

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 27 March 2018 in the Council Chamber, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

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

Other

Members: Mr N Pearce

Officers in

Attendance: The Executive Director, Ernst and Young, the External Audit Manager, the Head of Internal Audit, the Chief Technical Accountant and the Democratic Services Officer.

40. APOLOGIES

Apologies were received from Ms V Gay and Mr V FitzPatrick.

41. PUBLIC QUESTIONS

None received.

42. ITEMS OF URGENT BUSINESS

None

43. DECLARATIONS OF INTEREST

None

44. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 05 December 2017 were approved as a correct record.

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

Car Parks: Mr D Young asked if the Service Level Agreement between NNDC and King's Lynn and West Norfolk Borough Council had been signed since the last meeting. The Head of Internal Audit confirmed that this had happened.

46. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

Changes to the Work Programme:

- a) The Annual Audit Letter had been moved to September 2018. This needed to be amended on the Work Programme.
- b) The Committee agreed that the anti-money laundering policy should be moved to September 2018, when there would be a lighter agenda.

47. ERNST & YOUNG AUDIT PLANNING REPORT

The report was presented by the Executive Director, Ernst and Young. He informed the Committee that risks and materiality remained the same as last year and that it was a very static audit from year to year. Since Full Council on 21 February 2018, work had been done on Value for Money to assess savings plans and reserves for adequacy against the budget gap. Paper copies of this work had been produced for Members.

The fees had been set and there was no need to change them.

Questions and Discussion

- a) Mr D Baker asked if it was standard to have a budget gap. The Executive Director, Ernst and Young replied that it was common in other councils. It would be covered by reserves subject to plans to cover the risk (the Medium Term Financial Plan). In the recent case at Northampton, the auditors had warned that arrangements weren't adequate. NNDC was in a better position than the unitary councils regarding cost pressures as significantly unpredictable costs did not arise.
- b) Audit fees: in response to a question from Mr M Knowles, the Executive Director, Ernst and Young explained that there were two Audit Fees for two separate streams of work – £54,000 was the audit fee and £26,000 for audit of the housing benefit claim.
- c) Mr D Young asked if the fee increase was general or specific to NNDC. The Executive Director, Ernst and Young, explained that the housing benefit fee was calculated on the basis of the level of error in previous claims. If it was less, the fee would reduce. It was highly unlikely that there would be no errors. The Head of Internal Audit said that NNDC had joined the National Framework for appointing external auditors. Ernst and Young had been appointed again and she was negotiating with them regarding fees.
- d) In response to a question from Mr N Pearce about the new deadline for preparing the financial statements, the Executive Director, Ernst and Young, said that a tighter deadline was not expected to result in lower quality work and that Members needed to be aware of the pressures on staff. A high level of error meant that more work would need to be done by External Audit. This was a risk that must be managed. The Chief Technical Accountant explained that there had been 2 years notice of the new deadline and that a lot of preparatory work had been done. In 2017 the 2018 deadline had been met short of one day and she was confident. In response to a question from Mr D Young she said that there would be no financial penalty for missing the deadline, but that the Council would be named on a register.

RESOLVED

To receive the Annual Audit Planning Report from the External Auditors, Ernst and Young.

48. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 23 NOVEMBER 2017 TO 06 MARCH 2018

- a) The Head of Internal Audit reported that the Audit Plan was 96% complete and that we were on track for an earlier close-down.
- b) Three audits had been completed since the last report (Accounts Receivable, Risk Management and C3 Contract Management System) and they demonstrated that risk management was embedded at NNDC.
- c) The cross authority review in HR provided some suggestions that would be picked up when the new manager was in post and could also be revisited as part of the next formal HR audit.
- d) Within the Accounts Receivable audit it was noted that to ensure compliance with the General Data Protection Regulations (GDPR): some data sorting was needed. In response to a question from Mr N Pearce it was explained that part of the discussions with the software supplier were to ensure that this electronic data was securely destroyed.
- e) In response to a question from Mr D Young regarding the assurance levels, the Head of Internal Audit explained that where an urgent (priority one) recommendation was raised it did imply a limited assurance although there did need to be some subjectivity to this assessment, the assurance ratings and supporting reports are subject to quality review to ensure fairness and consistency.
- f) In relation to a query regarding the scorings for the performance measures it was confirmed that the scoring is between one and six and that “adequate” is a score of four and acceptable.

RESOLVED

To note the outcomes of the assurance audits completed between 23 November 2017 and 06 March 2018.

49. STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19

The report was introduced by the Head of Internal Audit. It provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2018/19 to 2020/21 and the Annual Internal Audit Plan for 2018/19. The Annual Internal Audit Plan would then serve as the work programme for the Council’s Internal Audit Services Contractor; TIAA Ltd. It would also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of North Norfolk District Council’s framework of governance, risk management and control.

- a) The Audit Charter had been updated administratively, by the Head of Internal Audit and could be provided to Members if required.
- b) The Internal Audit Strategy confirmed the risk-based approach. It was a statement of:
 - How the internal audit service would be delivered;
 - How internal audit services would be developed in accordance with the internal audit charter;
 - How internal audit services linked to the organisational objectives and priorities; and
 - How the internal audit resource requirements had been assessed.
- c) The Strategic Internal Audit Plan was a three year vision ensuring that all areas of the Council were recognised.
- d) The 2018/19 Annual Internal Audit Plan included Digital Transformation (Phase 2) for the first time to ensure that this significant project was realising the intended benefits.

- e) Other planned audits would include fundamental financial systems, Environmental Health (because there was so much change in the service) and Cromer Pier (which had the same provider, but a new contract).
- f) The follow-up budget had been reduced by 2 days because responses at NNDC were usually quick and the number of recommendations raised had been consistently low.
- g) The Chairman said the Plan gave a good indication of direction.
- h) Mr M Knowles said that he would have preferred to see car parking in the 2018/2019 Plan. The Head of Internal Audit said that it had been subject to a recent audit in 2017/2018 and that a reasonable assurance had been concluded, however the key controls in this area were reviewed annually due to the large income stream.
- i) In response to a question from Mr D Young regarding a waste management audit, the Head of Internal Audit explained that the Head of Environmental Health had been keen to get the timing right – not in the middle of a major procurement operation. She would revisit this with him next year to ensure that the timing was still correct.
- j) In relation to a question regarding the Elections and Electoral Registration audit, Mr N Pearce asked how much extra work would be caused by the boundary changes. The Head of Internal Audit said that the impact of boundary changes would need to be considered not just in relation to Electoral Services but also on Council Tax and other services. The audit would cover this as appropriate.
- k) Service area audits: in response to a question from the Chairman, the Head of Internal Audit explained that Sports Halls and Leisure were not included because new management was being negotiated by a project board. There were a lot of governance and procurement activities going on in this area. They needed to progress this year and be audited later. The Head of Internal Audit would be kept up to date through the regular meetings with the Section 151 Officer.
- l) Beach huts: the Overview and Scrutiny Committee had set up a task and finish group to look at this area. The Head of Internal Audit would ensure she kept an eye on progress with this.
- m) In response to a question from Mr N Pearce about the Early Help Hub, the Head of Internal Audit explained that NNDC provided a space which was shared. Once this was bedded in, controls would be put in place to mitigate risks. Other councils had similar arrangements and experience had been shared with the relevant managers.

RESOLVED

To note and approve:

- a) The Internal Audit Strategy for 2018/19;**
- b) The Strategic Internal Audit Plans 2018/19 to 2020/21; and**
- c) The Annual Internal Audit Plan 2018/19.**

50. CORPORATE RISK REGISTER

The Chief Technical Accountant reported that the Register had been updated at the beginning of March by the Head of Finance and Asset Management.

- a) Recruitment (inability): the lead officer was to be confirmed. Interviews for the post of HR Manager were currently taking place. There had been a good standard of applicants.
- b) Digital Transformation: another tranche of funding had been agreed for Phase 2.

- c) In response to a question from Mr D Young, the Chief Technical Accountant explained that a downward arrow indicated that a risk had reduced. This symbol would be changed to a “smiley” face for greater clarity.
- d) Mr Young suggested that the register should include dates for completion of targets, as this would assure Members that action was being taken. The Chief Technical Accountant would take this suggestion back to the Risk Management Board.

RESOLVED

To receive the updated Corporate Risk register.

51. RISK MANAGEMENT FRAMEWORK

- a) The Chief Technical Accountant reported that the Head of Finance and Asset Management had updated the Framework. The main change was the addition of references to the Council’s Senior Risk Information Officer (SIRO). The Corporate Director, Nick Baker, was designated to this role. The next review of the Framework would be in March 2019.
- b) In response to a question, the Chief Technical Accountant explained that she believed that the figures in the Corporate Risk Register was correct and that the reason that the figures in the Framework were different was because they were older. She would check and communicate the information to Members.

RESOLVED

To receive the updated Risk Management Policy and Framework

52. GOVERNANCE, RISK and AUDIT COMMITTEE ANNUAL REPORT

The report had been produced by the Democratic Services Officer in response to the CIPFA self-assessment of good practice undertaken in March 2017. It aimed to give all Members a fuller understanding of the role of the Governance, Risk and Audit Committee, to inform Members of the Committee’s work in the year 2017/18 and to highlight some of the key issues it had considered. The report also flagged the new challenge of the earlier deadline for the final accounts and an extra meeting for the committee.

The Democratic Services Officer would amend and update the report to reflect discussion and agenda items considered at today’s meeting and circulate it to Members and Officers for a final check before it went forward to Full Council on 30 May 2018

The meeting ended at 15.02 pm

Chairman