

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 14 June 2022 at the Council Chamber - Council Offices at 2.00 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr C Cushing	Mr H Blathwayt
Dr P Bütikofer	Ms L Withington

#### **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), Democratic Services Manager (DSM), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO) and Policy and Performance Management Officer (PPMO)

### **24 TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies were received from Cllr P Fisher.

### **25 SUBSTITUTES**

Cllr L Withington for Cllr P Fisher.

### **26 PUBLIC QUESTIONS**

None received.

### **27 ITEMS OF URGENT BUSINESS**

None received.

### **28 DECLARATIONS OF INTEREST**

None declared.

### **29 MINUTES**

Minutes of the meeting held on 8<sup>th</sup> March 2022 were approved as a correct record and signed by the Chairman, subject to amendment to show Cllr S Penfold as present at the meeting.

Minutes of the meeting held on 26<sup>th</sup> April 2022 were approved as a correct record and signed by the Chairman.

### **30 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 26 FEBRUARY 2022 TO 6 JUNE 2022**

The IAM introduced the report and informed Members that 150 days of programmed work had been completed. She added that one audit report was still in draft, though there was no reason to expect that the assurance gradings or recommendations would change following response from management. It was noted that appendix 1 provided an overview of all assurance gradings, with executive summaries provided in appendix 2. The IAM stated that the one limited assurance grading had been given across the Consortium and related to the Counter-fraud and Corruption audit, which had been undertaken as a result of new guidance issued.

### Questions and Discussion

- i. Cllr C Cushing asked for clarification of the precise risks that the Committee and Council should focus on addressing. The IAM replied that this would apply to the wider framework for Counter-fraud and Corruption, covering all types of risk to consider whether the necessary policies were in place and training was adequate. She added that the audit suggested that the Council could be more proactive in seeking to address these issues. Cllr C Cushing followed-up by asking whether a simple tightening up of policies and procedures would mitigate the risks, or whether there were more specific actions that should be taken. The IAM replied that actions would be based on the updated guidance to provide greater oversight of the risk associated with fraud and corruption.
- ii. The Chairman referred to the limited assurance and asked whether the IAM would be comfortable improving the assurance grading, once the necessary actions were complete. The IAM confirmed that subject to a follow-up procedure and evidence of the recommendations being implemented, she would be comfortable to improve the assurance grading, relative to the actions taken.
- iii. The IAM reported that the Waste Management audit had also been completed, with a reasonable assurance grading and three important recommendations raised. She added that whilst the Consortium did not cover KLWNBC, information had been sought to provide assurance on the partnership working arrangements. ICT Change Control and Patch Management work has also resulted in two important recommendations, which related to standardisation of policies and procedures, and ensuring that changes were documented.
- iv. The IAM reported that annual key controls work had been completed which highlighted a theme amongst reconciliations, which management had agreed to address.
- v. It was reported that the draft assurance review of the Environmental Charter had shown very promising work with input from external consultants, which would be shared across the Consortium as best practice. The IAM suggested that a project board should be established to monitor key milestones.
- vi. The Chairman referred to seeking assurances from Serco to ensure contractual compliance, and noted that the Overview & Scrutiny Committee had made similar recommendations, which suggested the issue was being given significant attention. He noted that there were no substantive assurances given throughout the year, and asked whether this should be a goal of management. The IAM replied that whilst management should aspire

to receive substantial assurances, some areas audited would have been in a developmental stage and could not be expected to achieve this. She added that reasonable assurance ratings were still positive and should not be seen as a concern. In response to a question from Cllr C Cushing, it was confirmed that all Councils within the Consortium had the same assurance gradings, and Members should be comforted that NNDC was in a relatively good position.

## **RESOLVED**

**To note the Internal Audit progress within the period covered by the report.**

### **31 ANNUAL REPORT AND OPINION 2021/22**

The IAM introduced the report and informed Members that it included a summary of the assurance gradings provided for all audits throughout the year, and the number of audit recommendations implemented. She added that the overall opinion was reasonable, based on thirteen of fourteen audits completed throughout the year which was a positive assurance grading. It was noted that three audits had received a substantial assurance rating for Accounts Receivable, Accounts Services and Customer Services. The IAM reported that one limited assurance grading had been given for Counter-fraud and Corruption, with recommendations listed in the Annual Governance Statement until complete. She added that a summary of follow-ups had been included for outstanding audit recommendations, alongside the quality assurance and improvement programme, to assess how effective the audit function had been. The IAM noted that whilst the service had struggled at times to deliver the planned audit work in line with KPIs, they had recovered by year end, and the procurement exercise for the next contract had just been completed, with timeliness KPIs strengthened. It was noted that several previously outstanding audit recommendations had now been completed, though work remained on those relating to S106 agreements.

#### Questions and Discussion

- i. Cllr S Penfold referred to the assurance chart in appendix 2 and asked why areas such as corporate health and safety or economic growth had no data recorded. The IAM replied that these areas still represented part of the control framework, and they would be covered within the next three years, with priority determined by risk. Cllr S Penfold stated that there were a number of risks facing the economy and sought assurances that these would be taken into account. It was confirmed that economic growth was due for consideration in the year ahead.
- ii. Cllr A Brown noted that Community Infrastructure Levies were mentioned in the report, though the Council did not operate any, to which the IAM replied that she would remove reference in future reports.
- iii. The recommendations were proposed by Cllr L Withington and seconded by Cllr S Penfold.

## **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 2022.**
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 2021/22.**
4. **Note the conclusions of the Review of the Effectiveness of Internal Audit.**

## **32 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT (AGS) 2021/22**

The CE introduced the report and informed Members that it represented good practice, and noted that the statement that would be signed by himself and the Council Leader. He added that the report had been prepared by Assistant Directors, Directors and himself, by forming statements in response to a series of pre-prepared questions on how the Council responded to key risks and issues identified by Internal Audit such as counter-fraud and corruption.

### Questions and Discussion

- i. Cllr S Penfold noted that the population in the appendix had been given as an approximate figure and asked if this could be provided in full. The CE confirmed that he would seek to provide accurate figures in future reports once the new census information was available.
- ii. Cllr L Withington thanked officers for the report and suggested that it was helpful to understand how the Council sought to mitigate risks.
- iii. The recommendation was proposed by Cllr P Butikofer and seconded by Cllr H Blathwayt.

### **RESOLVED**

1. **To review and approve the Annual Governance Statement (AGS) along with the updated Local Code of Corporate Governance.**

## **33 UPDATED FRAUD POLICY AND FRAUD RISK ASSESSMENT**

The CE introduced the item and informed Members that the Policy had been updated as a result of audit recommendations related to the limited assurance ratings given across the Consortium. He added that the authority would reflect upon both internal and external sources of potential fraud, including benefits payments, sole occupancy Council Tax discounts, Covid grant payments, hardship payments, and the conduct of officers in relation to the receipt of gifts, expenses and/or relationships. It was noted that awareness of potential risks had been addressed, and mitigation measures were in place through the Whistleblowing Policy and National Fraud Initiative. The CE stated that resourcing of mitigation measures had been discussed, though staff were trained to identify fraud, and whilst management were confident that the authority was not exposed to significant risk, further robust training would be arranged for all Revenues, Benefits and People Services staff. It was noted that managers would be asked to give greater consideration to risks of

potential fraud, with action taken where necessary, alongside continued data sharing with the National Fraud Initiative. The CE stated that CLT would continue to monitor potential fraud risks, instigate additional training, and review the situation on an annual basis to assess whether any further resource was required, which Internal Audit considered acceptable. On internal fraud risks, it was reported that the payroll system had been strengthened, and the MO maintained a register of gifts and hospitality for staff and elected Members. The CE noted that a corporate Counter-Fraud Awareness Action Plan was included in appendix 3 with a summary of risks and actions, alongside a risk assessment with a RAG rating system.

### Questions and Discussion

- i. Cllr C Cushing asked whether any engagement had taken place with other authorities in the area to find learning opportunities. The CE replied that the Consortium had established that there were learning opportunities and improvements that could be made, and conversations had taken place prior to Covid-19 on the possibility of a creating a combined anti-fraud team to cover all authorities. He added that this had not been pursued as a result of Covid-19, but could be reconsidered in the future. Cllr C Cushing referenced comments in the report on robust training, and asked whether annual training was provided to update and maintain existing knowledge. The CE replied that Revenues and Benefits were two of the largest teams at the Council, and there was therefore a degree of staff turnover that required training to be provided as part of the induction process. He added that refresher training had not been provided recently as a result of Covid-19, though the HR Manager had been asked to address this by the year-end.
- ii. Cllr S Penfold referred to risk categories and asked how the RAG ratings had been determined, and whether they were based on previous instances of fraud, the likeliness of fraud, or the level of impact. The CE confirmed that it was a combination of all factors that had been used to determine the RAG ratings. Cllr S Penfold asked whether the red risks had previously occurred, to which the CE replied that the Council Tax and Business Rates fraud risk was a response to the £28m lost nationally. He added that the demographics of the District meant that it was less likely to occur in North Norfolk, and many small businesses were eligible for rates relief, but the risk assessment still took into account national risks. It was noted that the number of referrals from NNDC to the National Fraud Initiative were very low, and risks should be seen in that context.
- iii. Cllr H Blathwayt referred to the Covid-19 grants risk, and noted that nationally there had been well publicised cases of fraud, and asked whether there were any known cases in North Norfolk. The CE replied that the national issue centred around the business loans scheme, whilst business grants had not been subject to the same level of concern. Cllr A Brown noted that the Council had won an award for administering approximately £130m of Covid-19 business grants, and asked whether this was evidence of the Council's confidence in its fraud mitigation measures. The CE replied that the recognition shown by the award and comments received from Government were based on the Council's performance in relation to the speed and efficacy of payment, and all local authorities were now subject to ongoing reporting of fraud and expenditure related to these payments. He added that he was not aware of any significant fraud related to payments made in North Norfolk, though the Council had made nine referrals to the National Fraud Initiative, to which they notified the Council of £3500 Housing Benefit fraud. It

was suggested that on this basis, a future decision would need to be made on how much to invest in fraud prevention, beyond the continuation of robust training and existing mitigation measures.

- iv. Cllr L Withington referred to the counter-fraud processes, and asked whether consideration had been given to the additional pressure any investigations would place on officers and Internal Audit, whilst dedicated resource was not in place. The IAM replied that Internal Audit were able to provide this service, as the workload did not present an unmanageable burden. The CE noted that in the past two years there had only been one instance in which Internal Audit's services had been required to undertake an investigation.
- v. The recommendations were proposed by Cllr C Cushing and seconded by Cllr P Butikofer.

## **RESOLVED**

- 1. To Approve the updated Fraud and Anti-Corruption Policy.**
- 2. To note the associated Fraud Risk Assessment for 2021/22**
- 3. To note the recommended improvement actions**
- 4. To note the progress on the audit actions.**

## **34 CORPORATE RISK REGISTER**

The CE introduced the report and informed Members that it covered risks facing the authority at a local, national and global level. He added that there were significant issues such as the war in Ukraine, which had a substantial impact on global fuel prices, food supplies and living costs. It was noted that there was also significant inflation within the UK that was impacting industries such as construction and utilities, whilst interest rates were also rising, which could provide a limited increase on investment returns. The CE noted that other issues identified included County Deals, the Levelling-up agenda, increased service pressures for additional grant schemes, and unknown factors arising from existing major projects such as the North Walsham Heritage Action Zone Scheme.

### Questions and Discussion

- i. Cllr C Cushing referred to the loss of information status risk that had a target of 2 and score of 16, and asked why there was such a high likelihood of the risk occurring, and what mitigation measures had been put in place. The PPMO replied that a target of 2 was a default, though this could be raised if not possible. She added that the risk of cyber attack had increased considerably within the last six months, and the target may need to be adjusted. Cllr C Cushing asked what measures were being taken to avert this risk, to which the CE replied that he would request a written response from the relevant Assistant Director. Cllr C Cushing referred to nutrient neutrality risks and asked whether officers had anything to add, given its impact on the authority. The CE replied that it was a very significant concern, with 72 authorities now subject to the restrictions as advised by Natural England. He added that whilst concerns on water quality were genuine, the lack of engagement with authorities prior to introducing the restrictions raised significant concerns that had been communicated to Government. It was

noted that the restrictions would have an impact on housing delivery and could also impact the Council's five year land supply, in advance of submitting the Local Plan for review. The CE noted that the Council were working with consultants to develop a response, with mitigation measures hopefully in place by the year-end, though this was not guaranteed.

- ii. In response to a question from the Chairman, the PPMO stated that the IT Team responded robustly to all cybercrime guidance released by Government, in response to all emerging risks. The Chairman referred to the production of an Asset Management Plan which appeared incomplete, and it was confirmed that this would be followed-up with the appropriate officer.
- iii. Cllr H Blathway referred to interest rate rises and asked whether the Council would be in any way exposed to these increases. The CE replied that the Council would not be exposed to risk on the same scale as Central Government, but he would seek confirmation from the Finance Team.
- iv. Cllr A Brown referred to nutrient neutrality issues, and informed Members that the status of planning applications granted conditional approved prior to 16<sup>th</sup> March was still undecided, but it was hoped that these would not be subject to same restraints and could be allowed to continue.
- v. On the Asset Management Plan, the PPMO noted that the relevant officer had completed the task in October 2021, but a RAG status had not been applied and this was the reason for the question mark displayed.

#### **RESOLVED**

**To review and note the report.**

### **35 PROCUREMENT EXEMPTIONS REGISTER**

The MO introduced the item and informed Members that there were eight exemptions granted within the last quarter, which were detailed on p217.

#### Questions and Discussion

Cllr E Seward referred to the purchase of stone for Church Approach in North Walsham and informed Members that it was now installed, and buying the materials early had saved the Council thousands of pounds.

#### **RESOLVED**

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

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

The Chairman introduced the item and stated that in the absence of the DSGOS there were no queries to raise.

#### **RESOLVED**

**To note the update.**

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

The Chairman noted that the next scheduled meeting of GRAC was on 12<sup>th</sup> July, though this would remain open until business was confirmed. The DSM stated that she would advise accordingly if the meeting was changed. She added that the External Audit Letter listed as TBC on the Work Programme remained outstanding, as EY had advised that the infrastructure asset values issue had not been resolved. The CE noted that this was an issue at a national level, which for North Norfolk related to the repair and maintenance of coastal defences and the extent to which they had deteriorated and been devalued.

**RESOLVED**

**To note the Work Programme.**

**38 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.20 pm.

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Chairman