

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 29 September 2020 at the remotely via Zoom at 2.00 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr T Adams	Mr C Cushing
Mrs J Stenton	Mr H Blathwayt

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

Mrs A Fitch-Tillett (Observer)	Ms V Gay (Observer)
Mrs P Grove-Jones (Observer)	Mr E Seward (Observer)
Miss L Shires (Observer)	Ms L Withington (Observer)
Ms V Gay (Observer)	Mr A Brown (Observer)

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

Chief Technical Accountant CTA, Head of Legal & Monitoring Officer (HLS), Director for Resources/Section 151 Officer (HFAM) and Director of Internal Audit (AD), External Auditors (EA)

### **29 TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies were received from Cllr J Toye.

### **30 SUBSTITUTES**

Cllr H Blathwayt for Cllr J Toye.

### **31 PUBLIC QUESTIONS**

None received.

### **32 ITEMS OF URGENT BUSINESS**

None received.

### **33 DECLARATIONS OF INTEREST**

None declared.

### **34 MINUTES**

The minutes of the meeting held on 4<sup>th</sup> August 2020 were approved as a correct record subject to the following amendment:

Cllr A Fitch-Tillett stated that on page 4 of the minutes, it was suggested that NNDC had consulted with other districts in respect of expertise, but this was not the case. The DS&GOS confirmed that he would amend the minutes.

## **35 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The AD informed Members that the Internal Audit Team were working to a revised audit plan as a result of the impact and delays caused by Covid-19, which also meant that the majority of the work was scheduled for quarters three and four. It was reported that the quarter three work was ready to begin with a terms of reference agreed for each audit. It was noted that assurance mapping had taken place during quarter two that would help to inform the planned audit work by providing assurances on identified risks, checking existing audits for Covid related risks, and considering any additional work required. The AD stated that there were no concerns at present and that work was progressing well.

### Questions and Discussion

- i. Cllr C Cushing referred to the EY Audit Results Report and asked whether Internal Audit reviewed the report and whether they took any action in relation to issues identified. The AD confirmed that they did take the report and its actions into account, and used it to help inform any additional work that might be required.

### **RESOLVED**

**To note the report.**

## **36 ANNUAL GOVERNANCE STATEMENT & LOCAL CODE OF CORPORATE GOVERNANCE**

The HFAM introduced the report and informed Members that the Annual Governance Statement was a statutory requirement for the Council, whilst the Local Code of Corporate Governance was a CIPFA best practice recommendation. He referred Members to pages 30-31 which covered the key issues of the AGS, such as an action plan for governance improvements which included improvements to service planning, performance targets and performance monitoring. The HFAM noted that a number of additional actions were also planned to improve the Council's governance arrangements, such as changes to the project management process and the introduction of a new CIPFA financial code of management.

### Questions and Discussion

- i. The Chairman stated that he was happy to see that improvements would be made to project management and performance monitoring.
- ii. Cllr S Penfold referred to governance actions identified on page 30, where deadlines for implementation had already passed, and asked if these actions had been completed. The HFAM confirmed that the actions had been completed, such as a review of the Corporate Plan, with a report on a revised Delivery Plan scheduled for the next Cabinet meeting. Cllr S Penfold then referred to the action on the Council's appraisal process, and sought confirmation that it had been completed. The HFAM replied that this work had been completed and that HR were in the process of implementing a 'Check-in' process to replace the existing appraisals process with less formal one to one discussions.

- iii. The recommendation was proposed by Cllr J Rest and seconded by Cllr S Penfold.

## **RESOLVED**

**To review and approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.**

### **37 FINAL STATEMENT OF ACCOUNTS 2018-19**

The CTA introduced the report and informed Members that it showed the performance and balances of the Council for the year ended 31<sup>st</sup> March 2019. She added that the draft accounts were presented to the Committee in June 2019 and were due to be signed-off in July, however as the external audit had not been completed at this time as there were a number of outstanding issues that had to be resolved prior to sign-off. It was reported that these issues had now been resolved and the accounts were ready to be approved. The CTA stated that there had been three main changes since the accounts were presented in draft form, which included changes to financial instruments accounting, for which CIPFA advice had been sought. Additionally, property plant and equipment balances had required alterations for impairment and depreciation, and finally, going concern in relation to the Coronavirus outbreak had necessitated some changes. It was reported that whilst the final issue had occurred after the closure of the accounts, as they were yet to be agreed, the impact of Covid on the Council's finances had to be noted, and remained subject to minor amendments.

#### Questions and Discussion

- i. The Chairman thanked officers for their hard work in preparing the accounts and asked when the next accounts would be ready for sign-off. The CTA replied that the draft accounts for the following year were included in the same agenda, and the process for the following year would begin in six months.
- ii. Cllr C Cushing referred to page 75 on which savings of £728k for the 2019/20 financial year were reported, increasing to £744k from 2021 onwards, and asked whether any further details could be provided. The CTA replied that she would reply via email once the additional information had been clarified.
- iii. It was proposed by Cllr J Stenton and seconded by Cllr C Cushing to approve the annual accounts for the 2018-19 financial year.

## **RESOLVED**

**To approve the annual accounts for the 2018-19 financial year.**

### **38 LETTER OF REPRESENTATION**

The HFAM introduced the report and informed Members that the Letter of Representation was an annual requirement to provide guarantees to the auditors that due process had been followed in preparing the accounts. He added that this year's representation included minor amendments due to Covid-19 and changes in legislation that would impact central and local Government pensions.

## **RESOLVED**

**To receive and note the Letter of Representation.**

### **39 AUDIT RESULTS REPORT**

The EA introduced the report and informed Members that the auditors were working with a materiality level of £1.1m for the 2018-19 accounts. He referred to a list of outstanding actions to be completed on page 209 that were standard procedure and would take place after the meeting. It was noted that audit differences were listed on page 224, though no unadjusted audit differences remained, and the three material adjusted differences had already been covered during discussion of the accounts. The EA added that if these differences had not been corrected then they could have had a significant impact on the accounts. It was stated that pages 213-217 covered the risks outlined in the audit plan and how these had been mitigated to provide the assurances and audit opinion given. Finally, an unqualified audit opinion was contained in section three of the report for the 2018-19 financial statements, which included an emphasis note in relation to the impact of Covid-19, as it had taken place within twelve months of the audit opinion being given. It was reported that the opinion also included an unqualified value for money conclusion on page 227, and that the letter of representation was for standard requests only. The EA stated that there were good assurances given for the draft financial statements, with the audit adjustments complete and no significant matters to bring to attention.

#### Questions and Discussion

- i. Cllr C Cushing referred to the summary of adjusted differences on page 225, and asked whether more information was available on these differences. The EA replied that these were in relation to the audit risk on property, plant and equipment referenced earlier, and added that the largest value of £6.5m was the result of prior year depreciation that had required correction. It was stated that whilst this was a significant figure, it was an occasional occurrence in local authority accounts, and had now been corrected. The other figures were not of such significant magnitude and were not as uncommon, and were therefore of lesser concern, but had also been corrected.

## **RESOLVED**

**To receive and note the Audit Results Report for the 2018-19 financial year ended 31st March 2019.**

### **40 DRAFT STATEMENT OF ACCOUNTS 2019-20**

The CTA introduced the report and informed Members that the draft accounts were for the year ending 31<sup>st</sup> March 2020, and had been published on the Council's website by the revised deadline at the end of August, moved from May due to the impact of Covid-19. It was reported that the deadline for publishing audited accounts had also moved from July to November, though ongoing delays meant that the auditing of the 2019-20 accounts was yet to begin. The CTA reminded Members that there was no obligation to provide draft accounts to the Committee, but it provided a chance for Members to comment and ask questions prior to their approval in the coming months.

#### Questions and Discussion

- i. The Chairman requested that any questions asked in relation to the accounts via email, be shared with Committee Members to improve wider knowledge.

## **RESOLVED**

### **To note the Draft Statement of Accounts.**

## **41 CORPORATE RISK REGISTER**

The HFAM introduced the report and informed Members that in addition to a number of updates and improvements, the new performance monitoring software would include a risk module to improve monitoring of the risk register. This would also allow for better presentation of the register, and enable the tracking of risk trajectory.

### Questions and Discussion

- i. The Chairman stated that he had raised concerns regarding some issues with the delivery of the Electric Vehicle Charging Points Project (EVCP), and had requested that it be considered for inclusion in the in the CRR. The HFAM replied that a number of projects had their own risk registers, such as the Splash project, though these wouldn't normally be escalated to the CRR unless they posed a significant risk to the Council or had already presented a corporate level risk. He added that whilst there had been a slight delay in the installation of the EVCPs in some parts of the District, he did not feel that it presented a significant reputational risk that warranted adding the project to the CRR. In terms of the project's budget, the HFAM noted that the EVCP remained a relatively small project that was being monitored at a project level. It was confirmed that the individual project risk registers were available to view upon request. The HFAM noted that if a second lockdown were to occur, then this would have significant cost implications for the existing Splash facility that justified its continued inclusion on the register.
- ii. Cllr P Grove Jones referred to the EVCP and asked if there was a specific reason that Stalham had not been included in the project. The Chairman suggested that it might be necessary to direct this question to the relevant Cabinet Portfolio holder, and asked if officers had and further details. The HFAM replied that this could have been as a result of the lower numbers that used the NNDC carpark in Stalham, though further EVCPs could be implemented in the future, depending on the success of the initial project. He added that supermarkets such as Tesco may also look to install their own EVCPs in the future.
- iii. Cllr C Cushing referred to the Splash project and noted that if there were no further Covid related impacts, the CRR indicated that the associated risks were reducing whilst the project remained on budget, and asked if the HFAM could confirm this. The HFAM replied that some of the largest unknown financial risks of the project had arisen as a result of the groundworks, which had not been found despite the appropriate surveys being undertaken. As a result, now that the groundworks were complete and the construction was underway, there was less risk that the project would go over budget, unless Covid caused further issues.

- iv. The Chairman asked if any further information could be provided on the Cromer Tennis Hub project that had been canceled and no longer appeared on the CRR. The HFAM replied that he had taken the project off the CRR as it had now formally been closed, with all outstanding issues addressed and the payments made outlined in the statement of accounts. It was reported that a position statement audit was being undertaken, in order to draw lessons from the project. It was noted that in the future, project boards would be run similar to a Cabinet Working Party that would allow for more accountable decision making to address previous issues. It was confirmed that the Tennis Hub position statement would be brought to the Committee once complete.
- v. Cllr Angie Fitch-Tillett stated that despite issues with other project boards, the recent coastal protection projects had been delivered on time and on budget using the existing project board model.
- vi. Cllr H Blathwayt asked whether the procurement of new waste vehicles should be included on the CRR. The HFAM replied that the procurement was complete with a budget in place so this did not present a current risk. It was known that there was a nine month lead-in time for the delivery of the vehicles that had likely been further delayed by Covid. It was reported that payments for the vehicles would be made in mid-October, and as such it did not present any immediate concerns necessitating its inclusion on the CRR.

## **RESOLVED**

**To note the Corporate Risk Register.**

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

- i. The DS&GOS informed Members that Cabinet had approved the Anti-Corruption, bribery and fraud policy as recommended by the Committee.
- ii. In regards to the Committee's recommendation to Cabinet on the formation of project boards, the DS&GOS informed Members that the recommendation had not been accepted as worded. Cabinet had instead resolved to note the comments regarding the establishment of project boards, and to monitor and review the progress of a new model for the management of projects and to request that GRAC had oversight of this. The HLS added that the position statements on the Egmore and Splash projects had raised concerns about how the previous project boards had resulted in unclear decision making between Members and officers. She suggested that Cabinet Working Parties would provide more formal oversight for projects, and this would be discussed at an upcoming Constitution Working Party meeting.

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

The DS&GOS informed Members that the EY Annual Audit Letter would come to the December meeting alongside the Civil Contingencies update. He added that the latter could be subject to significant changes as a result of the pandemic, and

encouraged Members to submit any concerns that they felt should be addressed in the report.

The meeting ended at 2.55 pm.

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Chairman