

## GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 9 March 2021 at the remotely via Zoom at 2.00 pm

### Committee

#### Members Present:

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr C Cushing	Dr P Bütikofer
Mr P Fisher	Mr P Heinrich

#### Members attending:

<b>also</b> Mr T Adams (Observer)	Mr A Brown (Observer)
Mr N Dixon (Observer)	Mrs A Fitch-Tillett (Observer)
Mr T FitzPatrick (Observer)	Mr V FitzPatrick (Observer)
Mrs W Fredericks (Observer)	Ms V Gay (Observer)
Mrs P Grove-Jones (Observer)	Mr G Hayman (Observer)
Mr R Kershaw (Observer)	Mr E Seward (Observer)
Mrs E Spagnola (Observer)	Mr J Toye (Observer)
Mr A Varley (Observer)	Ms L Withington (Observer)

#### Officers in Attendance:

Democratic Services and Governance Officer - Scrutiny (DSGOS), Internal Audit Manager (IAM), Chief Technical Accountant (CTA), Local Government Lawyer (MO), Chief Executive (CE), HR Manager (HRM), Internal Auditor (IA), Democratic Services Manager (DSM), Director for Resources/Section 151 Officer (DFR) and Associate Partner - Ernst Young (EA)

#### 58 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr H Blathwayt.

#### 59 SUBSTITUTES

Cllr P Heinrich for Cllr H Blathwayt.

#### 60 PUBLIC QUESTIONS

None received.

#### 61 ITEMS OF URGENT BUSINESS

None received.

#### 62 DECLARATIONS OF INTEREST

Cllr J Rest declared that he had an interest in item 12, as he had been a Member of the Cromer Tennis Hub Project Board from 2017-2019.

Cllr S Penfold declared that he had been a Member of the Cromer Tennis Hub Project Board from February 2018.

### **63 MINUTES**

The Chairman noted that Cllr C Cushing had asked to raise a question on the Monitoring Officer's report discussed at a previous meeting:

Cllr C Cushing referred to the Monitoring Officer's report presented to GRAC and the Standards Committee, and asked whether outstanding issues could be brought back to the Committee for discussion. The DSM replied that the report could not be revisited as it covered a specific period of time, and was to note only. The CE added that he had received a request for a written response on the matter that he was in the process of preparing, and would share with Members of the Standards Committee once complete.

The minutes of the meeting held on 8<sup>th</sup> December 2020 were approved as a correct record and signed by the Chairman.

### **64 EY ANNUAL AUDIT LETTER**

The EA introduced the item and informed Members that the Annual Audit Letter provided a summary of all work completed in the 2018/19 year. It was noted that it did not provide the same level of detail as the audit results report, and that no new issues had arisen that required further discussion. The EA reported that he was in the process of agreeing a timetable for the 2019/20 audit with the Director for Resources, in order to get the audit work back on track as soon as possible.

#### Questions and Discussion

- i. It was confirmed following a question from the Chairman, that the EA was confident that external audit would return to its normal schedule in 2021/22.

#### **RESOLVED**

**To receive and note the Annual Audit Letter.**

### **65 GOVERNANCE, RISK & AUDIT COMMITTEE SELF-ASSESSMENT**

The IAM introduced the report and informed Members that the self-assessment was an annual process undertaken as part of CIPFA best practice. She added that the Committee should review the previous answers and update them where appropriate.

#### Questions and Discussion

- i. The IAM referred to the first question on whether the role and purpose of GRAC was understood and accepted across the authority, to which a partly answer had been given. It was recommended that the answer be changed to a yes, and Members were invited to comment.
- ii. Cllr C Cushing asked whether all Members had a clear understanding of the difference between GRAC and the Overview and Scrutiny Committee. The DSM noted that whilst both Committee's provided an oversight function, they

had different responsibilities outlined in the constitution with GRAC taking a more focused approach to governance and risk, whilst the Overview and Scrutiny had a broader remit to review all decisions and policies of the Council. It was suggested that it would be helpful to remind Members of the difference between the two Committees. Members agreed that the understanding and acceptance of the role of GRAC should change to a yes.

- iii. The IAM noted that questions 14 and 15 related to the skills of the Committee, and stated that a CIPFA skills and knowledge matrix had been circulated previously, and suggested that this could continue, to determine whether any training was required. Members were invited to raise any further comments to update the self-assessment.

## **RESOLVED**

**To review and comment on the scoring criteria outlined in the self-assessment.**

### **66 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 27 NOVEMBER 2020 TO 26 FEBRUARY 2021**

The IAM introduced the report and referred Members to point 3.2 which outlined the 101 of days of audit work completed and accounted for 70% of the revised internal audit plan. She then referred to point 4.4 which outlined finalised audits, such as the corporate governance review that had been given a reasonable assurance rating with three priority 2 recommendations raised. It was reported that Council Tax and NNDR had been given a substantial assurance rating with no recommendations raised. Local Council Tax Support and Housing Benefit had been given a reasonable assurance rating with one important recommendation. The IAM reported that the Tennis Hub Audit had been given no assurance rating with six urgent and four important recommendations, and stated that the audit would be reviewed separately. The IAM referred to delays caused by the impact of Covid-19, and stated that most work was now completed and the Team remained on track to complete the audit plan on schedule. It was noted that an assurance mapping exercise had been completed when revising the audit plan to ensure that risks had not been overlooked. The IAM informed Members that all teams had been asked about the changes they had implemented in their Covid response, and whether they would require testing. It was suggested that this approach had highlighted areas of concern for the 2021/22 audit plan.

#### Questions and Discussion

- i. The IAM referred to the corporate governance arrangements audit and noted that there were three important recommendations. The first related to changes to Committee meetings, where it had been recommended that agenda items that would impact the governance of the meeting should be reviewed first. The second recommendation referred to adherence to the constitution, where it had been suggested that business continuity plans should be updated for longer disruption, such as that caused by Covid-19. The next recommendation required management to take stronger action to mitigate issues arising from conflicts of interest, such as including a guide on agendas to advise Members on how to raise an interest.
- ii. On the Council Tax and NNDR audit, the IAM noted that the audit had not covered the programme of grants to businesses from Central Government,

as this was seen as a wider piece of work to be considered as part of the 2021/22 audit.

- iii. On Council Tax and Housing Benefits, the IAM reported that a recommendation had been made that reconciliations be completed promptly at the end of each month, to avoid issues.
- iv. On procurement and management during the Covid period, the IAM stated that there were a number of actions that required implementation to mitigate risks, and a subsequent piece of work was being undertaken that would be brought to a future meeting for review.

## **RESOLVED**

**To note the outcomes of the audits completed between 27 November 2020 and 26 February 2021**

### **67 UPDATE ON STRATEGIC AND ANNUAL AUDIT PLANS**

The IAM informed Members that under normal circumstances the annual audit plans would have been agreed in January, but due to the ongoing impact of Covid-19, it had not been possible at that time. As a result, the audit plans for the year ahead would come to the June meeting, alongside the audit opinion. It was suggested that this would have a limited impact on the audit plan, as Q1 would have a light workload.

## **RESOLVED**

**To note the update.**

### **68 CORPORATE RISK REGISTER**

The DFR introduced the report and informed Members that it was the first risk register produced using the InPhase system. He added that the report covered all details of each risk, and noted that this could be changed in future to provide a more strategic overview. It was noted that the key corporate risks were identified on page 65 in a high level summary, and that an outline of how risks were reviewed was included on page 71. The DFR referred operational risks identified and noted that these had not changed. Members were invited to provide their thoughts on the new format and make suggestions for future reports.

#### Questions and Discussion

- i. The Chairman noted that direction of change for each risk was a key aspect of the report, and suggested that any new risks added should be clearly identified.
- ii. Cllr C Cushing noted that the report did not outline when risks had last been reviewed, and asked whether deadlines for risk mitigation should be identified. The DFR replied that several risks would be mitigated by the actions taken in response to audit recommendations, and stated that he would review whether key dates could be added to the report. He added that he would also include any new risk mitigation actions in the covering report.
- iii. The Chairman suggested that it would be helpful to see the live risk register and asked whether this could be arranged for a future meeting.

## RESOLVED

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

### 69 CROMER SPORTS HUB PROJECT - AUDIT REPORT

The IAM introduced the report and informed Members that the audit had been given no assurance rating, with six urgent and four important recommendations. She added that the audit was an independent and objective assurance review, that sought learning opportunities for future projects, as opposed to a formal investigation. It was noted that a number of the recommendations complemented previous audit work on project management, and progress on these recommendations would be reported back to the Committee in due course. The IAM reported that the recommendations had a completion deadline of May 2021, and it was expected that many would be addressed via changes to the project management framework and documentation, as well as the creation of the Corporate Delivery Unit (CDU), as a specific team devoted to project governance.

The IA stated that the purpose of the review was to identify gaps and weaknesses in process, and that she was supportive of the aims and creation of the CDU to help address these issues.

The CE stated that the scope of the review was identified within the report, which identified the seven key areas that Internal Audit had been asked to review.

#### Questions and Discussion

- i. Cllr A Brown referred to historical public minutes and agendas relating to the Tennis Hub project, and asked whether it was relevant to refer to individuals identified within these documents. The LGL noted that it would be for the Committee to determine whether this was a matter of public interest. She advised that information relating to an individual, information that could reveal the identity of an individual, or information relating to the financial or business affairs of any particular person or the organisation holding that information would be a justifiable reason for the Committee to move the meeting into private business.
- ii. Cllr S Penfold asked whether Internal Audit were satisfied that the review was undertaken in a sound and objective manner, and whether they supported the report on this basis. The IA stated that it was an objective review, and that her limited involvement with the Council had ensured its independence. She added that any claims made within the report had been supported with evidence, and that the report itself had been subject to a rigorous quality assurance process. Cllr S Penfold referred to section 4.3 and noted that the report stated that “conflicts of interest are not robustly managed”, and asked whether this should be changed to ‘were not robustly managed’. The IA referred to the summary of the corporate governance review, which had reviewed how conflicts of interest were managed, and it had been determined that there were areas where this could be improved. Cllr S Penfold referred to historical Cabinet minutes, and asked whether the document provided an example of a conflict of interest that had not been robustly managed. The IA replied that she had looked for mitigation actions to ensure that conflicts were appropriately managed. Cllr S Penfold asked whether an individual had continued to be involved in the project

subsequent to declaring an interest, and if so, in what capacity. The IA replied that the individual had continued to be involved in the project until they left the Council, as a member of the Project Board. The Chairman asked whether more action should have been taken to exclude the individual from Project Board meetings, to which the IA replied that she could only comment on the mitigation actions that had been recorded.

- iii. Cllr P Heinrich referred to section 4.2 and noted that the LTA funding had been withdrawn in December 2018, though the Council was not notified of this until February 2019, and asked to what extent the withdrawal of funding was influenced by the failure to agree a land swap. The IA replied that the rationale given for the withdrawal of the funding was that the LTA had changed their strategic direction, though it was noted that there were also two outstanding matters that required completion for funding. It was noted that that these had not been referenced as a reason for the withdrawal of funding. Cllr P Heinrich noted that there had been limited support for the project amongst Tennis Club members, though they had not expressed these concerns to the Council until early 2019. He asked whether this apparent lack of consultation with the Club was related to the withdrawal of funding, and whether this had been referenced at point 4.5, where it was suggested that better engagement may have addressed concerns. The IA replied that there was no evidence that this was the rationale for the withdrawal of LTA funding. She added that it had been noted that there was limited stakeholder engagement during the early stages of the project, and whilst better engagement may have addressed these concerns, it could not be confirmed. Cllr P Heinrich noted that when the project was approved in December 2017, none of the key stakeholders had agreed to any contractual arrangements, and asked whether the reasons for this were known. The IA replied that this had not been considered as part of the audit, but noted that the business case had been approved on the basis of the information identified in the report. She added that a key learning opportunity was for the Council to implement critical milestones on projects that should be met in order for projects to proceed.
- iv. Cllr A Brown referred to the disclosure of interests, and suggested that there had been little regard for the Nolan principles with no mitigation actions taken, and asked what actions would have been expected. The IA clarified that she had not said that no actions had been taken, but that no actions had been recorded. She added that she would have expected to see a discussion on what role would have been appropriate for the individual in the project, going forward. It was noted that a new code of conduct was expected in the coming months, and this would place greater emphasis on mitigation actions.
- v. Cllr P Fisher referred to contract procurement and stated that whilst he agreed with use of exemptions in urgent situations or for specialist skills, this project did not appear to be either. He then asked whether the use of exemption certificates was common, and whether they had been used to avoid the tendering process. The IA replied that there was no evidence of wrongdoing, and had any been found, it would have been a different investigation. She added that the rationale for the exemption was that the specialists used had expert and local knowledge, therefore the exemption was agreed in-line with the constitution. It was noted there was a separate piece of work underway to better manage contract standing orders and procurement exemptions.

- vi. Cllr P Butikofer referred to section 4.3 of the report where it was stated that project enabling works had been completed with financial risk to the Council, and asked whether examples could be provided. The IA replied that an example of this was the car park, which had been completed prior to the land transfer and without funding in place. She added that without reaching these milestones, the work had been completed with associated risk. Cllr P Butikofer sought clarification on the role of the SRO on this matter, and it was confirmed that they would have held joint responsibility for signing off these works.
- vii. Cllr C Cushing noted that whilst he was not a Member of the Council at the time, he had made some observations, and asked why the Committee had only been given an executive summary of the report, given the importance of the issue. He added that the report had not clearly outlined who held responsibility for the full duration of the project, and stated that a change in administration in November 2018, meant that the Liberal Democrat Group had held responsibility from this point onwards. Cllr C Cushing suggested that the report was therefore slightly misleading, in that it appeared to suggest that several decisions were taken by the previous administration, although this was not the case. He referred to the original business case, and stated that with LTA funding, NNDC were required to fund 53% of the project, but if the LTA had not proposed to fund the other 47%, then the project wouldn't have gone ahead. Cllr C Cushing stated that the report overlooked the improved facilities that the project sought to bring to the wider district, and noted that whilst he was not a Councillor at the time, it was his understanding that at the point of initiation, the project was supported by all Members of the Council. He added that when the LTA withdrew funding in December 2018, the business case became unviable, and asked why the project was not put on hold at this point, and why was a contract signed after the Council became liable for 100% of the funding. The IA replied that there were three reports to Cabinet and Council, which included the original business case in December 2017, an update in November 2018, and a final report in February 2019 that confirmed that LTA funding had been withdrawn, and requested a review of the business case. She added that the subsequent review had deemed that the project still represented value for money, and on that basis the project continued. It was noted that it was standard practice to only provide the executive summary of audit reports, though more information had been provided in this case, and the full report was available on request.
- viii. Cllr V Gay asked to place on record her thanks to Internal Audit, and stated that from its inception, she had supported the release of the audit report in full. She added that a report on the Council's project governance framework was scheduled for Cabinet, which would reform project management. Cllr V Gay stated that in her experience, the vast majority of Councillors were alert to the Nolan principles and their obligation to declare interests. For clarification, she added that the Council moved into a situation of no overall control in November 2018.
- ix. Cllr S Penfold noted that wide support remained for the continuation of the project across all groups following the February 2019 report, and said he agreed that the full report should be shared with the Committee.
- x. Cllr C Cushing noted that he did not believe there was a missing business

case, but that the executive summary made no reference to the business case. He added that following the change in administration, there would have been enough votes to stop or pause the project, but this was not the approach taken. Cllr C Cushing asked whether the Council had made efforts to pursue the agreement of the contract with the trustees of the Tennis Club, and who had taken the decision to end the project. The IA replied that Cabinet had taken the decision to end the project in August 2019. The LGL advised that discussion of contract enforcement information would require the meeting to exclude the press and public for matters relating to legal professional privilege.

- xi. Cllr N Dixon supported calls to see the full audit report, then referred to the conclusion and noted that until April 2019, an expectation remained that the project would be completed. He added that shortly after this time, a viability review of the project had deemed that it was not deliverable, and stated that the reasons for this required further clarification. Cllr N Dixon noted that the first issue related to efforts made to resolve the land swap impasse, and the second to the legal advice given on the enforcement options available to ensure the transfer deed was enacted, and whether this advice was sound, given the cost implications. He added that the third issue was for clarification of who agreed to end the project, which had been confirmed as Cabinet.
- xii. Cllr E Seward asked to place on record his thanks to Internal Audit, and stated that changes in political administration had taken place a long way in to the project, and it was not known until January 2019 that the LTA had withdrawn its funding. He added that at this point, a request was made to reconsider the business case to determine whether the project was still viable, and the advice from officers at the time was that a viable business case remained. It was noted that this advice was given to Council, and that Members continued to support the project at this time, though from February 2019 Tennis Club members had begun to raise concerns about the project that threatened the land swap agreement. Cllr E Seward stated that by April 2019, the members of the Tennis Club had made it clear that they would not agree to the land swap, which was the final reason the project could not proceed, without the need for legal action, which would not have been supported. He added that there were clear lessons that must be learnt from the project, and that it should not have been able to go as far as it had.
- xiii. The IAM reminded Members that recommendations to management included in the report were due for completion in May, and progress on these would be reported to the Committee in due course.
- xiv. Cllr A Brown asked the auditors whether they would agree that there had been a lack of openness and transparency in the reporting of the project, and whether there had been a lack of engagement from Cabinet Members on the original Project Board. The IA replied that she saw no evidence of any lack of openness or transparency and noted that Full Council had been kept updated on reviews, with accompanying decisions taken in December 2017, November 2018 and February 2019. She added that the decision to end the project had been taken in full consultation with senior officers, with a separate report provided to explain this, hence there was no evidence of any lack of openness or transparency.



- xv. The Chairman asked whether any Members of the original Project Board had been contacted, to which the IA replied that this had not been the case, as the audit was not an investigation. She added that she had spoken to the Leader, the CE, the MO, the S151 officer and several other officers involved in the project. The Chairman asked for clarification on whether there had been any instruction to pause the project, to allow time for discussions to take place. The IA replied that there was evidence of a request to pause work on the project in late spring, following the change in management at the Tennis Club, to allow clarification of issues relating to the land swap.
- xvi. Cllr S Penfold stated that it was clear at the start of the project that with support from the LTA, the project would have provided significant benefits, but given the issues raised, there was a clear need for Members to see the full audit report to determine whether the recommendations were adequate. He added that the no assurance grading caused significant concerns, and it was the duty of Committee to ensure that these had been adequately addressed. Cllr S Penfold suggested that the Committee should be provided with the full unredacted report under the need to know principle. The Chairman suggested that the Overview and Scrutiny Chairman should also be given access to the report, and noted that wider Members could make a request to see the report if they could demonstrate a need to know basis. The DSM confirmed that any further Members would be required to submit an individual request with a need to know basis.
- xvii. The CE stated that the project had involved the authority spending a large amount of money and it was important that adequate lessons were learned. He added that separate work on improving project governance at the Council had taken place, and was in the process of being implemented. The CE stated that he was confident that the recommendations would be fully implemented by the end of the municipal year.
- xviii. Cllr J Rest proposed that Members of the Governance, Risk And Audit Committee, and the Overview and Scrutiny Committee Chairman be provided with the full audit report. Cllr S Penfold seconded the recommendation.

## **RESOLVED**

**To recommend to the Monitoring Officer that Members of the Governance, Risk and Audit Committee, and the Overview and Scrutiny Committee Chairman be provided with the full audit report.**

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

The DSGOS referred to the outcomes and actions list from the previous meeting and noted that officers would be invited to attend the June meeting, in order to respond to outstanding audit recommendations of two years or more. He added that the review of the Council's assets would also be scheduled for the June or July meeting.

## **RESOLVED**

**To note the update.**

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

The CTA referred to the audit deadlines and noted that these had been pushed back to September for 2020/21 and 2021/22, subject to review. She added that the Finance Team were still working to a May deadline to complete the draft statement of accounts, and that she would report to the Committee if this became unachievable. The DSGOS stated that there were a number of outstanding items that had to be fit into the Work Programme, such as the external audit plan, and noted that these would be scheduled as and when the reports became available.

**RESOLVED**

**To note the Work Programme.**

**72 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.55 pm.

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Chairman