

# GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 13 June 2023 at the Council Chamber - Council Offices at 2.00 pm

## Committee

### Members Present:

Cllr J Toye (Chairman)	Cllr J Boyle (Vice-Chairman)
Cllr S Penfold	Cllr C Cushing
Cllr L Vickers	

### Members Attending:

<b>also</b> Cllr C Ringer (Observer)	Cllr L Shires (Observer)
Cllr A Brown (Observer)	

### Officers in Attendance:

Head of Internal Audit (HIA), Democratic Services and Governance Officer - Scrutiny (DSGOS), Chief Executive (CE), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO), Director for Resources / S151 Officer (DFR), Democratic Services Manager (DSM), Director for Communities (DFC) and Policy and Performance Manager (PPM)

## 1 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr E Spagnola.

## 2 SUBSTITUTES

None.

## 3 PUBLIC QUESTIONS

None received.

## 4 ITEMS OF URGENT BUSINESS

None received.

## 5 DECLARATIONS OF INTEREST

None declared.

## 6 MINUTES

The Chairman referred approval of the minutes to returning Committee Members:

- i. Cllr C Cushing stated that the minutes were an accurate record of the meeting, but referred to p9 where it was stated that the 20-21 accounts would come to the June meeting, and asked whether the S151 officer could provide an update on the accounts sign-off. The DFR replied that the accounts were yet to be signed off, but a deadline had been set for Friday 16<sup>th</sup> June. She added that the 21-22 accounts would follow, with an aim to

have these ready for sign-off at the September meeting, with the 22-23 accounts ready for the December meeting. The Chairman stated that he understood there were legitimate reasons for delays, but it would be helpful to understand how the process had fallen so far behind schedule. The CE stated that there had been a challenge to the 19-20 accounts, which had led to investigations by the Police and External Audit, completed in March 2022, which had significantly delayed the accounts auditing process for subsequent years. He added that there was also a significant backlog of work with all major external auditors across the country, which had impacted the majority of local authorities. It was noted that NNDC was therefore a year behind the position of many other authorities, but there was a plan of action in place to get the Council back on schedule. The Chairman asked how long this would take to achieve, to which the DFR stated that the ordinary timetable would be for draft accounts to be published by 31<sup>st</sup> May with sign-off in September, and it was hoped that this could be achieved ready for the 23-24 accounts.

- ii. The Chairman requested that a chart and timeline be prepared to show which accounts had been completed and when each years accounts were expected to be signed-off, so that Members could be brought up to speed on the progress being made.
- iii. Minutes of the meeting held on 7<sup>th</sup> March 2023 were approved as a correct record and signed by the Chairman.

## **ACTIONS**

**DFR to prepare chart/timetable to show annual accounts sign-off schedule for 2020-21, 21-22 and 22-23, to share with Members.**

## **7 PURCHASE OF TWO ADDITIONAL REFUSE COLLECTION VEHICLES**

The Chairman introduced the item, summarised the recommendation and noted that the report was also due to be considered by the Overview & Scrutiny Committee, and Members should therefore focus on the risk elements of the report.

### Questions and Discussion

- i. Cllr C Cushing asked why the risk to collections had not been identified sooner, and referred to comments in the report that suggested that failure to purchase additional vehicles would result in risk to the reliability of existing collections. The DFC replied that since the introduction of the new target operating model, there had been issues with performance that had been exacerbated by recruitment difficulties and industrial action, however there had been considerable growth in garden and trade waste collections. As a result, Serco had identified a tipping point at which the growth in these services would begin to effect existing collections without the additional collection vehicles. It was noted that the decision to request additional vehicles was the culmination of discussions, which was why the request had not come sooner.
- ii. The Chairman referred to additional income of approximately £700k generated by the growth in services, and asked whether the need for additional vehicles could not be identified until issues including industrial action had been resolved. The DFC replied that whilst industrial action may have delayed the decision to request additional vehicles, it was not the cause

as there were tolerances within the contract that had reached their limit due to the growth in customers. Cllr C Cushing stated that the risk should have been identified some time ago, and it was no longer a risk as it had materialised, and now required funding outside of the budget framework agreed in February. The DFC replied that there were always risks present, and it was likely that the risk had not materialised at the time the budget was set, though he accepted that warnings could have been given sooner.

- iii. The Chairman asked whether any additional income generated by the garden and trade waste collections had been ringfenced for use on matters such as purchasing additional equipment. The DFR replied that the income for charged services was held by the Council, but spending on additional vehicles could be seen as an investment in services. She added that going forward Members could consider establishing a reserve for this type of spending with funds generated by chargeable services. The Chairman reiterated that he sought to determine whether any of the additional income generated had been set aside for use on matters such as purchasing additional vehicles, given that the risk had been previously identified. The DFR replied that by placing funds received in the general reserve, the Council was in a better position to purchase additional vehicles, but the existing income and performance compensation payments would effectively cover the costs of any borrowing incurred to purchase the vehicles.
- iv. Cllr S Penfold referred to p79 and noted that collections had struggled over the past six months and would continue to do so without the purchase of additional vehicles. He added that this suggested that the risk had materialised, and asked how long the build time would be, given that service performance was already suffering, which created reputational risk for the Council. Cllr S Penfold asked how the Council would act to mitigate risks or issues during the build period, to ensure that services were delivered to an acceptable standard prior to receiving the new vehicles. The DFC replied that Serco were already providing an additional vehicle at their expense, however this was unsustainable and not within the terms of the agreed contract. He added that the decision had been taken for the Council to provide vehicles to avoid risks to the service and the contractor expected this to be the position going forward. It was noted that for trade waste, there were efficiencies in collecting smaller holiday home bins as part of domestic collections, however the increase in trade collections had placed pressure on the domestic service. The DFC stated that the additional vehicle would take pressure off domestic collections whilst adding capacity for continued growth in the service. He added that prior to delivery of new vehicles, Serco would continue to meet service demand with rented vehicles, but using Serco's pre-booked build slots would bring forward the delivery date of new vehicles. Cllr S Penfold asked whether the Council could continue to expect service disruption until the additional vehicles were delivered. The DFC replied that pressure was placed on Serco to continue to meet the required level of service despite the need for additional vehicles, and this would continue until they could be delivered. He added that if the Council did not make efforts to meet its contractual obligations and provide the required level of vehicles, then Serco may be inclined to revert to contract and limit service levels to the available resource.
- v. The Chairman referred to income generation forecasts from chargeable services and asked how this had been calculated. The DFC replied that in terms of trade waste customers, excluding the impact of Covid, the Council

had seen continued growth in its income and this was expected to continue, with Serco recently employing a Commercial Waste Manager to focus efforts. He added that there were a number of other commercial waste service providers in the area, and it was important to remain competitive service to ensure continued service growth which would require increased capacity provided by the additional vehicles. The Chairman asked whether officers were confident that the increased revenue would cover the costs of the additional vehicles over their working life. The DFC replied that the budgeted income was £1.3m for garden waste services and £1.6m for trade waste, and it was therefore expected that income would far outweigh the cost of vehicles over their service life. The Chairman stated that it would have been useful for this information to have been included within the report to show that financial risks had been mitigated. The DFC replied that any figures of this kind would need to be provided in purple papers due to the commercial sensitivity of the information.

- vi. Cllr A Brown stated that he felt there had been a shortfall on details in the report presented to Cabinet, and suggested that it would have been helpful to better understand how the cost of the additional vehicles would be covered by the income generated. He added that with any public borrowing, it was important to know how quickly this would be repaid, with risks outlined if this could not be guaranteed. Cllr A Brown asked whether the current waste contract would allow for the conversion of vehicles to HVO fuel, in order to help achieve net zero by 2030. He added that he was supportive of creating a contingency fund to purchase any future additional vehicles required. The DFC replied that HVO fuel was an alternate fuel source, and whilst there were discussions taking place with Serco, supply and sustainability was yet to be determined, but there was no contractual impediment. The DFR stated that creating a contingency fund for vehicle purchases was possible, if supported by Members. The DFC added that whilst the purchase of additional vehicles was the responsibility of NNDC, it remained Serco's responsibility to specify the vehicles and plant required to deliver the contract, therefore it may be premature to create a dedicated reserve for this purpose that may not be required. The Chairman asked whether there was any mechanism in place to monitor the continued growth of the service to determine whether additional vehicles may be required again in the future. The DFC replied that the North Norfolk element of the contract was complicated and it would be better to maintain a level of officer control over the process in order to achieve the best outcomes for residents.
- vii. Cllr L Shires stated that growth in the chargeable services was a result of the Council's success, and whilst she did have concerns regarding risk when initially reviewing the report, she was satisfied that these had been mitigated. She added that clarification was needed on when borrowing costs would be incurred on the basis that Serco had preferential build slots available. The DFR confirmed that if the preferential Serco build slots were used, then the borrowing would be incurred in 24-25, the year after the assets were acquired.
- viii. Cllr C Ringer stated that the growth in services over the past five years suggested that not purchasing additional vehicles would present the greatest risk to maintaining Council services.
- ix. The Chairman noted that the Committee were satisfied that the decision to purchase additional vehicles did not present an unacceptable level of risk to

the Council.

- x. The recommendation was proposed by Cllr J Toye and seconded by Cllr J Boyle.

## **RESOLVED**

- 1. To recommend to Full Council an addition to the Capital programme of £385,000 to purchase two new refuse collection vehicles and that the £385,000 be added to the residual £65,000 that is left over from the original budget to purchase refuse vehicles from 2019 to date.**
- 2. To recommend to Full Council that the purchase be funded by borrowing of £335,000 and a revenue contribution of £50,000.**

## **8 INTERNAL AUDIT PROGRESS & FOLLOW-UP REPORT**

The HIA introduced the report and referred Members to the audit plan agreed in March with finalised reports summarised with gradings and recommendations listed, all of which were positive gradings, except for key controls and assurance which had been given a limited assurance grading. It was noted that a further two pieces of work had been undertaken on economic growth, where no suggested improvement points had been raised. However, on the property services – operational audit 22 recommendations had been made, primarily in relation to managing health and safety. The HIA noted that as a result property services had been added to the 23-24 audit plan to provide additional assurance. On the key controls audit given a limited assurance grading, it was reported that actions and recommendations had been accepted and would be monitored until complete. It was noted that key reconciliations had not been done in a timely manner, and investments had not been signed off by a separate officer to ensure segregation of duties. The HIA stated that there were also concerns about car parking income not being reconciled and updates required on the asset register, but the Finance Team were committed to addressing all concerns.

### Questions and Discussion

- i. Cllr C Cushing referred to the limited assurance of p47 and noted that the Council had struggled with key reconciliations since the introduction of the new finance system, and asked whether any updates could be provided. The DFR stated that there had been a learning curve for officers adapting to the new software, which meant that reconciliations took longer to complete, exacerbating issues of an under resourced team. She added that efforts were being made to resolve the issues as a priority, and recruitment was also in progress to bring the team back up to capacity. Cllr C Cushing asked whether issues were anticipated during the implementation of the system, to which the DFR replied that the issues had not been foreseen as it was expected that the system would be more efficient. Cllr C Cushing asked whether staff were trained on the system prior implementation, to which the DFR replied that training had taken place post-implementation. She added that implementation had not gone as she would have preferred, but those responsible had left the authority, and officers had adapted to the situation that was presented to them. Cllr C Cushing stated that it appeared that implementation had added to the burdens of the Team rather than reducing them, and that the timing of the change appeared to be ill advised.

- ii. The Chairman suggested that the Committee should consider the recommendations and actions outlined in the report to ensure that Members were confident it would bring the Finance Team back up to speed. Cllr Cushing asked whether officers could confirm when reconciliations would be back up to date, and the DFR replied and it was hoped that reconciliations could be brought back up to date once recruitment was complete.
- iii. The HIA noted that there would be a post-implementation review of the new finance system as part of the 23-24 audit plan, and any learning points or recommendations could be put in place for future changes.
- iv. The Chairman referred to appendix 4 on outstanding audit recommendations of which several had updated deadlines, and suggested that it would be helpful to understand why some longstanding recommendations had not been completed. The CE replied that prior to Covid-19 the list had approximately 45 outstanding audit recommendations, so considerable progress had been made. He added that some delays outlined within the Planning Service had been caused by the implementation of the Uniform system, but overall planning performance had improved significantly. It was noted that S106 monitoring and record keeping had recently been addressed with a module of the Uniform system, and the last outstanding action would be addressed shortly.
- v. The CE stated referred to civil contingences and noted that the officer had been on an extended absence due to long Covid, but was now on a phased return. He added that for waste services, the recent resolution of the pay dispute and continued improvement of collections performance had helped to address outstanding audit actions. On key controls and reconciliations, it was noted that officers were reviewing the car parking payments and management system, with changes needed to improve the clarity of the contract or consider alternate options. It was noted that counter-fraud and anti-corruption actions were covered under a separate agenda item.
- vi. The Chairman asked when the PSIP was expected to return to the Overview & Scrutiny Committee, which was confirmed to be September, following which it may be possible to close the final recommendation. He asked whether the number of outstanding recommendations had fallen, to which the HIA replied that the Committee should maintain pressure to keep momentum on resolving the audit recommendations, though considerable progress had been made.

## **RESOLVED**

**To receive and note the internal audit progress and progress against internal audit recommendations within the period covered by the report.**

## **9 INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23**

The HIA introduced the report and informed Members that it summarised all work completed in the 22-23 year, and provided an overall opinion on governance, risk management and control. She added that it also considered the performance of the Internal Audit Team, with comparative tables to show assurances given across each year. It was noted that the overall opinion was reasonable, which was a positive assurance grading, with areas that received substantial assurance outlined. Only two areas were reported to have received a limited assurance grading, one of which

was the Pier Pavilion, with all recommendations implemented, and Key Controls discussed in the previous report. The HIA stated that Key Controls should be referenced within the AGS, in addition to an outstanding recommendations from previous years that should be included until complete. On Internal Audit performance, it was noted that an external review had determined that the service was delivered to the expected standard, which should provide further assurance to the Committee. It was noted that performance indicators were included for the contractor TIAA, with timeliness highlighted as an issue that would be addressed going forward, though quality remained high.

#### Questions and Discussion

- i. The CE stated that the outstanding actions in relation to the Pier Pavilion were expected to be completed on 29<sup>th</sup> June during a visit from the managing director of the management contractor.
- ii. The Chairman referred to appendix 2 on complaints and FOI requests and noted that there was no assurance grading provided and asked for an explanation. The HIA replied that this meant that the area had not been audited for five years, likely as it did not present a significant risk to the Council, however an audit was planned for the year ahead.

#### **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 2023.**
- 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 2022/23.**
- 4. Note the conclusions of the Review of the Effectiveness of Internal Audit.**

#### **10 CORPORATE RISK REGISTER**

The DFR introduced the report and informed Members that all strategic risks had been reviewed with input from service managers.

#### Questions and Discussion

- i. Cllr C Cushing referred to the format of the report and suggested that he did not find it easy to understand. He added that the risk register should outline a risk and the potential impacts, followed by any mitigation measures put in place, which the current report format failed to do. It was suggested that it would be easier to understand if officers adopted a more formal risk approach. The Chairman suggested that reverting to spreadsheets may be preferable, to which the DFR replied that the current software used to produce reports was under review, but a spreadsheet approach may be possible.

- ii. The PPM stated that the risk management framework was scheduled for review over summer, and the current system could be improved if the framework wasn't meeting the needs of the Committee. The HIA stated that Members could be involved in the review of the framework, and that ultimately it would be for the Committee to approve.

## **RESOLVED**

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

## **11 COUNTER-FRAUD, CORRUPTION AND BRIBERY UPDATE**

The MO introduced the report and informed Members that it was the result of a counter-fraud audit completed in 21-22 that had made a number of recommendations which the report sought to close down. She added that an update on counter-fraud and anti-corruption actions could be reported as part of the annual Monitoring Officer's report, but a more detailed list of actions should be presented to the Committee. It was noted that risk had also been identified as a result of not having a dedicated counter-fraud officer, but senior officers had agreed that it was not necessary for the apparent level of risk, but could be kept under review. The MO noted that there had also been a recommendation for all officers to undertake anti-fraud training, which had been made available on Skillgate. She added that a list of key points from the Fighting Fraud and Corruption guidance had been developed into an action plan that would help to improve Council processes. It was noted that there was also a fraud risk assessment undertaken by the previous S151 officer, which had been considered alongside other factors to determine whether any further actions were necessary.

### Questions and Discussion

- i. The Chairman stated that appendix E was helpful for identifying potential risks which showed that efforts to reduce fraud and corruption were working.
- ii. Cllr C Cushing referred to staff training and asked whether this was a one-off, or whether further training would take place in the future. The MO replied that the current training was a one-off, but this could be reviewed on an annual basis as the training module would remain on Skillgate, and any officers working in high-risk areas were required to undertake additional specialist training.
- iii. The Chairman asked whether any new fraud risks should be raised with relevant officers, to which the MO confirmed that guidance was outlined on p122 for incidences of fraud or any related activity.
- iv. The CE stated that CLT had discussed the report and had raised concerns regarding some of the conclusions on the basis that as a consortium-wide report, some issues did not present a particular risk to NNDC. As a result, the decision was taken that a fulltime counter-fraud officer would not be the best use of the Council's resources, taking into account that a historical counter-fraud team had been transferred to the DWP. The CE stated that the organisation's good track record of collection of business rates and Council Tax, in addition to good processes reassured officers that there was a low risk of fraud. He added that this would continue to be reviewed on an ongoing basis, with counter-fraud responsibilities shared between officers across the Council.



- v. The Chairman asked whether the actions taken satisfied Internal Audit requirements, to which the HIA replied that it was encouraging to hear that the matter had been taken seriously, and the matter could now be signed-off as complete.

#### **RESOLVED**

1. To note the update report.
2. To review and note the checklist
3. To review and note the action plan.
4. To note the fraud assessment update which includes incidences of potential fraud.

#### **12 PROCUREMENT EXEMPTIONS REGISTER 9TH FEBRUARY - 25TH MAY 2023**

The MO introduced the report and informed Members that there had been two exemptions between 9<sup>th</sup> February and 25<sup>th</sup> May which were outlined in the report.

#### **RESOLVED**

**To note the procurement exemptions.**

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

The DSGOS stated that all actions had been completed, however the 20-21 annual accounts were expected to be signed-off in the coming weeks under delegated authority, as outlined by the DFR.

#### **RESOLVED**

**To note the update.**

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

- i. The DSGOS stated that whilst the EY External Audit Plan 21-22 was listed on the work programme in June, EY had stated that work would not begin on the 21-22 external audit until the previous year had been completed. He added that the AGS and Local Code of Corporate Governance had been deferred to September, and any further external audit work outlined in the work programme would be dependent on the completion of the 20-21 audit. The DFR noted that the July meeting would likely not go ahead as the 20-21 accounts were due to be signed off under delegated authority, and the 21-22 accounts would not be ready until at least August.
- ii. The DSGOS noted that prior to the election there had been plans to bring further civil contingencies reports to the Committee, and he would seek to determine whether these would come to the next meeting.

#### **REOLVED**

**To note the work programme.**

**15 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 4.02 pm.

---

Chairman