

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 7 March 2023 at the Council Chamber - Council Offices at 2.00 pm

Committee

Members Present:

Mr J Rest (Chairman)
Dr P Bütikofer

Mr C Cushing
Mr P Fisher

Officers in

Attendance:

Head of Internal Audit (HIA), Democratic Services Manager (DSM), Chief Executive (CE), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO), Director for Resources / S151 Officer (DFR) and Corporate Programme and Project Manager (CPPM)

71 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr S Bütikofer and Cllr S Penfold.

72 SUBSTITUTES

None.

73 PUBLIC QUESTIONS

None received.

74 DECLARATIONS OF INTEREST

None declared.

75 ITEMS OF URGENT BUSINESS

None received.

76 MINUTES

Minutes of the meeting held on 6th December 2022 were approved as a correct record and signed by the Chairman.

77 STRATEGIC ANNUAL INTERNAL AUDIT PLAN 2023-24

The HIA introduced the report and informed Members that the Plan would cover the period from April 2023 to March 2024, and had been developed with input from senior managers, with attention paid to risks identified within the Corporate Risk Register. She outlined all planned audit work with an indication of scheduling for each quarter and invited Members to review the Plan and provide feedback. The HIA stated that it had been recommended as part of an external quality assessment undertaken by the Chartered Institute of Internal Auditors, that consideration be given to seeking alternative assurances for any top scoring risks. She added that

appendix 5 identified the top two risks and any alternative assurance options that might be available.

Questions and Discussion

- i. Cllr C Cushing asked whether the Plan would consider existing risks and any issues that had caused particular concerns in the past. The HIA confirmed that existing risks would be taken into account alongside key areas that would usually require assurance gradings. She added any previous limited assurance gradings were also considered to determine whether they should be revisited alongside any deeper audits of specific issues.
- ii. The recommendations were proposed by Cllr P Fisher and seconded by Cllr C Cushing.

RESOLVED

The Committee considers and approves: a) the Internal Audit Charter; b) the Internal Audit Strategy; c) the Strategic Internal Audit Plans 2023/24 to 2026/27; and d) the Annual Internal Audit Plan 2023/24.

78 GRAC ANNUAL SELF-ASSESSMENT

The HIA introduced the item and suggested that Members may want to consider any specific areas of concern for the cohort of new Members to address following elections in May, though it was recognised that the Committee worked effectively within its terms of reference. She added that if deemed necessary, Members could make changes to any answers given in the previous year, which would then be addressed accordingly.

Questions and Discussion

- i. The Chairman noted that no assessments were scored below four, but suggested that core skills needed be addressed through periodic training to ensure that all Members had the required knowledge to sit on the Committee. The HIA suggested that Members may want to consider an action to consider the independence of the Committee, and noted that future self-assessments would be completed in a different format.

RESOLVED

That the Committee discuss the attached checklist at Appendix 1 to this report from 2022 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

79 DRAFT STATEMENT OF ACCOUNTS 2021-22

The DFR introduced the report and informed Members that the Draft Statement of Accounts had not been prepared in time for the meeting and were still in the process of being finalised. She added that delays had been caused by staff shortages and the need to prioritise closing the budget gap, and as a result the accounts process had suffered. It was suggested that the delays demonstrated the associated risk of not having a fully resourced Finance Team, though this was being addressed as part of a recruitment exercise. The DFR stated that she expected to have the draft accounts complete by late spring, and would present them at the June Committee

meeting.

Questions and Discussion

- i. Cllr P Bütikofer referred to the legal implications of not publishing audited accounts and stated that the Council had not met the statutory requirement to publish an audited statement of accounts for 2020/21 or 2021/22. The DFR replied that there had been a number Councils across the Country that had not published their audited statement of accounts within the statutory timeframe, and it did not appear that there was any significant sanctions placed on Councils as a result. The CE added that in addition to internal pressures, the external audit sector had been particularly stretched during and after the pandemic, which had caused many Councils not to meet the statutory deadlines for publication of audited accounts.
- ii. Cllr C Cushing asked what the impact of not having audited accounts would be, and what recruitment plans were in place to allow officers to catch-up with outstanding audit work. He added that beyond audit there was a perception that reports were consistently late and this had to be addressed as a priority. The CE replied that the Council had been without a DFR and S151 Officer from May until November 2022, though statutory responsibilities had been met by a mutual aid arrangement with Breckland DC. He added that there had also been a long-term sickness absence within the Finance Team, and whilst the DFR had focused on setting a balanced budget, efforts would now turn to recruitment and adequate resourcing of the Finance Team. Cllr C Cushing asked whether issues would be resolved by June when the Committee would next meet, to which the DFR replied that she was in the process of developing job descriptions for the current vacancies and these would be advertised as soon as possible.
- iii. The recommendations was proposed by Cllr P Butikofer and seconded by Cllr C Cushing.

RESOLVED

That the Committee notes the contents of the report and approve that the Statement of Accounts for 2021/22 are brought back to the next Governance, Risk and Audit Committee.

80 REVIEW OF NORTH WALSHAM HERITAGE ACTION ZONE PROJECT GOVERNANCE

The CPPM introduced the report and informed Members that it had come to the Committee following a recommendation from the Overview & Scrutiny Committee to consider whether the project had adhered to the Council's project governance and management framework. She added that the review had found that the project had adhered to the framework, with further details included in the report.

Questions and Discussion

- i. Cllr C Cushing stated that he had raised issues, particularly with the risk register and noted his concerns that there was very little information on the register to explain risks or mitigation, which was not good practice from a project management perspective. He added that if risk registers were not being properly managed, he had concerns that other aspects of the project

may also be improperly managed, and there may be lessons to learn to improve. The CPPM replied that from a governance perspective the risk register had been regularly updated and discussed at every project board meeting. Cllr C Cushing stated that any outside individual should be able to review the risk register, but he did not feel it would be possible in this case, and if risks were being regularly updated, it was possible that they were not being properly managed or understood.

- ii. Cllr P Fisher stated that he had recently visited the area to see the implementation of the scheme, and it was encouraging that the project would soon be finished ahead of schedule, taking into account the impact of bad weather and other mitigating factors.
- iii. The Chairman stated that the risk register contained 34 risks with approximately 30% given a red RAG status, which was a cause for concern. The CE replied that the pre-mitigation register would show a higher number of red RAG statuses. He added that many of the red statuses took into account potential risks that had not occurred, whilst the post-mitigation register showed a much improved picture. It was suggested that it would be of greater concern if the number of red RAG statuses had remained the same post-mitigation. The CE stated that some risks remained that were related to increased costs and the need for additional funding, but taking into account contract and materials inflation, this had to be expected and would remain a red status risk. It was noted that mitigation action had included the purchase of materials upfront, but increased labour costs remained an issue and would be for all building projects for the foreseeable future. The Chairman accepted that risks had reduced significantly post-mitigation and did not present the same level of concern.
- iv. Cllr C Cushing stated that the risk register should present the current position and therefore questioned whether any historic information relating to pre-mitigation risks was necessary. The CE replied that this format could be reviewed and considered against best practice of other local authorities. The HIA stated that Internal Audit had a risk management assessment scheduled as part of the upcoming audit programme, and risk registers would be considered as part of this work with recommendations made where necessary. She added that in some cases it could be helpful for management to see pre-mitigation risks, but ideally it would be best to see a consistent approach used across all projects and risk registers.

RESOLVED

To review and note the report and associated risk register.

81 REVIEW OF REEF PROJECT RECOMMENDATIONS

The CPPM introduced the report and informed Members that it had previously been considered by the Overview & Scrutiny Committee in January, who had recommended that the lessons learnt appendix be considered by GRAC, in order to provide further input and agree any future actions.

Questions and Discussion

- i. Cllr C Cushing asked how the lessons learned would be fed back into future projects, and who would be responsible for this. The CPPM replied that the

CDU would be responsible for creating a library of lessons learned and would ensure that they were applied to all projects going forward. Cllr C Cushing stated that a more agile project management methodology may have allowed for the Reef project to be adapted as it progressed, and asked whether there would be an opportunity to introduce this methodology in the future. The CPPM confirmed that all opportunities would be considered to improve the management of Council projects.

RESOLVED

That GRAC review the recommendations identified within the lessons learnt log (Attached at appendix A) and consider any necessary actions or further recommendations.

82 CORPORATE RISK REGISTER

The DFR introduced the item and informed Members that a written report had not been included due to difficulties extracting information from the Inphase system. She added that she could provide a brief verbal update and noted that in terms financial risks, the Council had now set a balanced budget, but this had placed significant pressure on the Council to find savings. It was noted that a 3% funding guarantee from Central Government had also aided the process, whilst continued increases in interest rates had prompted a review of the Council's savings and investments. The DFR stated that the Council maintained low levels of borrowing for cash flow purposes, but this was standard practice for most authorities. On operational matters, it was reported that there were no new major risks identified, and risks relating to the loss of digital information had been mitigated with increased firewall protection. She added that macroeconomic risks remained, though there were signs that the rate of inflation was beginning to slow, but interest rates remained high which had a significant impact on borrowing. It was noted that there was an expectation that revenue support and energy grants would continue for the foreseeable future, which had an associated impact on Council resources. The DFR stated that strategic risks remained around major projects and nutrient neutrality, but the new joint venture with AW would begin to mitigate this risk. She added that the UK Shared Prosperity Fund would require careful consideration to identify risks, alongside funding received from Central Government to provide housing for refugees. It was noted that the Local Plan had now been approved for inspection, which would begin to reduce related risks. Finally, it was noted that approval of the solar port project at the Reef would help to address the Council's carbon footprint, and subsequently help mitigate the associated net zero risks.

Questions and Discussion

- i. It was confirmed following a question from the Chairman that a written summary of the commentary would be shared with Committee Members via email once the information was available. He added that without a written report the Committee could only be expected to note the verbal update.

RESOLVED

To note the verbal update.

83 PROCUREMENT EXEMPTIONS REGISTER 23 NOVEMBER 22 - 8 FEBRUARY 23

The MO introduced the report and informed Members that there had been two exemptions granted in the period covered by the report, with the main exemption relating to the implementation of the Network Surety IT firewall service, which was a contract extension required at short notice to mitigate security risks.

RESOLVED

To review and note the Procurement Exemptions Register.

84 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DSM informed Members that the actions listed had been completed including the Business Continuity Policy which had been approved by Cabinet following a recommendation from the Committee. She added that she expected the action to include the in-year budget overspend within the Corporate Risk Register to be evidenced at the next meeting.

RESOLVED

To note the update.

85 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The DSM informed Members that the work programme for June would include the Draft Statement of Accounts as discussed, alongside the Counter-Fraud Corruption and Bribery Policy, and cyclical reports expected from Internal and External Audit.

RESOLVED

To note the Work Programme.

86 EXCLUSION OF THE PRESS AND PUBLIC

The Chairman stated that in order to discuss the details of the Council's Asset Register, it would be necessary to propose that under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 & 5 of Part I of Schedule 12A (as amended) to the Act. He added that the public interest in maintaining the exemption outweighed the public interest in disclosure for the following reasons:

Agenda Item Numbers	Paragraphs of Part 1 Schedule 12A
13 - Appendix	3

Information relating to the financial or business affairs of any particular person (including the authority holding that information). The appended report contains commercially confidential information.

The exclusion was proposed by Cllr P Bütikofer and seconded by Cllr C Cushing.

RESOLVED

- 1. That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt**

information as defined in paragraphs 3 & 5 of Part I of Schedule 12A (as amended) to the Act.

2. That the public interest in maintaining the exemption outweighed the public interest in disclosure for the following reasons:

Agenda Item Numbers	Paragraphs of Part 1 Schedule 12A
13 - Appendix	3

Information relating to the financial or business affairs of any particular person (including the authority holding that information). The appended report contains commercially confidential information.

87 REVIEW OF COUNCIL'S ASSET REGISTER

The Chairman introduced the item and noted that it had been prepared at the request of the Committee to provide Members with an opportunity to review the Council's assets, ask officers any relevant questions and consider recommendations, if necessary.

Questions and Discussion

- i. Cllr C Cushing referred to a car park and stated that the value seemed relatively low given its location, and asked who valued the assets. The DFR replied that it could be that the asset had not been valued for some time, and a revaluation may be required in accordance with the normal five year timetable. She added that the report also explained that the register was kept for accounting purposes and it may be that the listed values would not reflect market values, if any assets were to be sold. It was noted that others may be direct replacement costs or existing use values, and most assets would not be listed as market values. Cllr C Cushing asked how often each asset was reviewed to consider whether it would be beneficial to sell, to which the DFR replied that from an accounting perspective assets were not reviewed in this manner. She added that the authority was obliged to value its assets every five years on a rolling programme, but unless it had been deemed potentially beneficial to sell an asset, a market value would not be sought.
- ii. Cllr C Cushing noted that in some cases it would cost more to maintain an asset than the benefit it would provide, and asked whether there were any profit or loss assessments made on this basis. The DFR replied that this was not done on a routine basis, but it would be considered in advance of any significant repair works to determine whether it would be more cost effective to dispose of the asset.
- iii. The Chairman referred to an asset that had recently been sold and noted that the sale value was much higher than the value listed on the register. The DFR replied that the value listed on the register would be for existing use, whereas the market value had been higher, as could be expected. It was confirmed following a question from the Chairman that the listed value of the Pavilion Theatre did not include the Pier, and the DFR added that the value may represent the replacement value. The Chairman asked whether the values listed were used for insurance purposes, as land values would remain

even without buildings. The DFR replied that values were not used for insurance purposes as assets would be subject to a separate valuation process for this.

- iv. The CE stated that the register was useful to understand the Council's portfolio, but it should be noted that some assets were subject to planning policy retention and could not be sold without changes to existing policy, which would effect asset values. He added that external consults had previously been used to identify sites that held potential value to the Council, should a decision ever be made for disposal. It was noted that future administrations may choose to act upon this, should any asset values outweigh the public benefit they provided, but the disposal of assets would always be a political decision. The CE stated that significant improvement works had been made on a number of the Council's public convenience assets, which was a political decision that had been made on the basis of their value to the public.
- v. Cllr C Cushing referred to the work undertaken by consultants and asked whether this could inform the basis of any future decisions. The CE outlined key proposals made as part of the consultants work, but noted that the majority had not progressed as they had not been supported by Members at the time. He added that all proposals could potentially be revisited by a new administration, should they choose to do so. It was suggested that there was an expectation that many coastal assets presented significant commercial value, but the CE noted that there were a number of factors unique to each location that may impact asset values which would have to be taken into account.
- vi. *The meeting returned to public session*

RESOLVED

That the Committee note the contents of the report and Appendix A.

The meeting ended at 3.10 pm.

Chairman