

## REPORT TO GRAC – 30<sup>TH</sup> MARCH 2022

### MANAGEMENT RESPONSE TO ISSUES RAISED WITHIN THE VALUE FOR MONEY SECTION OF THE ANNUAL AUDIT RESULTS REPORT 2019/20

1. This response has been prepared by Steve Blatch, Chief Executive.
2. Ernst and Young, in presenting their Annual Audit Results Report for the 2019/20 financial year, provide commentary within the Value for Money section of the report on three issues arising during that year which require a management response by the authority – these issues being – Procurement of a Capability Review; Cash Loss from the Digital Mail Room and Weaknesses in Performance Reporting.
3. The District Council welcomes the commentary and supporting recommendations as to the corporate processes and governance arrangements operated during 2019/20. As a learning organisation, with an aim of continuous improvement, the Council would comment that the EY commentary refers to a specific period in time and that it believes that action has already been taken to address each of the matters raised as recommendations as detailed in the comments provided below.

#### Procurement of a Capability Review

Concerns raised related to the commissioning of a Capability Review by the incoming administration following the Full Council elections in May 2019 and the extent to which the Council's Financial Regulations were followed in the award of the contract for this work.

EY commented that the Council could issue a contract for such work and that the cost of circa £30,000 was not unreasonable in terms of value for money or public interest such that the commissioning of consultants to carry out such a review was not unlawful. However, EY concluded that the award of the contract did not follow the Council's internal control procedures and has therefore made a number of recommendations as detailed below requiring that these issues are addressed by the authority moving forward.

#### **Recommendations:-**

1. **That the Council should ensure that the recommendations made by Internal Audit with respect to procurement exemptions are completed within the agreed timeframe.**

#### **Response / Action taken:-**

In response to concerns raised around the procurement of the Capability Review which came to light during 2020, the Council's Constitution Working Party and Governance, Risk and Audit Committee (GRAC) commissioned a review of Contract Standing Orders and Procurement Exemptions (NN2113) for the 19/20 and 20/21 financial years through the Internal Audit Partnership. This review was carried out in March 2021 and resulted in a Position Statement being issued in May 2021.

This review of Procurement Exemptions had followed earlier scheduled reviews of Procurement (NN/20/12) with Reasonable assurance conducted in January 2020 and reported to GRAC in June 2020 and a Procurement and Contract Management Position

Statement undertaken in November 2020 and issued in February 2021 to assess the Council's ability to manage contracts in place during the pandemic and subsequent recovery. This latter review was undertaken across all councils within the Norfolk Audit Partnership.

The review of Contract Standing Orders and Procurement Exemptions (NN2113) was reported to GRAC at its meeting of 15<sup>th</sup> June 2021 and to the Constitution Working Party at a meeting of 28<sup>th</sup> June 2021, with decisions taken to significantly strengthen the control and reporting environment subsequently agreed by Full Council at its meeting of 21<sup>st</sup> July 2021 (Minute 73 refers).

Recommendations made included updating the Contract Standing Orders within the Constitution, reviewing the information to be provided on the Council's Procurement Exemption Forms, drafting a clear procedure note for the completion of Procurement Exemption Forms, reviewing the number of signatories and process of signing off exemptions, retention of Procurement Exemption Forms in a single central record held by the Procurement Officer, and regular reporting of exemptions in a timely manner through Cabinet and GRAC on a quarterly basis for transparency rather than at year end.

All of these recommendations have been implemented.

- 2. The Council should ensure that Procurement Exemption Forms are subject to robust review for adherence to Council policy.**

**Response / Action taken:-**

See comments made at Recommendation 1 above.

- 3. All Procurement Exemption Forms should be summarised and reported to the Governance, Risk and Audit Committee on a regular reporting cycle.**

**Response / Action taken:-**

Recommendation implemented with Procurement Exemptions being regularly reported to GRAC as a Standing Item on agendas of all scheduled meetings of GRAC – even where there is a Nil return.

This is in addition to year end reporting on all Procurement Exemptions granted through the Monitoring Officers Annual Report.

- 4. The Council should establish a standing Employment and Appeals Committee, which is in place at the commencement of each municipal year.**

**Response / Action taken:-**

This recommendation has been actioned.

A report outlining new Terms of Reference for the Employment and Appeals Committee was presented to and agreed by Full Council at its meeting of the 22<sup>nd</sup> September 2021 (Minute 94 refers). Whilst a Non Public Committee, in the interests of transparency the members of the Committee are detailed on the Council's website.

- 5. The membership of the Employment and Appeals Committee should be provided with appropriate training to allow them to fulfil their responsibilities in a timely manner.**

**Response / Action taken:-**

Following agreement of the revised Terms of Reference for the Employment and Appeals Committee at the meeting of Full Council held on 22<sup>nd</sup> September 2021, 15 members were appointed to the Committee, either as formal members or substitutes, and training delivered for the membership on 3<sup>rd</sup> November 2021.

**6. Any Employment and Appeals Committee meeting should be formally recorded and those minutes agreed as an accurate record of the meeting.**

**Response / Action taken:-**

Arrangements for the conduct of Employment and Appeals Committee meetings have been reviewed by the HR Manager and Democratic Services Manager such that there is a clear understanding of process, separation of roles between advice to the Committee and presentation of any management cases in respect of disciplinary and grievance matters, and that any meetings are appropriately minuted and any agreed actions / recommendations implemented.

**Cash Loss from the Digital Mail Room**

No recommendations made – summary of issue and confirmation that the impact of the weaknesses in arrangements were not deemed to be quantitatively significant and that the actions recommended through an Internal Audit report and investigation commissioned by management at the time have been implemented in full.

**Weaknesses in Performance Reporting**

Concerns raised that there were no performance reports presented to Cabinet in the 2019/20 financial year and that there were inadequate governance arrangements in place in relation to project management at that time.

**Recommendation:-**

**The Council should ensure that the recommendations made by Internal Audit are implemented within the agreed timeframe.**

**Response / Action taken:-**

Following the Full Council elections in May 2019 the incoming administration agreed a new Corporate Plan for the period 2019 - 2023, which was adopted by Full Council at its meeting of the 20<sup>th</sup> November 2019. Thereafter a detailed Delivery Plan, with specific actions and measurable outcomes, was developed and agreed by Cabinet at its meeting of the 3<sup>rd</sup> February 2020.

This meant that there was minimal performance reporting during the 2019/20 civic year. This issue has been addressed since April 2020 with quarterly performance reports being presented to Cabinet and the Overview and Scrutiny Committee and reports being presented to Cabinet in November 2020 and November 2021 proposing revisions to the Delivery Plan objectives to reflect corporate capacity having to be directed to the COVID response and recovery.

Notwithstanding reduced delivery against Delivery Plan priorities and objectives during 2020 due to COVID, good progress has been made with regards headline Corporate Plan objectives

during 2021. Progress made against Corporate Plan Delivery Plan objectives are also available at any time to members of the Council through them being able to access the Council's In-Phase performance management system. Members have also been supported through a workshop to access this information independently.

More recently, in the final quarter of 2021, members of the Overview and Scrutiny Committee asked for more comparative data to be provided comparing North Norfolk District Council's performance against other similar authorities, rather than performance reports reporting on progress against our own Corporate Plan objectives.

The quarterly performance management report presented to Cabinet and the Overview and Scrutiny Committee has therefore been amended to include details from the LG Inform reporting tool such that members can understand the Council's performance when benchmarked against similar authorities. It is therefore believed that the authority now has strong performance management tools and reporting systems in place such that the Council's performance can be measured and questioned by members through public reports.

Separate to regular performance reporting, the incoming administration raised concerns in the summer of 2019 about the robustness of the Council's project management, governance and reporting framework and commissioned an internal audit review of Project Management and Governance arrangements (NN20/01).

This made a number of recommendations with regards strengthening project governance and reporting for the authority to address moving forward. This report was undertaken in May/June 2019 and reported in August 2019 with actions being addressed through a restructuring of the Council's senior management structure during 2020. Progress in implementing the new procedures were delayed during 2020 due to the need to focus on the co-ordination of the Council's response to the COVID pandemic; however, revised project management and governance arrangements were proposed to GRAC at its meeting of the 8<sup>th</sup> December 2020 and to Cabinet at its meeting of 15<sup>th</sup> March 2021 for implementation from April 2021.

These arrangements have included the establishment of a Corporate Delivery Unit as an independent scrutineer function of project proposals, development of a new project management framework and critical path analysis to ensure projects dependent on external funding are fully funded, establishment of a Cabinet Working Party to receive regular progress reports on Major and Medium Sized Projects, and formal end of project evaluations. These arrangements have subsequently been the subject of a further Internal Audit Report in Quarter 1 2022 (reported to GRAC at its meeting of 8<sup>th</sup> March 2022) which has provided a Reasonable Assurance and notes the progress which has been made to address the recommendations made in the previous NN20/01 report.

It is therefore believed that the Council has taken the necessary steps to address the concerns raised with respect to weaknesses in performance reporting and project governance arrangements and can evidence the progress made.