capacity within the general reserve to provide any funding if required but he did not anticipate this being needed.

Cllr S Penfold asked about pension funds. He asked about investments of the fund, particularly links to Russian state owned ventures. The Director for Resources confirmed that the pension fund was managed by Norfolk County Council and said that they were currently reviewing investments and any links to Russia. He said that he would share any updates on this with the Committee.

Cllr N Dixon asked about background. He said that in the past, the committee had undertaken training before considering the accounts and he queried whether this had taken place this time. The Director for Resources replied that it had taken place on this occasion due to a number of staff shortages within the Finance Team. He said that training could be provided ahead of the review of the next set of accounts in July 2022. The Chairman added that the committee was small and well established and he felt that they were well trained in such matters.

The Chairman advised members that the recommendations would be taken at the end of the meeting, once all of the relevant matters had been considered.

8 LETTER OF REPRESENTATION 2019/20

The Chairman said that he was required to sign the Letter of Representation on behalf of members, however, he was aware of some issues, that may need to be addressed during the private session of the meeting and he therefore proposed delaying signing until such discussions had taken place.

It was proposed by Cllr C Cushing, seconded by Cllr S Penfold and

RESOLVED

To consider the Letter of Representation following Agenda Item 12.

9 ANNUAL GOVERNANCE STATEMENT 2019/20 - UPDATED

The Director for Resources introduced this item. He explained that some minor updates had been made to reference the External Audit Results Report and the two Police investigations – which were included at paragraphs 5.1 and 5.2 of the revised Annual Governance Statement (AGS).

The Chairman advised that approval of this item would be held back until later in the meeting when other relevant matters had been considered.

10 EY EXTERNAL AUDIT RESULTS REPORT 2019/20

The Chairman invited Mr M Hodgson, from Ernst & Young (EY) to present the External Audit Results report for 2019/20. He began by saying that he would split his presentation into two parts starting with the audit of the financial statements. He said that there was a materiality level of £1.21m for this audit and he was reporting any audit differences above £56k. He informed members that there was one late emerging issue which he would cover later. He explained that there were six audit differences to be adjusted. The biggest of these was the 'Better Broadband for Norfolk' scheme, which at £1m was below the materiality level. He said that this expenditure should have been classified as revenue expenditure classified under statute (REFCUS) rather than as an intangible asset. All of the audit differences had been adjusted now within the financial statement.

Mr Hodgson then moved onto areas of audit focus. He explained that this section set

out observations and conclusions including areas where there may be potential risk.

Taking the above sections together, he said that the report provided the committee with assurances that there was a low level of audit differences and none were individually material and there were no unadjusted differences. EY had gained all the assurances that they required against the audit risk areas. In conclusion, he said that ordinarily this would lead him to conclude that External Audit could issue an unqualified opinion on the financial statements presented to the committee. However, he said that there was an emerging issue nationally regarding infrastructure assets which had come to light in the last 2 -3 weeks. This was referenced on pages 68 and 69 of the Financial Statements. He said that the carrying value of infrastructure assets was £5.3m – above the materiality level of £1.21m. The issue was that for this type of asset (in this case coastal defences), any addition to the balance sheet should either be a new asset or a replacement part for an existing asset, with the replacement part being de-recognised and removed from the balance sheet. He said that it was very difficult to place a value on some of these assets as they had been constructed so long ago and records no longer existed. The challenge was that many of the 'carrying values' as at 31st March 2020 were often over-inflated as they included the original value and any additional costs with nothing removed, so they were materially mis-stated. He said that External Audit was working with the Council's finance team to establish which assets the Council's infrastructure records related to, when were they originally put in, had they exceeded their useful life (20 years) and are any additions a new asset or a replacement for an existing asset. This was taking some time. CIPFA was considering this issue and there was a consultation underway which may result in a change going forwards, however, it was likely to be at least two months before an outcome was known. There were two options available, to continue to work to demonstrate that the Council's infrastructure asset records were in line with the current code's requirements or wait for the CIPFA consultation to say what the new approach was going to be. He said for this reason, he could not sign the Audit Opinion as planned. However, the committee could take assurances that he was ready to sign the audit as planned but this national issue needed to be resolved before he could sign it off. He advised that the recommendation for the approval of the accounts may need to be revised and subject to delegation to the Chairman once the outstanding issue had been resolved.

In terms of the AGS, he said that EY had requested some amendments following the Annual External Audit Results report – as outlined by the Director for Resources earlier in the meeting.

The Chairman invited members to speak:

Cllr S Penfold asked about the original value of infrastructure assets and what the situation was if it had been improved over time. Mr Hodgson replied that it could have been repaired which was a revenue cost or it could be replaced which was a capital cost. In which case the original value was removed and the new, replacement value should be included. Cllr Penfold then asked if there was a date when the matter may be resolved. Mr Hodgson replied that the CIPFA workstream could take up to 3 months if it required a change to their Code. The preferred process would be that the Council was able to gain sufficient appropriate evidence that there were records regarding coastal defence assets. In this case, it was hoped that just after Easter would be ideal for ensuring it was code compliant. He concluded by saying that the two options were to defer approval to a subsequent meeting or to give the Chairman delegated authority to approve the accounts once EY were satisfied that this very specific issue had been resolved.

The Chairman asked about insurance costs for any original assets which were replaced. The Director for Finance replied that any insurance claim would support the cost of replacing the asset. The full cost would be reflected on the balance sheet regardless of how it was financed.

The Chief Executive commented that one of the issues that needed clarification was the 'lifetime' start date of 20 years. Most coastal defences were older than 20 years and grant funding had been received to repair several of them in recent years. All of this needed clarification.

Mr Hodgson then moved onto the second matter that he wanted to draw members' attention to, the Value for Money section of the report. Referring to page 27 of the report, he said significant risks had been identified to the value money conclusion within the audit plan. Having completed procedures relating to the identified value for money risks, EY had concluded that the arrangements were not adequate in 2019/20. The findings were set out in the report. The weaknesses related to a sound system of internal control emanating from the procurement of a capability review, internal review of project management processes and a lack of performance reporting during the 2019/20 financial year. He said that EY was qualifying the value for money conclusion on an 'except for' basis. The arrangements were considered to be adequate with the exception of the matters set out above. He added that consideration had been given as to whether there was a need for EY to exercise their statutory audit powers but on balance felt this was not required, given that the issues concerned had previously been in the public domain. He concluded that there was a series of recommendations to address the weaknesses and the Council had already been taken in many of the areas identified.

The Chairman thanked Mr Hodgson. He said that the Committee would formally receive and note the report once the private session had concluded.

11 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Democratic Services Manager advised the committee that there were no substantive changes to the work programme. It would be updated to reflect the approval of the accounts for 2020/21 and 2021/22 – as advised by the Director for Resources.

12 EXCLUSION OF THE PRESS AND PUBLIC

The Chairman explained that members would now go into private session to consider the next agenda item. He said that the following members were invited to remain as in his view, they were able to bring a special contribution to the issue being considered. These Members were Cllr N Dixon, Cllr V Gay, Cllr E Seward. Cllr R Kershaw may be joining the meeting later.

It was proposed by Cllr A Brown, seconded by Cllr P Fisher and

RESOLVED

As detailed in item 12 of the agenda, under section 100A(4) of the Local Government Act 1972 that the press and public be excluded from the meeting for the following items of business (discussion of a supplementary page in the EY Audit Results Report) on the grounds that they involve the likely disclosure of exempt

information as defined in paragraphs 1 & 2 of Part 1, Schedule 12A to the Act.

13 EY EXTERNAL AUDIT RESULTS REPORT 2019/20 - SUPPLEMENTARY PAGE, SECTION 5, VALUE FOR MONEY STATEMENT

The Committee considered this item in private session.

At 1.00pm, it was proposed by Cllr A Brown, seconded by Cllr P Fisher and

RESOLVED

To admit the press and public to the meeting and move back into public session.

14 CLOSING STATEMENT

The Chairman welcomed the press and public back to the meeting. He said that the following items had been discussed earlier in the agenda and now needed to be resolved:

1) Agenda Item 7: Final Statement of Accounts 2019/20

It was proposed by Cllr A Brown, seconded by Cllr S Penfold and

RESOLVED

That subject to resolution of the Infrastructure Assets query, delegated authority be given to the Chairman alongside the Chief Financial Officer to approve the Final Statement of Accounts 2019/20

2) Agenda Item 8: Letter of Representation 2019/20

It was proposed by Cllr A Brown, seconded by Cllr S Penfold and

RESOLVED

To sign the Letter of Representation 2019/20 with the following additional wording at Section B, start of paragraph 4:

'With the exception of 'Section 5 - Value for Money Statement' within the Annual Audit Results Report and the resolution of the infrastructure assets issue'

3) Agenda Items 10 and 13 – EY External Audit Results Report 2019/20

It was proposed by Cllr A Brown, seconded by Cllr H Blathwayt and

RESOLVED

To receive and note the External Audit Results Report 2019/20 and Management Response and to agree subject to the resolution of the Infrastructure Assets query (as at Agenda item 7) and the decision taken under Exempt Item 13 below:

Agenda Item 13 – EY External Audit Results Report 2019/20 Supplementary Page, Section 5, Value for Money Statement

To consider an external desktop report, prepared on the learning points from a

review of the Council's disciplinary procedures and for the learning points to be considered at a future Governance Risk & Audit Committee meeting, a date for which will be advised by the Democratic Services Manager

The meeting ended at 1.03 pm.

Chairman

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By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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