

# Governance, Risk and Audit Committee



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01 March 2021

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held remotely via Zoom on **Tuesday, 9 March 2021 at 2.00 pm.**

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

## **PUBLIC ATTENDANCE AND PUBLIC SPEAKING – COVID-19**

*Please note that due to the Covid-19 restrictions, Committee meetings will be held remotely via Zoom video conferencing and live streamed on YouTube.*

*Public speaking:* If you wish to speak on an agenda item, please email [Democraticservices@north-norfolk.gov.uk](mailto:Democraticservices@north-norfolk.gov.uk) no later than 5.00 pm on the Thursday before the meeting and include a copy of your statement. You will have the opportunity to make your statement by video link but in the event that this is not possible, or if you would prefer, your statement will be read out by an officer.

This meeting will be broadcast live to YouTube and will be capable of repeated viewing. The entirety of the meeting will be filmed except for confidential or exempt items. If you attend the meeting and make a representation you will be deemed to have consented to being filmed and that the images and sound recordings could be used for webcasting/ training purposes.

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

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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**

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**

1 - 10

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 8<sup>th</sup> December 2020.

**7. EY ANNUAL AUDIT LETTER**

11 - 28

To receive and note the EY Annual Audit Letter for the year ended 31<sup>st</sup> March 2019.

**8. GOVERNANCE, RISK & AUDIT COMMITTEE SELF-ASSESSMENT**

29 - 38

Summary:

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.

It is good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

Conclusion:

During the 2019 self-assessment the Committee considered the Governance Risk and Audit Committee to be mostly in conformance with the CIPFA guidance. Undertaking a regular review of its

performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

**Recommendation:** That the Committee discuss the attached checklist at Appendix 1 to this report from 2019 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer,  
telephone number, and e-mail:

Faye Haywood, Internal Audit  
Manager for North Norfolk DC,  
01508 533873,  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

**9. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 27 NOVEMBER 2020 TO 26 FEBRUARY 2021** 39 - 64

Summary: This report examines the progress made between 27 November 2020 to 26 February 2021 in relation to delivery of the annual internal audit plan for 2020/21.

Conclusions: Progress in relation to delivery of the internal audit plan is line with expectations.

Recommendations: It is recommended that the Committee notes the outcomes of the audits completed between 27 November 2020 and 26 February 2021.

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer,  
telephone number, and e-mail:

Faye Haywood  
01508 533873,  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

**10. UPDATE ON STRATEGIC AND ANNUAL AUDIT PLANS**

To receive a verbal update on the strategic and annual internal audit plans.

**11. CORPORATE RISK REGISTER** 65 - 94

To review and note the Corporate Risk Register.

**12. CROMER SPORTS HUB PROJECT - AUDIT REPORT**

95 - 108

**Summary:** This report contains the Executive Summary of the Internal Audit review - NN2112 Cromer Sports Hub project.

**Conclusion:** As a result of the NN2112 Cromer Sports Hub Project Internal Audit, a 'No Assurance' grading has been given highlighting several weaknesses that should be addressed to improve the Council's future approach to project management.

**Recommendation:** **That the Committee review the Executive Summary at Appendix 1 of this report and suggested improvement actions and note the additional context provided at Appendix 2.**

**Cabinet member(s):**  
All

**Ward(s) affected:**  
All

**Contact Officer, telephone number, and e-mail:** Faye Haywood,  
Internal Audit Manager for North Norfolk DC, 01508 533873,  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

**13. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST** 109 - 110

To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.

**14. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME** 111 - 114

To review the Governance, Risk & Audit Committee Work Programme.

**15. EXCLUSION OF THE PRESS AND PUBLIC**

To pass the following resolution, if necessary:

"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 part 1 of schedule 12A (as amended) to the Act."

## GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 8 December 2020 at the remotely via Zoom at 2.00 pm

### Committee

#### Members Present:

Mr J Rest (Chairman)  
Mr H Blathwayt

Mr C Cushing  
Dr P Bütikofer

#### Members also attending:

Mr N Dixon (Observer)  
Ms V Gay (Observer)  
Miss L Shires (Observer)

Mrs A Fitch-Tillett (Observer)  
Mr R Kershaw (Observer)  
Ms L Withington (Observer)

#### Officers in Attendance:

Democratic Services and Governance Officer (Scrutiny) (DS&GOS), Chief Technical Accountant (CTA), Director of Internal Audit (AD), Chief Executive (CE), Property, Project & Programme Manager (PPPM), Democratic Services Manager (DSM), Programme & Projects Manager (PPM) and Resilience Manager, Civil Contingencies (RM)

#### 44 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr S Penfold.

#### 45 SUBSTITUTES

None.

#### 46 PUBLIC QUESTIONS

None received.

#### 47 ITEMS OF URGENT BUSINESS

None received.

#### 48 DECLARATIONS OF INTEREST

None declared.

#### 49 MINUTES

Minutes of the meeting held on 29<sup>th</sup> September were approved as a correct record and signed by the Chairman.

#### 50 CIVIL CONTINGENCIES REPORT

The RM introduced the report and noted that it had been an exceptionally busy year for the Team with multiple incidents, in addition to the continued response to Covid-19. It was reported that the Council remained an active member of the Norfolk Resilience Forum (NRF), with annual contributions paid to facilitate the Council's response to incidents as a category one first responder, under the Civil Contingencies Act 2004. The RM noted that the Council's annual contribution remained at £2386, in addition to a £1200 contribution made to the British Red Cross (BRC), which allowed reserve staff to be called upon when required. She added that there had been a recent amendment to the BRC memorandum of understanding, known as the Emergency Response Cooperation Agreement, though this had not impacted the Council's contribution.

The RM reported that there had been a reinvigoration of the Sea Palling Flood Warden Liaison Group, and the Environment Agency (EA) had recently confirmed that information provided by the group had been valuable. It was noted that the EA would be reviewing their flood warning levels in Bacton and Walcott as a result of the impact of the Sandscaping Scheme.

In relation to the EU exit transition, it was reported that the Council had appointed the Head of Economic and Community Development as lead officer. On Covid-19 the RM noted that gold and silver command meetings continued, with information provided by the NRF. In addition to these key issues, there had been a significant increase in severe weather incidents, in a trend that could be set to continue as a result of the effects of climate change. It was noted that the EA had reduced its flood alerts on Norfolk rivers as a response to the increased demands of Covid-19, though these had now been reinstated at the request of the Council.

On business continuity plans, the RM reported that the Council had 28 in total, of which 14 were for teams undertaking NNDC critical activities, notable for a recoverable period of 48 hours or less. It was noted that these plans were considered current, if they had been reviewed within the last 12 months. The RM stated that GRAC had agreed a target for at least 85% of these plans be up to date, though it was noteworthy that 100% of the critical plans had been reviewed within the last 12 months. It was reported that there was no target for non-critical plans, but these were 79% up to date, and it was expected that reviews following completion of the management restructure would further update the plans.

In conclusion, the RM stated that Covid-19, the transition of exiting the EU and increased severe weather events would continue to test the Council resources, but the Team continued to hard to meet demands.

### Questions and Discussion

- i. Cllr C Cushing asked whether there had been any specific lessons learnt from the events of the year, to which the RM replied that communications could always be improved, and having the Council Leader on the gold command group had facilitated excellent Member involvement in decision making.
- ii. Cllr H Blathwayt referred to a recent press article on the overtopping of riverbanks, and asked whether the RM had any comment. The RM replied that she was in communication with the EA on the issue, though the Council was to some extent reliant on information from members the public to provide frequent updates in specific areas.

- iii. Cllr P Butikofer referred to the memorandum of understanding with the BRC and asked whether the new agreement had been signed. He then asked whether representatives from the Norfolk Rivers and Internal Drainage Boards could be invited to NRF meetings, and whether the sand spread at Walcott had been mentioned in the report. The RM replied that on the memorandum, the BRC had recently changed its working practices, and it was anticipated that the agreement would be signed once it was confirmed that support would still be provided for severe weather events. In respect of inviting further representatives NRF meetings, it was suggested that this could be explored if they were not already represented. On the sand spread issues at Walcott, it was noted that this was mentioned briefly in the report, and there had been a full NRF debrief as a result of the incident, though a report was still forthcoming.
- iv. The Chairman referred to a flood warning on the river Wensum in Fakenham, and suggested that this was likely the result of leaves causing drainage issues, and asked whether there had been any discussion with NCC to have this resolved. The RM replied that she was not aware of any such drainage investigations taking place in that area. The Chairman replied that he had been informed of the issue by the Fire Service, and asked whether the matter could be followed-up. Cllr L Withington stated that Sheringham had suffered similar drainage issues, and noted that it had taken considerable effort to have them cleared. The RM noted that there had been a change in the way highways services were run which had caused some issues, and stated that she would speak to Highways to ensure future incidents were avoided.

#### **RESOLVED**

**To note the report.**

#### **51      PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 19TH SEPTEMBER 2020 TO 25TH NOVEMBER 2020**

The AD introduced the report and informed Members that the internal auditors had delivered 57 days of work equating to 53% of the plan, which was in-line with most of the work taking place across quarters three and four. It was noted that audit work had continued to run smoothly despite people working remotely, with the required information being delivered on time. The AD reported that some audits had required office visits due to the nature by which data was held, but this had been completed without issue. It was noted that resource was in place and had already been allocated for the completion of the annual audit.

#### **RESOLVED**

**To note the report.**

#### **52      FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 31 MARCH 2020 TO 25 NOVEMBER 2020**

The AD introduced the report and informed Members that a number of recommendations remained outstanding from previous years, though it was noted that several had been delayed by the impact of Covid-19. It was reported that 33 recommendations remained outstanding, of which 22 were priority 2, with none at priority 1. It was suggested that the reasons for some of the outstanding

recommendations alluded to issues such as Section 106 agreements, which were dependent on the introduction of a new planning system that was currently in the process of implementation.

#### Questions and Discussion

- i. Cllr P Butikofer referred to the new Uniform planning system and asked what the implications would be if the project were to be delayed further. The AD replied that it would have a detrimental impact, and suggested that a more detailed response could be given by the relevant head of service. Cllr P Butikofer then referred to the recommendation on appointing a monitoring role for Section 106 agreements, and asked whether it would be possible to have a reserve officer in place. The CE replied to the first question and noted that the planning system had been closed down for approximately two weeks to allow for a significant data transfer, which had gone well. He added that the new system should provide a number of advantages, such as improvements to the monitoring of Section 106 agreements as highlighted in the recommendations. It was noted that the Head of Planning was also looking to improve the process of monitoring planning conditions, and it was expected that the outstanding recommendations would be addressed in the near future.
- ii. Cllr C Cushing referred to the recommendation on implementing a new procurement strategy and noted the reason for delay, then asked whether there was a deputy for this position. The CE replied that this was a specialist role and whilst there was not a deputy in place at present, it could be considered in the future.
- iii. Cllr P Butikofer referred to the recommendation on updating the licensing register, and noted that after considerable work with officers, they had completed a taxi handbook. He added that there were issues with taxi licenses not being added to the NNDC website, which he hoped could be addressed as part of the recommendation, to ensure public safety.
- iv. The Chairman raised concerns that a number of recommendations had been outstanding for a number of years, and asked whether the Committee would be supportive of calling-in heads of service to explain delays of two years or more. The CE replied that he would be supportive of such proposals to improve accountability, and noted that under the new management structure this would become an assistant director's responsibility.
- v. In response to a question from Cllr N Dixon, it was confirmed that the percentage of outstanding recommendations was 12%, as opposed to the 24% listed. Cllr N Dixon then referred to long overdue recommendations and asked whether the Committee had a clear understanding of the reasons for delays, and whether Members would look to address this in a recommendation. The AD replied in reference to the Section 106 monitoring recommendation, that a decision to delay manual monitoring had been taken to wait for the new Uniform system, to better address the issue. She added that delays to the implementation of this system meant that the risk of Section 106 agreements being inadequately monitored would remain until implementation was complete. Cllr N Dixon sought to ensure that the Committee were satisfied with the explanations given for delays, and whether this would be considered as part of any potential proposals.
- vi. Cllr L Withington referred to the Section 106 recommendations and asked



whether the auditing process took into account how agreements were reached. The AD replied that the audit did take into account all stages of the Section 106 agreement process, from the original planning application to their utilisation.

- vii. Cllr J Rest proposed that Assistant Directors be called-in to the Governance, Risk and Audit Committee to explain the reasons for delays on outstanding audit recommendations of two years or more. Cllr C Cushing seconded the proposal.

## **RESOLVED**

- 1. To note the report.**
- 2. Assistant Directors be called-in to the Governance, Risk and Audit Committee to explain the reasons for delays on outstanding audit recommendations of two years or more.**

## **53 NEW PROJECT GOVERNANCE AND MANAGEMENT FRAMEWORK**

The CE introduced the report and informed Members that it outlined a revised plan for the Council's project management and governance arrangements. He added that it came as a response to the audit recommendations of audit report NN2001 project management framework. It was reported that the new management structure sought to increase and strengthen project governance and management arrangements to provide greater clarity of project objectives, improve project delivery and closure/learning. The CE stated that the proposals included establishing a Corporate Delivery Unit that would promote and support strong project governance at both a Member and officer level. A new project governance framework and guide were included in draft form for review, which combined with the proposed Scrutiny Panels and a major projects Cabinet Working Party, were intended to improve ownership and scrutiny of projects.

### Questions and Discussion

- i. Cllr C Cushing stated that he had extensive experience as a project manager in the private sector, and had a number of comments on the proposals that he had shared with officers prior to the meeting. The first point referred to project proposals being written by the project manager, which Cllr C Cushing suggested should be written by the project owner or sponsor. He added that a project manager wouldn't normally be appointed until the project was agreed. The CE replied that with respect to the Councillors experience, local government had considerable differences to the private sector. As a result corporate priorities were defined by the administration, and there was a separation of roles between the Cabinet Member as project sponsor, and officers, as the former would not be responsible for delivering the project themselves. The CE therefore suggested that in local government, the project manager would be appointed at an earlier stage to develop the project proposal, prior to its approval.
- ii. Cllr C Cushing suggested that GDPR issues should be given consideration early in the development of projects, to which the CE replied that this would be the case for projects that made specific use of or reference to personal data.
- iii. Cllr C Cushing referred to the development of a business case for projects,

and suggested that this should again be part of the initial stages of the project management process. The CE replied that as the Council often had to respond to time sensitive bidding processes, this required a two stage sign-off on projects which began with a political proposal seeking approval in principal, prior to the preparation of a business case. The PPM added that the purpose of projects going to business planning meetings was to consider which projects should proceed, as opposed to approving projects, acting as a filter or sieve to avoid expending unnecessary officer resource.

- iv. Cllr C Cushing referred to comments within the report that suggested that full project costs needed to be known upfront, and suggested that this could be very difficult. The CE accepted these concerns and noted that with previous projects issues of potential optimism bias had been raised, therefore the proposals sought to make this process more robust.
- v. Cllr C Cushing referred to who should be the project sponsor and suggested that in the case of large projects this should be the Cabinet portfolio holder. The CE agreed and stated that this would be appropriate for purposes of political accountability.
- vi. Cllr C Cushing noted that his principal concern was on project delivery and noted that the proposals did not provide substantial detail on the format of delivery. He added that in most cases projects would be delivered using either a waterfall or agile methodology, and asked whether these skills were available within the Council. It was noted that the project lifecycles may also have been overlooked, and concerns were raised regarding the use of Microsoft Project. In regards to project budgets and funding, Cllr C Cushing noted that little detail had been provided, and suggested that Prince2 would provide an adequate methodology. The CE replied that the Council had experience of both Prince2 and Agile methodologies, and the appropriate methodology could be determined by the nature of the project. He added that there were various software packages available to the Council to facilitate project management, though MS Project had been used previously. The PPM added that whilst officers were versed in various methodologies, the proposals being discussed were focused on the project process, including the approval, whereas the methodology might be determined by external project managers. It was noted that the introduction of Inphase software may provide an additional opportunity, as it included project management features.
- vii. Cllr A Fitch-Tillett stated that she had reviewed the proposals and noted that they were textbook for local government and were commendable as a result.
- viii. Cllr N Dixon stated that at previous meetings he had sought to ensure that the new proposals would learn from previous mistakes, and suggested that an exercise should be completed to ensure this. The CE replied that even once approved the proposals would remain under review to ensure that lessons could be learnt and changes implemented, where required.
- ix. The Chairman asked whether there was a date for implementation, to which the CE suggested that it was planned for the first quarter of 2021, alongside the implementation of the management restructure.

## **RESOLVED**

**To review and comment on the proposals.**

## **54 CORPORATE RISK REGISTER**

The CTA introduced the item and noted that updated elements of the register had been highlighted in green. The first such change related to the sales fees and chargers compensation scheme run by MHCLG, and it was noted that the first tranche of funding had rebalanced the in-year budget and eliminated the forecasted deficit. The CTA added that the Council continued to update Central Government in relation to the future funding tranches. The next change was the inclusion of the income generation and savings workshop, which had generated several proposals that were now under consideration by the Finance Team, and would be reported back the OSC in the months ahead. The CTA noted that the impact of the Central Government spending review was also being modelled and the outcome would be included in the MTFs and 2021/22 budget. It was noted that the anticipated multi-year spending review would likely lower the financial risks to the Council, once the outcome was known.

On operational risks, the CTA noted that the only change was that references to the digital transformation programme, which had been replaced by digital service improvement, that would be led by the Council's requirements. The remaining updates related to the business grants scheme, for which the delivery dates had been delayed as a result of the ongoing impact of Covid-19.

### **RESOLVED**

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

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

The DS&GOS informed Members that there were no outstanding actions from the previous meeting, and noted that the Project Governance and Management Framework was in-part the result of a recommendation made by the Committee at the June meeting.

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

The DS&GOS informed Members that the EY Annual Audit Letter and Final Statement of Accounts for 2019/20 had been expected at the December meeting, though these had been delayed due to ongoing issues with the external auditors. The CTA stated that there were two outstanding issues with EY which related to the sign-off of the 2018/19 and 2019/20 accounts. It was reported that the 2018/19 accounts sign-off was imminent, and that the remaining issues had been resolved, which meant that the annual audit letter could be expected at the March meeting. On the 2019/20 accounts, the CTA stated that they should have been signed-off in November, which whilst later than normal, had still not been met due to resourcing issues with the external auditor. It was noted that up to 55% of Councils had missed this deadline, and the audit for the 2020/21 year was not scheduled to begin until the end of February 2021, which meant that the audit would not be completed in time for sign-off at the March meeting. This would create a clash of signing-off the 2019/20 accounts with the start of the 2021/22 accounts, though this was preferable to a conflict with the budget setting process that required greater resource.

### Questions and Discussion

- i. The Chairman noted that the issues raised were not unique to EY and

expected that there would be justified reasons for the delays, but asked whether there was any break clause in the contract with the external auditor. The CTA replied that PSAA held the Council's external audit contract and did so for 97% of Council's, which was intended to secure economy of scale. She added that to her knowledge there was not a break-clause in the contract, and she understood that PSAA would not take action on delayed audits, so long as the quality of audit's was maintained. It was noted that in future, external audit procurement through the PSAA was opt-in, though the current contract term was for five years.

- ii. Cllr H Blathwayt stated that he was a representative of NNDC at a different authority, and whilst EY had completed the 2018/19 external audit, it was suggested that a prohibitive price increase had been presented for future audits. He asked whether it was possible that similar circumstances could be presented to the Council. The CTA replied that she had not yet seen the offer for future years, though as a general rule it was apparent that prices were rising above the expected threshold. She added that ultimately the quality of the audit was paramount, and if this meant an increase in audit costs then it would likely be considered acceptable.
- iii. Cllr P Butikofer asked whether the accounts remaining unsigned would have any negative impacts or drawbacks for the Council. The CTA replied that whilst this had been expected, it did not appear to be the case and there was no evident detriment to the Council at present.
- iv. The Chairman suggested that it could be useful for the Committee to see a register of the Council's assets and asked whether it could be added to the Work Programme. The CTA replied that this would be possible, though it would be helpful to understand exactly what the Committee sought to achieve with the information. In reply to a question from Cllr H Blathwayt, the Chairman suggested that as a Member he was unsure of the current value of the Council's assets, and suggested that it could be useful for the Committee to better understand this from an audit perspective. The CE stated that the Estates and Asset Strategy Manager compiled a list of assets for insurance purposes on an annual basis, though this was a book value that may not be relative to market values. The CTA added that as part of the statement of accounts, all property assets were reviewed each year at fair value, which would be more relevant than a reinstatement value calculated for insurance purposes. It was noted that CIPFA's requirement for Council's to develop an annual capital strategy also required a plan for restoring changes in asset values. As a result, it was appropriate and reasonable for the Committee to review the asset register.
- v. In response to a question from Cllr P Butikofer, it was confirmed that the register would cover all assets, as opposed to those over a certain value.
- vi. The request to add a review of the Council's asset register to the Committee's Work Programme was proposed by Cllr J Rest and seconded by Cllr C Cushing.

## **RESOLVED**

**To add a review of the Council's asset register to the Committee's Work Programme.**

**57 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.46 pm.

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Chairman

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# North Norfolk District Council

Annual Audit Letter for the year  
ended 31 March 2019

1 March 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better  
working world

Agenda Item 7

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





Section 1

# Executive Summary

# Executive Summary (cont'd)

We are required to issue an Annual Audit Letter to North Norfolk District Council following completion of our audit procedures for the year ended 31 March 2019. The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published within the Statement of Accounts was consistent with the financial statements.
▶ Concluding on the arrangements for securing economy, efficiency and effectiveness	The Council had put in place proper arrangements to secure value for money in its use of resources. We had no matters to report.

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Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

# Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 September 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on the 22 February 2021.

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We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work and, in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic, their collaborative approach which enabled us to complete the 2018/19 audit by working remotely.

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities

Page 16



# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Governance, Risk and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 13 February 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

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- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

Page 18



# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on the 17 February 2021.

Our detailed findings were reported to the 29 September 2020 Governance, Risk and Audit Committee. The key issues identified as part of our audit were as follows:

Risks	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Council.
Incorrect capitalisation of revenue expenditure	We did not identify any matters to report to the Council.
Valuation of Property, Plant and Equipment	We did identify one material misstatement, which we reported to the Council and which was amended for within the revised financial statements. We also reported some other minor audit differences.
Pension liability	A national issue resulted in a change to the pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The Guaranteed Minimum pension ruling has also had an impact on the pension liability. Revised actuarial reports provided by the actuaries show an increase in the liability of £1.68 million to the Council's Pension Liabilities as a result of the adjustments, with further associated disclosure added to recognise this as a source of estimation uncertainty.
Other Audit Findings	The Council's investment in Collective Investment Vehicles of £27.4 million did not meet the definition of an equity investment to enable classification as Fair Value through Other Comprehensive Income. The revised financial statements correctly classified the investment as Fair Value through Profit and Loss.

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.1 million (2017/18: £1.1 million), which is 2% of gross expenditure on the provision of Services.</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Governance, Risk and Audit Committee that we would report to the Committee all audit differences in excess of £55,000.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data and approved amounts applying a reduced materiality level of £5,000 in line with bandings disclosed in the financial statements.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence applying a reduced materiality level equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



Section 4

# Value for Money



# Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

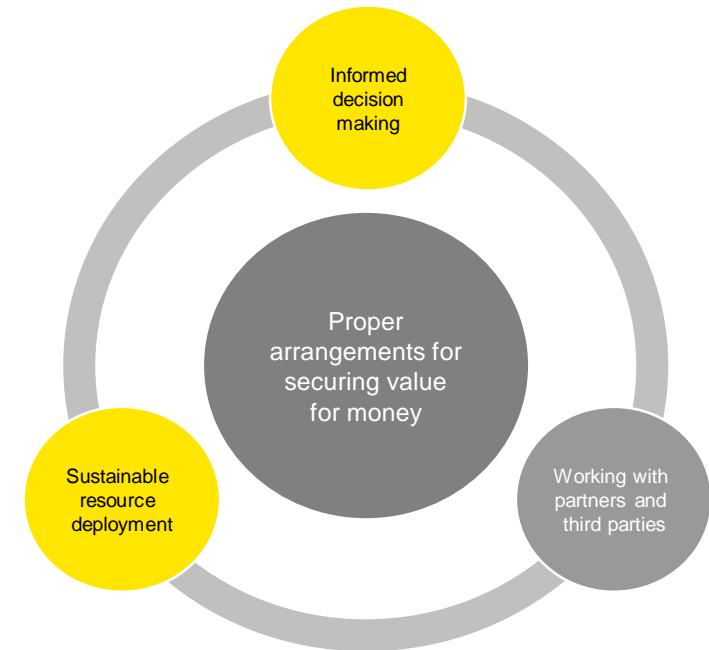
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

We did identify one significant risk in relation to these criteria:

- ▶ Financial Resilience.

We performed the procedures outlined in our Audit Plan. We did not identify any weaknesses in the Council's arrangements.

We therefore issued an qualified 'except for' Value for Money conclusion on the 22 February 2021.



A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table, looking at documents. A woman with blonde hair is in the foreground, resting her chin on her hand and looking intently at the papers. Other participants are visible in the background, some standing and some seated. The scene is brightly lit, suggesting a modern office environment.

Section 5

# Other Reporting Issues

# Other Reporting Issues

## Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500 million.

Therefore, we were not required to perform any audit procedures on the consolidation pack.

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any matters to report.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

## Objections Received

We did not receive any formal objections to the 2018/19 financial statements from members of the public.

## Other Powers and Duties

We did not identify any issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

# Other Reporting Issues (cont'd)

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Governance, Risk and Audit Committee dated the 18 September 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Council or the Governance, Risk and Audit Committee.

Section 6

# Audit Fees

# Audit Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. Having just concluded our audit procedures, we will now determine the quantum of the additional work that was required and discuss this with the Director of Resources, before seeking formal approval from the PSAA Ltd. We will report under a separate letter the final audit fees.

Description	Final Fee 2018/19 £'s	Planned Fee 2018/19 £'s	Scale fee 2018/19 £'s	Final Fee 2017/18 £'s
Total Audit Fee - Code work	TBC - See Note 1	41,667	41,667	54,113
<b>Total Audit Fee</b>		<b>41,667</b>	<b>41,667</b>	<b>54,113</b>

## Note 1 - Audit Fee - 2018/19 Code work

Having only recently concluded the audit, we are currently quantifying the time spent on additional procedures relating to Property, Plant and Equipment, Financial Instruments and Going Concern. We will discuss and agree the total additional fee with the Director for Resources in the first place. We will report the final approved fee (once approved by PSAA Ltd) to the Governance, Risk and Audit Committee by separate letter.

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## Governance, Risk and Audit Committee Self-Assessment

**Summary:** The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.

It is good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

**Conclusion:** During the 2019 self-assessment the Committee considered the Governance Risk and Audit Committee to be mostly in conformance with the CIPFA guidance. Undertaking a regular review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

**Recommendation:** **That the Committee discuss the attached checklist at Appendix 1 to this report from 2019 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.**

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC, 01508 533873, [fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

### 1. Background

- 1.1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued. The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.

- 1.2. The Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 1.3. Good audit committees are characterized by; balanced, objective, independent knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded chair, an unbiased attitude and the ability to challenge when required.
- 1.4. It is therefore good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.
- 1.5. In addition, the Public Sector Internal Audit Standards also call for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 1.6. The Governance, Risk and Audit committee has regularly carried out the self-assessment exercise in the past and has acted where necessary to ensure full compliance with best practice.
- 1.7. The updated guidance provides two tools against which the Committee can assess itself, the first (self-assessment of good practice) supports an assessment against recommended practice to inform and support the Committee. The second assessment tool (evaluating the effectiveness of the audit Committee) helps audit Committee members to consider where it is most effective and where there may be scope to do more. To be effective the Committee should be able to identify evidence of its impact or influence lined to specific improvements.
- 1.8. At the meeting held 26 March 2019, Committee members reviewed and completed the two assessment tools, the results of which can be found at **Appendix 1** of this report. The exercise was due to be completed again during March 2020 however, due to the impact of the Coronavirus Pandemic, this meeting was cancelled and the exercise deferred.

## **2. Issues for discussion**

- 2.1. The results of the assessment from the previous year have been reviewed with a particular focus on the areas whereby a “partly” answer was provided in 2019.
- 2.2. In relation to question four; is the role and purpose of the Audit Committee understood and accepted across the Authority?

This question had been answered as “partly” in 2019. Understanding of the role and purpose of the Committee is considered to be adequate, but it is felt that the Committee could engage Councilors following local elections to ensure the importance, role and value of the Audit Committee is enhanced. It is recommended that Committee members discuss progress in relation to this action to determine whether this question can be confirmed or if further action is required.

2.3. Question seven and eight relate to reviewing the Terms of Reference for the Committee. This exercise was completed after the meeting held in March 2019 and the TOR were found to be satisfactory. These questions have therefore been moved to yes.

2.4. Questions 14 & 15; relate to training and skills of the Committee.

In 2019, this had scored “partly”, to allow for the members to be assessed against the CIPFA Core Knowledge and Skills Framework following local elections. No further training requirements were identified following the circulation of this document, however it is proposed that it is circulated again this year to ensure that members still feel sufficiently trained in all areas.

2.5. **Appendix 1** is attached to this report, which reflects members position on adherence to best practice from 2019. It is recommended that members discuss whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

#### 4. **Conclusion**

4.1 During the 2019 self-assessment the Committee considered the Governance Risk and Audit Committee to be mostly in conformance with the CIPFA guidance. Undertaking a regular review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

#### 5 **Recommendation**

5.1 That Members discuss the attached checklist at **Appendix 1** to this report from 2019 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

#### **Appendices**

Appendix 1 – Self Assessment Checklist

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## Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the Committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
	<b>Audit Committee purpose and governance</b>			
1	Does the authority have a dedicated Audit Committee?	√		
2	Does the audit Committee report directly to full council?	√		
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's position statement?	√		
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?		√	
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the Committee to accounts for its performance operating satisfactorily?	√		
	<b>Functions of the Committee</b>			
7	Do the Committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> <li>- Good governance</li> <li>- Assurance framework</li> <li>- Internal audit</li> <li>- External audit</li> <li>- Financial reporting</li> <li>- Risk management</li> <li>- Value for money or best value</li> <li>- Counter fraud and corruption</li> </ul>	√		
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√		
9	Has the audit Committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the Committee to undertake them?	√		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/a		

11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
	<b>Membership and support</b>			
12	Has an effective Audit Committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of Committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	√		
13	Does the chair of the Committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the Committee with briefings and training?		√	
15	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		√	
16	Does the Committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	√		
17	Is adequate secretariat and administrative support to the Committee provided?	√		
	<b>Effectiveness of the Committee</b>			
18	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	√		
19	Has the Committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the Committee have an action plan to improve any areas of weakness?	√		

**Partly:**

Question 4 has been recorded as partly because understanding of the role and purpose of the Committee is considered to be adequate, but it is felt that the Committee could engage Councillors following local elections to ensure the importance, role and value of the Audit Committee is enhanced.

Question 14 & 15. Following the results of the local elections. Audit and Risk Committee members will be assessed against the CIPFA Core Knowledge and Skills Framework. Any areas for further training will be identified and a programme developed for new members where required.

### Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the Committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the audit Committee has supported improvements in this area.

Areas where the audit Committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
1. Promoting the principles of good governance and their application to decision making	<p>Effective scrutiny through receipt of internal audit reports quarterly where enough detail is provided for the Governance Risk and Audit Committee to evaluate the adequacy of the governance framework. Annual completion of self-assessment to evaluate effectiveness of governance processes of the Committee.</p> <p>The Committee's independence strengthens their effectiveness and cross party working is displayed at meetings.</p>	4

2. Contributing to the development of an effective control environment	Half yearly follow up reports are provided to the to show progress against completion of audit recommendations. The committee looks at responses from management and evaluates performance by questioning recommendation responses thoroughly.	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>The corporate risk register is now reviewed at each meeting and effective scrutiny of strategic risks faced by the Council takes place.</p> <p>Risk management framework reviewed bi-annually.</p> <p>The Committee examines the financial accounts and risks associated. Every report received by the Committee includes a commentary regarding risks.</p>	4
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	The Committee reviews and approved the risk based internal audit plan of work to ensure that coverage is sufficient. The Committee takes an active role in reviewing progress against follow up, progress against delivery of the internal audit plan, corporate risk register and External Audits plan of work.	4
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Internal audit plans report includes the audit charter and audit strategy which covers these areas. The Head of Internal Audit and Internal Audit Manager have a direct line to the Chair of the Committee to allow confidential matters to be discussed.	5
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	This is achieved by reviewing the reports received by the Committee on governance risk and control and the annual governance statement, internal audit opinion. The Committee has commissioned Internal Audit work to strengthen controls which impact on the delivery of Council objectives.	4



7. Supporting the development of robust arrangements for ensuring value for money	<p>The Committee reviews the External Audit plan of value for money and the auditing thereof. It has a key role in reviewing the statement of accounts and ensuring value for money through this report. Key role in reviewing the annual governance statement and the assurances provided therein.</p> <p>Committee now has authority to approve the Statement of Accounts as per the Terms of Reference, thus ensuring that value can be added by the Committee.</p>	4
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	Counter Fraud, Corruption and Bribery Strategy, Whistleblowing and Money Laundering Policy received and reviewed by the Committee in Council in December 2018.	4
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<p>Minutes and agenda available on the website. Public are invited to audit committee meetings.</p> <p>Open and transparent reporting is displayed.</p> <p>Officer support is provided to the Committee in terms of democratic services officers and report authors.</p> <p>Decisions made by the Committee are within their remit and as part of terms of reference.</p>	4

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## **Progress Report on Internal Audit Activity: 27 November 2020 to 26 February 2021**

**Summary:** This report examines the progress made between 27 November 2020 to 26 February 2021 in relation to delivery of the Annual Internal Audit Plan for 2020/21.

**Conclusions:** Progress in relation to delivery of the internal audit plan is in line with expectations.

**Recommendations:** **It is recommended that the Committee notes the outcomes of the audits completed between 27 November 2020 and 26 February 2021.**

Cabinet member(s): Ward(s) affected:

All All

Contact Officer, telephone number, and e-mail: Faye Haywood  
01508 533873, fhaywood@s-norfolk.gov.uk

### **1. Background**

1.1. This report reflects progress made regarding assignments featuring in the revised Annual Internal Audit Plan for 2020/21 which was approved by the Audit Committee on 4 August 2020.

### **2. Overall Position**

2.1. The overall position in relation to the completion of the Internal Audit Plan is within the attached report.

### **3. Conclusion**

3.1 The completion of the Internal Audit Plan is progressing with some delays in finalising reports from quarter 3 being experienced.

### **4. Recommendation**

4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 27 November 2020 and 26 February 2021.

### ***Appendices attached to this report:***

Progress Report on Internal Audit Activity

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# Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 27 November 2020 to 26 February 2021

Responsible Officer: Faye Haywood – Internal Audit Manager for North Norfolk District Council

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## 1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
  - Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - Any significant outcomes arising from those audits; and
  - Performance to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 4 August 2020 the revised Internal Audit Plan 2020/21 for the year was approved due to unprecedented circumstances surrounding the Coronavirus Pandemic. Since the last Committee meeting there has been no further changes made to the revised internal audit plan.

## 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 101 days of programmed work has been completed, equating to 70% of the revised Internal Audit Plan for 2020/21.
- 3.3 The Executive Summary of all reports finalised in this period can be found at **Appendix 2**.

## 4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

**Substantial Assurance:** Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

**Reasonable Assurance:** Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

**Limited Assurance:** Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

**No Assurance:** Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage

risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

**Urgent (priority one):** Fundamental control issue on which action to implement should be taken within 1 month.

**Important (priority two):** Control issue on which action to implement should be taken within 3 months.

**Needs attention (priority three):** Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

- 4.4 During the period covered by the report four Internal Audit reports have been finalised as details by the table below;

Audit	Assurance	P1	P2	P3
Corporate Governance	Reasonable	0	3	2
Council Tax and NNDR	Substantial	0	0	0
Local Council Tax Support Housing Benefit	Reasonable	0	1	2
Cromer Sports Hub Project	No Assurance	6	4	0

The Executive Summary of these reports are attached at **Appendix 2**, full copies can be requested by Members. The Executive Summary for the Cromer Sports Hub Project is reported later in the agenda.

- 4.5 As can be seen in the table above as a result of these audits 18 recommendations have been raised and agreed by management.
- 4.6 In addition to the above, a position statement has been concluded in Procurement and Contract Management. Improvement actions have been suggested and accepted by Internal Audit. The executive summary of this report can be found at Appendix 2.
- 4.7 We have also finalised the results of our assurance mapping exercise undertaken in quarter two. Since concluding this piece of work, it has been used by the Internal Audit Team to consider risks and additional testing requirements for audits included within the 2020/21 plan, including the Coronavirus Response and Recovery review, which is currently in progress. It will also be used for 2021/22 internal audit planning considerations.

## 5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA is reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by TIAA and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

- 5.3 A report on the performance measures has been provided to the Head of Internal Audit. Delays have been experienced in finalising quarter 3 reports. Payroll HR and Accounts Payable are now overdue following resource challenges. The Internal Audit Manager and TIAA are in regular discussion about resolving any delays experienced and quarter four of the revised 2020/21 Internal Audit plan is now well underway.



## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 1</b>											
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>							
<b>Quarter 2</b>											
Assurance Mapping	NN2101	8	8	8	Final report issued 26 February 2021						Mar-21
<b>TOTAL</b>		<b>8</b>	<b>8</b>	<b>8</b>							
<b>Quarter 3</b>											
Corporate Governance	NN2102	4	4	4	Final report issued 6 January 2021	Reasonable	0	3	2	0	Mar-21
Accounts Payable	NN2103	12	12	9	Fieldwork complete						
Council Tax and NNDR	NN2104	15	15	15	Final report issued 16 February 2021	Substantial	0	0	0	0	Mar-21
Local Council Tax Support and Housing Benefit	NN2105	15	15	15	Final report issued 3 February 2021	Reasonable	0	1	2	0	Mar-21
Payroll and HR	NN2106	15	15	12	Fieldwork complete						
Procurement Contract Management	NN2107	10	10	10	Final report issued 10 February 2021	Position Statement					Mar-21
Addition Crommer Sports Hub	NN2112	8	8	8	Final report issued 26 February 2021	No Assurance	6	4	0	0	Mar-21
<b>TOTAL</b>		<b>79</b>	<b>79</b>	<b>73</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	NN2108	10	10	5	Fieldwork underway						
Coronavirus Response and Recovery	NN2109	15	15	10	Fieldwork underway						
Private Sector Housing DFG	NN2110	10	10	1	APM issued						
Addition - CPR review	NN2113	8	8	1	APM issued						
<b>TOTAL</b>		<b>43</b>	<b>43</b>	<b>17</b>							
<b>IT Audits</b>											
Remote Access	NN2111	10	10	1	APM issued						
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>1</b>							
<b>Follow Up</b>											
Follow Up	NA	5	5	2							
<b>TOTAL</b>		<b>5</b>	<b>5</b>	<b>2</b>							
<b>TOTAL</b>		<b>145</b>	<b>145</b>	<b>101</b>			<b>6</b>	<b>8</b>	<b>4</b>	<b>0</b>	
Percentage of plan completed				<b>70%</b>							

## Assurance Mapping NN/21/01

### Executive Summary

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#### INTRODUCTION

1. This review of Assurance Mapping was carried out between September and November 2020 as part of the planned internal audit work for 2020/21.
2. The outcomes of the Assurance Mapping will inform the audit planning for 2020/21 and 2021/22, with regards to the impact of COVID-19 and associated risks identified by management and from our knowledge on the delivery of services since the outbreak.
3. We have identified three possible outcomes following our risk assessment on management assurances:
  - 3.1 No additional internal audit work is warranted in the area in 2020/21
  - 3.2 Risks have been identified that require specific review in relation to an audit already scheduled.
  - 3.3 Risks have been identified that are deemed to require review and are not scheduled in the current audit plan, for management to consider for inclusion in the 2020/21 plan or is less urgent and should be considered in the 2021/22 plan.

#### SCOPE

4. The objective of the review was to undertake a fact-finding exercise, by issuing questionnaires to relevant management asking them to detail the impact of COVID-19 on their service, how this has impacted on service delivery, resources, sustainability and risk mitigation for the Council. In addition, to scrutinise management reporting on service areas and risk to ascertain whether this aligns with the management of service areas and our knowledge of the issues and risks. The questionnaire covered a comprehensive set of wide ranging questions which include ascertaining the key changes in the department/service; if provision of services can be continued in the short and long term; how risks are being managed; and the effect on service performance. A copy of the full questionnaire is included in appendix 4.
5. This review provides an overview of the Council's response at a point in time. It is recognised that, due to the continuously changing situation, some of the points raised and risks identified will have been superseded in the intervening period.

## MATERIALITY

6. Councils carry out a wide range of regulatory roles in meeting their many statutory duties of protecting the public, individuals and the environment. These duties are met using a wide range of activities. During the initial outbreak resources were directed to frontline services, alternative working practices were engaged and service delivery going forward has major impacts.

## KEY FINDINGS

7. Responses to our fact finding questionnaire for this review were received from a number of directorates across the Council and these, along with scrutinising the Council's recovery and delivery plans from the initial outbreak and continuing pandemic, have been used to formulate a risk assessment and in setting the scope and objectives with audits included in this year's revised audit plan. This has provided insight into where additional audit testing is required, where there are considerations for the following financial year and where relevant management assurances provide levels of assurance over non key areas.
8. Considerable work has been undertaken to identify and coordinate the areas that require some level of scrutiny and to ascertain the best way to undertake this. The majority of the outcomes from this review feature in the review of NN2109 Coronavirus Response and Recovery audit that commenced in January 2021, where a detailed Position Statement will be produced providing management with the Council's current position in responding to the Covid-19 pandemic. Other risks identified by this exercise will be subject to scrutiny within individual service area audits where relevant.
9. The majority of the COVID-19 changes and associated risks identified by officers can be addressed within this year, or next year's audit plans. There is one area for North Norfolk District Council that could be considered for review in the 2021/22 Internal Audit Plan.
  - 9.1 Business Planning and Performance Management. It is noted that the Council has had to produce recovery plans and revised delivery plans to address reduced income, increased costs and changes in ability to meet key performance targets. These, and associated updates, have been reported to Cabinet members. The proposed work could cover:
    - Review of 2020/21 plans to ensure that the Council meets its statutory financial duties
    - Review of performance against 2020/21 targets to ensure that the Council meets its statutory duties and associated targets
    - Review of performance management regimes and (proposed) change to performance metrics to reflect the impact of COVID-19 to ensure that they are realistic and meet required targets/levels
    - Revision to plans for 2021/22 onwards to ensure that the Council meets its statutory duties

10. Other areas put forward to be considered for inclusion within the 2021/22 audit plan are as follows:
  - Corporate Governance – the usual annual audit to include the Councils investigation into the potential to hold hybrid meetings, for meetings not covered by Government statute that expire on 6<sup>th</sup> May 2021;
  - A review of both Customer Services and of Economic Growth are already planned for 2021/22. It is important that these go ahead to evaluate the impact of the pandemic and the Council's response; and
  - A review of Waste Management Services was deferred to 2021/22 and it is important that this review goes ahead. A new contract for Waste and Related Services was jointly procured with Breckland, Kings Lynn Borough and West Norfolk Councils and awarded in December 2019. The contract went live on 06 April 2020 and the Councils and the Contractor had to work together to overcome the significant challenges of the pandemic.
  
11. A summary of all the outcomes of the review are detailed in the table below. Please see Appendix 2 for a list of those who were able to return their questionnaires and do appreciate that this work was being undertaken at a time when all officers were incredibly busy.

## SUMMARY OF OUTCOMES - CONSIDERATIONS FOR, AND IMPACT ON, THE INTERNAL AUDIT PLAN

Area	Observations	Internal Audit Coverage
Overarching	<p>The overarching governance of the Council is paramount to meeting the Council's overall objectives throughout the pandemic, from mobilising resources to respond to the initial outbreak, to plans for longer term management. The following observations were made by officers or identified in the recovery plans as risks or useful context for future audit work:</p> <p>The Council response was led by Gold (strategic) and Silver (operational) Command. During the first lockdown significant assistance was provided to vulnerable and shielding residents. This included provision of food parcels, companion calls by members and provision of telephone advice and assistance.</p> <p>A high level review of the Corporate and Delivery Plans was undertaken and reported to Cabinet and Senior Leadership Team.</p> <p>Recovery plans have been reported to Cabinet and Full Council with a full assessment of risks and issues. A separate COVID risk register has been established.</p> <p>An updated Performance Report was presented to Cabinet Oct 2020.</p> <p>The majority of staff have been and still are working from home.</p>	<p>The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.</p>
Finance, Revenues and Property Services	<p>The Councils' finances have been impacted by the pandemic, in terms of both reduced income and increased expenditure. Covid-19 financial monitoring has been undertaken and financial returns have been submitted to government. The medium term financial position has changed and this has been reported to members.</p> <p>There is a forecast deficit of £0.4m for 2020/21. This is compiled of a £3m budget deficit, reduced by £2.4m government funding and £0.2m funding from reserves.</p> <p>The impact of COVID on finances includes reduction in debt recovery, especially as courts closed during COVID. Costs increased, income and investments reduced. Initial and longer term reductions in Council Tax and NNDR income have been of significant impact.</p> <p>In order to manage remote working and to ensure resilience during potential staff sickness authorised signatory level changes were agreed by S151 Officer.</p>	<p>The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.</p> <p>In addition, specific risks and changes to controls will be reviewed during the 2020/21 Key Controls and Assurance work</p>

Area	Observations	Internal Audit Coverage
Procurement and Contract Management	<p>The Procurement function provides support to services on procuring goods and services. During the pandemic there has been a need for some procurement exercises to be completed expediently, while others have been delayed. The following observations were made by officers or identified in the recovery plans as risks or useful context:</p> <p>Contractual arrangements are being fulfilled; however there has been an Impact of closure of facilities on contracts and income received.</p> <p>Three highly significant contracts have recently been re-procured (Cromer Pier Management, Leisure and Waste). The Waste Contract went live on 01.04.20 and required extremely close Council/Contractor working to mobilise services.</p>	The Procurement and Contract Management (NN2107) review includes consideration of support offered and given to the Waste Management, Cromer Pier Management and Leisure.
Benefits	<p>The Benefits Service provides support to those residents who require additional financial help via Housing Benefit, Council Tax Support, and Discretionary Housing Payments. The massive disruption brought on by Covid-19 has left a considerable number of households in financial difficulty and a significant number of people are claiming benefits for the first time. While full services remained in place during the pandemic the following were identified by officers;</p> <p>The Benefits Service has improved its digital channels and the service is encouraging contact by digital means where possible. For customers who do not have access to IT, officers have set up the provision of making a claim over the phone with a Benefits Officer.</p> <p>The additional workload has been significant and has been covered by staff working additional hours as well as support from the Customer Services Team.</p> <p>In line with the DWP advice (March 2020) officers adopted the principle of 'Trust and Protect. Payment verification was paused and retrospective verification now needs to be completed.</p>	The 2020/21 Local Council Tax Support and Housing Benefit Arrangements (NN2105) considered procedures and legislation, assessment of applications, overpayments, backdated claims and reconciliations.
Democratic Services	<p>Democratic Services play a vital role in ensuring that the Council acts responsibly throughout the pandemic and that correct protocols and delegations have been followed, whilst seeing a surge in workloads and responsibilities. The following observations were made by officers or identified in the recovery plans as risks:</p> <p>There were changes in the way committee meetings operated, being held remotely and available virtually to the public.</p> <p>There were Increased use of delegated powers particularly initially when the virtual meeting legislation and arrangements were being established.</p>	The 2020/21 Corporate Governance audit (NN2102) documented and risk assessed changes in controls that have taken place in response to the coronavirus pandemic, particularly in relation to changes to committee meetings, decision making during the pandemic; use of emergency decisions; and adherence to the Constitution

Area	Observations	Internal Audit Coverage
	Legal experts were engaged to help with particular contract management matters in relation to the leisure contract.	
IT	<p>The IT service has been essential in enabling remote working and providing technological support to enable the continued delivery of other services across the Council. The following observations were made by officers or identified in the recovery plans as risks:</p> <p>The longer term impact on IT resources, including supporting increased remote working, will need to be assessed.</p> <p>Maintaining a reliable and responsive support service for staff who are home working is a priority. There has been a rota for onsite presence in the IT support team.</p> <p>There have been a number extraordinary capital purchases (pc &amp; networking equipment) and revenue (mobile call/data costs, software enhancements) which have all been appropriately flagged with the C19 finance activity code for recovery/management by Finance.</p>	The 2020/21 audits on Coronavirus Response and Recovery (NN2109) and Remote Access (NN2111) will provide assurance over the arrangements for remote working and the long term implications for the IT service.
Economic and Community Development	<p>Economic and Community Development is a key area for the Council in terms of moving from the response to the recovery period. The following observations were made by officers or identified in the recovery plans as risks, or useful context:</p> <p>Flexible and adaptable procedures were established to maintain service levels. This included increased use of delegated powers.</p> <p>Performance was impacted by increased workloads and difficulty planning ahead. The economic impacts (on the local community and economy) have still to be felt.</p> <p>As referenced in the 'Overarching' section above, a high level review of the Corporate and Delivery Plans was undertaken and reported to Cabinet and Senior Leadership Team.</p> <p>Measures may need to be reviewed/ adapted to account for economic impacts, once know.</p> <p>External grants have been won to assist with economic recovery.</p>	<p>The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.</p> <p>The 2020/21 Corporate Governance audit (NN2102) included review and control over decision making during the pandemic; use of emergency decisions; and adherence to the Constitution.</p>
Leisure	This is part of the remit of the Head of Economic & Community Development. There was a significant impact on contractual terms and income due to closure of facilities and events.	The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.

Area	Observations	Internal Audit Coverage
		The contractual matters were considered in the 2020/21 Procurement and Contract Management Audit (2107)
Localities	This is part of the remit of the Head of Economic & Community Development. There has been a significant impact due to the closure and re-opening of facilities including the cost and impact of the need for COVID-secure practices to be put in place.	The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.
Health and Wellbeing	<p>This is part of the remit of the Head of Economic &amp; Community Development.</p> <p>A major impact on services was caused by the close involvement of staff in the implementation of the Covid community response effort. Staff were redeployed into the response team to help meet the needs of significant numbers of vulnerable residents.</p> <p>Wellbeing officers and social prescribing team unable to make home visits which disrupted the work significantly.</p>	The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.
HR and Payroll	<p>Officers of the Council are crucial to ensuring an effective response to the pandemic. The HR department has an important role in ensuring the health and wellbeing of staff. Initial indications are, with staff able to work remotely the workforce is effective. The following observations were made by officers or identified in the recovery plans:</p> <p>Majority of staff worked from home and continue to do so. IT connectivity, equipment etc. was initially an issue with some additional resource requirements.</p> <p>Managing wellbeing and supporting staff during home working is a Council Priority.</p> <p>There has been a significant Increase in overtime and associated costs which will be managed through the normal budget monitoring process.</p>	<p>The 2020/21 Coronavirus Response and Recovery audit (NN2109) will focus on providing assurance on the robustness of the Emergency Response Plan and ascertain whether consideration has yet been given to return to BAU.</p> <p>In addition, specific risks and changes to controls will be reviewed during the 2020/21 Key Controls and Assurance work.</p> <p>Consideration be given to HR areas in 2021/22 audit plans for working practices, sickness absence, wellbeing and performance.</p>



# Assurance Review of the Corporate Governance Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adherence to the Constitution	0	2	1	0
Changes to Committee Meetings	0	1	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>0</b>

\*No recommendations have been raised in respect of Decision Making during the Pandemic or Use of Emergency Decisions.

### SCOPE

A review of Corporate Governance has been completed, in particular covering the Council response to Covid-19 in the administration of committee meetings, including virtual meetings and the decisions made by those committees. The review of Corporate Governance is carried out annually to support the Head of Internal Audit Opinion.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable', in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- A direction of travel is not provided since the scope of the previous review focused on General Data Protection Regulations (GDPR).

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- Decisions taken during the COVID-19 pandemic were in accordance with the Local Authorities and Police and Crime Panels Regulations 2020 and in accordance with the Constitution. The powers used during officer delegations demonstrates good practice by Council officers.
- The Constitution was amended to reflect the regulations, and allow for virtual meetings and decision making.

## ISSUES TO BE ADDRESSED

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The audit has also highlighted the following areas where three 'important' recommendations have been made.

### Changes to Committee Meetings

- Where agenda items impact on the governance of the meeting, they are considered first on the agenda.

### Adherence to the Constitution

- The Emergency Response and Business Continuity Plans are reviewed and revised in light of the COVID-19 response requirements.
- Management of conflicts of interest is enhanced to ensure that Members comply with the Code of Conduct and provide assurance that conflicts are fully managed in meetings.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

#### **Changes to Committee Meetings**

- A revised programme of meetings is published on the Council's website.

#### **Adherence to the Constitution**

- If there is lack of agreement when consulting a member on a delegated decision, the matter is resolved via the Disputes Resolution Process.

#### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

#### **Previous audit recommendations**

Previous internal audit recommendations were not relevant to this review and were out of scope with the previous review having focused on General Data Protection Regulations (GDPR). Progress with monitoring implementation will continue to be monitored through our cyclical follow up checks.

# Assurance Review of Council Tax and National Non-Domestic Rates (NNDR)

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

No recommendations have been raised in respect of any area within the scope of this audit.

### SCOPE

The review included coverage of system parameters, collection of income, reconciliations, refunds and transfers, arrears and discounts, exemptions and reliefs.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.
- The previous audit of Council Tax and NNDR (NN/19/07) was completed in January 2019 with a 'Substantial' assurance opinion, as a result of one 'needs attention' recommendation being raised. This indicates that the control environment has improved since the previous audit.

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- The revenues and benefits system is configured so that officers can only access parts relevant to their role. User access is reviewed on a monthly basis to ensure access levels are up to date and leavers promptly removed.
- System parameters and data are checked and tested as part of the annual billing process, to ensure that all changes have been made correctly and accurate bills are produced.
- Payments received for Council Tax and NNDR are reconciled on a daily basis, to ensure that all payments received have been allocated correctly.
- Refunds are processed on a weekly basis and all refunds reviewed by a Team Leader prior to payment, to ensure that they are legitimate and appropriate.
- Discounts, exemptions and reliefs are awarded based on written applications with supporting evidence as necessary, to ensure that all awards are in accordance with policy and legislation.
- Quality assurance sample checking is undertaken on all officers' work, including 100% checks for new staff, to ensure accuracy and to identify potential training needs.

## ISSUES TO BE ADDRESSED

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No recommendations have been raised following this review.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

### Previous audit recommendations

The previous audit of Council Tax and NNDR (NN/19/07) raised one 'needs attention' recommendation, which has subsequently been confirmed as implemented. Key controls for Council Tax and NNDR are also tested annually, through the Key Controls and Assurance audit review. The previous review of Key Controls and Assurance (NN/20/11) was completed in March 2020 and did not raise any recommendations relating to Council Tax and NNDR.

### Other points noted

The service has been able to deliver the programmes of grants to business from central government, with two members of staff dedicated to this and others supporting as required. In order to manage the workload resulting from this, officers have been working additional hours and three temporary officers have been recruited to support with day-to-day work.

During audit testing it was identified that there were some delays in completing routine tasks, such as processing changes of address and setting up Direct Debits, at the beginning of the year. This is attributable to resources being diverted to processing business grants at that time. As the performance is now back at normal levels, a recommendation has not been raised.

The Council's collection rate for Council Tax is lower than in previous years and is currently below target. This is due to increases in arrears and restrictions on recovery that were in place for the first half of the year, as a result of the coronavirus pandemic. The financial impact of this has been reported and recovery action has now resumed. As this is outside the Council's control, a recommendation has not been raised.

The Council is on target for collection of NNDR, although it is noted that the total amount of NNDR to collect is lower than in previous years due to the expansion of business rate reliefs, in particular the 100% relief for retail and hospitality premises, in 2020/21.

# Assurance Review of the Local Council Tax Support and Housing Benefit Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Overpayments, arrears and write offs	0	0	2	0
Reconciliations	0	1	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>

\* No recommendations have been raised in respect of legislation, procedures and systems, assessment of applications, backdated claims, payment authorisation and quality assurance.

### SCOPE

The objective of the audit was to review the systems and controls in place within Housing Benefit and CTS, to help confirm that these are operating adequately, effectively and efficiently. The review will include coverage of procedures and legislation, assessment of applications, overpayments, backdated claims, reconciliations and quality assurance.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed "Reasonable" in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report (NN/19/08) was issued in February 2019 with a "Substantial" assurance having not raised any recommendations. This represents a change in the direction of travel since the previous review.

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- Training programmes are in place for new and existing staff, to ensure that their knowledge and skills are up to date.
- Annual uplifts are entered, reviewed and tested prior to the beginning of the year, to ensure that applications are assessed and paid correctly.
- Despite increased demand as a consequence of the Covid 19 pandemic, new claims and changes are assessed in a timely manner, with all necessary evidence retained, to ensure that claimants receive what they are entitled to.
- Overpayments of benefit are monitored to ensure that they are being promptly recovered.
- Claims for backdating are assessed in line with legislative requirements and reasons for decisions are recorded, to ensure that backdates are appropriately awarded.
- Quality checks are undertaken on a daily basis and monitored for correction, to ensure that claim administration is as accurate as possible.

## ISSUES TO BE ADDRESSED

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The audit has also highlighted the following areas where one 'important' recommendation has been made.

### Reconciliations

- The benefits system reconciliations to be completed promptly following each month end.



The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

#### **Overpayments, arrears and write offs**

- Monthly reconciliations to the general ledger to be reviewed promptly with evidence retained of the date of independent review.
- Policies and procedures relating to Overpayments, Arrears and Review to be reviewed annually and updated, if necessary.

#### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

#### **Previous audit recommendations**

The previous report (NN/19/08) was issued in February 2019 with a "Substantial" assurance having not raised any recommendations. No recommendations were raised in respect of Housing Benefits and Council Tax Support in the previous report of Key Controls and Assurance (NN/20/11) finalised September 2020.

#### **Other points noted**

Testing of debt write offs identified instances where there was no segregation of duties between requesting, authorising and auctioning write offs. All of these were within the delegated authority of the officer. This has been raised in previous audits of Housing Benefit and Council Tax Support, and the Council continues to accept this risk.

Reports for outstanding overpayments had not been completed due to Covid-19. However they were shown to have been undertaken in November 2020 and an automated process of these reports being reviewed was explained to be in place from February 1<sup>st</sup> 2021, therefore this has not been raised as a recommendation.

# Executive Summary NN2107 Procurement and Contract Management Position Statement

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## INTRODUCTION

10. This review was carried out in November 2020 as part of the revised internal audit plan for 2020/21.

## SCOPE

11. This review evaluated the Council's ability to monitor contracts in place during the Pandemic and during recovery. We have provided a Position Statement to the senior management of the Council about work that the Council has undertaken on the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.

12. The objective of the audit was to review the systems and controls in place within Procurement and Contract Management, to help confirm that these are operating adequately, effectively and efficiently. The audit covered:

12.4 The Council's ability to monitor current contract terms and their implications for the Council (e.g. financial, service provision) during the pandemic;

12.5 Review of current contract procurement arrangements to determine any impact as a consequence of the pandemic;

12.6 Review current contracts nearing expiration to ensure adequate provision is considered; and

12.7 Review of contingency planning for short and longer term contract management.

## MATERIALITY

4. The published contracts register includes 121 contracts with a total value in excess of £34.7million.

## KEY FINDINGS

5. Outcomes of the review are detailed in Table 1 below.

## AUDIT OBSERVATIONS

6. The audit has concluded with a number of suggested actions / improvements presented to management for consideration. These will help management to work towards ensuring compliance with regulation and Contract Standing Orders, and robust ongoing support and management of contracts.

Key suggested actions / improvements include:

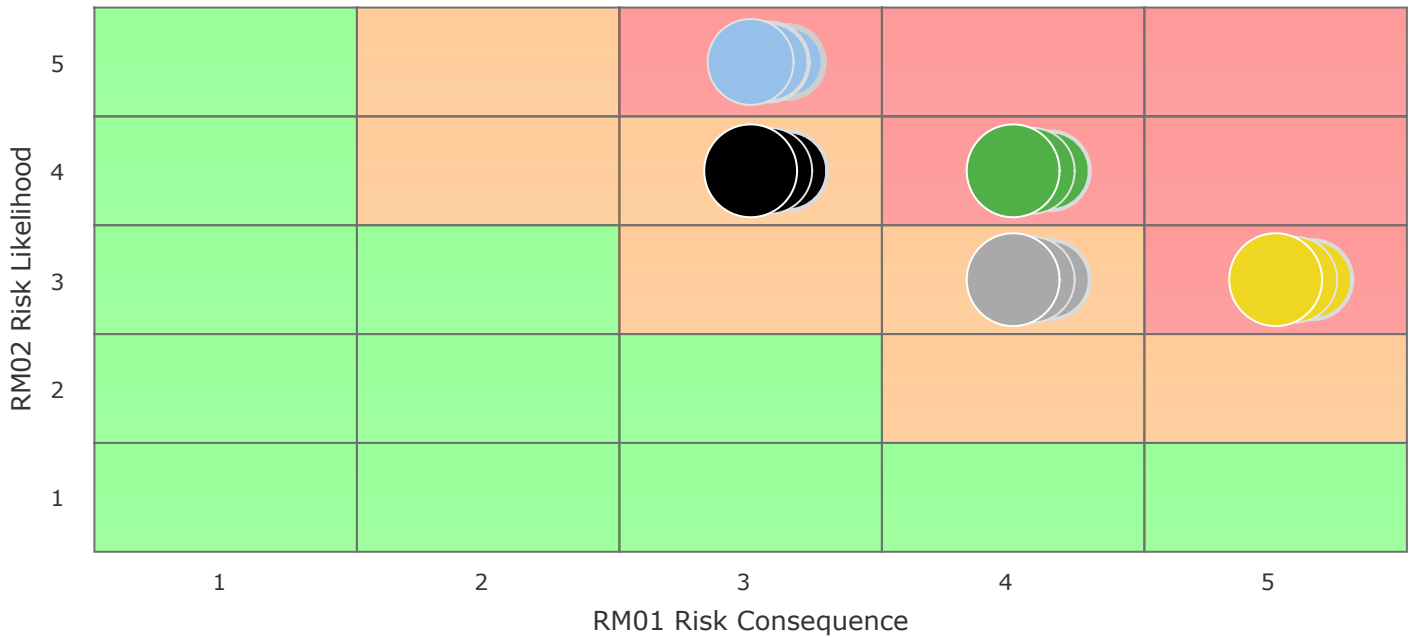
- That an updated procurement strategy is written which takes into account any changes required as a result of COVID.
- That management risk assess the ability of contractors to continue provision in light of the ongoing current economic challenges. This could be incorporated within business planning work currently underway.

- That management review and update the Business Continuity Plan and other relevant policies in light of the COVID response, including reference to review of contracts.
- That the Procurement Portal passwords are changed regularly, suggest quarterly.
- That the current risk register is published on the Council's website.
- That a pragmatic and feasible process for regular review of 'off contract' spend is agreed. Consideration to be given to including the contracts register, and mechanisms for automatically identifying 'off contract' payments within the scope of the new finance system.
- That the contracts register is brought up to date with immediate effect.
- That Exemptions to Contract Standing Orders (CSOs) are agreed for all exemptions i.e. applied in accordance with correct procedure / criteria.
- That the Procurement Officer works proactively with the key officers / contract managers, to agree action for contracts prior to expiry.
- That Exemptions are only agreed in line with the CSOs. This to be clearly indicated on the authorised Exemptions Form and noted in a separate column on the Contracts Register.
- That the Council ensures that any changes to the Constitution are in accordance with Procurement regulations and best practice.
- That the Procurement Officer works with the Legal and Democratic Services Team to identify all procurement and contract exemptions for 2020/21.
- That the Procurement Exemptions Form is amended to require evidence that the Procurement Officer has seen the form, and agrees/does not agree the exemption is appropriate. This to be considered when the form is agreed by Senior Management.
- That the Procurement Exemptions Register is reported to the relevant committee quarterly for scrutiny.
- That the Council consider options for agreeing reciprocal arrangements with neighbouring Local Authorities to cover for key functions.

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# Corporate Risk Register

## Strategic Risk Matrix



- SR 001 Financial (including credit & counterparty)
- SR 002 Operational
- SR 003 Macroeconomic
- SR 004 Strategic
- SR 005 Environment & Social
- SR 006 Governance
- SR 007 Reputation
- SR 008 Corporate project related risks

The last update to the Risk Management Policy and Framework was approved by the Governance, Risk and Audit Committee (GRAC) in June 2020 and is next due an updated in June 2022.

The policy sets the framework for the Council's Corporate Risk Register (CRR) which monitors and tracks the Council's most significant risks. Responsibility for coordinating the CRR and the risk management framework currently rests with the Section 151 Officer (Director for Resources).

Following governance improvements made last year the CRR is now a standing item on the Corporate Leadership Team (CLT) agenda and is reported every quarter. It is also updated and considered for every GRAC meeting.

The new InPhase performance management system is now fully operational and will be used in the future for performance and risk reporting. The system will help to automate the process and make it more efficient, enabling access to the detailed risk information and mitigations should this be required. InPhase contains a risk module which will be a step change improvement of the management of risk at the Council and should mean project leads/service managers can update this direct and make the risk registers more agile.

The Council's approach to risk, its risk appetite and risk tolerance has a significant part to play in terms of supporting both the Corporate Plan and the Medium Term Financial Strategy. Without a robust risk management framework, the Council is at risk of failing to deliver its corporate objectives and meeting its financial targets required to ensure we have a sustainable financial position in the future.

The levels of risk which the Council is willing to accept will have a direct bearing on the types of projects that Members are willing to take forward to support the Council's Financial Sustainability Strategy (to be developed) in the future and how and where the Council will deliver increased income.

### **Risk Appetite and Risk tolerance**

Risk appetite is often described as 'the amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives'. Risk tolerance is the amount of risk an organisation could actually take, usually from a financial perspective, before services and objectives are significantly impacted. The two are linked, with most organisations having a risk appetite lower than their risk tolerance.

At its meeting in June 2020 the GRAC set agreed to se the Council's risk appetite at 'moderate'.

The Council will be required to make some difficult decisions in the short to medium term to help ensure that we are able to balance the budget given the current funding restrictions and uncertain financial climate, particular due to

the ongoing COVID-19 pandemic. This will undoubtedly involve looking to potentially invest in new opportunities and to take a more commercial approach to our activities whilst also looking to drive social value.

The CRR has been updated as at February 2021 and will be presented to the next meeting of GRAC scheduled for 9 March 2021.

31 January 2021



# Strategic Risk Table

31/01/2021		
SR 001 Financial (including credit & counterparty) : Status	Description	<p>Financial: related to the financial position and investment of the Council's assets and cash flow, market volatility, currency etc. Credit and Counterparty: related to investments, loans to institutions and individuals and counterparties in business transactions.</p> <p>Risk - that the Council's expenditure in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</p> <p>Effect - the Chief Finance Officer has to issue a Section 114 report to Full Council to report an unbalanced budget"</p>
	Score	15.00
	Target	9.00
	Performance	▲
	Direction of change	➔
	Comments	
	Owner	Duncan Ellis
SR 002 Operational : Status	Description	<p>OPERATIONAL Related to operational exposures within its organisation, its counterparties, partners and commercial interests</p> <p>Risk - operational issues prevent or hinder the achievement of the Council's aims.</p> <p>Effect - the Council does not achieve it's operational or strategic aims.</p>
	Score	16.00
	Target	12.00
	Performance	▲
	Direction of change	➔
	Comments	
	Owner	Duncan Ellis
SR 003 Macroeconomic : Status	Description	<p>Related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.</p> <p>Risk - national/global recession resulting in business failure and unemployment</p> <p>Effect - increased requirement for benefits, housing, council tax support, business advice and support</p>
	Score	16.00
	Target	12.00
	Performance	▲
	Direction of change	➔
	Comments	
	Owner	Duncan Ellis
SR 004 Strategic : Status	Description	<p>STRATEGIC key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its</p>



		31/01/2021
		goals.  Risk - Corporate Plan and Projects may not be delivered within agreed timescales or budget  Effect - objectives not delivered, poor use of council financial resources
	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	→
	Comments	
	Owner	Duncan Ellis
SR 005 Environment & Social : Status	Description	ENVIRONMENTAL AND SOCIAL related to the environmental and social impact of the Council's strategy and interests  Risk - Council fails to take into account changing environmental and social needs  Effect - strategic objectives don't reflect environmental and social issues
	Score	15.00
	Target	12.00
	Performance	▲
	Direction of change	→
	Comments	
	Owner	Duncan Ellis
SR 006 Governance : Status	Description	GOVERNANCE related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency. Risk - Council acts outside established procedures or unlawfully  Effect - risk of litigation/reputational risk to Council/poor decision making
	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	→
	Comments	
	Owner	Duncan Ellis
SR 007 Reputation : Status	Description	REPUTATION Related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception. Risk - Council's reputation is adversely affected Effect- reduced public confidence
	Score	12.00
	Target	8.00
	Performance	●
	Direction of change	→
	Comments	
	Owner	Duncan Ellis
SR 008 Corporate	Description	CORPORATE PROJECT RELATED RISKS

		31/01/2021
project related risks : Status		Related to individual corporate project risks
	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	➔
	Comments	
	Owner	Duncan Ellis

# Risk scoring key

## Corporate Risks

Each corporate risk (a similar matrix is used for service risks) will be assessed against the following criteria:

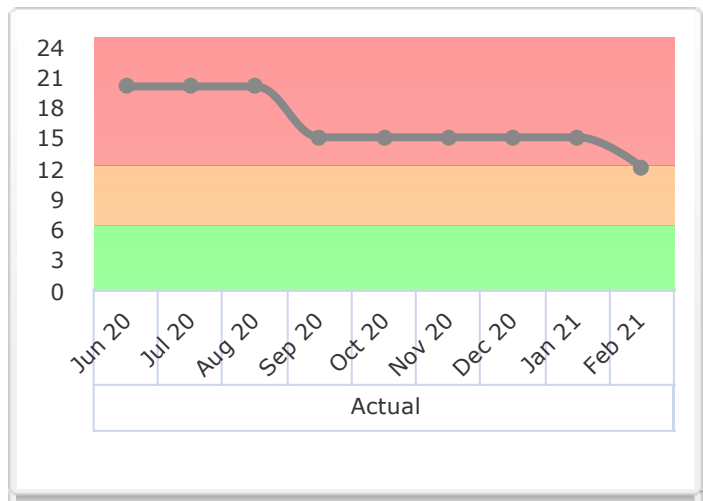
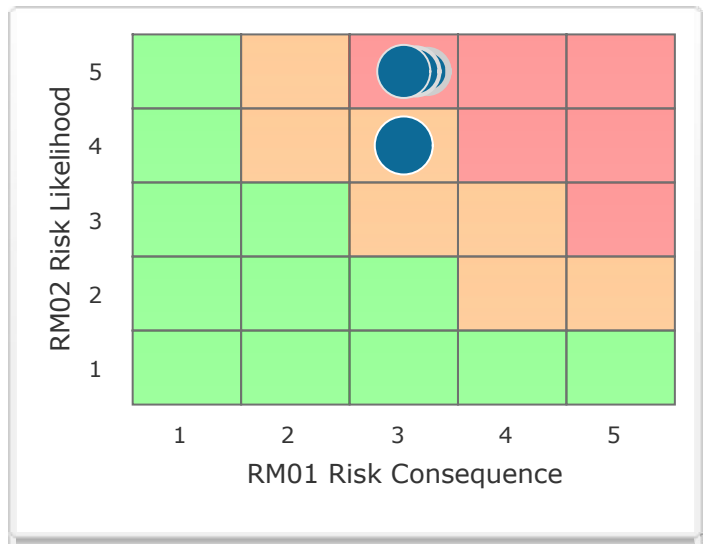
<b>Impact Type</b>	<b>Catastrophic 5</b>	<b>Critical 4</b>	<b>Moderate 3</b>	<b>Marginal 2</b>	<b>Negligible 1</b>
<b>Objectives</b>	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.	Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
<b>Financial Impact (Loss)</b>	Over £1.5m	£500K - £1.5m	£300K - £500K	£20K - £300K	£0-20K

Likelihood ratings and dimensions are tabled below:

<b>Grade</b>	<b>Likelihood</b>	<b>Probability</b>	<b>Timing</b>
5	Very High	Over 90%	Within six months
4	High	60 - 90%	Within a year
3	Moderate	40 - 60%	Within 1 to 2 years
2	Low	10 - 40%	Probably within 15 years
1	Very Low	below 10%	Probably over 15 years

## SR 001 Financial (including credit & counterparty)

Responsibility	<ul style="list-style-type: none"> <li>Strategic Leadership</li> </ul>
Risk Description	<p>Financial: related to the financial position and investment of the Council's assets and cash flow, market volatility, currency etc. Credit and Counterparty: related to investments, loans to institutions and individuals and counterparties in business transactions.</p> <p>Risk - that the Council's expenditure in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</p> <p>Effect - the Chief Finance Officer has to issue a Section 114 report to Full Council to report an unbalanced budget"</p>
Risk Category	<ul style="list-style-type: none"> <li>A Financial</li> <li>C Credit and counterparty</li> </ul>
Risk Response	Treat



### Latest Update

		31/01/2021
SR 001 Financial (including credit & counterparty) : Status	Score	15.00
	Target	9.00
	Performance	▲
	Direction of change	➔
	Comments	The impacts of Brexit and COVID have not had such a bad impact on our investments as originally anticipated.

 Associated Corporate Risks

		31/01/2021
CR 015 Medium Term Financial Plan : Status	Score	12.00
	Target	12.00
	Performance	●
	Direction of change	➔
	Comments	

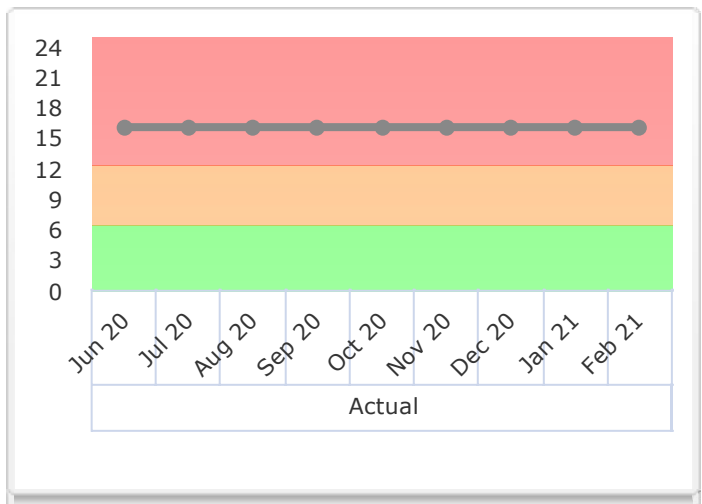
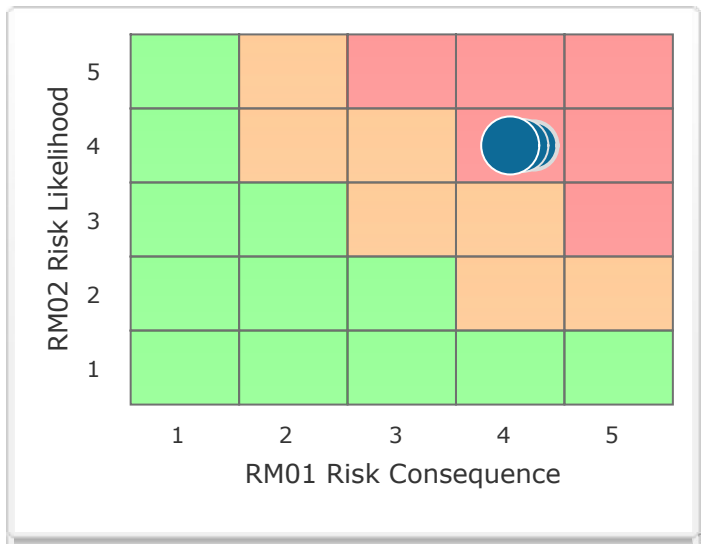
 Mitigating Actions

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	Stage	Responsible		Dec 20
✓ Annual review of the Council's reserves	Completed	Duncan Ellis	Performance	✓
			Comments	~
✓ Balanced budget agreed	In Progress	Duncan Ellis	Performance	★
			Comments	Budget approved by Full Council on 24/02/21
✓ Budget Process / Budget Monitoring	Completed	Duncan Ellis	Performance	✓
			Comments	~
✓ Business cases for commercialisation of assets to deliver future income and efficiencies	Completed	Duncan Ellis	Performance	✓
			Comments	~
✓ Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	✓
			Comments	~
✓ Growth forecasting models	Completed	Duncan Ellis	Performance	★
			Comments	
✓ Lobbying Central Government	Completed	Nick Baker	Performance	✓
			Comments	~
✓ Medium Term Financial Strategy	In Progress	Duncan Ellis	Performance	★
			Comments	Approved by Full Council alongside the budget on 24/02/21
✓ Monitoring impact of the business rates retention and the localised council tax support system	Waiting	Duncan Ellis	Performance	★
			Comments	
✓ Policy Work	Completed	Steve Blatch	Performance	✓
			Comments	~
✓ Project Management Plans	Completed	Duncan Ellis	Performance	✓
			Comments	~
✓ Reporting - New legislation and consultation	Completed	Helen Thomas	Performance	✓
			Comments	~
✓ Timely agreement of the annual Localised Council Tax Support Scheme	Completed	Duncan Ellis	Performance	✓
			Comments	~
✓ Utilisation of the New Homes Bonus grant within the base budget for 2018/19 onwards	Completed	Duncan Ellis	Performance	✓
			Comments	~

## SR 002 Operational

Responsibility	■ Strategic Leadership
Risk Description	<p><b>OPERATIONAL</b> Related to operational exposures within its organisation, its counterparties, partners and commercial interests</p> <p>Risk - operational issues prevent or hinder the achievement of the Council's aims.</p> <p>Effect - the Council does not achieve it's operational or strategic aims.</p>
Risk Category	■ D Operational
Risk Response	Treat



### Latest Update

		31/01/2021
SR 002 Operational : Status	Score	16.00
	Target	12.00
	Performance	▲
	Direction of change	→
	Comments	

## Associated Corporate Risks

		31/01/2021
CR 001 Deteriorating/ underused property assets : Status	Score	9.00
	Target	4.00
	Performance	●
	Direction of change	➔
	Comments	
CR 003 Digital Transformation Programme - Channel Shift : Status	Score	9.00
	Target	6.00
	Performance	●
	Direction of change	➔
	Comments	
CR 008 Loss of Information : Status	Score	12.00
	Target	2.00
	Performance	●
	Direction of change	➔
	Comments	
CR 009 Poor Procurement : Status	Score	6.00
	Target	6.00
	Performance	★
	Direction of change	➔
	Comments	A number of recent audits have made recommendations in respect of improvements to the Council's procurement processes and these are in the process of being implemented.
CR 013 Emergency event : Status	Score	20.00
	Target	6.00
	Performance	▲
	Direction of change	➔
	Comments	
CR 024 People Resources : Status	Score	9.00
	Target	9.00
	Performance	●
	Direction of change	➔
	Comments	
CR 025 Contract failure : Status	Score	15.00
	Target	4.00
	Performance	▲
	Direction of change	➔
	Comments	

## Mitigating Actions

	Stage	Responsible	Dec 20
 Adequate budget	Completed	Duncan Elphinstone	Performance 



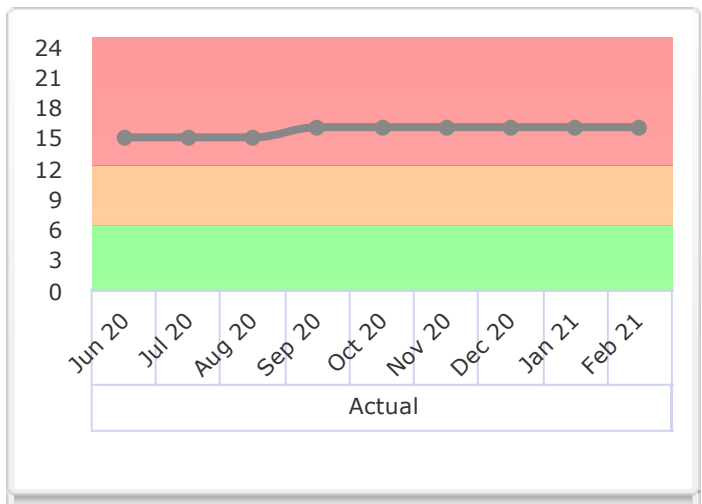
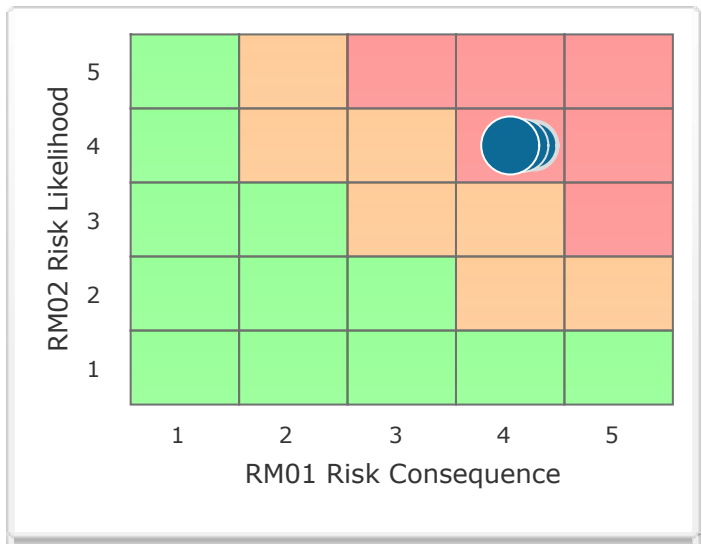
Stage		Responsible		Dec 20	
<input checked="" type="checkbox"/>	provision both from revenue and capital to support R&M works and capital investment			Comments	Major Repairs Reserve established as part of the 2021/22 budget setting process to support asset maintenance.
<input checked="" type="checkbox"/>	Adequate staff or appropriately qualified external contractor support	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Asset Condition Surveys	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Business cases for commercialisation of assets to deliver future income and efficiencies	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Compliance policies in place and up to date	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Compliance works undertaken in a timely fashion	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Procure a Strategic Development Partner	Completed	Duncan Ellis	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Production and approval of the Asset Management Plan	Completed	Renata Garfoot	Performance	★
				Comments	Updated Asset Management Plan to be approved during 2021.
<input checked="" type="checkbox"/>	3.1.2 Review and refine our Customer Strategy	In Progress	David Williams	Performance	★
				Comments	Following a meeting with the Portfolio Holder and Assistant Director for Business support it has been agreed to review the current customer services strategy taking account of best practice examples and produce a draft new strategy for internal consultation. It is planned for the draft to be ready by the end of February with a view to adopt the strategy by the end of Summer 2021. Therefore the due date needs to be amended from 31/12/2020 to 31/08/2021.
<input checked="" type="checkbox"/>	Communications plan around the programme to ensure buy-in	Completed	Nick Baker	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Develop and Implement a Communications Strategy	In Progress	Joe Ferrari	Performance	★
				Comments	
<input checked="" type="checkbox"/>	Digital Transformation progress reports provided to Cabinet & O&S	Completed	Sean Kelly	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	IT Strategy	In Progress	Sean Kelly	Performance	★
				Comments	The revision of the IT strategy is currently on hold to ensure that the learning outcomes and differences in the business requirements arising from the Covid-19 pandemic can be incorporated.
<input checked="" type="checkbox"/>	Maintain technical competence	Completed	Sally Morgan	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Market Pay Review report	Completed	James Claxton	Performance	★
				Comments	
<input checked="" type="checkbox"/>	PSN Code of Connection compliance	Completed	Sean Kelly	Performance	✔
				Comments	~

	Stage	Responsible		Dec 20
☑ Review and update of Web Strategy	Cancelled	Sean Kelly	Performance	★
			Comments	
☑ Review of recruitment practices	Completed	Phillip Rowson	Performance	✔
			Comments	~
☑ Review Pay Policy	Completed	Sally Morgan	Performance	✔
			Comments	~
☑ Review relocation policy	Completed	James Claxton	Performance	✔
			Comments	~
☑ Certified Security Professional Training	Completed	Kate Wilson	Performance	✔
			Comments	~
☑ Data Protection training	Completed	Emma Duncan	Performance	✔
			Comments	~
☑ GDPR compliance framework	Completed	Cara Jordan	Performance	★
			Comments	<p>Delivery of GDPR compliance framework.</p> <p>Included training of members of staff and ensuring IAO training and completion of Article 30 spreadsheets.</p> <p>GDPR compliance is part of everyday work for all departments of council - business as usual and project closed.</p>
☑ Implement data security protocols	Completed	Sean Kelly	Performance	✔
			Comments	~
☑ Information Risk Policy and Role Description	Completed	Sean Kelly	Performance	✔
			Comments	~
☑ IT Monitoring	Completed	Sean Kelly	Performance	✔
			Comments	~
☑ IT Security Policies	Completed	Sean Kelly	Performance	★
			Comments	The IT Security Policy is reviewed and updated as necessary at least annually or if there is a significant change in the IT infrastructure.
☑ Regular 3rd party data protection and integrity testing	Completed	Sean Kelly	Performance	✔
			Comments	~
☑ Regular audits of IT security arrangements	Completed	Sean Kelly	Performance	✔
			Comments	~
☑ Advice for external suppliers	Completed	Duncan Ellis	Performance	✔
			Comments	~
☑ Joint procurement protocol and opportunities for joint/shared procurement with other authorities	Completed	Duncan Ellis	Performance	✔
			Comments	~
☑ Procurement Framework	Completed	Duncan Ellis	Performance	✔
			Comments	~
☑ Procurement responsibility assigned	Completed	Duncan Ellis	Performance	✔
			Comments	~
☑ Procurement Strategy	Completed	Duncan Ellis	Performance	✔
			Comments	~
☑ Budget Process /	Completed	Duncan Ellis	Performance	✔

	Stage	Responsible		Dec 20	
<input checked="" type="checkbox"/>	Budget Monitoring			~	
			Comments		
<input checked="" type="checkbox"/>	Business Continuity Planning	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Complete critical services' Business Continuity Plans (BCP)	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Consideration of COVID-19 implications	In Progress	Alison Sayer	Performance	★
				Comments	
<input checked="" type="checkbox"/>	Corporate Business Continuity key role training	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Corporate Policies and Procedures	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Create and issue adverse weather guidance	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Emergency Response & Recovery Planning	Completed	Alison Sayer	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Employment Policies	Completed	James Claxton	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	ER1 Review Emergency Response Plan	Deferred	Alison Sayer	Performance	●
				Comments	
<input checked="" type="checkbox"/>	Refresh the project management framework	In Progress	Kate Rawlings	Performance	⏪
				Comments	~
<input checked="" type="checkbox"/>	Appraisal process	Completed	James Claxton	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Apprenticeship programme	Completed	Janella Hadlow	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Develop 'People Strategy'	In Progress	James Claxton	Performance	●
				Comments	Work on PS is moving forwards. Meeting has occurred this month with SFG for their input and collaboration. Have moved the completion date forwards due to COVID, and management restructure.
<input checked="" type="checkbox"/>	Employee Referral Scheme	Completed	Sally Morgan	Performance	✓
				Comments	~
<input checked="" type="checkbox"/>	Procurement Officer post established	Completed	Duncan Ellis	Performance	✓
				Comments	~

## SR 003 Macroeconomic

Responsibility	■ Strategic Leadership
Risk Description	<p>Related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.</p> <p>Risk - national/global recession resulting in business failure and unemployment</p> <p>Effect - increased requirement for benefits, housing, council tax support, business advice and support</p>
Risk Category	■ B Macroeconomic
Risk Response	Treat



### Latest Update

31/01/2021		
SR 003 Macroeconomic : Status	Score	16.00
	Target	12.00
	Performance	▲
	Direction of change	→
	Comments	

## Associated Corporate Risks

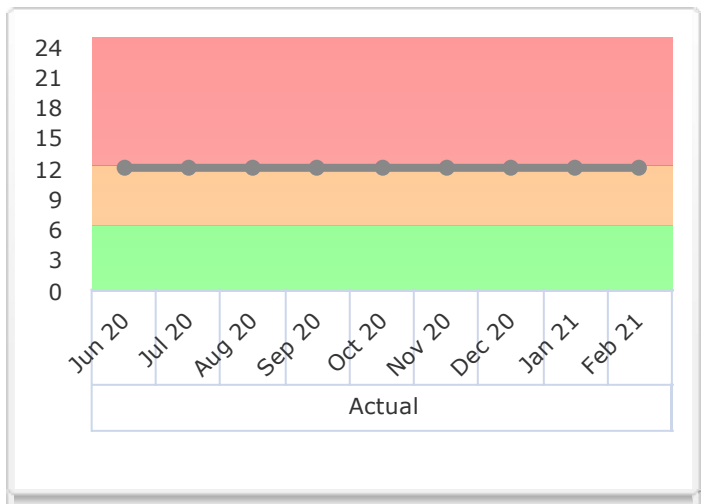
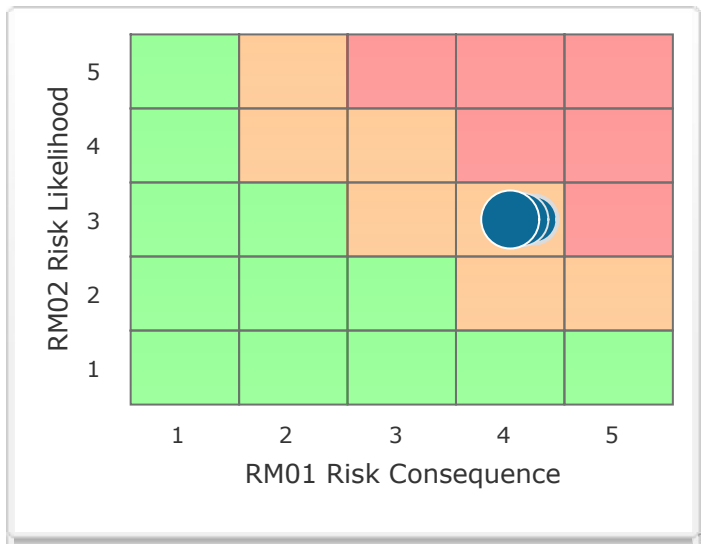
		31/01/2021
CR 026 Impact of recession on the North Norfolk economy : Status	Score	20.00
	Target	4.00
	Performance	▲
	Direction of change	➔
	Comments	

## Mitigating Actions

		Stage	Responsible		Dec 20
<input checked="" type="checkbox"/>	2.2.1 Economic Growth Strategy (2020 - 2023)	Waiting	Stuart Quick	Performance	●
				Comments	Delayed due to Covid-19 pandemic. This will be reviewed by March 2021. The strategy will need to reflect the likely post-pandemic climate and support the restart and rebuild of the local economy. Therefore I recommend that the due date is amended from 30 September 2020 to 31 March 2021.
<input checked="" type="checkbox"/>	Business Survey	Completed	Stuart Quick	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	Fund Management advice from Arlingclose	Completed	Lucy Hume	Performance	✔
				Comments	~
<input checked="" type="checkbox"/>	HS 003 - Monitor the need for temporary accommodation and ensure suitable provision	In Progress	Graham Connolly	Performance	●
				Comments	
<input checked="" type="checkbox"/>	Medium Term Financial Strategy	In Progress	Duncan Ellis	Performance	★
				Comments	Approved by Full Council alongside the budget on 24/02/21
<input checked="" type="checkbox"/>	Operation of the Council Tax Hardship Fund	In Progress	Trudi Grant	Performance	★
				Comments	
<input checked="" type="checkbox"/>	Treasury Management Strategy	Completed	Lucy Hume	Performance	✔
				Comments	~

## SR 004 Strategic



Responsibility	■ Strategic Leadership
Risk Description	<p>STRATEGIC key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.</p> <p>Risk - Corporate Plan and Projects may not be delivered within agreed timescales or budget</p> <p>Effect - objectives not delivered, poor use of council financial resources</p>
Risk Category	■ E Strategic
Risk Response	Treat













### Latest Update

31/01/2021		
SR 004 Strategic : Status	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	➔
	Comments	

## Associated Corporate Risks

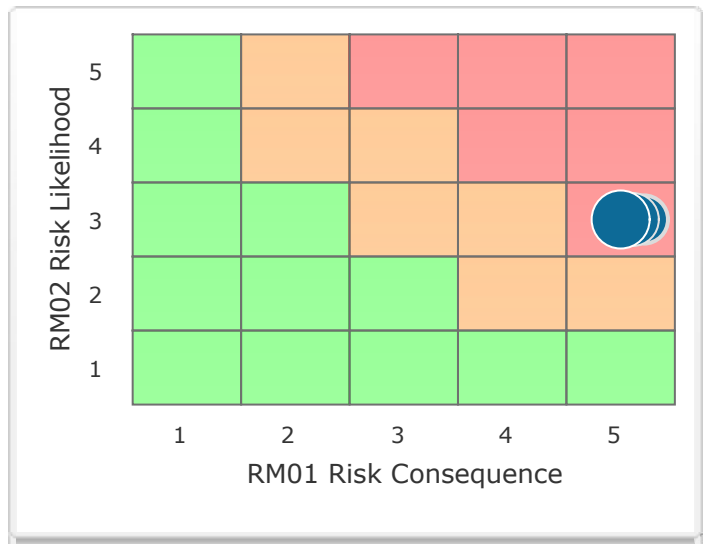
		31/01/2021
CR 027 Strategic financial and performance management : Status	Score	9.00
	Target	4.00
	Performance	
	Direction of change	
	Comments	

## Mitigating Actions

	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> Annual review of the Council's reserves	Completed	Duncan Ellis	Performance	
			Comments	~
<input checked="" type="checkbox"/> Budget Process / Budget Monitoring	Completed	Duncan Ellis	Performance	
			Comments	~
<input checked="" type="checkbox"/> Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	
			Comments	~
<input type="checkbox"/> Emerging Local Plan	Not Started	Mark Ashwell	Performance	
			Comments	
<input checked="" type="checkbox"/> Establish the financial impact of Covid-19	Not Started	Duncan Ellis	Performance	
			Comments	~
<input checked="" type="checkbox"/> Medium Term Financial Strategy	In Progress	Duncan Ellis	Performance	
			Comments	Approved by Full Council alongside the budget on 24/02/21
<input checked="" type="checkbox"/> Refresh the project management framework	In Progress	Kate Rawlings	Performance	
			Comments	~
<input checked="" type="checkbox"/> Review Performance Framework for Extended Management Team	Not Started	Lucy Hume	Performance	
			Comments	
<input checked="" type="checkbox"/> Review Performance Framework for the Strategic Leadership Team	Cancelled	Lucy Hume	Performance	
			Comments	
<input checked="" type="checkbox"/> Review the Corporate Plan 2019-23 post Covid-19	Completed	Steve Blatch	Performance	
			Comments	

## SR 005 Environmental and Social

Responsibility	■ Strategic Leadership
Risk Description	<p><b>ENVIRONMENTAL AND SOCIAL</b> related to the environmental and social impact of the Council's strategy and interests</p> <p>Risk - Council fails to take into account changing environmental and social needs</p> <p>Effect - strategic objectives don't reflect environmental and social issues</p>
Risk Category	■ F Environmental & Social
Risk Response	Treat



### Latest Update

		31/01/2021
SR 005 Environment & Social : Status	Score	15.00
	Target	12.00
	Performance	▲
	Direction of change	→
	Comments	



## Associated Corporate Risks

		31/01/2021
CR 002 Climate Change : Status	Score	20.00
	Target	12.00
	Performance	▲
	Direction of change	➔
	Comments	
CR 010 Housing Delivery : Status	Score	12.00
	Target	4.00
	Performance	●
	Direction of change	➔
	Comments	

## Mitigating Actions

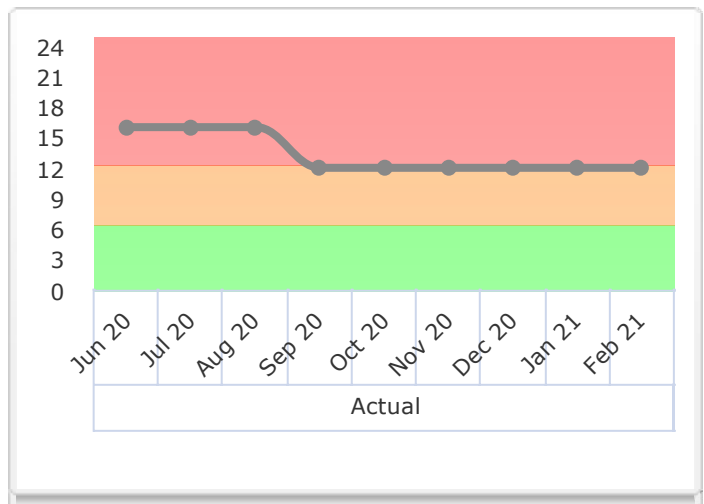
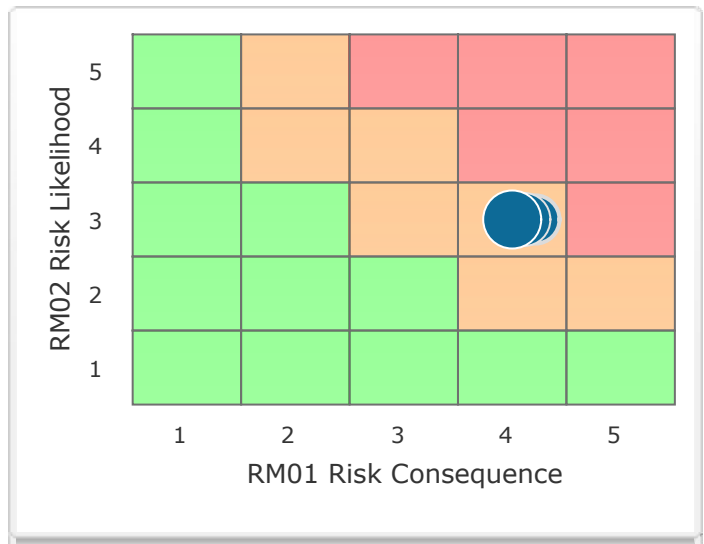
	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> 10 year capital programme	In Progress	Rob Goodliffe	Performance	★
			Comments	Coastal Partnership East Capital programme is developed and is updated regularly to reflect new opportunities and project progression. This information is used to update the Environment Agency National Flood and Coastal Risk Programme where Flood and Coastal Erosion Risk Management Grant in Aid is part of the funding package on a monthly basis and in this quarter a major annual refresh. Further update is to occur shortly to check programmes align and schemes are deliverable in timeframes.
<input checked="" type="checkbox"/> 4.3.1 Baseline carbon audit and carbon reduction action plan	In Progress	Robert Young	Performance	●
			Comments	The new Environmental Policy Officer who commenced employment with us in December 2020 has picked up this workstream and is in discussions with the Carbon Trust around updating their conclusions following which a detailed action plan will be delivered against which our progress can be measured.
<input checked="" type="checkbox"/> Bacton and Walcott coastal management scheme	Completed	Rob Goodliffe	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Climate change forum	In Progress	Robert Young	Performance	●
			Comments	A review of communication and engagement techniques on environmental and climate change matters is being led by the Environmental Policy Officer, this will include methodologies for digital engagement and the ways in which the Forum can be used as a means of engagement.

	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> CM 002 - Refurbish coastal defences at Mundesley	In Progress	Rob Goodliffe	Performance	
			Comments	Tender documents and contract developed under PSC NEC4 contract and will shortly be tendered under the CPE Dynamic Purchasing System. This will be completed alongside tender of Cromer Phase 2 to seek delivery efficiencies. The process has enabled the development of standard PSC NEC4 contract conditions and templates for future tender and contract development efficiencies. There remains risks on delivery timing relating to environmental factors and fitting with Anglian Water and Environment Agency capital programmes. The Environmental timing will be explored further to ensure funding is available at the time required.
<input type="checkbox"/> Coastal Monitoring	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> Coastal Partnership East set up	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> Control of coastal management schemes through procurement and regular checking	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	
			Comments	~
<input checked="" type="checkbox"/> DEFRA funding of capital schemes	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> Health & Safety checking and monitoring	Completed	Rob Goodliffe	Performance	
			Comments	~
<input type="checkbox"/> Procurement practices	Completed	Duncan Ellis	Performance	
			Comments	~
<input checked="" type="checkbox"/> Repairs & Maintenance Programme	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> Shoreline Management Plan (SMP)	Completed	Rob Goodliffe	Performance	
			Comments	~
<input type="checkbox"/> The Pathfinder Project	Completed	Rob Goodliffe	Performance	
			Comments	~
<input checked="" type="checkbox"/> 1.2.1 Formulate a new Housing Strategy	In Progress	Graham Connolly	Performance	
			Comments	Workshops to engage stakeholders planned for February and March 2021.
<input checked="" type="checkbox"/> 1.3.1 Develop a business case for a housing company	Completed	Graham Connolly	Performance	
			Comments	Savills has updated their financial model to allow us to explore possible variations to the original 100 home model including: 1. The impact of the existing and growing stock of temporary accommodation owned by the Council. 2. The impact of purchasing VHT disposals. 3. The inclusion of some shared ownership homes. The next stage is to model the various options and to report on the outcomes

Stage		Responsible		Dec 20	
					and whether there is a viable business case for a housing company.
<input checked="" type="checkbox"/>	1.4.1 Developing and implementing a new Homelessness and Rough Sleepers Strategy and Action Plan	Completed	Lisa Grice	Performance	
				Comments	~
<input checked="" type="checkbox"/>	1.5.1 Investigate ways to support and assist affordable housing providers	In Progress	Graham Connolly	Performance	
				Comments	
<input checked="" type="checkbox"/>	6.3.1 Develop a business case for a housing company	Cancelled	Graham Connolly	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Community Housing Fund	Completed	Graham Connolly	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Enhance Housing Association delivery	In Progress	Graham Connolly	Performance	
				Comments	
<input checked="" type="checkbox"/>	Housing Strategy implementation	Completed	Robert Young	Performance	
				Comments	~
<input checked="" type="checkbox"/>	HS 003 - Monitor the need for temporary accommodation and ensure suitable provision	In Progress	Graham Connolly	Performance	
				Comments	
<input checked="" type="checkbox"/>	Increased Focus	Completed	Nicky Debbage	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Internal planning protocol	Completed	Phillip Rowson	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Local Development Framework (LDF) policies	Completed	Mark Ashwell	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Local Investment Plan	Completed	Nicky Debbage	Performance	
				Comments	~
<input checked="" type="checkbox"/>	Monitor Brexit and its potential impact on the ability to deliver and acquire homes as a home owner	In Progress	Duncan Ellis	Performance	
				Comments	
<input checked="" type="checkbox"/>	Partnership work with Registered Providers	Completed	Graham Connolly	Performance	
				Comments	~
<input checked="" type="checkbox"/>	To produce a Service Level Agreement with Registered Providers	In Progress	Lisa Grice	Performance	~
				Comments	~
<input checked="" type="checkbox"/>	Use of capital	Completed	Nicky Debbage	Performance	
				Comments	~

## SR 006 Governance

Responsibility	■ Strategic Leadership
Risk Description	<p><b>GOVERNANCE</b> related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency. Risk - Council acts outside established procedures or unlawfully</p> <p>Effect - risk of litigation/reputational risk to Council/poor decision making</p>
Risk Category	■ G Governance
Risk Response	Treat



### Latest Update

31/01/2021		
SR 006 Governance : Status	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	➔
	Comments	

 Associated Corporate Risks

		31/01/2021
CR 028 Governance failures : Status	Score	6.00
	Target	4.00
	Performance	★
	Direction of change	➔
	Comments	

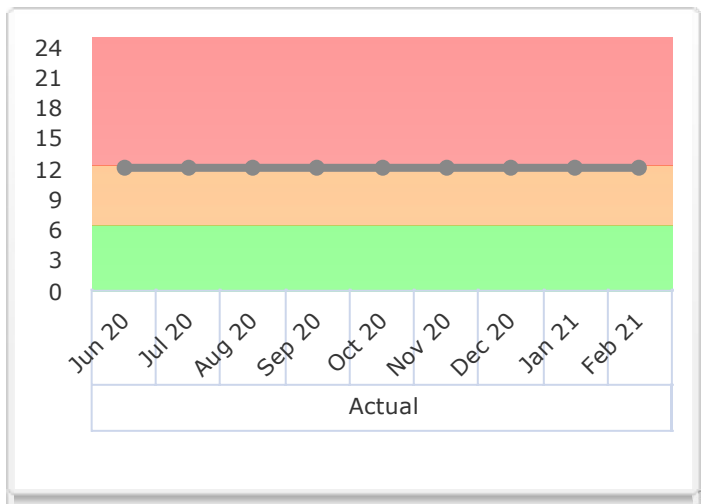
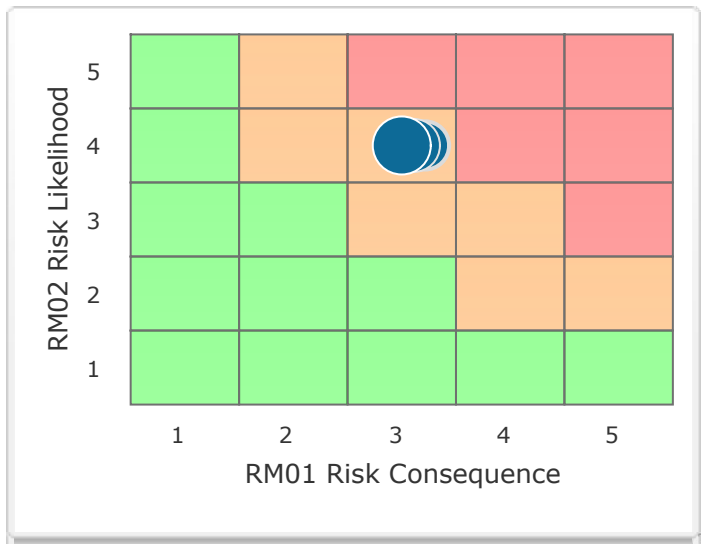
 Mitigating Actions

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	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> Annual Assurance Statements	Completed	Duncan Ellis	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Annual Audit Report	Completed	Lucy Hume	Performance	★
			Comments	
<input checked="" type="checkbox"/> Annual Governance Statement supported by assurance framework	In Progress	Duncan Ellis	Performance	⏪
			Comments	~
<input checked="" type="checkbox"/> Audit programme	Completed	Lucy Hume	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Clear robust corporate governance framework	In Progress	Renata Garfoot	Performance	★
			Comments	
<input checked="" type="checkbox"/> Committee report templates	Completed	Emma Denny	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Constitution/Standing Orders/Scheme of Delegations	Completed	Emma Duncan	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Corporate Planning / Service Planning	Completed	Helen Thomas	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Head of Internal Audit assurance	Completed	Duncan Ellis	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Member/ Officer Protocol	Not Started	Emma Denny	Performance	★
			Comments	~
<input checked="" type="checkbox"/> Monitoring Officer actions to ensure governance risk is minimised	Completed	Emma Duncan	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Monitoring Officer Report	Completed	Emma Duncan	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Operation of Constitutoon Working Party	Completed	Emma Denny	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Operation of Overview and Scrutiny Committee	Completed	Emma Denny	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Operation of Standards Committee	Completed	Emma Denny	Performance	✔
			Comments	~
<input checked="" type="checkbox"/> Section 151 Officer actions to ensure governance risk is minimised	Completed	Duncan Ellis	Performance	✔
			Comments	~

## SR 007 Reputation

Responsibility	■ Strategic Leadership
Risk Description	<b>REPUTATION</b> Related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception. Risk - Council's reputation is adversely affected Effect- reduced public confidence
Risk Category	■ H Reputational
Risk Response	Treat



### Latest Update

31/01/2021		
SR 007 Reputation : Status	Score	12.00
	Target	8.00
	Performance	●
	Direction of change	➔
	Comments	

## Associated Corporate Risks

		31/01/2021
CR 029 Poor reputation of the Council in the Community : Status	Score	6.00
	Target	4.00
	Performance	★
	Direction of change	➔
	Comments	

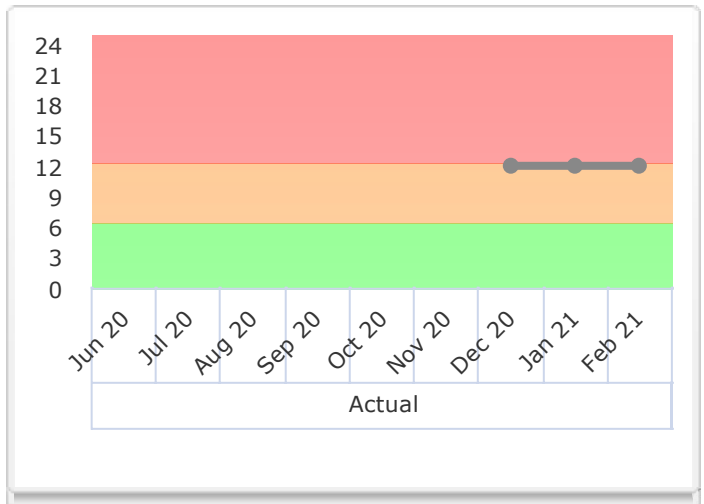
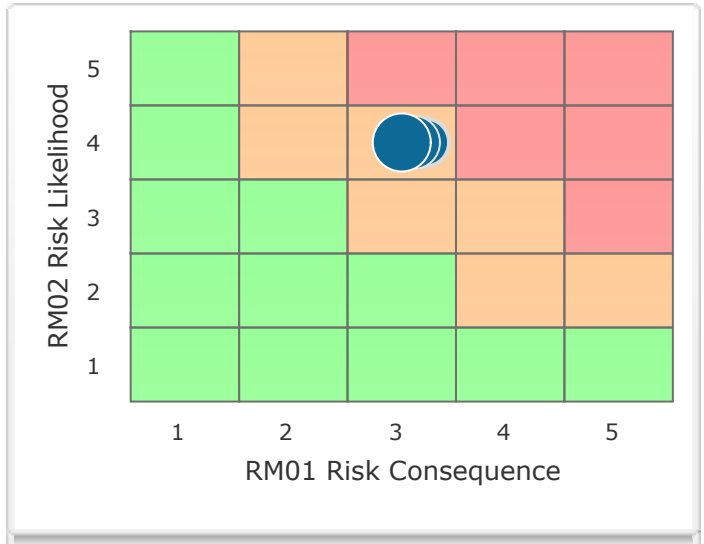
## Mitigating Actions

	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> 3.1.2 Review and refine our Customer Strategy	In Progress	David Williams	Performance	★
			Comments	Following a meeting with the Portfolio Holder and Assistant Director for Business support it has been agreed to review the current customer services strategy taking account of best practice examples and produce a draft new strategy for internal consultation. It is planned for the draft to be ready by the end of February with a view to adopt the strategy by the end of Summer 2021. Therefore the due date needs to be amended from 31/12/2020 to 31/08/2021.
<input checked="" type="checkbox"/> Clear robust corporate governance framework	In Progress	Renata Garfoot	Performance	★
			Comments	
<input checked="" type="checkbox"/> Develop and Implement a Communications Strategy	In Progress	Joe Ferrari	Performance	★
			Comments	
<input checked="" type="checkbox"/> Review and update of Web Strategy	Cancelled	Sean Kelly	Performance	★
			Comments	



## SR 008 Corporate project related risks

Responsibility	■ Strategic Leadership
Risk Description	CORPORATE PROJECT RELATED RISKS Related to individual corporate project risks
Risk Category	■ I Projects
Risk Response	Treat



### Latest Update

		31/01/2021
SR 008 Corporate project related risks : Status	Score	12.00
	Target	9.00
	Performance	●
	Direction of change	➔
	Comments	

## SR 008 Corporate project related risks

### Associated Corporate Risks

		31/01/2021
CR 030 Sheringham Leisure Centre : Status	Score	4.00
	Target	4.00
	Performance	★
	Direction of change	↓✓
	Comments	
CR 031 Cromer Tennis Hub : Status	Score	n/r
	Target	n/r
	Performance	◀
	Direction of change	▶
	Comments	n/r

### Mitigating Actions

	Stage	Responsible		Dec 20
<input checked="" type="checkbox"/> Operation of Overview and Scrutiny Committee	Completed	Emma Denny	Performance	✓
			Comments	~
<input checked="" type="checkbox"/> Project management & reporting procedures - Sheringham Leisure Centre	Completed	Robert Young	Performance	✓
			Comments	~

## NN2112 Cromer Sports Hub Project

- Summary:** This report contains the Executive Summary of the Internal Audit review - NN2112 Cromer Sports Hub project.
- Conclusion:** As a result of the NN2112 Cromer Sports Hub Project Internal Audit, a 'No Assurance' grading has been given highlighting several weaknesses that should be addressed to improve the Council's future approach to project management.
- Recommendation:** That the Committee review the Executive Summary at **Appendix 1** of this report and suggested improvement actions and note the additional context provided at **Appendix 2**.

- Cabinet member(s):** All  
**Contact Officer, telephone number, and e-mail:**
- Ward(s) affected:** All  
Faye Haywood, Internal Audit Manager for North Norfolk DC, 01508 533873, [fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

### 1. Background

- 1.1 A review of the Cromer Sports Hub project has been carried out by Internal Audit in October 2020 at the request of the newly appointed Chief Executive Officer and the Leader of the North Norfolk District Council (NNDC) who took up office from November 2018. This was intended to be used as a corporate learning exercise following the Council's decision to abandon the Cromer Sports Hub project in August 2019 and payment of a mediated sum to the main contractor which formally represented the "end" of the project in July 2020.
- 1.2 The instruction and objectives for the Internal Audit review were as follows;
- Project Inception
  - The opportunity presented by the LTA capital grant programme which originally appeared very favourable but arguably became an issue in the funding of the project by the Council
  - How the project management and governance of the project was overseen
  - Relationships and decisions involving Cromer Academy including the proposed 'land swap' and Department for Education approval processes.
  - Relationships with the Cromer Lawn Tennis and Squash Club – including proposals for the relinquishment of the lease with the Council.
  - Procurement of professional advisors and the construction contract and the phased delivery of the works which has seen the Council fund quite significant works on the Academy site with no benefit to the Council Tax payers.
  - The role of officers and members in the project.
  - Advice provided to the incoming administration in them agreeing not to proceed with the project having taken control of the Council in May 2019.

## 2. Issues for discussion

- 2.1 As per our usual practice, the Governance Risk and Audit Committee are provided with the Executive Summary at **Appendix 1** of this report which contains details of issues identified during the review and outlines the recommendations required to improve controls in this area. A 'No Assurance' grading has been given with a total of six urgent priority and four important priority recommendations being raised. All recommendations have been accepted by management and completion of these recommendations will be monitored through the follow up process.
- 2.3 To provide more context into the key findings raised, a high-level executive summary is also provided at **Appendix 2**.

## 3. Conclusion

- 3.1 As a result of the NN2112 Cromer Sports Hub Project Internal Audit review, a 'No Assurance' grading has been given highlighting several weaknesses that should be addressed to improve the Council's project management approach.

## 4. Recommendation

- 4.1 That the Committee review the Executive Summary at **Appendix 1** of this report and suggested improvement actions and note the additional context provided at **Appendix 2**.

## Appendices

Appendix 1 – Executive Summary NN2112 Cromer Sports Hub Project

Appendix 2 – Executive Summary of findings

## Assurance Review of the NN/21/12 Cromer Project Arrangements

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Project Inception	1	2	0	0
Project Governance	2	0	0	0
Stakeholder Relationships	0	1	0	0
Governance and Procurement	3	0	0	0
Benefits Realisation	0	1	0	0
<b>Total</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>

\*The recommendations above are in addition to the ten suggested actions made in the Final Position Statement on NN/20/01 Project Management, issued August 2019.

#### SCOPE

Internal Audit were asked to undertake a full review of the Cromer Sports Hub project in order to ensure appropriate consideration of corporate risks associated with the project closure decision and any corporate learning that can be identified.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'No Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of six 'urgent', and four 'important' recommendations being raised upon the conclusion of our work.
- There were gaps in the overarching governance arrangements that led to a lack of transparency and clarity over objective decision-making.
- Project governance was inadequate. While some controls were put in place these were not sufficiently robust. There was a lack of clarity as to the purpose of the key groups, the members and the responsibilities for decision making.
- There was a delay in communicating the pause in the project to the main contractor. This contributed to the Council incurring additional costs against this project which could not be recovered; the total spend on the Cromer Sports Hub project was £788k funded in its entirety by North Norfolk District Council.
- The overall assurance opinion also takes into account ten suggested actions made in the Final Position Statement on NN/20/01 Project Management issued August 2019, which still need to be fully addressed.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings six 'urgent' recommendations have been made.

### Project Governance

- Terms of reference are drafted for all project group meetings making it clear the purpose of the group, the decision-making responsibilities and a named officer for each of the key roles. These to be agreed in draft as part of the business case sign off, presented to the individual board or group for agreement and then presented back to the appropriate authorising body e.g. Senior Management Team or Cabinet.
- The Senior Responsible Officer for the project must ensure that key documentation is completed to help ensure projects run effectively and efficiently. This will include, but is not limited to:
  1. That all decisions are properly recorded and reported to the Project Board and Group;
  2. A realistic timeline for project delivery is agreed;
  3. Critical dates are included in the timeline and complied with;
  4. A risk and issues log is regularly reviewed with clear mitigation actions where risk is identified;

5. Updates are regularly provided to the appropriate authorising body (Senior Management Team / Cabinet) based on the most recent documentation.

### **Governance and Procurement**

- The Council must ensure that all work is tendered in accordance with the Constitution and EU Procurement Regulations. This must include repeat work that may be below the thresholds individually, but cumulatively, will exceed the requisite regulatory / local procurement thresholds.
- The Code of Conduct for Members is to be reviewed to ensure that this meets the requirements of the Standards in Public Life, to complement this, a process flowchart should be considered as a standing agenda item to assist Members in complying with declarations of interest.
- The most senior officer at the Council, i.e. the Chief Executive Officer, to operate at a strategic level without any formal involvement in project governance thereby allowing this officer to remain impartial, maintain strategic oversight and safeguard the Council with regards to possible dispute resolution.

### **Project Inception**

- A business case, that includes both financial and non-financial benefits, is reviewed and tested to provide assurance of its accuracy with key stakeholders prior to submission to the approving authority i.e. Senior Management Team / Cabinet /Full Council. Improved and broader stakeholder engagement is also required to provide additional feedback.

The audit has also highlighted the following areas where four 'important' recommendations have been made.

### **Project Inception**

- As part of business case development, the opportunity costs of spending on a project are clearly laid out.
- Prior to presenting to Cabinet or Full Council all figures are robustly reviewed for reasonableness and accuracy. Consideration is given to testing the key assumptions with stakeholders.

### **Benefits Realisation**

- Critical steps in project delivery are identified within an overarching project plan. This to include applications for securing funding. The Project Board to sign off all applications prior to their submission.

### **Stakeholder Relationships**

- Stakeholder and public engagement are identified as a key part of business case development. It must be considered and programmed at project inception and continued throughout the project.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### Previous audit recommendations

The audit reviewed the ten suggested actions made in the Final Position Statement on NN/20/01 Project Management issued August 2019 of which nine remain outstanding. These were discussed with management and agreed that the outstanding suggested actions will be picked up once new governance arrangements are in place following the Council's management restructure. These are expected to complete by 31 March 2021. The review identified significant gaps in project documentation. The original project initiation document was incomplete and did not identify the key leads and roles. There was no evidence of project documentation being kept, updated and presented to the Board. The detailed work undertaken by TIAA and referenced in the Position Statement provides further details including the original finding, recommendations and latest management feedback.

### Other issues noted

Since the cessation of the Cromer Sports Hub project there have been a number of changes at the Council, some of which are still ongoing:

- The new Leader came into post in November 2018.
- A top management restructure has resulted in the establishment of one Chief Executive role, into which one of the Corporate Directors has been appointed, with the other Corporate Director having subsequently left the Council.
- A further senior management restructure is now underway; as part of that a Corporate Delivery Unit will be established to ensure robust project governance is in place to supplement the project delivery focus.



**Report extract – appendix 5 NN21/12 Cromer Sports Hub Project Costs**

Account Code	Account Name	Overview	Actual £
0040	Contractor Payments	Minor Remedial Works	2,300
0043	Technical Services Fees		9
0044	Other Professional Fees	Payments to Contractors	743,356
0045	Planning Fees		96
0046	Other Expenditure	Electrical Supply	15,534
0048	Legal Fees	Professional and Legal Advisors	37,623
0250	Other Recoverable Charges	Contribution to Academy Car Park	(20,686)
0500	Capital Salaries ( Mu )		9,669
<b>North Norfolk Sports Hub</b>			<b>787,901</b>

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## North Norfolk District Council

# Cromer Sports Hub Project – Formal Executive Summary

Page 103

2020/21 (NN/21/12)

FINAL

February 2021

*Internal Audit work is performed in accordance with the IIA's recognised standard*

## Executive Summary

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### INTRODUCTION

1. A review of the Cromer Sports Hub project was carried out in October 2020 at the request of the newly appointed Chief Executive Officer and the Leader of North Norfolk District Council (NNDC) who took up office from November 2018. Total approved spend on the Cromer Sports Hub project was £3,120k (as at February 2019). The total resultant spend was £788k funded entirely by NNDC.

### SCOPE

2. This review has focussed on the Cromer Sports Hub Project, in particular this covered:
  - 2.1 Project inception
  - 2.2 Purpose and actual outcomes of the Lawn Tennis Association (LTA) capital grant programme and subsequent funding of the project by the Council
  - 2.3 Project governance/management, methodology and oversight including roles and responsibilities of officers and Members in the project
  - 2.4 Decision making between the Council and Cromer Academy including the proposed “land swap” and DfE approval processes
  - 2.5 Relationships with the Cromer Lawn Tennis and Squash Club - including proposals for the relinquishment of the lease with the Council
  - 2.6 Procurement of professional advisors and the construction contract and the phased delivery of the works
  - 2.7 Benefit realisation (financial and non-financial) to the Council / residents / stakeholders
3. A Position Statement on NN2001 Project Management was issued in August 2019 which made a number of Suggested Actions/Improvements on the Council’s approach / management of corporate projects, including on project governance and reporting, record retention, funding arrangements, risk management and post implementation review. Work is still on-going to address the points raised.

### KEY FINDINGS

#### 4.1 Project Inception

The Cromer Sports Hub project was agreed by Cabinet on 04 December 2017 and ratified by Full Council on 19 December 2017. The papers included a business case supported by a full feasibility study carried out by an external contractor. The feasibility study considered the proposal’s alignment with the Council’s overarching and sports strategies in existence at the time and links it to other relevant strategies, including the Lawn Tennis Association’s (LTA’s) position in 2017.

There is no evidence that the proposed investment in the Cromer Sports Hub was objectively assessed to ensure that investment in the project represented best value for money; nor were non-financial benefits identified and considered. Some of the figures contained within the feasibility study were later queried by stakeholders and broader engagement with key stakeholders was limited.

The review concluded that there is a gap in the scrutiny of business cases where significant spend is proposed and three recommendations have been made to address the issues raised.

## 4.2 LTA capital grant programme

Proposed project funding included £1,466k from a LTA grant, and an interest-free loan as part of a new capital funding scheme for community tennis facilities announced in June 2017. Discussions with the LTA were positive with NNDC passing stage 1 in September 2018 and being invited to submit a formal funding application in December 2018 subject to resolution of four outstanding matters. Two of those, pertaining to the land transfer between Cromer Academy, CLTSA and NNDC, were not concluded when the application was submitted. The funding was turned down at the December 2018 LTA Funding Panel. NNDC were notified in writing in February 2019, with the LTA citing changes in investment strategy as the reason for their not approving the financial support.

The review concluded that critical milestones were not clearly identified and overseen by the project management group. One area of learning was identified and a recommendation made to address the issue raised.

## 4.3 Project governance and management

Council Project Groups were not formally constituted and there was lack of clarity over remit, decision-making and roles and responsibilities within the groups. In order to deliver the project as close to the agreed completion date as possible, the project was at times run in advance of agreed timescales; the critical path was not always followed. As a result, enabling works were completed at financial risk to the Council and expenditure incurred without the critical milestone having been reached; including the decision for external funding.

Conflicts of interest are not robustly managed. Two significant conflicts of interest were declared, while this was noted, no mitigating action was recorded.

The review concluded that improvements were required in project governance and management and four recommendations have been made to address the issues raised.

## 4.4 Council and Cromer Academy including the proposed “land swap”

In order for the project to succeed two land swaps had to take place simultaneously. Cromer Academy had to give up a two netball/basketball courts in order to provide space for the new build, and transfer that land to NNDC ('Red Land'). The Cromer Lawn Tennis and Squash Association (CLTSA) had to agree to give up two hard courts to be used as netball/basketball courts by the school, and NNDC had to transfer that land to Cromer Academy ('Green Land'). The Academy had to gain approval from the Secretary of State for Education to transfer its land to NNDC; the Green Land part of the swap was a requirement of the Secretary of State for Education (SoSE). Written approval for the exchange to proceed was received from the SoSE on 18 December 2018. Agreement from CLTSA took much longer with the land swap agreement executed on 28 March 2019. This was followed by a change in Chair and Committee at CLTSA and the resultant formal agreement was not enacted. The consent letter is provided at **Appendix A** of this report.

No issues were found with the process for the proposed land swap between the Council and Cromer Academy, and no recommendations were made.

## 4.5 Cromer Lawn Tennis and Squash Club

There is a current lease in place between the Council and Cromer Lawn Tennis and Squash Association (CLTSA) which expires in 2033. The Council subsidises this facility by circa £24k per annum to ensure the facility provides public access for tennis. The terms of the new agreement required the club to give up this subsidy in return for support to maximise the income potential of the Club. While initially the feedback from the CLTSA chairman was positive,

concerns began to be raised by members, particularly about the proposed land swap. This would have resulted in the CLTSA having reduced use of two hard surface tennis courts during school (Academy) hours. These concerns have never completely resolved and the resultant land swap, signed by Trustees, was not enacted.

There is evidence of very limited public and broader stakeholder engagement. The concerns raised by CLTSA members may have been mitigated by earlier, comprehensive and ongoing stakeholder engagement. One area of learning was identified and a recommendation made to support this.

#### 4.6 Procurement of contractors and the phased delivery of the works

Contractors were all secured in accordance with the Constitution. Where tendering or competitive processes were not used then an Exemption to Contract Standing Orders was agreed. One of those contractors was also secured for another project via an Exemption to Contract Standing Orders. The total exceeded the threshold for a full tender within the Contract Standing Orders.

One matter was identified and a recommendation made to address this.

#### 4.7 Benefits realisation

The business case, presented to Cabinet and ratified by Full Council in December 2017, was supported by a full feasibility study carried out by an external contractor. The report is detailed and comprehensive and identifies the opportunities for maximising return on investment. The project could not conclude and thus the potential benefits were not realised. Total spend on the project was £788k, all funded by the Council.

Recommendations made within the report will address this.

### CONCLUSION

5.1 Up to April 2019 there was still an expectation that the project would continue through to completion. The Council had agreed to fully fund the project, and discussions were ongoing with the CLTSA to resolve the details of the land swap.

Following election of the new Council Leader, the viability of the project was reviewed during May and June 2019. The land swap between the Council, Academy and CLTSA had still not been completed and there was no evidence that the new CLTSA committee would enact the transfer deed signed by the Trustees. In August 2019 members agreed that the project was no longer feasible and would cease. An excerpt of the report on which the decision was based stated,

*'To date the Deed of Surrender of Part has not been completed and consequently as the Green Land cannot be transferred to the Trust, the terms of consent to disposal by the Secretary of State cannot be complied with, the Red Land cannot be transferred and the scheme cannot be built out.'*



Department  
for Education

Department for Education  
Sanctuary Buildings  
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London SW1P 3BT

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schoolsassets.EFACAPITAL@education.gov.uk

Dame Rachel De Souza  
Accounting Officer and CEO  
Inspiration Trust  
Cromer Academy  
Norwich Road  
Cromer  
Norfolk  
NR27 0EX

13 December 2018  
Case Reference: LT-1991

Sent by email only

Dear Dame De Souza

**Inspiration Trust (the “trust”)**

**Application to exchange land with North Norfolk District Council comprising land at Cromer Academy Norwich Road Norfolk NR27 0EX and land at Cromer Lawn Tennis and Squash Club Norwich Road Norfolk NR27 0EX**

Thank you for your application made under Schedule 1 of the Academies Act 2010, the trust’s funding agreement and the Academies Financial Handbook.

This letter confirms that the Secretary of State has given consent to the exchange of land between the trust and North Norfolk District Council. This will mean a disposal by the trust of the land hatched in red on the plan at Annex 1 (red land) and the acquisition by the trust of the land hatched in green on the same plan (green land).

The trust is reminded to apply to the Land Registry to:

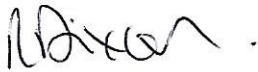
- register the transfer of the green land to it; and

- enter a restriction in favour of the Secretary of State for Education in the Proprietorship Register.

I would remind you that the trust remains responsible for the safety and welfare of the pupils at the school notwithstanding this consent and for any safeguarding issues arising from the land exchange and works to be carried out on the school site.

This decision was based on the information provided by or on behalf of the trust. Please note that this consent does not provide or imply any additional funding.

Yours sincerely,



PP

**Antony Avogadri**  
**Regional Lead, Real Estate Team (Legal)**  
**Capital Directorate – Operations Group**

CC Emma Webster – Stone King solicitors  
([EmmaWebster@stoneking.co.uk](mailto:EmmaWebster@stoneking.co.uk))  
Richard Cole – Head of Estates at Inspiration Trust  
([richardcole@inspirationtrust.org](mailto:richardcole@inspirationtrust.org))  
Rebeckah Dixon - Legal and Transactions ([Rebeckah.Dixon@education.gov.uk](mailto:Rebeckah.Dixon@education.gov.uk))

#### Annex 1





## GOVERNANCE, RISK & AUDIT COMMITTEE ON 8<sup>th</sup> DECEMBER 2020 – OUTCOMES & ACTIONS LIST

Minute No.	Agenda item and action	Action By
50	<b>CIVIL CONTINGENCIES REPORT</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">To note the report.</p>	GRAC
51	<b>PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 19TH SEPTEMBER 2020 TO 25TH NOVEMBER 2020</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">To note the report.</p>	GRAC
52	<b>FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 31 MARCH 2020 TO 25 NOVEMBER 2020</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">1. To note the report.</p> <p style="text-align: center;">2. Assistant Directors be called-in to the Governance, Risk and Audit Committee to explain the reasons for delays on outstanding audit recommendations of two years or more.</p>	GRAC CLT – June 2021
53	<b>NEW PROJECT GOVERNANCE AND MANAGEMENT FRAMEWORK</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">To review and comment on the proposals.</p>	GRAC
54	<b>CORPORATE RISK REGISTER</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">To review and note the Corporate Risk Register.</p>	GRAC
56	<b>GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME</b>	
	<p><b>RESOLVED</b></p> <p style="text-align: center;">To add a review of the Council's asset register to the Committee's Work Programme.</p>	Assets Manager – June 2021

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## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2020/2021

Date/Meeting	Item	Lead Officer	Additional Comments	Cycle
<b>16<sup>th</sup> June 2020</b>				
	Progress report on Internal Audit Activity	Internal Auditors – Faye Haywood	Not for discussion	Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Faye Haywood	Not for discussion	Six Monthly
	Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Faye Haywood		Annual
	Risk Management Policy/Framework & corporate risk registers	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register in relation to Covid-19	Quarterly
<b>4<sup>th</sup> August 2020</b>				
	Monitoring Officer's Report	Monitoring Officer – Emma Duncan		Annual
	Revised Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	NNDC Counter Fraud, Corruption and Bribery Strategy	Internal Auditors – Faye Haywood	Due for review	3 year cycle
	Egmere Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Sheringham Leisure Centre Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Confidential Investigation – Follow-up Report	Head of IT & Digital Transformation – Sean Kelly		
<b>29<sup>th</sup> Sept 2020</b>				
	Draft Statement of Accounts	Chief Technical Accountant – Lucy Hume		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Audit Results Report	External Auditors - EY	2018/19 - Delayed	Annual
	Letter of Representation	Head of Finance & Asset Management – Duncan Ellis		Annual
	Annual Governance Statement 2019/20 & Local Code of Corporate Governance	Head of Finance & Asset Management – Duncan Ellis		Annual
	Sign-off Annual Accounts	Chief Technical Accountant – Lucy Hume	2018/2019 - Delayed	Annual

## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2020/2021

8 <sup>th</sup> Dec 2020				
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly <b>TBC</b>
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To include update on historical recommendations	Six Monthly
<b>2021</b>	Anti-money laundering policy	Internal Auditors – Faye Haywood		<b>3 years – Due 2021</b>
	Civil Contingencies Update	Resilience Manager – Alison Sayer		Annual
	New Project Governance & Management Framework	Chief Executive – Steve Blatch	<b>Requested by Committee</b>	

9 <sup>th</sup> March 2021				
	EY External Audit Plan (with overview) Annual Grant Certification Report	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Faye Haywood		Annual
	Strategic and Annual Audit Plans – <b>Verbal Update</b>	Internal Auditors – Faye Haywood	<b>Full report to June meeting</b>	Annual
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Risk Management Framework	Head of Finance & Asset Management – Duncan Ellis	To review the Council's risk management framework	Bi-annual <b>(2022)</b>
	EY Annual Audit Letter	External Auditors - EY		Annual
	Final Statement of Accounts	Lucy Hume – Chief Technical Accountant		Annual <b>TBC</b>

<b>To be Confirmed/Arranged</b>				
	Whistle Blowing Policy			<b>June 2021</b>
	Cromer Tennis Hub Audit Report			<b>TBC</b>
	Review of Council's Asset Register	To review the number and value of Council assets		<b>June 2021 TBC</b>
<b>2020</b>	EY External Audit Plan (w/ overview) Annual Grant Certification Report	External Auditors - EY		Annual
<b>2020</b>	GRAC Annual Report	Committee Officer – Matt Stembrowicz		Annual <b>TBC</b>



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