

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 06 June 2017 in Meeting Room 3, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee: Mr V FitzPatrick (Chairman)
Mr M Knowles
Mr D Young

Other Members: Mr D Baker

Officers in Attendance: The Head of Finance & Assets, the External Audit Manager, the Internal Audit Consortium Manager, the Head of Planning (for items 1 - 9), the Chief Technical Accountant and the Democratic Services Officer.

1. APOLOGIES

Ms V Gay, Mr N Pearce and Mr P Rice

2. PUBLIC QUESTIONS

None received.

3. ITEMS OF URGENT BUSINESS

None

4. DECLARATIONS OF INTEREST

None

5. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 28 March 2017 were approved as a correct record and signed by the Chairman.

6. GOVERNANCE, RISK & AUDIT UPDATE AND ACTION LIST

- a) Update on the Committee for Full Council: the Chairman had begun work on an electronic presentation. He would circulate it for comments to Members and Officers by 16 June 2017.
- b) IT Hardware Asset Disposal Policy: this action was included in Agenda item 9.

7. GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME

- a) From 2018 the Statement of Accounts would be on the agenda for the June meeting. It was acknowledged that this contributed to a very full meeting, but all the reports needed to be on the Agenda.

- b) The Business Continuity Update would be recommended for removal from the Work Programme.
- c) Annual Governance Report (ISA260) 2017/2018: from 2018 this report would need to be signed off before the September meeting. It would not be ready in time for the June meeting and an extra meeting at the end of July (dedicated to the Report) was suggested by the External Audit Manager. The Committee would take a decision at the next meeting, 5 September 2017.

8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 18 MARCH TO 07 APRIL 2017

The report examined the progress made between 18 March and 7 April 2017 in relation to delivery of the Annual Internal Audit Plan for 2016/17. Progress in relation to delivery of the internal audit plan was in line with expectations and the audit plan was now complete. A positive assurance had been awarded in the audit review finalised in this period.

Agenda items 8, 9 and 10 (Progress Report, Follow-up on Recommendations and Annual Report and Opinion) were interrelated. Item 8 covered the Business Continuity Plan audit which was now complete. Officers were now using the TEN system to ensure that the Business Continuity Plans were being put into place. The work of the Committee in the past had been valued but it was no longer necessary to have Business Continuity Updates on the Work Programme.

- a) The Chairman said that it was good to see that the Audit Plan had been completed and that it was important that the Business Continuity Plans were kept up to date.
- b) In response to a question from Mr D Young regarding removing Business Continuity from the Work Programme, the Internal Audit Consortium Manager explained that it would be subject to an audit in 2 years' time. Updates were continually reviewed by the Risk Management Board. It would also be reviewed as part of the Corporate Governance framework.

RESOLVED

- a) **To note the outcome of the assurance audit completed between 18 March and 7 April 2017 and the completion of the internal audit plan 2016/17.**
- b) **To remove Business Continuity Updates from the Governance, Risk and Audit Committee Work Programme.**

9. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS – 01 NOVEMBER 2016 TO 31 MARCH 2017 (TO INCLUDE HISTORICAL RECOMMENDATIONS)

The report provided an overview of progress made in implementing agreed audit recommendations due for completion between 1 November 2016 and 31 March 2017. Progress in implementing current year recommendations was encouraging, with only seven reported as outstanding as at financial year end, none of which was classed as urgent. There remained a further nine outstanding recommendations which related to prior financial years which needed addressing to resolve the issues identified.

32 recommendations had been raised in the last year. This was a very low number. There had been only 1 urgent recommendation (IT Hardware Assets Disposal Policy) and this had now been addressed.

One of the outstanding Internal Audit recommendations (Historic Audit Reviews) was NN1112 (Development Management, Building Control and Land Charge). The Head of

Planning was in attendance at the meeting to answer Members' questions and a Planning Obligations Improvement Plan was included in the Agenda pack. The Head of Planning explained that the work was in 2 strands:

- a) Setting up procedures.
- b) Historic S106 agreements.

As part of Phase One, the Major Project Team had identified 92 applications with associated S106 Obligations since 01 January 2012. Recognising that it was predominantly the major sites (including allocated sites) that had associated planning obligations with multiple triggers and on/off site contributions, these had been cross referenced against recently compiled completions data, to produce a list of priorities. This process had so far identified 15 allocated sites where development had commenced. Older S106 agreements could be investigated when Phase One was completed.

Officers within the Major Projects team would review the legal agreements, capturing details of the contributions and trigger, and identify where further action was required. This work would help define the process. In the long-term the process would sit within the Combined Enforcement Team, who made regular inspections of sites for Council Tax purposes. Planning have a number of policies which impinged on contents of S106 agreements and involved other sections of the Council. The onus was on the Council to collect S106 agreement monies. Developers had a duty to notify the authority but this rarely happened. It was harder to reclaim money after a developer had left a site.

The Chairman requested that, when processes were in place, they should be subject to an early audit.

Questions and Discussion:

- a) In response to a question from Mr M Knowles regarding S106 agreements, the Head of Planning said there was no template common to other sections of the Council but there were some common clauses.
- b) The S106 work had been ongoing since 2011. For Planning, as a service, having a procedure would speed things up.
- c) The overall target was to have policies and procedures in place and regular monitoring by the Combined Enforcement Team.
- d) In response to a question regarding the shortage of Planning Officers, the Head of Planning said that this was a national situation. The last recruitment (for 5 posts) had brought only 2 new staff. Some of the Planning posts were now subject to rolling advertisements.
- e) In response to a question regarding how long was acceptable for actioning an audit recommendation, the Internal Audit Consortium Manager explained that it depended on priority. Targets were always set after conversations with managers and sometimes recommendations were re-worded to make them more relevant.

RESOLVED

To note management action taken to date regarding the delivery of audit recommendations.

10. ANNUAL REPORT AND OPINION 2016/17 & REVIEW IOF THE EFFECTIVENESS OF INTERNAL AUDIT

This report concludes on the Internal Audit Activity undertaken during 2016/17, it provided an Annual Opinion concerning the organisation's framework of governance, risk

management and control and concluded on the Effectiveness of Internal Audit and provided key information for the Annual Governance Statement (AGS). On the basis of Internal Audit work performed during 2016/17, the Head of Internal Audit was able to give a reasonable (positive) opinion on the framework of governance, risk management and control at North Norfolk District Council.

The Council was responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The AGS was an annual statement by the Leader of the Council and the Chief Executive that recorded and published the Council's governance arrangements. An annual opinion was required on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

The 2016/17 Opinion, which had been discussed with the Section 151 Officer prior to publication, was very positive. The work undertaken by Internal Audit Services in 2016/17 had covered a wide range of services and had resulted in both assurance opinion reports being concluded and suggested improvements made through position statements. Internal Audit has issued 14 assurance reports, with 13 of these assurances being positive (substantial assurance – five reports and reasonable assurance – eight reports). The review of IT Hardware Asset Disposal concluded with a limited assurance. However the urgent recommendation raised had been appropriately addressed by management within the year, thus mitigating the associated risks.

The assessment previously reported to the Committee confirmed compliance as required by the professional standards, and the performance indicator outcomes against which the Contractor is measured had also been very encouraging.

Effectiveness of the Head of Internal Audit arrangements as measured against the CIPFA Role: CIPFA set out 5 principles to define this. Completion of the checklist confirmed full compliance with the CIPFA guidance on the Role of the Head of Internal Audit.

Questions and Discussion:

- a) In response to a question from the Chairman, the Internal Audit Consortium Manager explained that if issues were to be raised in the Opinion then this had to be evidence-based for consideration for inclusion in the Annual Governance Statement.
- b) The following areas had been “greyed out” on the Assurance Chart because:
 - Car Parking and Markets had been completed.
 - Development Management had been split into 2 separate audits.
 - Localism had been a one-off audit.

RESOLVED to

- 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 2017.**
- 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 2016/17.**

4. Note the conclusions of the Review of the Effectiveness of Internal Audit.

11. FEEDBACK ON CIPFA SELF-ASSESSMENT

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice which included the regular completion of a self-assessment against the checklist. Members had undertaken this exercise on 28 March 2017.

The assessment had highlighted the good performance of the Committee. The only action required was a review of the Whistleblowing Policy and Fraud Corruption Policy, with possible subsequent training for the Committee. The Internal Audit Consortium Manager tentatively hoped to bring this topic to the September meeting.

RESOLVED to

Note the checklist at Appendix 1 to the report, and the resulting action point.

12. LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2016/17

The Corporate Governance framework consisted of the systems and processes, culture and values by which an organisation was directed and controlled. For local authorities this included how a Council relates to the community it serves. The Local Code of Corporate Governance was a public statement of the ways in which the Council would achieve good corporate governance. This had been updated for the 2016/17 financial year based on the development of the new ‘Delivering Good Governance in Local Government: Framework’ (2016) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and was based around the seven core principles and sub-principles of good governance. The Annual Governance Statement was prepared following a review of all the evidence available to the Council in seeking compliance with its Local Code.

The arrangements set out in the Local Code of Corporate Governance and the Annual Governance Statement would allow the Council to move ahead with its corporate planning processes confident that it could address the issues of governance and risk.

The Head of Finance & Assets was commended for his work on the document, which had also had significant input from the Internal Audit Consortium Manager and the Chief Technical Accountant.

Four areas for improvement had been identified:

- Implementation of Internal Audit Recommendations
- Completion of the implementation of the recommendations from the high level audit review in relation to the Senior Information Risk Officer (SIRO) role. The SIRO Officer was now the Corporate Director (NB).
- Review of Partnership framework and specific partnerships identified as part of the self-assessment process, including Coastal Partnership East.
- Work in Planning following completion of the Business Process review.

Questions:

- a) Procurement: in a procurement process large questionnaires were provided for potential bidders. European procurement law specified what the questions could be. It was important, for good governance, that policies and procedures were followed as well as being in place.
- b) Council pay boundaries and failure to recruit Planning officers: NNDC was part of a national local government payscale which had to be adhered to. However “Golden Hellos” had been offered for Planning posts. Job titles could mean different things in different authorities. It was a job evaluation that determined the salary scale.

After reviewing the Statement, The Committee agreed to update paragraphs 4.2.9 and 4.2.10 on pages 73 and 74 to the following;

4.2.9 The Governance, Risk and Audit Committee met four times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. During the year 17 (15 in 2015/16) internal audit assignments were completed delivered over 179 days (170 days in 2015/16), a reasonable audit opinion was given for the year. All reviews were completed as planned in the year, with a minor amend to the scope of the Environmental Health audit agreed within year to focus on Business Continuity, with the wider review to take place in 2017/18.

4.2.10 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Governance, Risk and Audit Committee. There was one urgent (priority one) recommendations raised in the year, which has been adequately addressed by management and there are no outstanding urgent recommendations at year end. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. During the year there has been a drop in the number of recommendations raised as the result of audit reviews, compared to the previous year. At 31 March 2017, of the 32 recommendations raised, there were seven recommendations outstanding - four important (priority two) and three needs attention (priority three) compared to 12 outstanding at 31 March 2016 (seven important and five needs attention). For these outstanding recommendations revised implementation dates have been agreed between Internal Audit and Officers and will be followed up during 2017/18.

RESOLVED

- 1. To approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.**
- 2. To update paragraphs 4.2.9 and 4.2.10 of the Statement as detailed above.**

13. MONITORING OFFICER ANNUAL REPORT 2016/17

The Monitoring Officer's Annual Report summarised the more important matters arising from the Monitoring Officer's work for the Council from 1 April 2016 to 31 March 2017 and commented on other current issues.

RESOLVED

To receive the Monitoring Officer's Annual Report 2016/17.

14. CIVIL CONTINGENCIES UPDATE

The Internal Audit of NNDC Business Continuity processes took place on 20 March 2017. The audit had highlighted areas where recommendations had been made with the agreement of the Business Continuity Manager.

RESOLVED

To receive the report, subject to the understanding that outstanding matters had been subject to recommendations and were now up to date.

The meeting closed at 15.38 pm

Chairman