GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 9 July 2024 at the Council Chamber - Council Offices at 2.00 pm

Committee Members Present:

Cllr S Bütikofer (Chair)
Cllr J Boyle (Vice-Chairman)
Cllr S Penfold
Cllr C Cushing
Cllr L Vickers
Cllr A Fletcher

Members also attending:

Officers in Attendance:

Assistant Director for Finance, Assets, Legal & Monitoring Officer, Director for Resources / S151 Officer and Head of Internal Audit

66 TO RECEIVE APOLOGIES FOR ABSENCE

None received.

67 SUBSTITUTES

None

68 PUBLIC QUESTIONS

None

69 ITEMS OF URGENT BUSINESS

None

70 DECLARATIONS OF INTEREST

None

71 MINUTES

Resolved - the Committee agreed that subject to the removal of the repeated paragraph in Minute 62 Review of Asset Register the minutes be approved as a correct record.

72 EXTERNAL AUDIT INTERIM VFM REPORT FOR 2021/22 AND 2022/23

Councillor Butikofer asked about the national shortage of external auditors that had caused delays to external audits being undertaken and completed at a number of local authorities across the country.

The External Auditor confirmed that there had been a reset in the national Audit market which had resulted in resource constraints leading to delays in the number of Audits that had been undertaken.

Councillor Penfold asked in respect of the external situation whether the delays in getting the Council's accounts completed for 2012/22 and 2022/23 were an outlier or not.

The External Auditor confirmed that there were other local authorities in the same position and that the significant number of authorities that had been affected had resulted in the resetting of the Audit market.

Councillor Bütikofer asked whether the Council's staff shortages in the finance department remained and would result in delays in the future.

The Director of Resources (DoR) advised that the Council had employed an interim officer in post who was very experienced in the closure of accounts. The 2020/21 accounts were signed off, the 2021/22 completed and work was ongoing on the 2022/23 accounts, and it was anticipated that the officer would remain until the 2023/24 accounts has been signed off in December.

The DoR added that the Chief Technical Accountant post had been filled by an ex-Auditor from Ernst and Young and would commence work with the Council on July 1st. This made the team fully resourced.

The DoR stated that there would not be an audit of the two outstanding years but an audit of the opening balances to ensure that they are accurate.

Councillor Cushing asked that, bearing in mind that the current financial projections were based on the non-signed off accounts, what element of risk was there from those figures when external audit looked at them.

The DoR advised that the biggest risk was on the opening balances and around the collection fund that was heavily impacted by Covid and the effect of that is only just finishing. The collection fund was millions of pounds so the level of the risk in the estimates would be a small percentage of that, but it could be £1m out in deficit or surplus.

Councillor Cushing asked if the work being completed in November would have an effect of the assessment of the Council's budget position for 2025/26 and whether as a result the council would need to find additional savings at short notice.

The DoR advised that the council had to submit National Non-Domestic Rates forms to the government which gave a very good picture of where the council was at the year end and for the forthcoming year. The Council had sought to reduce the overall risk as far as possible by using external expertise. The Council did not have major investments or trading activity that would require substantial adjustments and they were not an overly complex set of accounts which would also reduce the risk.

Councillor Penfold asked if the delays had caused a knock-on effect on the production of the 2023/24 accounts.
The DoR stated that with the staffing arrangements it was expected that the Council would have a set of accounts in the next month or two in advance of the October audit.

Councillor Boyle commented that the Council was in a far better position than this time last year and the department should be thanked for their work in getting the Council into an improved situation.

Councillor Butifoker stated that the Council was reviewing its procurement strategy and training would be available once it was completed.

73 EXTERNAL AUDIT PLAN FOR 2023/24

Councillor Penfold asked whether the migration of data referred to in the general ledger system change risk was an electronic or human process and did that affect the risk.

The External Auditor advised that the risk was that the information in the old system was not successfully moved onto a new system. The DoR stated that it was an electronic upload into the new system that was thoroughly checked for the amounts involved and the coding involved that has been completed successfully.

Councillor Butikofer commented that the fees for the auditor's work in completing the external audit included a lot of tbc and was there any guidelines or a range of fess that would give the council a greater indication of the overall cost.

The External Auditor stated that it would be best for the Committee Chair to ask Ernst and Young directly to get a greater explanation of how this would be worked out.
Councillor Butikofer asked whether the General Election had caused delays to the Audit timetable.

The External Auditor advised that it was expected to complete the audit in the original timeframe subject to any changes a new government may make.

Councillor Butikofer sought the committee's agreement and understanding of the materiality and reporting levels set out on page 62 of the agenda.

Councillor Fletcher queried in respect of performance materiality what the factors were that were indicative of pervasive errors and whether there were a number of these errors and why the lower end of 50% had been chosen.

The External Auditor advised that this was partially standard wording and that there was a drive across local authorities towards 50% rather than 75% and had been based on the level of the Council's opening balances and the reset of the Audit market. On the level of errors that would need further information from Ernst and Young.

Councillor Penfold added that the wording as written implied there may be more problems than existed and the external auditor may wish to reconsider that wording if it is used as a standard across local authorities.

Resolved – that Ernst and Young be asked to provide further information regarding performance materiality by email to the committee members as soon as possible so that the committee, following receipt of that information, can indicate its understanding of and agreement to the materiality and reporting levels for the 2023/24 External Audit.

74 INTERNAL AUDIT PROGRESS & FOLLOW-UP REPORT

Councillor Cushing asked why the Council was not consistently achieving its target timescale for 15 days for responding to complaints and what remedial work was being undertaken.

The Head of Internal Audit undertook to provide a detailed response in writing to the committee on this.

Councillor Bütikofer expressed concern at the number of incomplete actions highlighted in the internal audit report and wanted to see greater progress being made along with an explanation if progress had not been made on why that was.

The Head of Internal Audit commented that once an authority's senior management team became involved and pushed for improvements it often achieved better results.

Councillor Penfold commented that there were a number of intended to be completed by and it would be good to get more precise implementation dates.

Councillor Cushing in respect of NN2415 Post Implementation asked whether the missing functionality in the finance system had been updated.

The DoR advised that there was a fixed asset module that hasn't been implemented yet as it was on a spreadsheet, but the intention was to test it. However, sometimes the amount of work in maintaining the module outweighed the benefit of using it. The budget planner was another module that was being tested as to whether it made the council more efficient.

Councillor Shires pointed out there had been good practice in bringing the software to the council and the IT and Finance departments had worked well to implement it.

Councillor Bütikofer referred to the Council's Corporate Project management governance arrangements and asked what the current position was.

The DoR stated that three new management boards had been set up with one to address major projects management that would look to use the project management framework to strengthen the governance arrangements.

Councillor Fletcher asked about the 299 incidents in July and August 2023 to the service desk that had not met the service level commitment for response and resolution times.

The DoR advised that it may be due to the time of year and staff being on leave but if it was service critical it would be addressed immediately. Some of the incidents could be minor ones.

Councillor Penfold's asked whether leave was staggered to ensure that there

was sufficient coverage during potentially busy periods.

The Assistant Director Legal and Governance stated that that point would be taken back to the IT team. The report was for reasonable assurance, so it did suggest that was no major critical incidents involved.

Councillor Cushing asked whether for NN2408 Income the access to the mail room for ex-employees had been closed down.

The DoR stated that access to that room was regularly assessed and the process for employees leaving the organisation had been strengthened.

Councillor Cushing in respect of NN2405 Accountancy Services asked whether the authorisation for short term investments had been addressed. The DoR advised that it had.

Councillor Fletcher in respect of NN2413 property services asked if the outstanding statement from Flagship Housing for 25 Reeves Court, North Walsham had been obtained.

It was agreed that a written response giving more information would be provided.

Councillor Cushing in respect of Civil Contingencies and Business Continuity asked if the review of the outstanding plan had been completed.

The DoR stated that workshops on the plan were being run over the next couple of weeks and the deadline had been extended to the end of July.

Councillor Fletcher asked if the deadline of 30 June 2024 had been achieved for the council to receive its income from Car Park Penalty Charge notices.

The DoR advised that the issue was sometimes getting the information from Kings Lynn and West Norfolk Council. There was currently a service review ongoing that would look at this issue.

Resolved – that (A) the Committee Chair on behalf of the Committee write to the Chief Executive asking for the Council's Corporate Leadership Team to address the issue of the outstanding recommendations so that

(1) a further report be submitted to the committee meeting on 10 September 2024 showing progress on each of the recommendations, and

(2) Where there has been no progress the relevant senior officer be present at the meeting to answer questions as to why no progress has been made,

(B) the committee receive a written response on why the Council was

not consistently achieving its target timescale for 15 days for responding to complaints and what remedial work was being undertaken, and

(C) the committee receive a written response on whether the outstanding statement from Flagship Housing for 25 Reeves Court, North Walsham had been obtained.

75 HEAD OF INTERNAL AUDIT'S ANNUAL OPINION REPORT 2023-24

Councillor Cushing asked how the Council's Audit performance ranked in comparison to the other local authorities that the Auditor undertook audits for.

The Head of Internal Audit stated that the Council was in the middle, there were other Councils who had more positive opinions whilst other Councils had more limited opinions. Councils were working towards reducing their outstanding Audit recommendations down to 50 although there were a couple who were down to 25.

Resolved – the Committee considered the contents of the Annual Opinion Report of the Head of Internal Audit and noted

(A) that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2024.

(B) that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2023/24.

(C) the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme

76 GRAC SELF-ASSESSMENT

Councillor Butikofer asked whether there had been a sufficient enough response to the self-assessment forms to create a workable action plan.

The Head of Internal Audit advised that where there hadn't been a 5 score in the assessment an action had been created in the proposed action plan for the committee to follow.

The Committee agreed to accept the action plan.

Resolved – that

(A) the final scores for the first tool assessment, the 'Self-assessment of good practice' be noted,

(B) the second tool assessment, 'Evaluating the impact and effectiveness of the audit committee' be noted, and

(C) the proposed action plan be approved.

77 CORPORATE RISK REGISTER

Councillor Butikofer queried why Risk CR 026 Impact of Economic fluctuations on the North Norfolk economy had been removed from the risk register at the last meeting.

Councillor Cushing suggested it was an assumption not a risk and that was why it had been removed. The Committee considered if the council received a multiyear funding agreement from the Government it would enable the council to mitigate against it and felt it was more of a risk rather than assumption and should be added back into the register.

Councillor Cushing queried in respect of CR037 cost and resources issues from prosecutions, enforcement action and litigation what the enormous overspends to budgets were.

The Director of Resources (DoR) advised that when the Council decided to take enforcement action the costs of that action and any possible subsequent legal action were not completely known or budgeted for which could result in a large overspend on a small budget.

The Assistant Director Legal and Governance stated that the council dealt with health and safety prosecutions that were often long processes with increasing levels of cost which are different to smaller, quicker enforcement action.

The Committee agreed that it would like more information on this to better understand the reasons.

Councillor Cushing asked whether CR024 People Resources, bearing in mind the External Auditor's comments on staffing shortages in the Finance department, should be a higher score than shown.

The DoR considered it could be scored more highly as the council did have some recruitment issues and it would be reviewed in the register for the next committee meeting.

Councillor Cushing asked whether CR035 Failure to deliver the Local Plan should be marked as green with the effect that Nutrient Neutrality has had on the amount of new development in the district.

The Committee agreed that it would like more information on the rating to consider whether the rating needed amending.

Councillor Cushing commented on CR032 Fakenham new roundabout that as the council had yet to receive the funding for this work and it was due to start in September it didn't look like it should be green at the moment.

The DoR advised that circumstances could have changed since the report was written and the score needed to be reviewed.

Councillor Bütikofer commented that the work on the North Walsham High Street in CR033 was finished that it should be removed. The Committee agreed that it should be removed.

The DoR suggested that a risk could be added to the register that covered the damage caused to the Council's assets including buildings and outdoor spaces by climate change.
The Committee agreed that at this stage it wasn't needed as a general risk and could be contained in the risk for the Cromer and Mundesley Coastal Management Schemes.

Councillor Cushing stated that in respect of CR038 Fakenham Leisure and Sports Hub and the delays in getting the government funding for this scheme which has been made worse by the general election the rating needed to be rewritten to include the funding as well as the timeline.

The Committee agreed that this should be reviewed.

Resolved – that

(A) that risk CR 026 Impact of Economic fluctuations on the North Norfolk economy be added back into the Corporate Risk Register,

(B) more information be provided on CR037 cost and resources issues from prosecutions, enforcement action and litigation,

(C) CR024 People Resources rating be reviewed,

(D) more information be provided on CR035 failure to deliver the Local Plan,

(E) CR032 Fakenham new roundabout rating be reviewed,

(F) CR033 North Walsham High Street Heritage Action Zone be removed, and

(G) CR038 Fakenham Leisure and Sports Hub risk be reviewed.

78 PROCUREMENT EXEMPTIONS REGISTER

The Assistant Director Legal and Governance introduced the report and informed Members that there had been four exemptions between 8 March 2024 and 10 June 2024 which were outlined in the report.

Resolved – that the procurement exemptions be noted.

79 APPOINTMENT OF AN INDEPENDENT MEMBER

The Assistant Director Legal and Governance (ADLG) reminded the committee that it was not yet law, but it had previously indicated that it would like an independent person to be on the committee. Another Norfolk local authority had been approached as to whether it was possible to share their independent person but that had proved to be unsuccessful.

The ADLG added that it might be worth exploring with the other Norfolk local authorities whether it could be possible to create a shared pool of independent persons that would give greater resilience to all the authorities.

The Committee agreed that the independent person should have the relevant expertise and also has some knowledge of North Norfolk. Any interview process should involve a cross party representation of Councillors.

The ADLG confirmed that if it was not possible to get a shared approach the council would move ahead with recruiting an independent person.

Resolved – that if it was not possible to get a shared approach with the other Norfolk local authorities the council would move ahead as soon as possible with recruiting an independent person to the committee.

80 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Democratic Services Officer (Scrutiny) reported that there were no outstanding actions from the committee meeting on 26 March 2024.

81 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Democratic Services Officer (Scrutiny) (DSO) advised that the future work programme consisted of the reports that regularly came to the committee. However, the action plan from the GRAC Self-assessment exercise recommended that the committee should review what items it considered at its meetings.

The Committee considered this was a good idea and that suggestions for possible items be made in time for them to be considered at the committee's next meeting.

Resolved – that committee members send potential future committee items to the Democratic Services Officer (Scrutiny) so that they can be added into a list for consideration at the committee meeting on 10 September 2024.

82 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 3.55 pm.

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Chairman