

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 3 December 2024 at the Council Chamber - Council Offices at 2.00 pm**

### **Committee**

#### **Members Present:**

Cllr S Bütikofer (Chair)	Cllr J Boyle (Vice-Chairman)
Cllr C Cushing	Cllr L Vickers
Cllr A Fletcher	

#### **Members also attending:**

Cllr J Toye

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

Tina Stankley, Director of Resources and Section 151 Officer  
Cara Jordan, AD Legal and Governance and Monitoring Officer  
Emma Childs, PA to the Corporate Leadership Team  
Vic Platten, Independent Person  
Teresa Sharman, Internal Auditor  
David Riglar, External Auditor  
Helen Thomas, Performance Manager  
Alison Sayer, Resilience Manager

### **100 TO RECEIVE APOLOGIES FOR ABSENCE**

The Chair took the opportunity to introduce Mr Vic Platten as the Committee's new independent person.

Cllr Penfold sent his apologies.

### **101 SUBSTITUTES**

None

### **102 PUBLIC QUESTIONS**

None Received.

### **103 ITEMS OF URGENT BUSINESS**

None Received

### **104 DECLARATIONS OF INTEREST**

None Received

### **105 MINUTES**

The minutes were approved as a true and accurate record and signed by the Chair, subject to the amendment on Page 9, Section 91, where there was an erroneous letter 'T'.

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

### **Action**

**Written responses will be provided to all Members of the Committee regarding the outstanding actions following the meeting.**

## **107 PERFORMANCE AND PRODUCTIVITY OVERSIGHT BOARD**

The Chair requested that 3.5.4 in the report be tightened up and whilst the Committee are grateful for the progress that has been made to date but where the report states that 20% of the documents have been brought up to date this should be 100%.

The Independent Person asked how GRAC and PPOB work together as he has not seen an organisation where they are decoupled. How is it ensured that corporate risk is embedded in the performance management systems and how do the interdependencies work between the committees.

The Director of Resources explained that this is a new Officer only board that has been set up to help deliver more distributive leadership. The boards are currently in their infancy.

Cllr Vickers expressed reservations about having officer only boards and expressed a wish that at least one member be invited to sit on each board.

### **Action**

**The committee to be provided with a timescale for when it is expected that the remaining documents will be brought up to date.**

**The Chair of the Board is asked to attend the next meeting so there can be further discussions on the scope of the Board and what GRAC can bring to the process.**

## **RESOLVED**

**The Committee noted the Performance and Productivity Oversight Board's progress and felt that while it has promise further development is required.**

## **108 RESPONDING TO COMPLAINTS**

The Independent Person stated that he felt that this was an encouraging report for the Council. It would be useful for the training to be recurring to ensure that all Officers are kept up to date with the complaints handling process.

**The Committee noted the LGSCO's annual report and complaint figures and agreed that no significant issues were raised with responses to the Council's processes or service provision.**

## **109 EXTERNAL AUDIT LETTER**

The Chair invited the External Auditor, Mr Riglar to speak to the Committee on this item.

The External Auditor explained that since he attended Committee in September back stop dates have been put in place for the auditing of the 2021/22 and 2022/23 accounts. These will be given a disclaimed report based on the statutory instrument. 100s of Councils are in a similar position and this is not unique to NNDC.

Report includes:

- Executive summary – local and national context.
- Legislation gives a mechanism to sign off the accounts and conclude the audit process, what it doesn't do is remove the responsibilities under the auditing standards. Minimum procedures are required in order to provide a disclaimed opinion.
- Work plan – limited procedures completed to identify risk.
- Results and Findings – high level observations of the statement of accounts, no detailed work has been carried out.
- Value for money – no change in the findings since July GRAC meeting.
- Appendices – set out other requirements regarding reporting.

Cllr Vickers asked for further clarity to be provided as to the risks and context involved in the statements on Page 50 and Page 52. Page 50 stated that there is a weakness in proper arrangements for timely financial reporting and Page 52 of the report stated that the External Auditors are not satisfied the Council has made proper arrangements for economy efficiency and effectiveness in use of its resources for the year ending 2022/23.

The External Auditor responded to say these statements are linked to the production of the accounts and are associated to the External Auditors' Value for money responsibilities. The National Audit Office set three high level areas and a number of sub criteria on which the External Auditor must report. One of these areas is the Council's arrangements for preparing and publishing financial statements. Capacity issues within the Council meant that financial statements for 2021/22 and 2022/23 were not published in line with statutory regulations. What is more important is the Council has addressed their weaknesses with regard to this as a number of accounts have now been produced in a relatively short space of time and this negates the need for further escalation of this issue.

The External Auditor was confident that this issue has now been resolved.

Cllr Cushing asked for an understanding on how much work the External Auditors had completed to write the report and whether this provided sufficient assurance moving forward.

The External Auditor confirmed that an audit of the financial statements had not taken place. However, due to the cross over with value for money arrangements and one of the sub criteria relating to financial reporting, minimum procedures have been completed to give some level of assurance over the arrangements that are in place. The statement of accounts have had basic arithmetic checks carried out, they have been checked to the last set of audited accounts to ensure that the figures have flowed through as would be expected. A comparison has been completed to the CIPFA disclosure check list.

There are three levels of assurance – One is internal assurance through an adequately resourced finance team and the statement of accounts being a prominent document within the organisation – these have both been confirmed. The second level is then the checks carried out by the Internal Auditors and the third level is the external auditors carrying out checks. It is the first two levels of

assurance where the committee should focus their attention. External audit should then just come in a verify the procedures that are in place.

The Independent Person asked what actions the Council should take on the back of the report and what the risks were for the Council of having a disclaimed report?

The External Auditor explained that there would be consequences for those Councils who are unable to meet the backstop dates for preparing their statement of accounts, but it is not yet known what these consequences might be.

The Director of Finance updated the Committee that the finance team has been fully staffed since the appointment of an Ernst and Young audit specialist as chief technical accountant in July 2024. Following his recent promotion to AD Finance and Resources recruitment will be started to refill the chief technical accountant position. It is hoped however that the 2023/24 accounts will be completed and published by the end of this calendar year and for the 2024/25 the team hope to work to a completion date of 31 May 2025.

Cllr Fletcher asked whether the Committee should be concerned about the current deficit within the Pension Fund.

The External Auditor explained due to the levels of estimation involved there is always an audit risk to the Pension Fund. The actual figure within the pension fund will fluctuate year on year, but it will not impact the general fund.

Cllr Butikofer said that while committee members were concerned about the team's inability to meet the reporting deadline, they are pleased to hear the team is now fully resourced and should be able to meet these deadlines moving forward.

Cllr Butikofer ask whether the financial recompense the External Auditors are looking for will be fair given the fact that had the accounts been completed on time the External Auditors probably wouldn't have been able to audit them anyway.

The External Auditor explained that had the 2021/22 accounts and supporting records been complete the audit would have been undertaken. But the 2022/23 audit would have been in a similar position because the legislation came in to reset the system. PSAA are currently working out a way a fair fee can be determined for the work the External Auditors have performed.

#### **Action**

**The Director of Resources to provide an update each month to let the Committee know if we are on track to meet the publication dates for the statement of accounts and if not, why not.**

**The Committee noted and agreed the External Auditor's Annual Report for 2021-23.**

## **110 INTERNAL AUDIT PROGRESS & FOLLOW UP REPORT**

The Internal Auditor, Teresa Sharman, introduced the report and stated that there were now four finalised reports for 2024/25. Two of these had limited assurance – the risk management and the private sector housing and two had positive assurance, the leisure audit reasonable and the data protection audit received substantial assurance.

Other audits are progressing.

Some issues with IT audit due to a resourcing issue, but this has now been addressed and these should therefore pick up pace. The number of outstanding recommendations have reduced although there are some that have been outstanding for several years.

The Internal Auditor confirmed that she hopes to have everything on the action plan completed by March 2025.

Cllr Cushing asked if the Internal auditor felt that she should prioritise the key controls and assurance audit to ensure it is completed by the March deadline.

The Internal Auditor reassured members that the Contractor had issued the APM for this and was looking to get this booked in at the end of February.

Cllr Cushing enquired how the risk register would be updated in view of the auditor's comments.

The Director of Resources responded that it was felt that the risk management audit was a little harsh. Officers have been through the report, have taken on board the comments and are working to address the recommendations. Training will be arranged in the new year for both Officers and Members, the policy and framework document has incorporated the recommendations, and the inherent risk is now included in the report we complete.

There is also a new MIS system which will be demonstrated to the Committee early in the new year.

The Internal Auditor explained that the NA in the implementation time showed that the recommendation was not agreed by Management.

Cllr Boyle was concerned that the first sentence of the Leisure audit stated that a copy of signed contract with Everyone Active could not be found and that maintenance surveys that should be undertaken once every two years had not been completed. There is also a concerning variation in the visit figures. There does not seem to be the necessary control of what is a key Council asset.

The Assistant Director confirmed that it was concerning that the Council could not find a copy of the signed contract, but explained various efforts have been made to locate the contract.

The Independent Person noted that the date for rectifying this issue was the 01 December 2024. It does not appear this has happened so the date for completion of this action will need to be updated. He advised that he felt that the risk of key missing documents should be identified within the risk register as a risk to the Council both in terms of reputation and organisationally.

Cllr Cushing asked why when the Private Sector housing audit showed no formalised performance oversight that this was given limited and not no assurance.

The Internal Auditor explained that they recognised the reporting was informal and asked for more structured and formalised plan for reporting, so some credit was given for the fact some reporting was taking place.

### **Actions**

**The Internal Auditor to provide the Committee with a brief progress update each month to ensure the Audit action plan remains on track for completion in March 2025.**

**The Director of Resources to follow up the missing contract with the Assistant Director of Environment and Leisure Services and update the Committee on the outcome.**

**Any outstanding audit recommendations prior to and including 2022/23 need to be completed and signed off before the next meeting of GRAC in March. If they are not the Officer responsible will be expected to attend the meeting and explain why the recommendation is still outstanding.**

**A written update to be provided for the next meeting on the progress made towards meeting the recommendations set out in the Private Sector Housing Audit.**

#### **RESOLVED**

**The Committee received and noted the progress made with delivering the 2024/25 Internal Audit Plan and outstanding recommendations.**

### **111 SIGN OFF OF ACCOUNTS 2021/22 & 2022/23**

The Director of Resources introduced the draft set of accounts for 2021/22 and 2022/23. If the Committee was to agree them, they can be passed to the External Auditors to issue a final opinion by 10 December 2024.

The accounts have been prepared to fully meet all codes of practice and regulatory guidance and they do reflect as far as the Council is aware the position for the past two years. These are the accounts that would have been presented had they been being audited.

It was noted that the recommendation had been changed to the recommendation that the committee review, note and the committee approve that the chair sign the accounts off on its behalf as approved.

The Independent Person asked about the variances between the budgeted and outturn figures. Is a variance of 56% on the capital budget acceptable.

The Director of Resources explained that the Council produces an outturn report every year that goes to Cabinet and provides a more detailed explanation of the variance. The capital programme may be rolled forward to the following year to allow for slippage.

The Chair asked if the Director of Resources could explain the meaning of componentisation.

The Director of Resources clarified that componentisation is not something that the District Council is largely affected by. For example, this would be used at a crematorium where the incinerators only have a useful life of 10-15 years, these assets would be valued using componentisation.

The Chair also queried the large amount cited for the revaluation losses on property, plant and equipment in 2021/22.

The Director of Resources elucidated that there are certain classes of assets that have to be revalued every year, others are revalued every five years. The value of the assets has dropped considerably. It may be that on the advice of the External Auditor we look at a different approach to revaluation. This is a technical adjustment and as such does not affect the bottom line.

**The Committee reviewed and noted the accounts, and the Committee approved that the Chair sign off the 2021/22 and 2022/23 accounts as approved on its behalf.**

## **112 MONITORING OFFICER'S REPORT**

The Monitoring Officer introduced the report.

Cllr Cushing asked if there was a reason behind the 15% increase in the number of Freedom of Information requests submitted to the Council.

The Monitoring Officer responded that there was nothing in particular that caused this increase. The Council tries to do everything it can to provide information online, but every year the numbers of Freedom of Information requests seem to increase.

The Chair took the opportunity to remind members to declare hospitality whether it is accepted or declined.

The Monitoring Officer advised that it is the duty of each individual member to declare hospitality they receive throughout the year, and they are reminded throughout the year.

### **RESOLVED**

**The Committee reviewed and noted the Monitoring Officer's Report.**

## **113 CIVIL CONTINGENCIES UPDATE**

The Resilience Manager introduced the report. Over the past year there has been persistent flooding at Happisburgh, Potter Heigham and Horning. There is an expectation of a level of flooding at Horning but the levels of flooding at Happisburgh and Potter Heigham were exceptional and as a result the Council have stepped up the work they have ongoing with the Norfolk Strategic Flooding Alliance and the Broad and Futures Initiative to look at long term solutions to the flooding that has been experienced, but as always the issue is Government funding.

The North Norfolk Safety Advisory Group has been advised of 123 events in the past year, slightly down on the previous year. There is however some work ongoing to streamline administrative processes between the other Norfolk local authorities and the Police moving forward, which is being hindered by the delay in the enacted of Martyn's Law. It is not yet clear how Safety Advisory Groups will interact with the regulator tasked to oversee compliance.

The Resilience manager advised that they do always endeavour to keep members informed. If we have to open rest centres, it would be brilliant to have member support.

The Chair explained that is helpful for Councillors to be able to respond, when asked on social media.

The Resilience Manager also said that it would be great if Members could also pass information.

Cllr Vickers enquired whether it would be possible to have an emergency WhatsApp group to pass information.

## **RESOLVED**

**The Committee noted the report and the Council's contributions to the Norfolk Resilience Forum and the response to incidents.**

### **114 BUSINESS CONTINUITY POLICY AND FRAMEWORK**

The Resilience Manager introduced this two-yearly update of the Business Continuity Policy and Framework, which contains only very minor changes.

Reference to the removal of hard copies, this is as a result of having gone through the climate impact assessment tool and to align with the Council's existing policies on Climate change.

For critical plans managers, they will be asked whether they have sufficient different ways to get hold of their key contacts.

The plan is to run a Council wide business continuity exercise in the near future.

## **RESOLVED**

**The Committee resolved to adopt the revised Business Continuity Policy and the Business Continuity Management Framework.**

### **115 RISK MANAGEMENT FRAMEWORK**

The Director of Resources introduced the report by explaining that the framework and policy statement had been developed using a combination of our own previous version, the risk management audit report and good practice from other Authorities.

There is one recommendation for the Monitoring Officer when reviewing the Constitution to ensure that the Governance, Risk and Audit Committee (GRAC) is identified as the body to approve the Risk Management Policy and Framework

Cllr Cushing stated that it would be useful to have the risk log set up in such a way to identify the risk that something may happen and what the outcome of the risk may be.

The Director of Resources responded that the description of risk, cause and consequence are contained within the second column. The inherent risk is risk before taking any mitigating action. The residual risk is the risk following implementation of mitigating action.

The MIS system will be based on the format currently being used and will be launched in January.

The Independent Person asked what the policy approach was to ensure the issues reflected in risk register are those that are actually worrying Officers currently. Managing the risk process is a resource intensive process so how does the Policy take into account the resource intensive nature of this process.

Cost vs value – how do you make sure that the mitigation provides value for money in terms of the cost of what would happen should the risk material without any mitigating action. It is necessary to identify where the mitigating action has the most impact.

The Director of Resources replied that the cost of mitigating the risk vs cost of event is included within the risk register. Hopefully the policy does reflect where we are trying to get to with the risk register. Risk management sits with all service managers, CLT and MT to ensure mitigating actions are taken,



## RESOLVED

**The Committee reviewed and resolved to adopt the Risk Management Policy and Framework.**

### 116 CORPORATE RISK REGISTER

Cllr Vickers asked when the asset management plan would be provided to Members.

The Director of Resources responded that this would be updated in the new year and would be provided to members through the necessary Committee process.

Cllr Fletcher enquired if the contract had been awarded for the FLASH project.

The Director of Resources confirmed that the Council have received confirmation of the funding, and the project is now active again. The Project team are working to a timetable to appoint a contractor.

Cllr Cushing asked whether the current risk regarding failure to deliver the local plan, included failure to deliver the number of properties required.

The Performance Manager advised that the current risk related to the risk of the local plan not being adopted and once this had been adopted the risk would be adjusted to look at the risk of not delivering the desired number of properties. There is currently a risk already on the register with regard to housing development.

Cllr Fletcher asked if further information could be provided on CR037 as to the cost and resources issues brought about from prosecutions, enforcement action and litigation.

The Monitoring Officer looked at a number of recent issues that had been dealt with and even when the Council are successful, we may not be able to obtain all our costs back.

Recently there has been a Health and Safety prosecution which cost £60,000, a Homelessness appeal which cost £25,000 and an Enforcement Appeal which cost £50,000.

Enforcement may take years and costs can be hundreds of thousands of pounds. There is a two-stage test that is undertaken which looks at the seriousness of the case and value for money for the Council.

Cllr Cushing asked whether there should be a risk relating to the introduction of food waste collections. As we know these will need to be introduced by March 2026 and it is unlikely that the Government funding will cover the costs.

#### **Action**

**The Director of Resources to add a risk relating to the introduction of food waste collections.**

**The Performance Manager to discuss with the responsible Officer a risk relating to the lost contract at the Reef Leisure Centre, the lack of property assessments and other issues mentioned earlier in the meeting.**

## RESOLVED

**The Committee reviewed and noted the Corporate Risk Register.  
The Committee approved the removal of risks CR030 and CR032 and the addition of a risk relating to Local Government Reorganisation.**

#### **117 TREASURY MANAGEMENT MID YEAR REPORT 2024/25**

The Director of Resources presented the report and explained that this is the first time in recent years GRAC have received this report. The report provides the performance details for the Council's borrowing and investments and is required for compliance with the Treasury Management Strategy.

Some training will be provided to Members in the new year to ensure that they are fully able to understand and analyse this report.

Cllr Cushing asked why the borrowing requirement has increased so dramatically.

The Director of Resources explained that the total Capital expenditure is £2 million greater as the level of capital receipts has reduced. The Council is limited in terms of grant funding and capital reserves, the only other source of funding is to take borrowing.

The current position shows we have spent less than half of the planned capital expenditure which means the borrowing requirement has reduced to £13,000.

It will be necessary to take stock at the year end and will look to reduce the level of borrowing to the lowest possible level.

Cllr Cushing enquired what capital receipts did not come to fruition.

The Director of Resources responded that a considerable level of receipts were received when the Council sold its housing stock and the income from the preserved right to buy has reduced to £200,000 from £1million each year.

The Council has received more grant funding than anticipated.

The £6.2 million was the amount we thought would apply to fund the capital programme but now we are only planning to apply £2.5million.

The amount of borrowing required will not be evident until May or June 2025, once the outturn report is compiled.

Borrowing will need to be taken at some point in the future.

The Independent Person stated that the report provided a large amount of really interesting data but would be better with an executive summary to show what should be picked up and what can be discussed.

The Director of Resources explained that in order to adhere to the CIPFA code the treasury management report works to a template. The Council has been debt free for a number of years and it is only now looking to take external borrowing.

#### **Resolved**

**The Committee recommended that Full Council approves the Treasury Management Mid Yearly Report 2024/25**

#### **118 PROCUREMENT EXEMPTIONS**

The Monitoring Officer explained that she reports to every GRAC meeting the number of procurement exemptions that have been completed in the preceding period. From the 19 August to 18 November 2024 there were two exemptions recorded and as there were in the previous period also.

**The Committee considered the Procurement Exemptions register and did not require that any further action be taken.**

**119 COMMITTEE SELF-ASSESSMENT - ACTION PLAN**

Training will be organised in the new year for all Committee Members in treasury management and risk management. There will also be training from Internal and External Audit ahead of the next GRAC meeting in March.

**120 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**

**Action**

**The annual work programme will be looked at when the new clerk is in place.**

**121 EXCLUSION OF THE PRESS AND PUBLIC**

None

The meeting ended at 4.50 pm.

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Chairman