

## **GOVERNANCE, RISK AND AUDIT COMMITTEE**

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 27 September 2022 at the Council Chamber - Council Offices at 2.00 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr C Cushing	Mr H Blathwayt
Mr P Fisher	

#### **Members also attending:**

Mr E Seward (Observer)

#### **Officers in Attendance:**

Democratic Services and Governance Officer - Scrutiny (DSGOS), Head of Internal Audit (HIA), Chief Executive (CE), Interim S151 Officer, Policy and Performance Management Officer (PPMO) and Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO)

### **39 TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies were received from Cllr P Butikofer.

### **40 SUBSTITUTES**

Cllr L Withington.

### **41 PUBLIC QUESTIONS**

None received.

### **42 ITEMS OF URGENT BUSINESS**

None received.

### **43 DECLARATIONS OF INTEREST**

None declared.

### **44 MINUTES**

Minutes from the meeting held on 14<sup>th</sup> June 2022 were approved as a correct record and signed by the Chairman.

### **45 EY EXTERNAL AUDIT - INITIAL AUDIT PLAN**

The EA introduced the report and informed Members that two issues had arisen which had delayed the final sign-off of the 2019/20 audit related to S151 availability and cover, and a new emerging issue around infrastructure assets. He added that

work had now concluded, and it was hoped that sign-off would be achieved by the end of the week. It was noted that there were two new corrected errors which were classification audit differences above the materiality level. These were reported to be an incorrect classification of the Bacton to Walcott Landscaping Project, which had been classified as an asset under construction, instead of revenue funded by capital under statute (REFCUS). He added that this would also change the finance classification from Tax and non-specific grants to grants credited to services. It was noted that the second change related to the presentation of the surplus or deficit following re-evaluation of available for sale financial assets, which was now reflected correctly within the net cost of services. On infrastructure assets, the EA stated that a national issue had emerged where some Councils were not derecognising assets when making additions, which could lead to material overstatements. He added that in North Norfolk's case this related to Coastal Defences, however previous assets were not removed as they formed foundations for new assets. It was noted that two representations had been made within the report to acknowledge this process. On the 2020/21 audit plan the EA reported that new risks had arisen as a result of the Pandemic, with various grant schemes that came with associated financial reporting requirements. He added that bad debt provision and collection fund accounting had also become apparent as a result of the Pandemic, whilst property, plant and equipment risks had been downgraded from a severe to an inherent risk, as no significant valuation issues had been found. It was noted that in addition to presenting the plan, the audit was off to a good start with two weeks complete and an aim to provide an audit results report on 22<sup>nd</sup> November, to be considered in December.

#### Questions and Discussion

- i. Cllr S Penfold referred to infrastructure assets and asked why it remained a significant risk, given the explanation provided on sea defences, and the fact that highways assets belonged to NCC. The EA replied that reference to highways infrastructure had only been used as an example and the sea defences discrepancy was a timing issue, as the report had been prepared in July, prior to the resolution which had subsequently lowered sea defences to an inherent risk. He added that at present the Council was as code compliant as could be, unless CIPFA made any changes.

#### **RESOLVED**

**To review and note the Initial External Audit Plan.**

#### **46      PROGRESS AND FOLLOW UP REPORT ON INTERNAL AUDIT ACTIVITY: 1 APRIL 2022 TO 16 SEPTEMBER 2022**

The HIA introduced the report and informed Members that the Progress and Follow-up reports had been combined to discuss all internal audit matters together. She added that the accounts receivable audit had been delayed as it was not deemed appropriate to undertake whilst a new financial system was being implemented, and had therefore be rescheduled for 2023/24. It was noted that Q1 work was complete and Q2 was underway and expected to be reported at the December meeting. The HIA reported that key issues and findings were presented on an initial summary page, with Corporate Health and Safety given a reasonable assurance grading, with one important recommendation to ensure that there was an overall record of inspections. She added that there were more administrative points related to outlining the terms of reference, ensuring training requirements were met appropriate to staff roles, and potential for KPIs related to health and safety. On

follow-up recommendations, the HIA stated that there was an error related to a procurement and contract management recommendation where a comment given was intended for the finance system upgrade. She added that an up to date response was available with a request made to extend the deadline to 31<sup>st</sup> December, as a result of an unprecedented number of incidents that had required attention including storms, flood alerts and severe hot weather.

### Questions and Discussion

- i. Cllr C Cushing referred to a risk on S106 agreements and noted that the Exocom Project was reported to be in progress and due for completion at the end of September, and asked if the project was complete. The HIA replied that the project had been on track, but she would need to contact officers to determine whether it had been completed prior to the stated deadline. Cllr C Cushing suggested that it could be helpful to see all S106 awards, to which the HIA replied that this should be possible, though a request would need to be made to officers to determine whether they could produce this information for the next meeting. Cllr C Cushing referred to the new Serco timetable on p76 where an action had been deferred and asked whether a more up to date response was available. The HIA replied that it was the most up to date information available, and the CE noted that the decision to delay implementation had been taken to avoid the summer period, with implementation beginning on 5<sup>th</sup> September. He added that the significant changes, in addition to recent events such as the bank holiday for Queen Elizabeth's funeral had led to an increased number of missed collections. It was noted that officers were in regular contact with Serco on complaints and the number of missed bins was falling. Cllr C Cushing asked whether it was possible to provide any certainty on when the issues would be resolved, to which the CE replied that the new collections model was on week four and it was hoped that the service would continue to improve.
- ii. Cllr S Penfold referred to penalty charge notices and suggested that the Council appeared to have no means of checking the income generated, and asked for clarification on whether this related to the forty percent income for the Council or the total revenue generated. The HIA replied that it related to the forty percent income, and suggested that she could seek to provide more information at the next meeting to improve understanding of the contract.
- iii. Cllr E Seward referred to bin collections and noted that he had seen issues in North Walsham where collection days had been advertised incorrectly, though the issue had now been resolved. He referred to the new S106 monitoring software and asked officers for further clarification on when this would be active.
- iv. The Chairman referred to five key strategic findings, which he suggested could be seen as a relatively high number, and asked at what level the Council's overall opinion would change. The HIA replied that the action points could be broken down into one important, five needing attention and one operational effectiveness matter, and Members should therefore be reassured that with only one important action, the Council was not at risk of receiving a limited assurance grading. The Chairman referred to the number of revisions for each audit recommendation, and asked that any recommendation revised more than four times be highlighted in red. The HIA agreed and noted that a request had also been made for officers to provide greater context to explain delays.

## **RESOLVED**

**To receive and note the internal audit progress and the progress made against internal audit recommendations within the period covered by the report.**

### **47 MONITORING OFFICER'S ANNUAL REPORT 2021/2022**

The MO introduced the report and informed Members that the annual report covered the period from April 2021 to March 2022, and noted that whilst there was no statutory requirement for the Committee to receive the report, it covered the general duties and work undertaken throughout the year. She added that an update had been included on the return to physical meetings, alongside an update on the number of FOI requests received, and updated information on the RIPA and Whistleblowing Policies. It was noted that the Council had adopted a new code of conduct, and the number of related complaints was included for consideration. The MO noted that looking forward, the Council would be seeking to recruit two new independent persons for standards matters, implement an online register of interests form, and recruit an independent person to sit on GRAC, in-line with recently announced legislation.

#### Questions and Discussion

- i. Cllr C Cushing referred to misconduct investigations and noted that in the 2019/20 external audit, inappropriate behaviour of Councillors had been reported and asked whether any investigation had taken place in relation to these findings. The MO replied that unless there was a formal code of conduct complaint received, then there would not be an investigation. Cllr C Cushing sought further clarification on what a code of conduct complaint would entail and whether any had been made in relation to the findings. The MO replied that she could not confirm that there had been any investigation at the time, and any code of conduct issue would require a complaint to be submitted. Cllr C Cushing suggested that he felt inappropriate conduct would warrant investigation, to which the MO replied that this would have required a formal complaint which had not been received. Cllr C Cushing stated that he was surprised given the concerns raised that it had not been investigated.

## **RESOLVED**

**To receive and note the Monitoring Officer's Annual Report.**

### **48 GOVERNANCE, RISK & AUDIT COMMITTEE - ANNUAL REPORT 2021-22**

The DSGOS introduced the report and informed Members that it provided an overview of the work undertaken by the Committee throughout the previous municipal year. He added that the first key point to bring to the Committee's attention was the external audit and accounting delays, though these were being addressed. It was noted that long outstanding internal audit recommendations were mentioned, and finally the limited assurance grading that had been given to all Councils within the Internal Audit Consortium, though actions were in place to address concerns.

#### Questions and Discussion

- i. The Chairman thanked the Committee and substitutes for their commitment to attending meetings or seeking substitutes when required, as there was

only one meeting that had taken place without a full contingent.

- ii. The recommendation was proposed by Cllr H Blathwayt and seconded by Cllr P Fisher.

#### **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.**

#### **49 PROCUREMENT EXEMPTIONS REGISTER 6 JUNE 2022 TO 6 SEPTEMBER 2022**

The MO introduced the report and informed Members that it covered the period 6<sup>th</sup> June to 6<sup>th</sup> September, in which time three exemptions had been granted that were listed for consideration.

#### **RESOLVED**

**To review and note the Procurement Exemptions Register.**

#### **50 CORPORATE RISK REGISTER**

The CE introduced the report and informed Members that robust discussion had taken place at CLT about the risks facing the Council, such as the current economic climate and high levels of inflation, though the Council was in a strong financial position. He added that as the Council entered the winter period, contingency plans were in place, alongside ongoing efforts to resolve issues related to nutrient neutrality.

#### Questions and Discussion

- i. Cllr H Blathwayt asked whether NNDC had any exposure with money lent to other Councils, and referred to Thurrock as an example. The CE replied that he was not aware of any loans paid to other Councils, though the Council had provided a loan to a housing provider which was paid on-time and in accordance with the payment schedule.
- ii. Cllr C Cushing referred to nutrient neutrality risks and asked whether it was necessary to include reference to Fakenham Urban Extension, which included development of a roundabout on the A148 where costs had increased from £1.8m to £2.8m, causing the project to be delayed until additional funding could be found. He added that the project was key to delivering housing targets in Fakenham and ongoing delays would be likely to lead to further increased costs. The CE replied that he would seek to identify the action as a discrete risk within the register, but noted that the project had not been delayed as a result of nutrient neutrality per se, and should not be directly linked to this issue within the register.

#### **RESOLVED**

**To review and note the Corporate Risk Register.**

#### **51 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**

The DSGOS introduced the item and informed Members that the first update related to a response received from the Secretary of State to the CE's letter regarding delays in investigating disclosures.

The second update related to new legislation that would require Audit Committees to appoint an independent person to the Committee, though no specific timeframe had been given for implementation. It was suggested that a report would be prepared once full guidance was available with a view to appoint to the position in time for the new municipal year.

The DSGOS noted that the final update related to the Committee's recommendation for the division of roles for EAC hearings, with an HR response provided that explained why the recommendation would not be implemented, as it did not concur with ACAS guidance and requirements.

#### Questions and Discussion

- i. In response to a question from Cllr S Penfold it was confirmed that the independent person would not be a voting member, and was therefore more of an observer role. The Interim S151 officer noted that at her primary Council an independent person was already in place on the Committee as a non-voting member.
- ii. The Chairman asked whether the independent person used for the Standards Committee could also sit on GRAC. The MO replied that she was unsure at this stage whether this would be possible. Cllr S Penfold asked whether the Chairman would be included in the selection panel for the appointment of an independent person. Cllr H Blathwayt asked whether he would similarly be invited to participate in the selection process of an independent person for the Standards Committee. The MO confirmed that in both cases it was expected that the Chairmen would be involved in the selection process.

#### **RESOLVED**

**To review and note the updates.**

#### **52 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**

The DSGOS noted that at the December meeting the Committee could expect to receive the draft statement of accounts for 21/22 and the final statement of accounts for 20/21. He added that the External Audit Results report for 20/21 was also expected, but the Risk Management Framework would be delayed until the software contract supporting the document had been confirmed. The PPMO confirmed that a one year contract extension was being agreed after which new software could be expected, with the framework delayed until this was complete.

#### **RESOLVED**

**To note the Committee Work Programme.**

#### **53 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.03 pm.

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Chairman