

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 8 March 2022 at the Council Chamber - Council Offices at 10.00 am

Committee

Members Present:

Mr J Rest (Chairman)	Mr C Cushing
Mr H Blathwayt	Mr P Fisher
Mr P Heinrich	

Members also attending:

Mr A Brown (Observer)

Officers in Attendance:

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

51 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr P Butikofer.

52 SUBSTITUTES

Cllr P Heinrich.

53 PUBLIC QUESTIONS

The Chairman read out a statement on behalf of Cllr L Withington who was unable to attend the meeting, regarding comments made during discussion of the Cromer Tennis Hub audit report.

54 ITEMS OF URGENT BUSINESS

The Chairman noted that the Council received the EY Annual Audit Letter and Annual Audit Results Report for 2019/20 on Thursday 24th February 2022, which had left insufficient time to properly consider issues arising in the report and to prepare a management response. It was suggested that an additional meeting of the Governance, Risk and Audit Committee would provisionally take place on the morning of Wednesday 30th March to consider these items and sign off the 2019/20 Annual Accounts.

Questions and Discussion

In response to a question from Cllr S Penfold, it was noted that the meeting for the 30th March was provisional, but would be confirmed as soon as possible.

55 DECLARATIONS OF INTEREST

None declared.

56 MINUTES

Minutes of the meeting held on 7th December 2021 were approved as a correct record and signed by the Chairman.

The Chairman referred to a question raised in the minutes regarding the external audit procurement contract, and asked whether this had been clarified. It was noted that an answer was not available, though efforts were being made to ensure that this would not be an issue with any new contractual arrangements.

57 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 30 NOVEMBER 2021 TO 25 FEBRUARY 2022

The HIA introduced the report and informed Members that section 2.1 covered any significant changes made to the agreed audit plan, such as deferral of the Economic Growth audit. She added that section 3 covered progress made, with 124 days of work complete equating to 78% of the 2021/22 audit plan. It was noted that section 4.4 covered finalised audit reports including Accounts Receivable which had been given a substantial assurance grading, alongside Customer Services. The HIA reported that the Project Management Framework had been given a reasonable assurance grading, alongside the Annual Governance Statement, Covid-19 Business Grants and Environmental Health. She added that Accountancy Services had been given a substantial assurance grading, and noted that no limited or 'no assurance' gradings had been given. It was reported that 26 audit recommendations had been raised in total, and auditors were satisfied with progress made on implementation. The HIA referred to the assurance review of the Project Management Framework and noted that two new recommendations had been raised. She added that one important recommendation had been raised on the Annual Governance Statement to reference the self-assessment process and include it within the action plan. The outcome of the Covid business grants was reported as a positive result, taking into account the significant sum of grants paid. It was noted that the outstanding licensing register recommendation of the Environmental Health was in hand and would be covered during the follow-up report, alongside recommendations on license fee income reconciliation and food hygiene inspections.

Questions and Discussion

- i. Cllr C Cushing referred to longstanding audit recommendations with deadline deferrals and asked what steps could be taken to resolve these issues. The HIA replied that the follow-up report would provide greater details, including the number of times they had been deferred and the actions being taken to resolve them. She added that Internal Audit would not sign-off on recommendations until the Council was able to provide evidence that they had been implemented and were working effectively.
- ii. The Chairman referred to recovery and write-off of outstanding debts and asked whether it was debt owed to NNDC owed by NNDC to third parties. The HIA replied that the action referred to sundry debt or the collection of debts by NNDC.
- iii. The Chairman referred to a recommendation that required a record of officer

training, and asked whether this was covered as part of officers' annual appraisal process. The HIA replied that this recommendation sought to ensure that training plans were developed for officers that could be considered during that process. She added that the main issue was to ensure that records and progress were up to date.

- iv. The Chairman referred to the transition to a new environmental health system in progress since 2018 which had encountered numerous issues, and asked whether any assurances could be given that the work would be completed. The HIA replied that this was an ongoing issue, and was not able to provide more detail at the time.

RESOLVED

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

58 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 30 NOVEMBER 2021 TO 25 FEBRUARY 2022

The HIA introduced the report and noted that reviewing the follow-up on a quarterly basis sought to reduce the number of outstanding audit recommendations. She added that several had been completed in the period between 30th November 2021 to 25th February 2022, which showed an increased focus on resolving outstanding issues, though substantial work remained. It was noted that original due dates, revised dates and the number of deferrals were included on p55 for consideration. The HIA noted that efforts had been made to determine whether recommendations could be closed if the original risk had been resolved, though those included within the report still had issues outstanding.

Questions and Discussion

- i. It was noted that both the year-end and the efforts of the Committee had helped to expedite resolution of the recommendations.
- ii. Cllr S Penfold asked whether the number of outstanding recommendations was reasonable for the size and nature of the authority. The HIA replied that the number of outstanding recommendations was reasonably high and senior officers were therefore committed to resolving the urgent and important historical recommendations.
- iii. Cllr C Cushing noted that some actions were due for completion in late February and March and asked whether these were on track for completion. The HIA replied that due to the report deadline and the information provided at the time, a fresh update would be required to know whether the actions had now been completed.

RESOLVED

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

59 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2022/23

The HIA introduced the report and informed Members the Audit Plan had been produced in consultation with assistant directors to take into account various

projects, key risks and the strategic objectives of the Council in the year ahead. She added that it also took into account assurances given in previous years and any external risks that the Council may be exposed to, in order to create a plan that would provide the best coverage of key risks. It was noted that the Internal Audit Charter had been approved in the previous year, whilst the Internal Audit Strategy had been updated to reflect results of the procurement exercise, with a new contract ready to begin in April.

Questions and Discussion

- i. The Chairman asked whether the Plan would be flexible moving forward, with dates and tasks open to amendment as and when required. The HIA confirmed this and noted that quarterly progress reports would provide updates as the plan proceeded.
- ii. Cllr C Cushing asked whether there was any pattern to the way in which audits were completed, such as every two or three years for key controls. The HIA replied that a deep dive into financial controls was done every other year, though a portion of financial controls were covered annually under key controls and assurance. She added that other corporate audits such as procurement or matters such as health and safety would be reviewed once every three years, with the frequency of other items determined by risk. It was noted that some flexibility would also be maintained to ensure that any issues that arose throughout the year could be given adequate consideration.
- iii. The recommendations were proposed en bloc by Cllr P Fisher and seconded by Cllr S Penfold.

RESOLVED

That the Committee notes and approves:

a) The Internal Audit Strategy

b) The Strategic Internal Audit Plans 2022/23 to 2025/26; and

c) The Annual Internal Audit Plan 2022/23.

60 GOVERNANCE, RISK AND AUDIT COMMITTEE SELF-ASSESSMENT

The HIA introduced the item and informed Members that it was an opportunity for the Committee to review how it functioned and consider whether there were any issues that required improvement. She added that the action points from the previous year related to improving wider Members' understanding of the role and purpose of the Committee, and ensuring that the skills and knowledge of Committee Members was up to date.

Questions and Discussion

- i. The Chairman asked whether any Members felt that more training was required, or whether they were satisfied that they understood the content and had the necessary skills to undertake their role on the Committee. Cllr S Penfold stated that he was generally satisfied with the skills and knowledge of the Committee. Cllr C Cushing agreed and noted that he felt that GRAC was a key Committee of the Council and it was therefore important to ensure

that training was kept up to date.

- ii. It was confirmed that the self-assessment form was generic for all Councils and the Committee was a similar size to those of other authorities. The HIA added that she also undertook the self-assessment exercise with other Councils in the consortium, which provided useful comparisons for improving each Committee. The DSGOS noted that a report covering the work of the Committee was prepared for Full Council on an annual basis, and that the work that had gone into this report had significantly improved wider Members' understanding of the Committee.
- iii. The Chairman noted that there had been more online meetings in the past year due to Covid, and these meetings had been better attended as a result. He referred to the point on support provided to the Committee, which had been marked as partly complete in previous years and asked whether Members felt this had improved. Cllr S Penfold replied that the arrangements were in place for any training and briefings required, and suggested that this could be marked as complete.
- iv. The Chairman referred to a question on whether the Committee's knowledge, skills and abilities had been assessed, and it was suggested that a questionnaire could be circulated amongst Members to confirm this. He added that whilst the Committee was small, its Members had a good understanding of the issues discussed and good substitutes were available if required.

RESOLVED

Committee discussed the attached checklist at Appendix 1 and agreed which scoring criteria required amendment.

61 CORPORATE RISK REGISTER

The DFR introduced the report and informed Members that officers were keeping a close eye on the emerging situation in Ukraine, with the potential for fuel shortages that could effect the waste contract, whilst additional fuel reserves were being investigated. He added that approval of the 2022/23 budget was now complete, whilst procurement remained challenging amongst ongoing inflationary pressures. It was noted that Covid infections had remained relatively low compared to other areas, and subsequently staff absences had not been as high as predicted. The DFR stated that at a strategic level, the Council were reviewing the Government's Levelling Up white paper and awaiting further information on the Council's allocation from the shared prosperity fund. He added that the Net Zero Strategy had now been approved, and officers would be working to implement the action plan, whilst energy rebate payments would be made in April. It was noted that updates to the risk management framework and register itself would be prepared for the June meeting.

Questions and Discussion

- i. The CE stated that officers were receiving guidance on contingency planning as a result of the situation in Ukraine with reference to fuel supplies, price increases and an emerging refugee situation. He added that the Government's Levelling Up white paper had chosen Norfolk as one of nine areas invited to discuss a potential County deal, and this was being actively discussed by Leaders and Chief Executives across the County. It was noted

that the shared prosperity fund contained £400m for the whole Country, and it was therefore suggested that expectations should be managed on the level of funding made available to North Norfolk and the wider County, though full details were yet to be announced. The CE referred back to the situation in Ukraine and noted that the Council only had one contract with a Russian company via a consortium arrangement, and advice was being sought on the level of exposure and whether this could be curtailed.

- ii. Cllr P Heinrich referred to p101 and asked whether the Council was as secure as possible from cyber-attack, which would be an increasing risk under the current circumstances. The DFC replied that he had recently discussed the matter with the ADOR, and been informed that all necessary updates had been made in advance of the required deadline and that it remained a key priority.
- iii. Cllr H Blathwayt noted that EY had pulled out of all operations in Russia, and said that he hoped this would have a positive impact on their UK operations. He added that Bacton Gas Terminal was also a strategically important asset for the UK, and asked whether security had been increased. The CE replied that conversations were taking place with regards to energy security and the transition to net zero, and it was expected that the site would remain a strategically important asset in the immediate future.
- iv. Cllr S Penfold asked whether updates could be provided with more up to date information, noting that it appeared that some risks had not been updated since January for the March meeting, such as the Net Zero Strategy, which had now been approved. The DFC replied that the January dates supplied were slightly misleading, and efforts were made to ensure the report was as up to date as possible prior to publishing the agenda. He added that the report had been submitted just prior to Full Council's decision to approve the Net Zero Strategy, hence it was not listed as approved. The PPMO confirmed that data had been supplied in February, mostly within the second and third week to provide as much up to date information as possible.

RESOLVED

To review and note the Corporate Risk Register.

62 PROCUREMENT EXEMPTIONS REGISTER 12TH NOVEMBER 2021 TO 15TH FEBRUARY 2022

The MO informed Members that there were no procurement exemptions to report between 12th November 2021 to 15th February 2022.

RESOLVED

To note the procurement exemptions register.

63 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DSGOS referred to the Committee's recommendation to opt-in to joining the PSAA joint-procurement exercise, and noted that the decision had now been approved by Full Council.

RESOLVED

To note the update.

64 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The DSGOS informed Members that there was a provisional meeting due to take place on 30th March to review the EY Audit report and final statement of accounts, subject to completion, and this would be confirmed as soon as possible.

The meeting ended at 10.58 am.

Chairman