

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 15 June 2021 at the Council Chamber - Council Offices at 2.00 pm

Committee

Members Present:

Mr J Rest (Chairman)
Mr C Cushing
Mr P Fisher

Mr S Penfold (Vice-Chairman)
Mr H Blathwayt

Other Members in attendance:

Ms V Gay (Observer)
Ms L Withington (Observer)

Mr E Seward (Observer)

1 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr P Butikofer.

2 SUBSTITUTES

Cllr P Heinrich substituted for Cllr P Butikofer.

3 PUBLIC QUESTIONS

None received.

4 ITEMS OF URGENT BUSINESS

None received.

5 DECLARATIONS OF INTEREST

None declared.

6 MINUTES

The Minutes from the meetings held on 9th and 25th March 2021 were agreed as a correct record and signed by the Chairman, subject to the following amendment:

Location of the meeting held on 9th March 2021 to be changed to a 'remote meeting'.

7 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 26 FEBRUARY 2021 TO 7 JUNE 2021

The IAM introduced the report and informed Members it covered reports finalised up to 7th June 2021. It was noted that 145 days of programmed work had been delivered and whilst one report on remote access had been in draft, it was now finalised with no changes made. The IAM referred to the position statement on Coronavirus Response and Recovery, and noted that there were a number of suggested points raised, of which a number were still in progress. On the performance of the contractor TIAA, it was noted that there had been difficulties finalising reports, due to the unprecedented circumstances caused by the Pandemic.

It was noted that there had been lessons learnt on securing the engagement required to complete scheduled audit work. The IAM referred to appendix 1 which outlined the final plan of all scheduled work, its current status, and the recommendations and assurance levels given. She added that appendix 2 provided the individual audit's executive summaries. The private sector housing disabled facilities grant arrangements on page 35 were noted, due to two recommendations which were believed to present good risk management, that had not been taken forward. The IAM noted that the first important recommendation related to performance management of the DFG process, as there was not a target in place that would facilitate better performance monitoring. The second 'needs attention' recommendation suggested quarterly rather than annual reconciliations, to ensure that any errors were spotted prior to the year end.

Questions and Discussion

- i. The Chairman noted that appendix 3 would be discussed towards the end of the meeting, to account for any potential requirement to move into private business.
- ii. The CE noted that he was not fully aware of the details of the DFG recommendations, but would be happy to discuss these with the IAM and report back to the Committee, if required.
- iii. Cllr S Penfold referred to the process of internal audit recommendations, and asked whether there was there a process in place for resolving recommendations that had not been accepted. The IAM replied that audit recommendations were not enforceable, which meant that the Committee held ultimate responsibility for ensuring good governance and risk management, and could therefore request that further consideration be given, if necessary.
- iv. Cllr C Cushing referred to page 32 on key controls and assurance arrangements, and stated that whilst a reasonable assurance grading had been given, what actions would be required to return these controls and arrangements to a substantial grading. The IAM replied that these had been significantly impacted by Covid-19, and it was expected that the key controls and assurance arrangements would likely return to a substantial assurance grading in the future. She added that the reasonable assurance grading given was still positive, with four suggested actions accepted by management. Cllr C Cushing stated that in his opinion, key financial controls should maintain a substantial assurance grading at all times, and asked Cllr E Seward whether he agreed. Cllr E Seward agreed that these areas should maintain substantial assurance gradings, and where this was not the case, it should be brought to his attention as the relevant Portfolio Holder to pursue remedial action.
- v. The Chairman noted that outstanding recommendations of two years or more would be subject to explanation by officers. The CTA referred to engagement with Portfolio Holders on audit recommendations, and stated that whilst the current system required improvements, it was hoped that the recommendations would soon be available for review on InPhase, that would enable easier access to this information.
- vi. Cllr C Cushing asked whether additional responsibility could be given to Directors and Assistant Directors to implement audit recommendations to

improve accountability. The IAM replied that this process was followed at other authorities with regular discussions held on audit recommendations by senior management. She added that on previous occasions outstanding audit recommendations had been provided to CLT, which had resulted in significant progress. The CE replied that he was in full agreement with the suggestion, and noted that the management restructure sought to improve accountability.

- vii. Cllr P Heinrich referred to page 41 on IT process recommendations, and asked for an update on the progress. It was noted that whilst information could be sought on progress, the recommendations remained within their deadlines for implementation, and it was expected that this information would be provided in a future follow-up report.

Discussion of Appendix 3 NN2113 CSO Exemptions Position Statement took place at the end of the meeting. Discussion is included at this point for continuity of the minutes:

- viii. The IAM introduced the appendix and informed Members that the work had been undertaken at the request of the Constitution Working Party (CWP) and GRAC. It was noted that one of the findings was considered commercially sensitive, and would require the meeting to be moved into private business if Members sought to discuss the matter in detail. The IAM stated that the Committee should consider the suggested actions, improvements and findings from the review to determine whether they were satisfied that the recommendations would provide clearer guidance and transparency throughout the exemption process. She added that it had also been recommended that a single officer take responsibility for overseeing the process to ensure continuity and accountability.

Questions and Discussion

- ix. Cllr C Cushing asked how the auditors could justify a reasonable assurance grading, given the high number of recommendations. The IAM replied that an assurance grading had not been provided as part of the position statement at this stage. She added that once the recommendations had been implemented, the area would be reviewed again, at which point an assurance grading could be given. Cllr C Cushing noted that the deadline for the completion of audit recommendations extended beyond a year, and suggested that he would be more comfortable with tighter completion deadlines. He added that he would also appreciate an update on the implementation of recommendations at the September meeting. The IAM replied that there was now an additional Follow-up report planned for the September meeting, and suggested that whilst position statements weren't routinely followed-up, it would be beneficial in this case to monitor implementation of the recommendations. The DFR stated that he would be happy to take responsibility for the recommendations and provide an update at the September meeting.
- x. Cllr P Heinrich noted that there were four exemptions granted in 2021, and eleven the previous year, and asked whether this was a reasonable number for an authority of this size. The IAM replied that she would have to review similar authorities and provide a response after the meeting. Cllr P Heinrich noted that there were actions with suggested deadlines in April and May 2021, and asked whether these had been implemented. The IAM replied that

these actions were overdue, and it would be fair to request an update if further information wasn't provided by officers. The DFR stated that a number of the actions were in progress, and the exemptions sign-off process was under review with a report being prepared for the CWP, in order to make the necessary changes to the constitution. In reference to Cllr Cushing's comments, the DFR added that whilst some deadlines did go as far as December, the Council only had one procurement officer, and workload had to be taken into consideration. It was noted that there were also plans to increase the frequency of reporting on exemption certificates going forward.

- xi. The Chairman referred to the comment that the Council only had one procurement officer, and asked whether this was adequate. The DFR replied that this was a challenge for small authorities, as procurement demand varied throughout the year. He added that consideration was being given to developing a procurement consortium to cover several Norfolk authorities, though this was yet to be agreed. It was noted that frameworks could also be used to help facilitate the procurement process, and whilst it would be helpful to have more resource, the Council had to operate within its budgetary constraints. In response to a further question from the Chairman, it was confirmed that the Procurement Officer did not have an additional role, though they did provide procurement advice for the whole authority. The Chairman suggested that there might be a need for additional resource, though this would be for officers to determine.
- xii. Cllr C Cushing referred to the audit recommendations, and stated that the Committee should insist that deadlines are adhered to. He added that it would be helpful for the Committee to see a flowchart outlining the exemption process. The IAM agreed and stated that with recommendations in place to improve the process, she would be happy to arrange for an exemptions process flowchart to be brought to the September meeting.
- xiii. The Chairman referred to comments in the report which suggested that five exemption forms had not been signed by the S151 Officer, and asked whether this would make the transactions unlawful. The DFR replied that the process required approval from a number of officers, and an email trail was always available to show that exemptions had been approved. He added that during Covid-19, it had been difficult to have all signatures on a single form, though the exemptions had still been approved by the necessary officers. It was noted that one of the recommendations would seek to simplify this process, and that the DFR's signature was only required for historical reasons. The DFR stated that the original process was introduced to reduce the number of reports going to Cabinet, though the Pandemic had highlighted the need for improvements. The Chairman sought clarification that procurement had gone ahead without signed forms. The DFR replied that in some cases procurement may have stopped, but in the cases where procurement exemptions had been approved, there would be emails available to confirm the agreement and approval of the exemptions.
- xiv. Cllr P Heinrich raised concerns that approval was taking place by email, and suggested that the Council should consider using electronic signatures to sign exemption certificates.
- xv. Cllr H Blathwayt asked the IAM whether the current procurement process was unwieldy when compared with similar authorities. The IAM replied that exemptions were used at most, if not all Councils she worked with, and the

key requirement of the process was to ensure that clear reasons were given for the exemption. She added that the recommendations sought to improve the current process. Cllr H Blathwayt sought clarification on whether there was a need for as many signatures, as was currently required. The IAM confirmed that the recommendations sought to streamline the process, whilst also improving its transparency and clarity.

- xvi. Cllr V Gay noted that the number of exemptions had recently reduced, and asked whether the paper expected at the CWP would be ready for the June meeting. It was confirmed that the paper would be prepared in time for the CWP meeting on 28th June.
- xvii. Cllr E Seward stated as the relevant Portfolio Holder for several recommendations, that he was fully supportive and hoped to see them implemented as soon as possible. He added that the Constitution was clear on who was required to sign-off exemption forms, though he was concerned that this was not being adhered to in all cases. Cllr E Seward asked whether actions had been taken to improve the process already, or whether the old process was still being used. The DFR replied that the new sign-off procedure was yet to be implemented, as it required approval before the necessary changes could be made to the Constitution. He added that final approval could be expected at the July Full Council meeting.
- xviii. Cllr C Cushing asked that GRAC Members be copied into the CWP agenda to allow the opportunity to review the proposed changes in full.

RESOLVED

To note the outcomes of the audits completed between 26th February 2021 to 7th June 2021.

ACTIONS

- 1. DFR to provide an update on the implementation of the procurement exemption audit recommendations at the September GRAC meeting.**
- 2. A flow-chart of the exemption certificate sign-off procedure to be prepared for the September GRAC meeting.**
- 3. CWP Agenda to be shared with GRAC Members to provide an opportunity to review the proposed changes in advance of approval.**

8 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 NOVEMBER 2020 TO 31 MARCH 2021

The IAM introduced the report and informed Members that it included the number of outstanding audit recommendations for each audit year. She added that there were thirty outstanding recommendations, and whilst a number were low priority, it remained important that these were completed as soon as possible. The IAM noted that existing suggestions to create greater accountability and input the recommendations into InPhase were a positive step that should help to facilitate implementation of the recommendations. It was noted that all outstanding recommendations were listed in appendix 1 on page 58, and those that were greyed-out had since been completed with evidence provided. From page 59 the outstanding recommendations were listed on a yearly basis with details including the

officer responsible, due dates, revised due dates and latest responses. The IAM suggested that given the number of outstanding recommendations, it could be beneficial to increase the frequency of follow-up reports to quarterly until the backlog was resolved.

Questions and Discussion

- i. The Chairman referred to outstanding section 106 agreements and asked whether this was normal, or whether there had been delays in the process. The IAM replied that it was specific recommendations that had caused delays, and whilst good progress had been made, there was still work to do.
- ii. Cllr E Seward stated that as a North Walsham Member he had been alerted that there was section 106 money available for the town that remained unspent dating back to 2010, though this was now beginning to be used. He added that whilst there had been resourcing issues in Planning that had delayed some section 106 agreements, these issues had now been resolved. It was noted that North Walsham Town Council had also developed their own system to monitor agreements. Cllr E Seward stated that proposing projects for section 106 funding was often more complicated than expected, and suggested that the sooner an IT monitoring system could be implemented, the better.
- iii. The Chairman asked whether the Council maintained a section 106 register, and it was confirmed that this was held on a spreadsheet that was adequate for information purposes, but could be improved upon. It was confirmed that the list was substantial and contained links to the details of agreements with planning reference numbers. It was noted that local Members didn't have personal access to the list without making a request via officers. The CE noted that the recommendation to implement an automated monitoring system was a longstanding action that came as a separate module of the Uniform planning system. He added that section 106 agreements were often related to complex developments with specific requirements that could take months or years to fulfill. It was noted that the weakness of the current system was the risk of loss around the maintenance of the monitoring spreadsheet, as well as there not being any automated flagging system to alert officers to trigger payments on outstanding agreements. The CE stated that the five recommendations provided should help to develop a more robust system to address the issues raised.
- iv. Cllr C Cushing asked whether there was a risk that some section 106 payments may have been missed in the past. The IAM replied that this risk had been reviewed as part of the audit, and noted that the recommendations included measures to ensure that important dates for existing section 106 agreements were not missed. She added that until an automated system was in place, some risk remained. Cllr V Gay noted that she had previously been contacted by outgoing Councillors to ensure that section 106 agreements were not forgotten, and suggested that in many cases, agreements were upheld by the lobbying efforts of the ward Member. Cllr C Cushing asked whether there was any process available to review historic agreements, to ensure that nothing had been missed. The IAM replied that there would be cross-checking undertaken by the Planning Department when adding items to the section 106 register, and noted that historical checks had been made when the register was established.

- v. The Chairman asked whether there was a delay to the implementation of the Uniform system. The CE replied that the system had gone live, but the section 106 monitoring was a further module yet to be activated. He added that he would check with the relevant officer to confirm when the automated system would be activated. Cllr L Withington stated that as a Town Councillor she had not been aware of section 106 agreements, and asked whether access could be built in for Town Councils.
- vi. It was proposed by Cllr J Rest and seconded by Cllr H Blathwayt to increase the frequency of Internal Audit Follow-up report to quarterly, to help resolve the backlog of outstanding audit recommendations.

RESOLVED

1. **It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.**
2. **To request that the frequency of Internal Audit Follow-up reports be increased to quarterly to help resolve the backlog of outstanding audit recommendations.**

ACTIONS

CE to provide a response on when the Section 106 Monitoring module of the Uniform system will be activated.

9 ANNUAL REPORT AND OPINION 2020/21

The IAM introduced the report and stated that the overall opinion provided on page 71 was reasonable, which was a positive assurance grading. She added that there were three substantial assurance gradings provided for accounts payable, Council tax and NNDR, and Payroll/HR. It was noted that work had also been completed on the Council's response to the Covid-19 pandemic, remote access, contract standing order exemptions and procurement/contract management. The IAM stated that throughout the audits, there had not been any findings to suggest that Covid-19 had detrimentally impacted the Council's ability to deliver core services. It was noted that the audits did not provide assurances of the business grants administered by the Council, as this would be covered in the year ahead. The IAM referred to the Cromer Tennis Hub audit, and stated that whilst no assurance grading had been given, good progress had been made on implementing the recommendations. This included implementing a new project management framework, improvements to governance arrangements and adding project risks to InPhase. The IAM referred to issues that had been recommended for inclusion in the Annual Governance Statement (AGS), and noted that until the Tennis Hub audit recommendations were verified as complete, they should remain part of the AGS. She added that section 5 of the report covered Internal Audit's own performance, with a self-assessment completed against the public sector internal audit standards, and an external assessment due in 2022. On contractor performance, it was noted that Covid-19 had impacted the completion of audits, though this was to be expected as a result of reprioritisation and resourcing issues. The IAM stated that she was due to meet with the contractor to discuss these issues, and performance would be expected to improve in the current year. It was noted that appendix 1 covered all work completed, whilst appendix 2 provided details on the assurance gradings over a number of years.

Questions and Discussion

- i. Cllr C Cushing referred to areas that hadn't recently been audited on page 82, and asked whether these would be scheduled in the year ahead. The IAM replied that the Strategic and Internal Audit Plan was the next item on the agenda, and would cover all planned work. Cllr C Cushing noted that cyber security was a particular concern, and it was confirmed that this would be covered.

RESOLVED

- 1. Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
- 2. Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2021.**
- 3. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2020/21.**
- 4. Note the conclusions of the Review of the Effectiveness of Internal Audit.**

10 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2021/22

The IAM introduced the report and informed Members that the strategic plan covered the next three years, taking into account the business plan, the strategic risk register, areas deferred from last year's plan due to Covid-19, and any potential key risks. She added that whilst the annual plan was usually provided in March, delays caused by Covid-19 meant that it was more prudent to present the plan once the previous year was complete. It was noted that Internal Audit Charter on page 69 was presented bi-annually, to explain Internal Audit's authority and function. It was reported that the internal audit strategy was explained how the audit work would be undertaken. The IAM stated that the annual internal audit plan covered the year ahead, with 170 days and 16 internal audit reviews planned, two of which related to IT processes. She added that cross-cutting reviews such as business strategy and performance management, counter fraud and corruption, Covid relief grants, and the annual governance statement would be a consortium-wide review.

Questions and Discussion

- i. Cllr L Withington referred to the performance management audit on page 103, and asked whether InPhase would be covered in future audits. The IAM replied that she would expect this to be part of the audit, and was aware of the improvements it had made. She added that it would be in addition to a wider review of the corporate planning process, to ensure that targets and aims had changed in response to the Pandemic.
- ii. The recommendations were proposed by Cllr S Penfold and seconded by Cllr H Blathwayt.

RESOLVED

To notes and approve:

- a) the Internal Audit Charter
- b) the Internal Audit Strategy
- c) the Strategic Internal Audit Plans 2021/22 to 2024/25;
- d) the Annual Internal Audit Plan 2021/22.

11 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DSGOS informed Members that there were no outstanding actions from the two meetings held in March. He added that Cabinet discussions had taken place regarding the recommendation to review the new project governance framework, in order to ensure that it was robust enough to address the concerns raised by the Committee. Cllr V Gay confirmed that the recommendation was being progressed with the addition of guidance for declarations of interest on all agendas, and the approval of a new Code of Conduct to further strengthen governance around interests.

RESOLVED

To note the update.

12 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

- i. The DSGOS informed Members that the Whistle Blowing Policy was expected to come to the July meeting, in addition to the External Audit Plan.
- ii. The CTA stated that the draft statement of accounts was expected to come to the September meeting, as a result of delays caused by Covid-19 and the increased workload relating to Covid Support Grants. She added that the external audit of the 2019/20 accounts was expected to be delivered by the year end, and the audit results report would therefore be delayed until March 2022. It was noted that there were no dates confirmed for the 2020/21 external audit, though it was EY's intention that this would be completed soon after the 2019/20 audit, in order to be on-track for 2021/22. The CTA noted that external audit still had resourcing issues that would continue to cause delays for the foreseeable future.
- iii. The Chairman asked whether officers were comfortable that the Council had the resource required to complete audit work and deliver the draft statement of accounts in September. The CTA replied that she was confident that the September date would be achieved, though it would present a challenge. She added that once the outcome of the Redmond Review was known, potential changes to requirements could impact audit resourcing both internally and externally, but it was unlikely to impact the current year's audit. The CE stated that throughout Covid-19, internal audit contractors had been furloughed which had caused delays. In reference to the Redmond Review, it was noted that concerns regarding external audit resourcing had been raised in nationally in a municipal journal, and external auditors had responded publicly to the concerns.
- iv. Cllr L Withington referred to comments made at a recent conference and

confirmed that external audit delays were a national issue that had impacted Councils across the Country.

RESOLVED

To note the Work Programme.

13 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 3.47 pm.

Chairman