

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 5 December 2023 at the Council Chamber - Council Offices at 2.00 pm**

### **Committee**

#### **Members Present:**

Cllr J Toye (Chairman)  
Cllr C Cushing

Cllr J Boyle (Vice-Chairman)

#### **Officers in Attendance:**

Director of Finance & Resources (DFR) , Monitoring Officer (MO), Head of Internal Audit (HIA) , Resilience Manager (RM), Policy & Performance Manager (PPM) and the Democratic Services Manager (DSM)

### **33 TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies had been received from Cllr S Penfold, Cllr E Spagnola and Cllr L Vickers.

### **34 SUBSTITUTES**

There were no substitutes.

### **35 PUBLIC QUESTIONS**

None received.

### **36 ITEMS OF URGENT BUSINESS**

None.

### **37 DECLARATIONS OF INTEREST**

None.

### **38 MINUTES**

The minutes of the meeting held on 12<sup>th</sup> September were approved as a correct record and signed by the Chairman.

Cllr C Cushing referred to Minute no.21 and a previous request for the Director of Finance (DFR) to provide a timeline for the sign-off of outstanding annual accounts. The DFR replied that she would send out a summary of key dates. In terms of the broader position, she said that all local authorities were waiting for guidance from the Government as to whether they wanted maximum assurance which would require the external auditors to come into each authority and catch-up on the accounts. For the 2021/22 accounts the deadline for this would 31 March 2024 and for 2022/23 it would be 30 September 2024 and for 2023/2024 it would be either December 2024 or March 2025. Any work that was not completed by these dates would stop which could lead to an incomplete Audit opinion. She went onto say that the alternative,

which was the preferred option of External Audit, was to do a 'reset' as at 2023/2024 and this would mean that they would start afresh for 2023/24 and would not complete the 2021/2022 and 2022/2023 audits. The DFR added that councils still had to produce annual accounts for their own purposes and to provide an opening balance for the following financial year. Auditors were still required to undertake an audit on 'Value for Money' for all years and also on pensions accounts. The latter would be at County Council level rather than District level. She said that the Finance Team were continuing to undertake work on the 2021/22 accounts and were ready to produce the statement soon. She said that she believed that the Council would have caught up by the end of March 2024.

The Chairman thanked the DFR for the update and said that the main decisions relating to this had to be taken elsewhere. In reality, it was unlikely that councils would receive the assurance that was required and that why the proposal for a reset was generally supported.

The Chairman referred to Minute 25 and the recorded action that the Head of Internal Audit (HIA) would seek a written response on outstanding audit recommendations where no comments had been received. The HIA replied that in her report that she had included all the responses that were received at the time and if future she would try and ensure that officers provided a response.

The Chairman then asked for an update on the co-option of an Independent Member to the committee (Minute 27). The Monitoring Officer replied she was intending to commence the recruitment process in the New Year so they could join the committee from the start of the municipal year.

The Chairman then referred to Minute 28 and the resolution to request that the Corporate Leadership team (CLT) give consideration to the inclusion of an AI risk on the Corporate Risk Register. He asked for an update on this. The MO replied that AI fell within her remit as an information governance matter and said that she would chase it up.

## **39 EXTERNAL AUDITOR'S ANNUAL REPORT 2020/2021**

Cllr C Cushing said that there were some sizeable revaluations throughout the report and he asked whether these were likely to have a material impact, particularly in terms of the Council's reserves. He also commented on the reference in the report to the February 2020 budget and queried the value that the Council was getting out of looking at figures that were nearly 4 years old now, with little focus on the intervening years. The DFR replied that she agreed with all of the recommendations set out in the External Auditor's Annual Report 2020/2021 and they would all be implemented with the exception of the authorisation of journals which she felt was not necessary. Regarding the valuation, to some extent until they were realised or sold then it was essentially just a figure and there was no material effect on the bottom line. She added that the fixed asset register had been thoroughly reviewed now and proper up to date valuations were now in place.

The DFR went onto say that it was important that the Council continued to close the accounts for each year as though they were being audited so that members could be satisfied that the balances were true and fair going forward. The Chairman agreed that it was important that the Committee had that assurance. He added that the Value for Money section included in the report had not raised any concerns, which was reassuring. He added that he had contacted the County Council to arrange a discussion about pensions so that he has a better understanding of the implications

for NNDC. He said that he would inform members of the outcome of these discussions and the Committee could decide if they wished to undertake training on the matter. The DFR added that if members were interested in any other areas of training, she was happy to make arrangements.

## **RESOLVED**

To note the report.

### **40      PROGRESS AND FOLLOW UP REPORT ON INTERNAL AUDIT ACTIVITY 01 SEPTEMBER TO 30 NOVEMBER 2023**

The Head of Internal Audit (HIA) introduced the report. She explained that it examined the progress made between 1 September to 30 November 2023 in relation to the delivery of the Annual Internal Audit Plan for 2023/2024 and also provided details of any outstanding internal audit recommendations. She said that to date, 41% of the Audit Plan had been completed. During the latest period, two reports had been finalised – land charges and procurement and contract management. The details of these were set out in appendix 2. In terms of outstanding recommendations, 29 were outstanding of which 5 were urgent.

The Chairman commented on the 41% completion rate and asked whether the HIA had any concerns about achieving completion by the end of the year. The HIA replied that she would expect to be further on in the plan. The contractor was currently behind and some of these was due to staffing issues. They had advised the HIA that the plan would be completed by the end of March 2024. In terms of next year, it was hoped that a protocol could be put in place to embed timescales.

Cllr Cushing referred to appendix 2 and the finding for the Land Charges searches and asked why it was a limited assurance rather than no assurance. He also said it would be useful to understand the materiality linked to this and whether it was a sizeable sum of money involved. The HIA replied that more information could be supplied to members on this. Cllr Cushing said that this would be helpful. The DFR said that regarding land charges income, in 2023/2024 the Council was budgeting for £175k. She added that the actual service was being transferred to the Land Registry so this would result in some loss of income. The Chairman asked whether, given the transfer of this work, it was pursuing this issue at all and how it would be monitored in the future. The Policy and Performance Manager said that some elements of the work relating to land charges would remain at NNDC.

It was proposed by Cllr J Toye, seconded by Cllr C Cushing and agreed that a review is undertaken on how land charges are monitored and how this will be reported in the future.

Cllr Cushing then referred to Appendix 6 – ‘Outstanding Internal Audit Recommendations’ and said that when he compared them to the previous update report, it was clear that some of them had moved backwards. He gave NN2213, Waste Management as an example of having a revised due date. He asked the HIA what level of confidence she had in the outstanding recommendations being delivered. The HIA replied that regarding the first recommendation for NN2213, it involved other councils too so that was adding to the delay there and with the second one, it related to staff shortages and it was therefore difficult to predict when it would be resolved. The Chairman said that he shared Cllr Cushing’s concerns, particularly about the materiality of some of the outstanding recommendations and the consequential risks if they were not resolved. He asked the HIA how significant

they were and whether they could be quantified.

Cllr C Cushing referred to Appendix 7 which set out all of the urgent outstanding Internal Audit recommendations for 2022/2023. Again, he said that it was an issue of materiality which was causing concern here. None of the items listed included an update on the situation and every one of them had now passed the due date for completion. He highlighted NN2302 and the issue of reconciliations and asked for an update on this. The DFR replied that it was partly due to the new financial system and ongoing staffing issues. She said that the bank accounts were being reconciled but there were some issues with the system. The reconciliations themselves were giving the required assurance. Other reconciliations were being brought up to date and a new member of staff was going to work specifically on addressing the reconciliation issues. Cllr Cushing asked for a revised due date for when these outstanding recommendations would be resolved. The DFR replied that it would be end of February 2024 at the latest.

The Chairman said that it would be helpful to have written responses provided for each of the outstanding recommendations in future. The HIA replied that there was a 'Key Controls' audit scheduled for Q4 and she would expect these items to be in the scope of work for this. Cllr Cushing asked if that future reports could include revised due dates for the outstanding urgent recommendations.

## **RESOLVED**

1. To note the internal audit progress and progress against internal audit recommendations
2. To request that a review is undertaken on how land charges are monitored and how this will be reported in the future.

## **41 CIVIL CONTINGENCIES UPDATE 2023**

The Resilience Manager (RM) introduced this item. She said that she wanted to emphasise the work of the Flood Wardens who had been providing excellent support to the Council, in a volunteer capacity. She drew the following key issues to the committee's attention:

- The Norfolk Resilience Forum (NRF) – The Council paid an annual subscription to this body and it was important that this continued as the Council worked closely with the partner agencies involved. It was likely that the subscription would increase in future years but the figure was not yet know.
- Risk Assessments – there had been several changes to the National Risk Register in August 2023 and the changes to the assessment methodology had increased the time now taken to assess each risk.
- Mutual Aid Agreement – this had been revised in January 2023 and the new document set out arrangements for the provision of mutual aid during an emergency. All Local Authorities could now come together and assist each other when required.
- Severe weather and flooding – The RM that the main challenge at the moment was flooding and a lot of her work in recent months had been

dealing with flood related issues. Work was ongoing on looking at long-term solutions to chronic flooding.

- Flood defences at Potter Heigham – following the installation of replacement flood boards, the volunteer flood wardens at Potter Heigham had been providing updates on the extent of flooding and managing the flood boards on a daily basis. She said that their work and support had been invaluable, as had all of the flood wardens along the coast.
- North Norfolk Safety Advisory Group – the removal of the Events Planning team at Norfolk Constabulary had led to a review of how events were managed across Norfolk, to ensure minimal disruption for the public attending.

The Chairman said that he would like to formally thank the flood wardens for their hard work and support. He then thanked the RM for her hard work too. The Chairman asked about the subscription cost for membership of the NRF and if there was any indication at all about the likely increase. The RM replied that there was not but that the NRF Board was aware of the funding challenges faced by its members and it was hoped that this would be taken into consideration.

Cllr C Cushing conveyed his thanks to the flood wardens for all their hard work. He asked the RM whether the past year had been a particularly bad year for severe weather events. The RM replied that a lot of people had commented on how bad this year had been. There seemed to be more incidents and they were lasting for longer. She added that as extreme weather events were a national problem, North Norfolk was often disadvantaged when it came to seeking funding support from Government. Priority, not unreasonably, was given to industrial and urban areas which were more heavily populated.

The Chairman thanked the RM once again for all her hard work.

## **RESOLVED**

To note the report and the Council's contributions to the Norfolk Resilience Forum in emergency preparedness planning and incident response, which help to discharge the Council's functions under the Civil Contingencies Act 2004.

## **42 COASTWISE - REVIEW OF RISKS**

The Chairman explained that this item had come to the Committee as a recommendation from Overview & Scrutiny Committee:

*'To request that Governance, Risk & Audit Committee reviews the risks presented by the Coastwise Project in respect of the likelihood and impact elements of the risk scores (pre and post the mitigation actions) so that there is clarity about how those actions will work and thus provide greater reassurance that they are being managed effectively and who owns them.'*

The Coastal Transition Manager (CTM) introduced this item. He explained that Coastwise was one of a small number of nationally funded coastal transition accelerator projects which were looking to work with communities in high-risk coastal erosion areas to prepare transition plans and practical actions for the future. Approximately £15m of funding had been confirmed by the Environment Agency

(EA) earlier in the year and, as required by the programme, governance arrangements had been set up and a risk register had been developed. It had originally been prepared as part of an outline business case to the EA to seek approval of the funding and this had been reviewed by the EA's Large Project Review Group which made one addition to the register. It then went back to NNDC's Coastwise Governance Board which undertook a risk workshop and consequently the scoring mechanism was updated and consolidated and added in any additional risks identified for Coastwise. In summary the top 5 risks were changes in Government direction, meeting the proposed financial projections, land availability for coastal transition, the consenting timeframes needed to deliver practical actions for transition and the impact of nutrient neutrality when moving residents into new properties. He then outlined the risks that had been mitigated down.

The Chairman invited members to speak:

Cllr C Cushing said that the overall register was quite detailed and the format was sufficient but although there was a description of the risk, there was no detail regarding the impact of it and it wasn't clear what would happen if one of the risks occurred. He said that this additional information would help quantify the impact of the risk.

Cllr J Boyle agreed with Cllr Cushing and said it would be helpful to have additional information setting out the consequences of any risks. She commented on the risk that the allocated funding may not be spent within the required timescales and said that this caused some concern.

The Chairman said that it was a 'living document' which would change as the project progressed. All major risks had been identified and he did not see any others that needed to be included in this list. He also commented on the risk of being 'unable to spend allocated funds in projected years' and asked what would cause this. The CTM replied that when NNDC was developing the project assurance was given that the Council would not be held to the projections of allocated spending over the years of the programme. The EA then advised that they were now fixed and consequently, it had been highlighted as a risk. A financial contingency approach had been included in the outline business case, where essentially it was proposed that unallocated funds and contingency funds which were not spent in the year could be claimed down and placed in a 'Coastal Transition Fund' which would be managed by NNDC and which could generate interest which could then be spent on coastal transition projects outlined within the programme. This de-risked the programme from a financial perspective for NNDC, meaning that the team could concentrate on delivery rather than the pressure to spend money within a tight timeframe. It also de-risked the EA as they would not be chasing for completion all the time. In addition, it provided the opportunity to explore an area which was a key work package for coastal transition which was future transition funding. There was a shared post with East Riding of Yorkshire and the National EA team which would be exploring this whole area and developing a transition fund with alternative funding mechanisms feeding into it and a management potentially of this fund with ways of 'tapping off' the funding for specific projects in the future. The management of this fund was an interesting idea and the contingency fund approach facilitated the opportunity to explore this. He said that the worst scenario would be not being able to spend the funding and then losing it as well as the opportunity to learn.

The Chairman thanked the CTM for his detailed explanation. Referring to the risk 'land required to deliver the scheme is not available' he asked whether this was fall-back land that would be purchased rather than land lost to erosion. The CTM

confirmed this. The Chairman asked whether there was a further risk that this could increase land prices if people were aware that it may be needed for future purchase by the Council. The CTM acknowledged that this was a possibility but was often the case when a known project was underway in an area.

The Chairman said that in response to the Overview & Scrutiny Committee, the Governance, Risk & Audit Committee had reviewed the risks as requested and had made two recommendations to assist members in understanding and quantifying the risks. He said that the evidence presented to the Committee provided the requested assurance that the risks were being managed effectively.

The Chairman then spoke about risks around key players involved in the project and whether resilience within the team was an issue at all. The CTM replied that the team was still in the process of being constructed, adding that skills and recruitment were a risk and there was still one role that was vacant. He was confident that regular updates on the progress of the project ensured that the team could pick up work and cover if anyone was away.

The Chairman thanked the CTM for providing such an informative report to the committee.

The Policy & Performance Manager (PPM) asked whether the Coastwise project and the risk of not delivering it should be included within the overarching Corporate Risk Register. It was agreed that this should be considered for inclusion in the Councils' corporate risk register.

The Committee **RESOLVED** to provide the following statement to the Overview & Scrutiny Committee:

'The Governance, Risk & Audit Committee reviewed the risks and having clarified several key points, was satisfied that the additional evidence presented to them demonstrated that the proposed mitigation actions will work and therefore provide assurance that they are being managed effectively, with clear evidence of ownership for each action.

The Committee made the following recommendations:

To help members understand and quantify the risks, the risk register for the Coastwise project should include the following:

- Additional information setting out the consequences of the risks.
- Additional information setting out the impact of the mitigation actions.'

#### **43 PROCUREMENT EXEMPTIONS REGISTER**

The Monitoring Officer introduced this item. She explained that there was one exemption - regarding the contract for the supply of the Poverty Dashboard. The Chairman said that this was a specialised area and money well spent.

#### **44 CORPORATE RISK REGISTER**

The DFR introduced this item. She said that the register had been updated. Some had changed slightly but most had remained the same. The highest risk for the Council at the moment was financial sustainability.

Cllr C Cushing commented that the format was very poor. It was very lengthy but did not include much useful text. Again, he reiterated that it was not clear what actions would be taken to mitigate the risks. There was no detail supporting each score so it was not clear how the scores had been reached. He said that the format of the Civil Contingencies risk register was much better and he queried why the overall risk register could not be presented in the same format. The DFR replied that officers were currently in the process of producing the corporate risk register in a different format. She said it would be along the lines of the civil contingencies one. Cllr Cushing said that if it was just updated each time with key elements it would be much shorter and easier to access.

The PPM said that there were two issues, how it was presented and how historical data should be stored so that trends could be accessed. She added that there were some challenges around having a much shorter report but with members being able to drill down to any detail should they want to. The Chairman suggested that technology may be the best way to address this so that links could provide detail if required. He asked when it was likely that the review of the corporate risk register was likely to be undertaken. The DFR replied that she hoped that it would be in place for the start of the next financial year. Cllr Cushing requested that a 'last updated' column was included, adding that it was not the role of members to undertake a deep dive but to review the information in a constructive manner. The Chairman agreed and said that if members wanted more information on a specific risk then they should be able to ask for it. He asked whether any changes would meet internal audit requirements. The HIA said that she was happy to work with officers and have input into any changes to the risk register, adding that it was important for audit purposes to have a narrative at the start of the register.

The Chairman thanked everyone for their input. He said that it was important that members were happy with any changes and suggested that any proposals could be shared more widely. The DFR replied that it was part of a wider project to look at performance management, audit recommendations and the risk register and there was a project group in place to oversee this. She said that workshops could be incorporated into the review process and these could include members from both GRAC and Overview & Scrutiny Committee.

The Chairman referred to page 104 of the report and CRO24 – staffing issues in the People Resources directorate. He said that it showed the likelihood and impact of the risk as being quite low and he queried whether this was correct, especially given the discussions throughout the meeting regarding resourcing and staffing issues in several service areas. The DFR said that she felt it could be reflected as a high risk and said that she would look into it.

Cllr Cushing referred to the Joint Venture Scheme that was set up to mitigate the impact of nutrient neutrality and he asked about the risks presented by this project and the likelihood of it working effectively in negating nutrient neutrality. The DFR replied that she would look into this and provide a written response.

The Chairman referred to page 121, CR024 – not achieving the Net Zero 2030 target. He said given that this was a key objective of the corporate plan, he was concerned to see it listed as a high likelihood and high risk. He asked whether this should be lower, given the priority that it was being given. The DFR replied that it was considered to be a strategic risk due to the size of the achievement and the timescale to achieve it. There needed to be a shift in culture within the Council. It was also affected by externally driven risks too. There was potentially a large fine if



the target was not reached. The Chairman said that it was not clear in the report what work was being done to reduce the risk. The DFR said that there were funds available to assist with this work and a reserve had been established but it was £0.5m and it was likely that this would have to be topped up in the coming years.

The Chairman said that this issue was extremely important and that a whole council approach was needed to ensure that any risk around not reaching the target of Net Zero by 2030 was reduced.

## **RESOLVED**

To request that the following changes to the Corporate Risk Register were considered:

- Details to be provided for each score to explain how the final figure had been reached.
- To include a 'last updated' column
- Additional information to be included regarding the work being done to mitigate the risk of the Council not achieving its Net Zero target.

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

The Democratic Services Manager (DSM) updated the committee on the work programme. She advised that there were several policies that were due for review during 2024 and she would liaise with the relevant officers regarding programming them into the committee schedule.

The Chairman referred to the recent LGA Peer Review and the reference to a review of the roles and remit of Cabinet, Overview & Scrutiny Committee and GRAC to ensure that any overlap was minimised. The DSM said that there would be a review of the terms of reference of each committee and this would be done as part of the wider review of the constitution.

The Chairman commented that it would be helpful to have an update on the timelines of reports coming through as there was a lot of slippage.

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

The DSM provided an update on the Update and Actions list.

## **47 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.49 pm.

---

Chairman