

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 19th June 2018 in the Council Chamber, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr J Rest (Chairman)	Mr M Knowles
	Mr D Baker	Mr D Young

Other Members: Mr N Pearce

Officers in Attendance: The Head of Internal Audit, the Chief Technical Accountant, the Democratic Services and Governance Officer and the Democratic Services Officer.

1. APOLOGIES

Apologies were received from Cllr V Fitzpatrick, Cllr V Gay and Alison Riglar - External Audit Manager.

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 05 September 2017 were approved as a correct record after the following amendments:

Page 5 Senior Risk Information Officer to be amended to Senior Information Risk Officer.

6. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

a) The Risk Register had been updated with colour coded emojis used to improve ease of reading. The arrows had also been retained to show the direction of travel.

- b) The dates on the Risk Register were updated to agree with the Risk Management Policy.
- c) The Democratic Services Officer stated that the Governance, Risk and Audit Committee Annual Report had been recommended for approval by Full Council on the 27th June.

7. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Committee had been provided with a copy of the Draft Statement of Accounts to review prior to the meeting. The Chief Technical Accountant informed the Committee that the first sign-off of accounts would take place at next month's meeting with the opportunity for questions on the accounts to be provided.

Questions and Discussion

Cllr M Knowles questioned whether the Statement of Accounts would be ready in time, to which the Chief Technical Accountant replied that she was confident it would be ready. She added that the auditors work was underway and that there had been an increase in the workload to meet the new deadline, but the team were confident it would be completed in time. The Chairman asked if the Accounts Team were aware of the extra workload that would be caused by the new deadline. The Chief Technical Accountant suggested that the team had been surprised by the increase, but were able to cope with the workload without any detriment to the service. The Head of Internal Audit stated that two other Councils she worked with had already concluded their audits and had completed the task adequately. She added that one Council had contested calls by the auditor, Ernst and Young, for an increase in the Council's workload, alongside an increase in their requested fees.

Cllr D Young asked for confirmation on when the draft audit would be completed. The Head of Internal Audit confirmed that the draft audit would be completed in July. The Chief Technical Accountant had stated that she had asked whether it was appropriate to bring the deadline forward, but had been informed by Ernst and Young that this would not be possible. She added that there would be an audit discussion on the 11th July to give and receive feedback from Ernst and Young. Cllr M Knowles asked for clarification on whether NNDC staff had been doing the work of Ernst and Young. The Head of Internal Audit confirmed that this was the case, and concerns had been raised that the workload on officers would increase when the fees were reduced. Cllr M Knowles then asked how these fees were calculated. The Head of Internal Audit replied that they had decreased due to the lack of overheads that had arisen from the loss of the Audit Commission in Central Government. She added that this meant that officers would eventually have to do more work. The Chief Technical Accountant stated that this year had been a quiet year for changes in NNDC's accounting methodology, and therefore it was a better year for the workload to increase. The Chairman suggested that the reduction in fees meant the level of service provided could also be expected to decline, therefore it may be necessary for any savings to be reinvested within NNDC to help fill the gaps caused by an increased workload. He added that the Council must ensure that the job is carried-out correctly.

8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 7 MARCH 2018 TO 9 MAY 2018

The Head of Internal Audit stated that the executive summary of four reports had been completed since the last report to the Committee and were included in this report. It was highlighted that the key controls audit in finance resulted in only four priority three

recommendations, and all reports concluded with a positive assurance. It was confirmed that there had been no changes to the plan of work for 2017/18, with work being completed as expected. It was stated that the team would need to aim to finish one month ahead of schedule next year, due to the earlier close down of the accounts.

Questions and Discussion

Cllr D Young asked in reference to the seven recommendations on procurement, at what point the assurance become limited. The Head of Internal Audit suggested that if six Priority 2 recommendations were made, this would be the point at which a limited assurance would start to be considered, however in this case there were only four. Furthermore, a new member of staff had been employed which should help to address the issues raised in the audit.

Cllr D Young referred to page 17 of the agenda, and asked why purchase orders were not being raised when they were not on the exception list. The Head of Internal Audit stated that a purchase order should be raised, except in certain circumstances, she added that in such instances it would be done retrospectively. The Chairman asked if this was normal, to which the Head of Internal Audit replied that it was a better position than before, and controls were improving.

Cllr D Young referred to page 25 of the agenda on Kier waste management. The Members discussed the issues that were noted within the Internal Audit Report and expressed their concerns over these, but did note the action that had been taken by management to date. The current position with the contract was also discussed by the Committee.

Cllr M Knowles referred to page 17 of the agenda and noted that the reconciliations for treasury management should be carried-out on a timely basis. He raised concerns that this timescale was fairly vague. The Head of Internal Audit replied that the recommendation use to be more specific i.e. monthly, but it is now for management to decide what is timely. If there were any concerns these would be addressed.

Cllr D Young referred to page 28 of the agenda, and asked what efinancials and Accolade were. The Head of Internal Audit stated that they were two different software applications in use by NNDC. He also on the website queried the failure to upload the 2015 update of the 2008 Planning protocols on the website, the Democratic Services Officer would follow-up this request.

RESOLVED

To note the Internal Audit Progress Report.

9. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 1 NOVEMBER 2017 TO 31 MARCH 2018

The Report provided an overview of the actions taken by the Council following audit recommendations. At the end of 31st March 2018 a total of nineteen recommendations had been implemented whilst twelve remained outstanding.

Questions and Discussion

The Head of Internal Audit stated that at the year-end Development Management were yet to fully complete their old audit recommendations but recognised that they were currently on-track. She added that a decision was needed on whether to continue to monitor the section 106 recommendations. Cllr D Young stated that it was important to keep track of the issue, especially when a new Head of Planning would soon be joining NNDC. The Head of Internal Audit agreed that she would continue to monitor the issue, and would report back in September 2018. It was also stated that other historic recommendations raised in 2014/15 and 2015/16 had now been closed.

In reference to page 33 of the agenda, Cllr D Young questioned how senior were the management that made the decision to tolerate the risk posed by not requiring users to change passwords frequently. The Head of Internal Audit stated that the Head of Business Transformation and IT had made the decision not to progress the recommendation, and they were confident of this conclusion. The Chairman asked whether individuals could add more security themselves. The Head of Internal Audit replied that yes it was possible, but general guidance suggested it was best to maintain a single difficult password, and as a result NNDC had now made this its official policy. The Chairman asked whether this would be an issue when staff left the Council, to which the Head of Internal Audit replied that deleting the leaver's username and account would sufficiently address the issue.

Cllr D Young referred to appendix 2 (Development Management), and asked when the latest response had been given on implementing recommendations. The Head of Internal Audit replied that the management responses had been submitted in April as part of the year end reporting requirements. The Chairman stated that these recommendations were from 2010/2011 which was a very long timescale, he then asked whether this was normal. The Head of Internal Audit replied that recommendations were preferably addressed within the year that they were raised, and within the timescales agreed with the auditors. However, it is recognised that due to other issues this can take longer. She suggested that the Committee seek a more detailed response to be provided in time for September's meeting, to which the Committee agreed. Cllr D Young requested that the "Latest Response" column should show the date of the response, which was agreed by the Committee.

Cllr M Knowles brought attention to car parking recommendation 1, he reminded the Committee that NNDC was in an arrangement with the Borough Council of Kings Lynn and West Norfolk, with the latter managing North Norfolk district's parking provisions. He continued that it was clear that BCKLWN were unable to meet their obligations. The Head of Internal Audit stated that NNDC needed to be firmer with BCKLWN and that she would follow-up the recommendation for a response. She informed the Committee that a revision had brought the recommendation to the point it was at now. It was stated that BCKLWN did transfer parking revenues to NNDC, but it was often unaccompanied by any data that explained the revenue collection. The Chairman stressed that it was important that NNDC received this data, and the Head of Internal Audit replied that she would follow-up.

RESOLVED

To note the report.

Audit to continue to monitor Development Management team on recommendations regarding Section 106 agreement and seek a response for September Committee meeting.

10. ANNUAL REPORT AND OPINIONS 2017/18

The Head of Internal Audit provided the Annual Opinion which concludes on the Council's framework of governance, risk management and control, and also sets out the summary of internal work carried out, a summary of the follow-up action taken to implement recommendations, any issues that needed raising and a conclusion on the effectiveness of the internal audit service.

The Head of Internal Audit concluded with a reasonable assurance for the 2017/18 financial year, with no urgent priority recommendations raised. She also confirmed that all 17 originally agreed audits from the 2017/18 plan had taken place, with all the reports issued being given a positive assurance grading.

Questions and Discussion

The Chairman referred to page 47 of the agenda, then asked in reference to the performance indicator outcomes, if targets had been exceeded did this mean they were set too low. The Head of Internal Audit replied that this was not necessarily the case, and added that the targets had been set very carefully when the contract was procured, but that these could be reviewed and possibly stretched further if necessary.

In response to a question from Cllr D Young, the Head of Internal Audit stated that performance indicators were provided annually, though quarterly meetings took place with the Chief Finance Officer and Quarterly Assurance Reports were given within 15 days of the end of each quarter.

RESOLVED

To note the report.

11. GOVERNANCE RISK AND AUDIT COMMITTEE 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 and incorporated the position statement previously issued.

It was good practice for Audit Committees to complete a regular self-assessment exercise, to be satisfied that the Committee was performing effectively. GRAC had undertaken this exercise on 28 March 2018. The Democratic Services Officer had made notes of the discussion and these were incorporated in the report. An action had arisen from the Self-Assessment – an Anti-Money Laundering Policy would be coming to the Committee in September.

Questions and Discussion

The Head of Internal Audit asked the Committee if they were satisfied with the minutes from the previous discussion, they agreed and stated that there was nothing further to add.

RESOLVED

To note the report and for members to note the attached checklist on self-assessment of good practice.

12. MONITORING OFFICERS REPORT

The Monitoring Officer had prepared a report but was unable to attend the meeting, the report was therefore presented by the Chief Technical Accountant. The Key messages from the report were:

a) The systems of internal control administered by the Monitoring Officer including compliance with the Council's Constitution were adequate and effective during the period for the purposes of the latest regulations. However, it is important that Members and Officers are regularly reminded of their obligations and updated on any changes to ensure there is no complacency.

b) The Constitution continues to be regularly updated.

There was only one complaint that was upheld by the Ombudsman, but overall the Monitoring Officer believed the report was very positive. The Key issues for 2017/18 were:

a) During the current year the Council had changed control from a Conservative administration to no overall control. The Monitoring Officer and Democratic Services Team Leader had been working with officers and Members to reflect this change within the Council's protocols and processes and this will continue.

b) Further work with all members had been planned to ensure good practice in respect of the Overview and Scrutiny Committee which should add to the robustness of the Council's governance processes.

c) Training had taken place on debating in the Council Chamber and more training for members was planned during the course of the spring.

d) Further implementation of the Information Risk Management Framework had been planned for the future.

Questions and Discussion

The Chairman asked if there was a deputy Monitoring Officer in place as a back-up. The Head of Internal Audit stated that this should be the employed Barrister, the Chief Technical Accountant stated that she would seek confirmation. The Chairman informed the Committee that the report stated qualified solicitors or barristers sat on all project boards, and suggested the wording should be amended to reflect the fact that legal officers were available if required but did not attend all meetings.

It was stated that several members of the Committee would appreciate further training and support on GDPR. It was agreed to circulate the Information Risk Framework.

Cllr D Baker noted that the majority of complaints mentioned in the report had been from Town or Parish Councils, then indicated that NNDC paid to investigate these reports and asked if the Council could charge to carry-out these investigations. The Head of Internal Audit stated that the Council could not charge for these investigations as it was a statutory requirement of the Council.

Resolved

To receive the Monitoring Offer's Annual Report covering the period from 1 April 2017 to 31 March 2018

13. LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2017/18

The Corporate Governance Framework was made up of the systems and processes, culture and values by which an organisation was directed and controlled. For local authorities this included how a Council related to the community it served. The Local Code of Corporate Governance was a public statement of the ways in which the Council would achieve good corporate governance. This has been updated for the 2017/18 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.

Questions and Discussion

The Chief Technical Accountant stated that the Council was required by CIPFA to have a Local Code of Corporate Governance. It was stated that the requirements of the report had changed but not substantially and there was therefore very little to update from last year, though some improvements had been suggested for governance arrangements.

Resolved

To approve the local code of corporate governance and accept the minor changes that had been made to the governance arrangements.

14. DRAFT STATEMENT OF ACCOUNTS 2017/18

The Chief Technical Accountant stated that accounts were required to be signed off by the 31st May, but The Head of Finance and Asset Management had signed them off on the 29th May. It was noted that there had been an attempt to streamline the process as much as possible, which had resulted in changes being made to the narrative statement. The statutory deadline for the report was the 31st July with the Audit draft deadline now set for the 24th July, which the Council was on-track to meet.

Questions and Discussion

Cllr D Young referred to the month 12 Outturn Report, and asked why it stated a surplus of £994k whilst the accounts indicated a different surplus. The Chief Technical Accountant stated that CIPFA had struggled with the issue and the difference had arisen as a result of non-cash transactions. She added that adhering to CIPFA guidelines meant that these values would always be different.

Cllr D young stated that the Council's reserves were generally the same in both reports, but asked which figure should be reported to Parish Councils. The Chief Technical Accountant stated that the figure from the Outturn Report should be used for these purposes.

Cllr M Knowles stated it was his understanding that from the £994K surplus, £700k had come from additional business rate income. The Chief Technical Accountant confirmed that this money had been provided as a grant from Central Government to compensate for business rates relief. She added that some of the money would be put towards leisure contracts and site renewal plans as utilising reserves would be preferred to borrowing. The Chairman asked if the general income would allow for loan procurement. The Chief Technical Accountant replied that it would, but interest rates were expected to rise so using reserves was preferable. She added that figures from the Outturn Report were an interpretation due to property revaluations, and this was a good reason why figures often did not match up with the draft Statement of Accounts.

Cllr D Young raised concerns that the potential financial impact of the new waste contract was misleading, as it was unclear whether savings would be made now or in the future. The Chief Technical Accountant explained that revenue expenditure was funded under capital expenditure following the rules of Revenue Expenditure Funded from Capital Under Statute (REFCUS): this referred to any expenditure on an asset which did not belong to the Council. Cllr D Young asked if this applied to Kier refuse vehicles, to which it was explained that this was an embedded lease and was the only one held by the Council. The lease wouldn't be recalculated if the contract was extended for a year, but would be started again for a new contract.

The Chief Technical Accountant stated that the Audit Report would only report on material changes as smaller changes were not worth altering.

The members of the Committee thanked the Finance Team for their excellent work producing the draft Statement of Accounts within the newly set deadline.

The meeting ended at 16.27 pm

Chairman