

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 28 September 2021 at the Council Chamber - Council Offices at 12.30 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr C Cushing
Mr P Fisher	Mr P Heinrich
Ms L Withington	

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

Mr E Seward (Observer)  
Mr A Brown (Observer)

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

Democratic Services and Governance Officer - Scrutiny (DSGOS), Head of Internal Audit (HIA), Chief Technical Accountant (CTA), Director for Resources/Section 151 Officer (DFR), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO) and Director for Communities (DFC)

### **14 TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies were received from Cllr H Blathwayt, Cllr S Penfold and Cllr P Bütikofer.

### **15 SUBSTITUTES**

Cllr P Heinrich and Cllr L Withington.

### **16 PUBLIC QUESTIONS**

None received.

### **17 ITEMS OF URGENT BUSINESS**

None received.

### **18 DECLARATIONS OF INTEREST**

None declared.

### **19 MINUTES**

Minutes of the meeting held on 15<sup>th</sup> June 2021 were approved as a correct record and signed by the Chairman.

### **20 DRAFT STATEMENT OF ACCOUNTS 2020/21**

The CTA introduced the reports and informed Members that the draft 2021 accounts had been published on the Council's website in advance of the statutory deadline of

31<sup>st</sup> July. Whilst some changes to the accounts had been expected following the adoption of international accounting standards regarding leases, it was noted that the Pandemic has caused CIPFA to delay implementation of these changes. The CTA referred to a further change highlighted in note 41, relating to material unusual items of income and expense as a result of the Pandemic, such as collection fund movements and business grant funds. It was reported that a date had not been set for the audit of the accounts, though audit of the 19/20 accounts was expected to begin in December, with the 20/21 accounts to follow.

#### Questions and Discussion

- i. Cllr C Cushing referred the significant increase in funds held due to Government grants and asked whether any of this funding had to be repaid, or whether it had now been paid out. The CTA replied that as the accounts were prepared in July, there were still grants to be paid at the time, and most of these funds had now been spent, leaving little to return to Central Government. She added that some ringfenced funds also remained from NCC, which the Council would be obliged to return, if unspent. It was stated that Central Government had estimated the amount authorities were expected to pay out in business grants, and had put in place a reconciliation process to recover any unspent funds.

#### **RESOLVED**

**To note the draft Statement of Accounts.**

### **21 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2020/21**

The DFC introduced the report and informed Members that the Annual Governance Statement was a statutory requirement that outlined the governance structure in place to support the accounting process and the control environment within which the accounts were prepared. He added that all statutory officers and senior managers had contributed to its development, with an improvement plan provided by the HIA to ensure processes and governance structures remained up to date and secure. The DFC informed Members that the Local Code of Corporate Governance was a best practice report recommended by CIPFA, which outlined the Council's control environment and explained how it interlinked with policies and procedures to support the Council's governance arrangements.

#### Questions and Discussion

- i. The Chairman referred to target dates outlined on p196, and asked whether officers were comfortable these would be achieved, and how much flexibility had been allowed. The DFC replied that the first target relating to procurement had already been agreed by Council with Team Planning due to be completed by the end of October. He added that the Whistleblowing Policy was included on the Committee's agenda and EAC improvements had been approved by Council at the last meeting. He added that any remaining deadlines in December and the new year should be achievable.
- ii. The recommendation was proposed by Cllr P Heinrich and seconded by Cllr C Cushing.

#### **RESOLVED**

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

**22 LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW LETTER 2021**

The DFC introduced the report and informed Members it was included to raise awareness of the review that the Local Government Ombudsman carries out in relation to Council complaints. It was reported that if the Council was not able to satisfy a complainant, then they would be entitled to make a complaint with the Ombudsman for review, who would then rule either for or against the applicant. It was noted that no complaints had been upheld by the Ombudsman in the period covered by the report.

**RESOLVED**

**To receive and note the LGO Annual Review Letter.**

**23 DRAFT PROCUREMENT STRATEGY 2021-2025**

The DFC introduced the report and informed Members that the Procurement Strategy had been updated following the Pandemic, and would focus on strengthening the Council's environmental credentials, as well as seeking to provide wider social benefit through the Council procurement process. It was reported that updating the strategy had been recommended by Internal Audit, and Committee approval would fall within the required deadline.

Questions and Discussion

- i. Cllr E Seward informed the Committee that pending any comments or concerns, the Strategy was due for approval at the next Cabinet meeting.
- ii. It was proposed by Cllr P Fisher and seconded by Cllr P Heinrich that the Procurement Strategy be recommended to Cabinet for approval.

**RESOLVED**

**To recommend the Draft Procurement Strategy to Cabinet for Approval.**

**24 CORPORATE RISK REGISTER**

The DFC introduced the report and informed Members that the new format had been produced using InPhase, which Members could view live if required. He added that one of the key risks facing the Council at present was procurement, due to increases in construction industry costs of approximately twenty percent. It was suggested that these increased costs and difficulties in sourcing materials would need to be taken into account when undertaking large projects.

Questions and Discussion

- i. The Chairman referred to rising prices in the construction industry, and asked at what point would officers need to seek further approval for increased costs. The DFC replied that this would depend on the specific contract, as in some cases the risk of price increases was shared between the Council and its contractors. In severe cases where increased costs had gone over the

agreed budget envelope, then officers would need to return to Members for approval. It was suggested that given that the level of price increases was known, these could be factored into budgets.

- ii. Cllr C Cushing referred to p284 on operational risks and noted that increased workload caused by Covid had increased risk. He then asked whether this had passed its peak, and whether the risk would reduce as a result. The DFC replied that whilst Covid had impacted the Council's available resource, demand was reducing, and fixed-term resource had been provided to ease pressure and support teams to reduce any potential risks. In response to a question from Cllr C Cushing, the DFC confirmed that the Council was close to being back to normal in terms of service delivery. He added that officers were now able to make progress on other important priorities such as the zero based budgeting exercise and team planning.

## **RESOLVED**

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

## **25 ASSET REGISTER REVIEW**

The CTA introduced the report and informed Members that a list of assets had been provided along with their current valuation, date of valuation, their use and designated class. She added that this could be cross-referenced with the statement of accounts to consider each asset's usefulness to the Council. She added that any suggestions on additional information would be welcome.

### Questions and Discussion

- i. The Chairman referred to p311 and suggested that it was comforting to see that community assets were identified for their value to local communities, and asked whether there was any protection in place for these assets. The CTA replied that there was no specific law to protect community assets, though any sale would be considered on a case by case basis, with any purchaser required to show how the community benefit would be maintained prior to sale.
- ii. Cllr L Withington sought clarification on whether community assets had been nominated as such, or designated by the Council. The CTA confirmed that community assets would have been designated by the Council, as it was required to do so for accounting purposes. Cllr L Withington noted that no indication of a community asset nomination had been provided, and suggested that this would be helpful information, as it may impact potential future use.
- iii. Cllr C Cushing asked how often each asset was reviewed to consider its value and usefulness to the Council. The CTA replied that this was done on an ad-hoc basis, though the Assets Team were reviewing this process. Cllr C Cushing noted that several assets were listed as having no value, and asked whether this was because they hadn't been valued. The CTA replied that this would depend on the type of asset, as often community assets were considered to have a very low monetary value. She added that it was the aim of the Council to review assets every five years, though community assets could be reviewed less frequently due to their limited economic value. It was noted that assets were also valued differently depending on their category or

use, with assets listed for sale at market value, whereas other land and buildings might be shown at existing use value, and investment properties shown at fair value. It was noted that the low value of community assets may therefore not be representative of a sale value, as the community value was considered to be of greater importance.

- iv. Cllr P Heinrich referred to the heading of surplus assets, which he suggested might apply to small patches of land, and asked whether any consideration had been given to disposing of these. The CTA replied that the definition of surplus assets was fairly specific, in that CIPFA would allow designation of assets as such when not being used for a specific service purpose. She added that this category often applied to small patches of land, and in some cases these had been sold or transferred to the assets held for sale category. It was suggested that these would need to be considered on a case by case basis for alternative use prior to sale.
- v. Cllr E Seward stated that it was helpful to see the Council's assets outlined in a single register, and noted that many of the surplus assets were areas such as verges that required maintenance. He added that small pockets of land were often transferred and sold, though this took time to complete. It was noted that most of these assets did not provide an income for the Council, and often cost the Council to maintain.
- vi. The Chairman asked whether it would be simple to cross-reference the assets with the accounts to determine the true value of the asset, including any income or expenditure. The CTA replied that this might not be simple in all cases, though the income from investment properties would be clearly listed within the accounts. She added that non-investment property income could be added to future reports if required.
- vii. Cllr A Brown referred to an asset for which the record of the lease was unknown, and suggested this could impact its valuation. He then asked whether the legal status of the Council's assets had been audited, and whether any restrictions or impacts on assets were up to date, to avoid any future embarrassment prior to sale. The CTA replied that the register provided was the audited list of assets, and added that whilst any lease information would be held by the Estates Team, all values provided took into account leases. She added that the values would also include any liabilities, such as maintenance costs or repairs required.
- viii. The Chairman referred to small areas of land and asked whether there were any ransom strips on the register. The DFC replied that the Estates Team would hold this information, and they would be shown on the register. He added that it would be for the Council to determine whether to sell or use these areas of land at the appropriate time, though these sales were often market driven.
- ix. Cllr E Seward suggested that if Members were aware of any assets that did not provide any particular benefit to the Council, then they could raise it to be considered for sale or transfer.

## **RESOLVED**

**To note the contents of the Report and Appendices.**

**26      PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 16 JUNE 2021 TO 20 SEPTEMBER 2021**

The HIA introduced the report and informed Members that it covered the progress made on the planned Internal Audit activity for 2021/22 that had been agreed in June. She added that thirty-five days of programmed work had now been completed, equating to twenty-one percent of the planned audit work. It was noted that there were no executive summaries to report, as the deadline for the quarter had not yet been reached.

**RESOLVED**

**To note the internal audit progress within the period covered by the report.**

**27      FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 16 JUNE 2021 TO 20 SEPTEMBER 2021**

The HIA introduced the report and informed Members that it provided details of all audit recommendations that had not been implemented and signed-off within the required timeframe. She added that appendix 1 provided the status and overall picture of outstanding recommendations, whilst appendix 2 related to important or urgent outstanding recommendations. It was noted that revised timeframes and a management explanation was provided for outstanding recommendations. The HIA stated that recommendations relating to the Project Management framework and Cromer Tennis Hub project represented a more significant risk to the Council, and it was difficult to close these recommendations down without evidence to show implementation of the recommendations in practice. It was suggested that a more pragmatic approach would be to review available documentation to determine whether the recommendations could be signed-off, rather than waiting for examples to be provided.

**Questions and Discussion**

- i. Cllr C Cushing referred to long outstanding recommendations on p45 and asked whether any update was available. The DFC referred to the outstanding recommendation NN1807 on updating the processes used within Environmental Health, and stated that implementation of a new system called RIAMS would provide access to a range of services and a library of procedures. He added that this would provide automatic updates to procedures to ensure that they remained up to date, as well as creating notifications of these changes. It was noted that team plans would need to be linked to the system to ensure that RIAMS provided a single point of information, which would allow the recommendation to be signed-off. The DFC referred to recommendation NN1914 on the publishing of licensing registers currently completed using Northgate Assure system. He added that this software provided the ability to publish licenses in real-time, though this aspect of the system did not link with the NNDC website or comply with existing connectivity that would impact the Council's accessibility rating. It was stated that officers sought to publish the license register as a PDF on the NNDC website in the coming weeks, that would effectively resolve the issue until a live register could be published via the Northgate system.
- ii. The Chairman asked whether the revised due dates would be achievable, to which the HIA confirmed that they were realistic.

- iii. Cllr C Cushing referred to the outstanding recommendation NN1803 relating to procedure notes on the land charges service. The DSGOS replied that the responsible officer had provided an update that the Team were in the process of producing procedure notes for the local land charge service, and whilst there were delays caused by resource limitations, it was hoped this would be complete by the year end.
- iv. The Chairman asked whether it would be possible to include names of the responsible officers on the follow-up report. The CBM replied that she would be working with officers to ensure that recommendations were implemented as soon as possible, and that the information provided was improved. The HIA added that she would need to confirm with officers whether they would be comfortable for their names to be included in the report.
- v. Cllr C Cushing asked how many projects were in progress at the Council in total, to which the HIA replied that she did not have this information, but would include it in future reports.
- vi. Cllr P Heinrich referred delayed due dates and asked officers what confidence they had that these would be achieved, particularly those due in December. The HIA replied that she was comforted by the level of support and focus being applied to each recommendation, and the InPhase system made following these up easier. She added that improved coordination between officers, Internal Audit and the CDU gave her confidence that the number of outstanding recommendations would be reduced by December.
- vii. Cllr L Withington referred to comments made on requiring evidence to ensure that recommendations had been implemented, and asked whether evidence of the project framework implementation would be sought when reviewing the Reef project. The HIA confirmed that she would seek evidence of the project management framework and other controls when reviewing the project.

## **RESOLVED**

**To note the management actions taken to date regarding the delivery of audit recommendations.**

## **28 UPDATED WHISTLEBLOWING POLICY**

The MO introduced the report and informed Members that the Policy was reviewed every three years, with minor changes made to the existing document. She added that similar policies were used nationally to ensure employees felt safe to raise concerns. The MO stated that whilst a Whistle Blowing Policy was not a statutory requirement, it was good practice to protect the public interest, as well as protect individuals that wished to raise concerns. It was reported that changes to the existing Policy included changes to Statutory Officers and the relevant officers for making disclosures. The MO noted that the HIA position had also changed since publication of the agenda, and Members were asked to approve the Policy taking this into account. Other changes included the way in which disclosures were handled by statutory officers, as convening a panel to consider the response was no longer required.

### Questions and Discussion

- i. The Chairman referred to p179 and noted that an incorrect contact number had been provided.
- ii. Cllr A Brown asked whether the provision to prevent untrue allegations being made would deter individuals from making disclosures, and potentially encourage them to make these disclosures to third parties rather than the correct responsible officer. The MO replied that the Policy made clear that any disclosure made in good faith, which had subsequently been found to be untrue, would not be a matter for disciplinary action. She added that a key purpose of the Policy was to encourage individuals to report matters of serious concern in a safe way, and third party disclosures could not be discouraged for this reason. Cllr A Brown asked what disciplinary action would be taken for anyone that had been found to have made a disclosure in bad faith. The MO replied that in this case the HR Department would follow its normal disciplinary procedures.
- iii. It was proposed by Cllr L Withington and seconded by Cllr P Heinrich that the Whistleblowing Policy be approved.

## **RESOLVED**

### **To approve the revised Whistleblowing Policy.**

## **29 MONITORING OFFICER ANNUAL REPORT 2020/2021**

The MO introduced the report and informed Members that whilst it was not a statutory requirement, various Council policies required that information contained within the report be reported to the Committee on an annual basis. She added that the report covered the period from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021, and noted that she had not been in post for the majority of this period, hence the information was taken from records.

### Questions and Discussion

- i. Cllr C Cushing referred to item F on p239, and noted that there were no breaches reported in 2020/21, though there had been in the previous year, and asked when and how the Council had been informed of the alleged protocol breach. The MO replied that she would provide a written response. Cllr C Cushing asked why this issue had not been included within the 2019/20 report, given that it had occurred within that period. The MO replied that it was her understanding that at the time of preparing the report, officers would not have been aware of the information. Cllr C Cushing asked whether this potential omission would make the 2019/20 report inaccurate, and whether any internal investigations relating to the protocol breach had been undertaken. The MO replied that the Council's processes had been followed, and no criminality had been found following a Police investigation. She added that auditors were yet to complete their report on the matter, and any learning opportunities would be addressed appropriately. It was confirmed in response to a question from Cllr C Cushing that no further investigations had taken place on the matter, and the Council's procedures had been followed. It was suggested that a written response could be provided to any further questions relating to the alleged protocol breach.



## **RESOLVED**

**To receive and note the Monitoring Officer's Annual Report 2020/21.**

### **30 GRAC ANNUAL REPORT 2019-2020 & 2020-2021**

The DSGOS introduced the report and informed Members that it summarised all work undertaken by the Committee throughout the 2019/20 and 2020/21 years, as a result of delays caused by the Pandemic. He added that points of interest included the delays with external audit, the revision of the internal audit plan, and outstanding audit recommendations that had been discussed at length. It was reported that despite delays, the Committee had met its obligations to maintain oversight for the Council, and once approved the report would go to Full Council for consideration by all Members.

#### Questions and Discussion

- i. The Chairman noted that remote meetings had significantly increased meeting attendance, and suggested it would be helpful to see a return to hybrid meetings in the future.
- ii. The recommendation was proposed by Cllr P Fisher and seconded by Cllr P Heinrich

## **RESOLVED**

**To recommended that Council notes the report, affirms the work of the Governance, Risk & Audit Committee, and considers any concerns raised within the report.**

### **31 PROCUREMENT EXEMPTIONS REGISTER 1ST APRIL 2021 - 31ST AUGUST 2021**

The MO introduced the report and informed Members that an audit recommendation had been made to provide a list of all procurement exemptions to the Committee on a quarterly basis to maintain better oversight.

#### Questions and Discussion

- i. Cllr C Cushing referred to the exemption listed in relation to the Council's insurance policy, and asked whether there were any other suppliers that had been considered. The MO replied that she did not have any further information beyond the written explanation provided, but would seek clarification from officers. Cllr C Cushing suggested that it would be helpful to know whether further comparison or research had been undertaken.
- ii. In response to a question from the Chairman, it was confirmed that the insurance premium had been subject to a five percent increase from the previous year.
- iii. Cllr P Heinrich sought assurances that a normal tendering process would be undertaken to award the insurance contract in the next calendar year. The MO replied that she would discuss the issue with the Finance Team and Procurement Officer to determine whether other options were available. She added that she had also asked the Procurement Officer to review contracts

well in-advance of their renewal date.

- iv. Cllr L Withington suggested that at Parish level, she was aware that insurance options were very limited.
- v. Cllr E Seward stated that it was evident that reviewing the procurement exemptions on a more regular basis would be helpful to raise issues and concerns.

**RESOLVED**

**To review and note the Procurement Exemptions Register.**

**32 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**

The DSGOS referred to the action list and noted that the Procurement Strategy had been reviewed by the Committee, in addition to a review of the procurement exemptions. He added that the CWP agenda had been shared with Members as requested. It was noted that a response had not yet been received on the S106 monitoring module of the Uniform planning system, though the Overview and Scrutiny Committee were also pursuing this issue for an update to be included in the planning performance review.

**RESOLVED**

**To note the update.**

**33 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**

- i. The DSGOS informed Members that External Audit delays could be expected to continue, with the audit plan for 2019/20 expected to be presented to the Committee in December, which was significantly behind schedule. He added that a Civil Contingencies update was also expected at the December meeting.
- ii. The HIA noted that the follow-up reports would also be coming to the Committee on a quarterly basis until the long outstanding recommendations were signed-off.
- iii. Cllr A Brown asked how and when the External Auditors were paid, to which the Chairman replied that this was paid in advance on an annual basis, and non-payment was not an option, despite the ongoing delays.

**RESOLVED**

**To note the Committee Work Programme.**

**34 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 2.18 pm.

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Chairman