

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 11th September 2018 in the Committee Room, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr J Rest (Chairman)	Mr M Knowles
	Mr D Baker	Mr N Pearce
	Ms V Gay	

Other Members:

Officers in Attendance: The Chief Technical Accountant, the Democratic Services and Governance Officer, the External Auditor (AR), and the Internal Audit Manager (FH).

26. APOLOGIES

None.

27. PUBLIC QUESTIONS

None received.

28. ITEMS OF URGENT BUSINESS

None.

29. DECLARATIONS OF INTEREST

None.

30. MINUTES

The Minutes from the meeting of the Governance, Risk & Audit Committee held on 24th July 2018 were approved as a correct record and signed by the Chairman.

31. EY ANNUAL AUDIT LETTER

The External Auditor (AR) introduced the Annual Audit Letter and informed the Committee that it was intended as a public summary of the Audit findings, and had been designed for publication on the NNDC website.

Questions and Discussion

The External Auditor (AR) referred the Committee to the executive summary on page 13 for review, and stated that the accounts and audit opinion had been signed on 26th July. She then informed the Committee that the data analytics section on page 26 explained how EY used the Council's data to complete the audit process. The Chairman questioned whether the data analytics process had changed following the introduction of new GDPR legislation. The External Auditor (AR) replied that there hadn't been any change as the data was already handled securely. The Chief Technical Accountant added that the data used in the audit process did not contain any personal information, and therefore had not been significantly affected by the new GDPR legislation. Cllr V Gay asked for a further explanation of the process, to which the External Auditor (AR) explained that the process referred to Officers from the Finance Team collecting and organising data for the audit process. Cllr V Gay then questioned how many Officers were involved in the process, to which the Chief Technical Accountant replied that eight members of the Finance Team had been involved. She added that this number had remained stable throughout the financial year.

Cllr N Pearce referred to the top five activity accounts on page 29, and questioned whether the holding and control accounts could be quantified. The Chief Technical Accountant replied that the accounts were used as a check to ensure that all data had been included. She added that there was a substantial amount of movement in these accounts and that they were a necessary element of the accounting procedure. Cllr M Knowles notified Members that he was familiar with the process, and stated that control accounts were a normal part of accounting procedure.

RESOLVED

To note the EY Annual Audit Letter.

32. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 1 APRIL TO 3 SEPTEMBER 2018

The Internal Audit Manager (FH) introduced the Report and stated that it covered to date what had been completed with regard to the internal audit activity.

Questions and Discussion

The Internal Audit Manager (FH) stated that the agreed work for Q1 had been completed. She then informed the Committee that the Network Infrastructure and Security audit primarily dealt with IT risks and had concluded with a reasonable assurance grading. She then asked Members to turn their attention to the appendix on page 42, and indicated that the next audits to be completed would be the Digital Transformation Programme and Elections and Electoral Registration, with both due for completion in December. The Internal Audit Manager (FH) explained that there was one important control issue relating to password controls. The Chairman then asked if NNDC used any biometric security, to which The Internal Audit Manager (FH) replied that only two-factor authentication was being used at present.

Cllr V Gay referred to the Elections and Electoral Registration Audit due to begin in September, and questioned why the audit process would take twelve days, as she felt this timeframe was excessive. The Internal Audit Manager replied that this was due to the fact that this specific area was not audited as often as others, and therefore it was necessary to undertake a more thorough review. She added that unlike finance which would be covered every year, some items were not covered as regularly. In response to a further question from Cllr V Gay, it was stated that the electoral audit would look to

ensure that policies and procedures were being strictly adhered to, and check for consistency in the elections process. The Chairman stated that there would be a high degree of legality involved in the elections process, and subsequent repercussions if the Council did not abide by the law, hence it was crucial to extensively audit this service area.

RESOLVED

To note the Internal Audit Activity Progress Report.

33. CORPORATE RISK REGISTER

The Chief Technical Accountant introduced the Corporate Risk Register on page 47 and stated that there had not been much movement since the last report.

Questions and Discussion

The Chief Technical Accountant stated that since she had introduced smiley faces as direction of travel indicators on the register, the Council was yet to achieve that level of risk reduction.

The Chief Technical Accountant then referred Members to page 49 covering the Medium Term Financial Plan, and informed the Committee that training had been arranged to take place on the 19th September to help improve Member's understanding of the subject. She added that further finance training would take place later in the year on budget setting and scrutinising the budget. It was confirmed that both the Chief Technical Accountant and the Head of Finance and Asset Management would attend the training and that they hoped to be able to run a third training session on a different date for any Members that could not attend the September sessions. The Chief Technical Accountant added that she hoped the training would help to put the Medium Term Financial Plan in context.

The Chief Technical Accountant stated that the main risks to the Council came from funding, as it was uncertain what central Government would continue to fund. Cllr D Baker then asked when the Council would receive confirmation of its funding. The Chief Technical Accountant stated that the budget would be presented to Parliament in mid-December, and would not be confirmed until February. She then suggested that in this financial year the Council had been granted more funding than expected, but warned that it could receive less in the future. Furthermore, the Council had no control over the process, besides its ability to respond to Government consultations and contact MPs where appropriate. The Chairman stated that it was the intention of the Finance Team to reach a middle ground to effectively predict what funding might be received. The Chief Technical Accountant confirmed this process and informed Members that the Finance Team worked with advisors in order to predict the Council's future funding. She added that the final assumptions were currently being agreed and that it was hoped that they would be ready for the finance training sessions taking place on the 19th. Cllr D Baker expressed his concerns with this process and asked what the procedure would be if the budget turned out to be underfunded. The Chief Technical Accountant replied that it was a difficult situation and that if the budget were to be underfunded, the Council would either have to remove budget items, or fund them from reserves. She added that it was a legal requirement for Council's to set a balanced budget. Cllr M Knowles suggested that NNDC was not alone in this position of financial uncertainty and stated that the issue affected all Councils. The Chief Technical Accountant confirmed that other Councils suffered the same uncertainty, and stated that NNDC always shared its information on

financial planning with other Councils in order to formulate better predictions. The Chairman asked if there were strict guidelines on the amount of reserves that the Council needed to have in place. The Chief Technical Accountant confirmed that this was the case, and was the responsibility of the Section 151 Officer to advise on the minimum reserves amount. She added that some reserves were earmarked for various reasons, with the contingency reserves being particularly important. As an example, it was suggested that business rates refunds can run into hundreds of thousands, hence the need for significant reserves.

The Chief Technical Accountant stated that the NHS was currently looking to renegotiate its business rates arrangement, and if they were successful then this could mean that Councils would potentially owe a combined £17m. Cllr M Knowles suggested that this could be backdated up to six years, but the Chief Technical Accountant informed Members that it could even be backdated up to seven years. She suggested that in such a case the Government would be required to intervene. Cllr V Gay stated that cases concerning business rates refunds often remained unresolved for long periods of time. The Chief Technical Accountant confirmed this was the case, but suggested that a new system had been put in place to resolve these cases faster in the future. She added that there was a consultation taking place on the new system, and NNDC would work with other Councils to submit a joint response.

The Chief Technical Accountant informed the Committee that the Bacton Sandscaping Project was progressing well, with funding and input being received from various sources.

The Chief Technical Accountant then referred the Committee to page 52 regarding the Digital Transformation Programme monitoring, and stated that phase 2 of the project was forthcoming and funding had been secured. She then reminded the Committee that the auditing of phase 1 was already taking place.

It was reported that recruitment was doing well, with the Head of Planning and Civil Contingencies vacancies both having been recently filled.

On the Asset Register, the Chief Technical Accountant informed the Committee that the Asset Strategy Manager was beginning to update the register with property condition, with an aim for this to be graded by a letter-based system.

Cllr V Gay questioned the details of the NNDC procedure for information and data loss. The Chief Technical Accountant referred to the Council's corporate policy on this matter, and stated that it had been distributed to all departments of the Council. She then informed the Committee that a summary of all the information kept by each department was currently under review, and suggested that in such a situation the response time was likely the most important factor. Cllr D Baker stated that it was alarming to see information and data loss happening so often and stated that it was crucial that the Council was prepared for this scenario.

The Chairman referred to the risk register on page 47, and asked from where the target scores had been derived and whether the targets were achievable. The Chief Technical Accountant replied that the targets had been set by the Council's Risk Management Board, and it was always their intention to set realistic, achievable targets that would be reviewed on a regular basis. The Chairman then asked which risk was expected to be the first to improve its direction of travel, to which the Chief Technical Accountant suggested that it would likely be the Digital Transformation Programme.

RESOLVED

To note the Corporate Risk Register.

34. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE & ACTION LIST

The Action List was included in the agenda for review by the Committee.

Questions and Discussion

The Democratic Services and Governance Officer informed the Committee that all items on the action list had been completed.

RESOLVED

To note the GRAC Action List.

35. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Work Programme was included in the agenda for review by the Committee.

Questions and Discussion

The Democratic Services and Governance Officer informed the Committee that the annual Work Programme had now been updated to reflect the new faster-close procedure that had been followed this year. He added that the Risk Management Board had not met over the summer as there was little to no requirement, however they would meet and provide a civil contingencies update at the December meeting.

RESOLVED

To note the GRAC Work Programme.

36. EXCLUSIONS OF THE PRESS AND PUBLIC

None.

The meeting ended at 3.00 pm

Chairman