

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 12 September 2023 at the Council Offices, Holt Road, Cromer, NR27 9EN 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 also attending:

Cllr A Brown (Observer)
Cllr T Adams (Observer)

Officers in Attendance:

Head of Internal Audit (HIA), Democratic Services and Governance Officer - Scrutiny (DSGOS), Chief Executive (CE), Democratic Services Manager (DSM) and Policy and Performance Manager (PPM), Exeternal Auditor (EA).

16 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr E Spagnola and the DFR.

17 SUBSTITUTES

None.

18 PUBLIC QUESTIONS

None received.

19 ITEMS OF URGENT BUSINESS

None received.

20 DECLARATIONS OF INTEREST

None declared.

21 MINUTES

- i. Cllr C Cushing referred to an action for the DFR to provide a timeline for sign-off of outstanding annual accounts and asked whether this had been done, given that he had not received anything. The Chairman replied that he had received correspondence on the matter, though the timeline appeared to have slipped again. The DSGOS stated that he had not received a timeline, but what had been provided to the Chairman had not provided the level of

clarity required. The CE stated that the DFR had recently attended a DLUHC briefing where a national timetable for accounts sign-off had been shared, and noted that delays were a national issue with new deadlines that required 20-21 and 21-22 accounts to be signed-off by 31st March 2024. The EA stated that the dates were yet to be fully agreed, but he didn't expect them to extend beyond March 24. Cllr C Cushing stated that it would be helpful to have an indication of when outstanding accounts would be signed-off, and it was suggested that the briefing note could be shared with wider Members.

- ii. Cllr C Cushing referred to concerns with delays to finance reconciliations and asked whether this had been addressed, to which the CE stated that he would provide a written response.
- iii. The Chairman asked whether the purchase of additional refuse vehicles had an agreed delivery date and asked for a written response to be provided.
- iv. Minutes of the meeting held on 13th June 2023 were approved as a correct record and signed by the Chairman.

22 EXTERNAL AUDIT RESULTS REPORT 2020-21

The EA introduced the report and noted that it had been presented at the December 2022 meeting with an expectation to sign-off accounts by Christmas, though it was frustrating that it had taken another nine months to achieve sign-off. He added that the Chairman of the Committee had been granted delegated authority to sign-off the accounts, but given the time that had passed, it was appropriate to provide a further update that appropriate assurance could be given. It was noted that over this period a high number of adjusted differences had arisen. The EA stated that new adjustments were listed in the report, and efforts had been focused on resolving issues with property, plant and equipment, and grant income areas, with the first matter relating to the fixed asset register which had required significant work to answer audit queries. He added that whilst the necessary information was now available, there was a recommendation for further improvements to ensure that the fixed asset register was fit for purpose. It was noted that some officers responsible for financial reporting in 20-21 had left the organisation which had added to delays, but only closing procedures were left to complete, including an update on the pension fund liability. Following which, EY would be able to provide an unqualified audit opinion on the financial statements and a value for money rating.

Questions and Discussion

- i. The Chairman referred to issues with the pension fund liability, and asked whether this could be quantified and whether the position would change further. The EA replied that he was unable to quantify the situation as EY were still seeking this assurance, but he could provide context. He added that ordinarily the pension fund was valued by the actuary on a three year cycle, with March 2022 being the most recent valuation, but it had been found that assumptions made as part of the valuation process had changed, therefore checks were required to determine whether the fund had been under or overvalued. It was noted that the amount of over or undervaluation was key to determining the level of assurance provided. The Chairman noted that the fund was run by NCC, and therefore questioned how much influence NNDC had over the fund. The EA replied that the actuary acted as experts for NNDC, but the Finance Team still had to understand the assumptions that had been made and what impact this would have on the Council's accounts.

He added that rather than being a funding issue, it was more about balance, as the Council would not be required to pay-out its full liability, but did need to understand how the balance was funded.

- ii. Cllr C Cushing stated that pension liabilities were the obvious question, and asked whether this was an accounting issue, or whether the Council would be required to find additional funding. The EA replied that it was an accounting rather than a funding issue, but the purpose of the tri-annual review was to update funding levels. He added that if the accounting differences were not material, then the impact would be limited and assurance could be provided relatively quickly.
- iii. Cllr C Cushing referred to comments in the report that suggested external auditors had not been able to progress work due to limited officer availability, and asked whether NNDC resourcing impacted the external audit process. The CE replied that the Council were currently recruiting for a Chief Technical Accountant, with further requests made for an additional accountant. He added that there had been resourcing issues in the Finance Team over the past year, but efforts were being made to address requirements going forward.
- iv. Cllr C Cushing stated that he was under the impression that there were more audit differences this year than last, and asked whether this was valid and whether it was a concern. The EA replied that this was the result of differences with property, plant and equipment related to the fixed asset register, with issues identified covering a number of assets with a multiplying effect. He added whilst the number of differences was greater, they were related to a specific area of the fixed asset register, so as long as Members were comfortable that remedial actions were adequate, there was no immediate need for concern. Cllr C Cushing suggested that there were learning opportunities for the Finance Team, and asked whether these changes would be taken on board for the following year. The CE replied that staff were already updating the fixed asset register, taking into account EY's recommendations, and was therefore confident that it would not be a significant issue going forward.
- v. The Chairman asked whether officers were confident to proceed with EY's recommendations, to which the CE replied that with the resolution of the pension fund issue, the Council would be in a position to sign-off the 20-21 accounts by the end of the week, with all other issues addressed.
- vi. The Chairman referred to the audit fee and asked whether the Council had budgeted for the increase in costs, to which the CE replied that it was not a cost that could be challenged, and he was therefore confident that provision had been made.

RESOLVED

To review and note the External Audit Results Report.

23 MONITORING OFFICER ANNUAL REPORT 2022/2023

The MO introduced the report and informed Members that it included a summary of actions taken throughout 22-23 in relation to her role. She added that appendix A covered Freedom of Information Act requests, of which 654 requests had been

received, which was an eight percent increase over the previous year. It was noted that the MO also had a responsibility to determine where Section 36 exemptions applied which release of information might prejudice the Council's conduct in undertaking its business, but there had not been any instances of this throughout the year. The MO noted that 29 Subject Access Requests had been received, and there had been no serious data breaches requiring referral to the ICO. She added that the Council had undertaken one covert investigation throughout the year in-line with the RIPA Policy, which had proceeded to the Magistrates Court. It was noted that there had not been any whistleblowing disclosures made, and that the Anti-Fraud, Corruption and Bribery Policy was up to date. The MO reported that appendix B covered ombudsman complaints, of which only two had resulted in any findings against the Council, resulting in small compensation payments. She added that Members registers of interests were hosted on the Council's website, and a new online form had been developed to make the process more efficient. It was noted that only one instance of gifts and hospitality had been declared on the Member's register, whilst the officer's register had eighteen declarations. On code of conduct matters, it was noted that twenty complaints had been received throughout the year, with seventeen relating to Parish and Town Councils, and three to the District Council. The MO stated that the Council had now appointed two independent persons, and that most complaints related to inappropriate behaviour.

Questions and Discussion

- i. The Chairman referred to FOI requests and noted that the number reported equated to approximately two per day, and asked whether these requests ever related to information that was already publicly available. The MO replied that the Council had a dedicated officer for processing FOI requests, but due to their working hours, the requests amounted to approximately four per working day, not including Subject Access Requests. She added that some information could be found elsewhere, and the Council had a scheme of publication that requestees were often referred to. It was noted that more specific requests often required the involvement of specific officers.
- ii. Cllr S Penfold referred to appendix C and noted that Members were often given tickets to the opening of the Cromer Pier Show, and asked whether this should be declared on the register of gifts and hospitality. The MO replied that Members would need to contact her to declare gifts and hospitality, though there was a £50 threshold with no obligation to report below this amount. The CE stated that he had recently discussed the matter with the MO and in the interest of transparency all gifts and hospitality to officers were reported. He added that the Council owned the Theatre and had a unique relationship with the operator, which meant that opening night tickets were often offered to staff and Members and was not deemed to be inappropriate.
- iii. Cllr C Cushing referred to FOI requests and asked whether there were any identifiable trends that could be addressed to reduce the overall number of requests received. The MO replied that topical matters covered by the local and national media often warranted more requests, but they did not generally follow a pattern. The CE noted that approximately seventy percent of requests did not directly relate to the actions of the Council, with many speculative requests received from journalists regarding national issues.
- iv. The Chairman referred to appendix F on code of conduct complaints and noted that there appeared to be a high number from Fakenham, and asked if there was any reason for this. The MO replied that this was the result of a

number of complaints received from a single individual, rather than several separate complaints.

- v. Cllr L Vickers clarified that complaints from Fakenham involved Town Councillors, rather than District Councillors.
- vi. The Chairman referred to the standard report template and asked why this hadn't been used for the report, to which the MO replied that the annual report did not ordinarily fit into the standards template. The Chairman suggested that it would be helpful to use the standard template in future, with the inclusion of a summary page.
- vii. The Chairman referred to the simplification and presentation of financial information and suggested that this was critical matter to ensure that Members fully understood reports that they were required to approve, and asked whether this could be considered going forward. The MO replied that additional finance training was planned, with further training for officers to improve understanding of financial reports.
- viii. The Chairman referred to contract exemptions and asked whether limited supplier availability impacted the Council's ability to achieve best value for money. The MO replied that there was guidance available for these instances, and officers would be given support from statutory officers. The Chairman asked whether these situations increased costs for the Council, to which the CE replied that the procurement exemption process had recently been updated with a robust framework. He added that some contracts required specialist suppliers, and in many cases the Council was still able to demonstrate value for money. It was suggested that IT systems and licenses were a concern, as the number available was continually reducing, which significantly limited the options available to local authorities and therefore posed a risk. The MO stated that it helped to seek options early in the procurement process to ensure that all options had been considered.

RESOLVED

To review and note the Monitoring Officer's Annual Report.

24 GRAC ANNUAL REPORT 2022-23

The DSGOS introduced the report and informed Members that it provided an outline of the role and purpose of the Committee, a summary of the work undertaken throughout 22-23, and identified key issues encountered throughout the year. He added that the primary issues identified included delays with external audit of the Council's accounts, which had already been discussed, and long-outstanding internal audit recommendations. It was noted that the Committee had increased the frequency of its Internal Audit Follow-up Reports to ensure that outstanding actions and recommendations were resolved. The DSGOS stated that the Finance Team were recruiting additional officers to increase resource to meet external audit requests. He added that, whilst there were only four meetings per year, there had been apologies given on five occasions throughout 22-23, with only two covered by substitutes, and Group Leaders were therefore encouraged to place emphasis on Committee Members securing substitutes.

Questions and Discussion

- i. Cllr T Adams referred to issues with apologies and noted that there were more full-time working Councillors that had to make alternate arrangements to be able to attend meetings. The Chairman accepted that more working Members had been elected, but suggested that not receiving a response from substitutes was a concern that needed to be addressed. Cllr S Penfold agreed but stated that Members could not be expected to substitute if contacted on the day of the meeting, and suggested that substitutes needed to be given as much notice as possible. Cllr C Cushing agreed that ample warning was necessary to ensure that Members could make the necessary arrangements to be able to substitute.
- ii. The recommendation was proposed by Cllr J Toye and seconded by Cllr J Boyle.

RESOLVED

To recommended that Council notes the report, affirms the work of the Governance, Risk & Audit Committee, and considers any concerns raised within the key issues section of the report.

25 INTERNAL AUDIT PROGRESS AND FOLLOW UP REPORT

The HIA introduced the report and informed Members that progress on the 23-24 internal audit plan currently stood at sixteen percent, and whilst this wasn't ideal at this stage, the land charges report was expected at the December meeting. The HIA stated that finalising the 22-23 reported had impacted the delivery of the 23-24 plan, but officers were now catching-up with in-year tasks. She added that the post-implementation review of the new finance system had just been completed, and this could be expected at the December meeting. On the follow-up section of the report, it was noted that officer responses had been sought where outstanding recommendations remained.

Questions and Discussion

- i. Cllr C Cushing referred to outstanding audit recommendations where some had been revised up to seven times, and stated that he had little confidence that recommendation deadlines wouldn't continue to be revised. The CE replied that significant progress had been made on resolving outstanding recommendations, and he was confident that the Planning recommendation revised seven times would soon be resolved. He added that the Civil Contingencies recommendations had been delayed due to sickness absence, but it was hoped that these would be resolved by the end of the year, with no factors limiting the Council's ability to respond to incidents. It was noted that waste management recommendations had been caught up with some aspects of the Government's anticipated Waste Strategy, but he was happy to seek an update on whether the outstanding audit recommendations could be resolved within a reasonable timeframe, given that the Waste Strategy had been delayed. The CE stated that the Council's car park management contract was under review, and recommendations relating to penalty notices would be impacted by the outcome of the review. Cllr C Cushing referred to civil contingencies recommendations, and asked whether this was now being progressed by an officer, or whether a further revision could be expected. The CE replied that he could not provide any further information beyond what was provided in the report, but it was his

understanding that a report was expected at the December meeting.

- ii. Cllr C Cushing referred to monthly bank reconciliations and asked whether this should be upgraded from an important to an urgent recommendation, given that it had a tangible financial impact. The CE replied that it wasn't possible to change audit assurance gradings, however there would be a risk assessment on cash receipts and income received, where it was expected that this would be highlighted on an annual basis. Cllr C Cushing noted that the current due date was approximately three weeks away, and asked whether officers were confident that the actions would be completed by the end of September. The CE replied that he had not discussed the matter with relevant officers so could not provide an answer at this time, but had confidence that officers would complete the required tasks.
- iii. Cllr S Penfold stated that it would be helpful to gain certainty on some of the outstanding recommendations, then noted that in two separate parts of the report it referred to the audit taking 171 and 176 days, and requested clarification. The HIA replied that Internal Audit had retained five days to undertake consultative work on risk management which would not be delivered by TIAA, and was not therefore included in the earlier section of the audit plan.
- iv. Cllr A Brown referred to PSIP recommendations and stated that work was expected to be completed by spring 2024, and an increase of planning fees was expected, though attempts to ringfence this had so far been rejected. He added that the Council was also unable to set its own planning fees, taking into account local market conditions.
- v. The Chairman referred to outstanding actions and noted that the Business Continuity Plan was expected to come to the Committee in December, and asked that it be added to the Committee's work programme. He added that no management response or update had been provided for the Environmental Health audit and asked if this could be provided as a written response. The HIA confirmed that she would seek a written response to share with the Committee via email. The Chairman suggested that it would be helpful to know where the Council stood in terms of health and safety and whether any assurance could be provided at present. The HIA replied that this was a key piece of assurance and it was hoped that the recommendations would be resolved in time for the December meeting. The CE stated that a new Corporate Health and Safety Officer had started in June and they were now working with the Compliance Officer to ensure that all actions required to sign-off the recommendations were completed.

RESOLVED

That the Committee receives internal audit progress and progress against internal audit recommendations within the period covered by the report.

ACTIONS

HIA to seek a written response on outstanding audit recommendations where no comments have been received.

The CE introduced the report and informed Members that it was an annual requirement as part of the governance framework which required sign-off from the Chief Executive and Council Leader. He added that it outlined actions the Council was required to take in-line with CIPFA standards as part of the annual audit process.

Questions and Discussion

- i. Cllr C Cushing asked who reviewed the report and what the requirements were, to which the CE replied that it had to be published on an annual basis to form part of the audit assurance work undertaken by Internal and External Audit.
- ii. The report was proposed by Cllr J Toye and seconded by Cllr C Cushing.

RESOLVED

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

27 AUDIT COMMITTEES AND CO-OPTED INDEPENDENT MEMBERS

The MO introduced the report and reminded Members previous discussions had taken place regarding co-option of independent Members onto the Committee. She added that she had therefore prepared guidance for Members to decide how to respond to the CIPFA position statement and recommendations attached in appendix A. It was noted that the recommendations suggested that audit committees should co-opt at least two independent members onto committees, though this remained best practice rather than a statutory requirement, alongside annual public reporting of the position statement. The MO stated that the process had begun with the Redmond Review in 2019, which recommended at least one independent member to ensure that committees had the necessary expertise to undertake their role effectively. She added that independent members could not be an existing Member or employee of the Council, and that they should only sit on the Committee for a set period of time to avoid overfamiliarity with the Council. It was noted that enquiries had been made as to how other authorities had responded to the guidance, to which the HIA stated that she had prepared a similar report for other authorities and suggested that annual reporting of compliance with the recommendations could be fulfilled as part of the self-assessment exercise. The HIA stated that some Councils had chosen to co-opt one independent member which had worked well to provide additional expertise, and further statements could be added to the GRAC Annual Report on the role of the self-assessment exercise to provide assurance. She added that the Committee could start with one independent member, then co-opt an additional member in future if it became a statutory requirement. The MO noted that if Members did decide to co-opt a single independent member, there would be advantages to staggered recruitment, with possible consideration of pooling arrangements with other Councils in the future.

Questions and Discussion

- i. The Chairman noted that in his experience independent members did add value, but suggested that it may be prudent to start with one independent member first.

- ii. Cllr S Penfold noted that he was a Member of NCC's Audit and Governance Committee which had two independent members, which worked very well to support the Committee. He added that it may be helpful to tie in term-limits with the Council's election cycle, and stated that he would be happy to have one or two independent members, taking into account the preference of the Committee.
- iii. Cllr C Cushing stated that it would be helpful to know the exact costs, and what skills were needed for the Committee. He added that it would also be helpful to know who would be involved in the recruitment process and where independent persons with the required skills could be found, given that they would be different to those used for the Standards Committee. The HIA replied that she would be happy to provide the skills and knowledge framework which included skills such as financial knowledge, governance, project and risk management. She added that she had a job description prepared, and noted that the recruitment process at other Councils had included both officers and Committee Members. Cllr C Cushing stated that he would prefer to start with a single independent member to see the benefits before co-opting a second, which the Chairman agreed was a sensible approach.
- iv. The HIA noted that at present the Council's Constitution did not allow for independent members on the Committee, and this would need to be amended as part of the recruitment process.
- v. Cllr J Boyle stated that she would prefer to start with a single independent member to determine effectiveness before considering the co-option of an additional independent member as advised by CIPFA.
- vi. Cllr C Cushing added that he was in favour of seeking to co-opt a single independent member for the term of the administration. The Chairman suggested that co-opting an independent member midway through the Council term could provide continuity on the Committee after elections.
- vii. The DSGOS stated that the Committee had suggested that they wished to seek co-option of a single independent member for a four year period, with the rest of the recommendation remaining the same. The MO added that the second recommendation should include reference to how the Committee adheres to CIPFA best practice in its annual report, with reference to the self-assessment process.
- viii. Cllr S Penfold suggested that it may be worthwhile linking independent members term to the election cycle, which would shorten the appointment to approximately three years. The Chairman suggested that allowing a four year term would create continuity for the Committee over an election period.
- ix. The recommendations were proposed by Cllr J Toye and seconded by Cllr J Boyle.

RESOLVED

- 1. To recommend to Full Council that one independent member be co-opted onto the Governance, Risk and Audit Committee for a four year period subject to further advice, with delegated authority to be given to the Monitoring Officer in consultation with the GRAC Chairman to undertake**

recruitment arrangements.

2. That the Governance, Risk and Audit Committee reports annually on how the Committee has complied with the CIPFA position statement 2022, to include how the Committee has discharged its responsibilities, an assessment of its performance and that such a report is made available to the public and included the in the Committee's annual self-assessment report.

28 CORPORATE RISK REGISTER

The CE introduced the report and informed Members that it had been updated by CLT and provided an assessment of the risk position of the authority, subject to external factors, and issues arising within the authority. He added that environmental and global factors were also taken into account, and whilst risks relating to matters such as Covid had now reduced they could be reconsidered in future if required, alongside other civil contingencies matters. It was noted that risks relating to projects such as the NWHSZ project had reduced as the project approached completion, though other projects such as the Fakenham roundabout continued due to delays caused by Nutrient Neutrality. The PPM noted that there would be an additional risk added in the next CRR related to net zero.

Questions and Discussion

- i. Cllr S Penfold referred to direction of change indicators and sought clarification, to which the PPO confirmed that arrows to the right meant that the risk score had not changed since its last assessment. He added that recruitment risks referred to competitive challenges and asked how the recruitment software would help overcome these challenges. The CE replied that this software would move the recruitment process online, which would create an end to end digital process to improve efficiency. He added that it was his understanding that the software had already been implemented and it was confirmed that the comments needed to be updated.
- ii. The Chairman noted that AI wasn't covered within the CRR and asked whether this had been considered in any way, given that it was a growing concern. The CE replied that there had been some consideration of these risks by the Customer Services Manager but no formal consideration had been given as yet. The Chairman suggested that this should be given consideration going forward due to increasing risks. The CE replied that it should be taken into account, but noted that many authorities were delivering considerable efficiencies by adopting some use of AI systems. The PPM replied that information security was covered within the CRR and she expected that the IT Team were very aware of the risks posed by the use of AI.
- iii. The Chairman raised the simplification of financial reports as a risk to ensure that Members properly understood the financial information presented to them, given the prevalence of financial issues seen at other authorities throughout the Country. The CE agreed that this was a risk, but the DFR was aware of concerns and Members should be reassured that the Council was not in a position of significant financial concern. He added that there were concerns on the number of vacant commercial properties in Fakenham, but the District was not currently at risk of losing any significant high street shops. The Chairman noted that Members had a responsibility to ensure that

financial risks were mitigated, and whilst training would help, efforts also had to be made to ensure that Members fully understood the financial information presented to them. The CE replied that greater attention was being given to budget monitoring throughout the year, but the DFR was also aware of the desire amongst Members for a simplification of financial reports, and a balance would need to be found. It was confirmed following a question from the Chairman that financial understanding was not reported as a separate risk, but the S151 officer had a statutory obligation to advise Members and report any concerns. The PPM suggested that she could raise this matter as a service level risk with the S151 officer.

- iv. It was confirmed following a question from Cllr S Penfold that a key could be provided for risk symbols to ensure that Members fully understood the report.
- v. Cllr J Toye proposed that consideration be given to the addition of an AI risk to the Corporate Risk Register. The proposal was seconded by Cllr S Penfold.

RESOLVED

- 1. To not the Corporate Risk Register.**
- 2. To request that CLT give consideration to the inclusion of an AI risk on the Corporate Risk Register.**

29 PROCUREMENT EXEMPTIONS REGISTER 26 MAY 2023 - 30 AUGUST 2023

The MO introduced the item and informed Members it provided oversight of the procurement exemptions granted in the last quarter with only one to report.

RESOLVED

To note the Procurement Exemptions Register.

30 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DSGOS reported that item 6 on the action list was now resolved as the CE had shared the relevant email, but a response was still required on whether a date had been provided for delivery of the additional waste vehicles.

RESOLVED

To note the update.

31 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The DSGOS noted that the work programme had been amended on numerous occasions due to delays with the External Audit process, but noted that the 20-21 annual accounts were expected to be signed-off under delegated authority by the end of the week. This would allow for the External Audit Letter in December alongside the draft statement of accounts for 22-23, whilst sign-off of the 21-22 accounts was scheduled for March. It was noted that the civil contingencies update was planned for December, with the addition of the Business Continuity Plan. The DSGOS stated that the Risk Management Framework was also expected in December, which would be developed with the assistance of the new Head of

Internal Audit.

RESOLVED

To note the work programme.

32 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 4.10 pm.

Chairman