

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

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 16 June 2020 at the remotely via Zoom at 2.00 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr T Adams	Mr C Cushing
Mrs J Stenton	Mr J Toye

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

Mr N Dixon (Observer)	Mr H Blathwayt (Observer)
Mr R Kershaw (Observer)	Mrs W Fredericks (Observer)

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

Democratic Services and Governance Officer (Scrutiny), Internal Audit Manager, Chief Technical Accountant, Head of Finance and Asset Management/Section 151 Officer, Democratic Services Manager and Head of Legal & Monitoring Officer

### **1 TO RECEIVE APOLOGIES FOR ABSENCE**

None received.

### **2 SUBSTITUTES**

None.

### **3 PUBLIC QUESTIONS**

None Received.

### **4 ITEMS OF URGENT BUSINESS**

None.

### **5 DECLARATIONS OF INTEREST**

None declared.

### **6 MINUTES**

Minutes from the meeting held on 3<sup>rd</sup> December 2019 were approved as a correct record and signed by the Chairman.

### **7 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 13 MARCH 2020 TO 4 JUNE 2020**

The Internal Audit Manager introduced the report and informed Members that it covered the last of the scheduled audit work from the 2019-20 municipal year. She added that 182 days of work had been completed as originally agreed, and a further 10 days had been completed at the request of the Committee. It was noted under point 3.3 that due to the impact of the Coronavirus Pandemic, four reports were still in draft, though the executive summary and grading had been completed for each. The Internal Audit Manager explained that the audit plan in its entirety could be viewed in appendix 1, and that the executive summaries of all audit reports were included in appendix 2. It was noted that the Internal Auditors had no concerns and that all reports had received positive assurance ratings.

#### Questions and Discussion

The Chairman referred to item 4.4 and asked in reference to the reasonable assurances given, how long these would be expected to stay reasonable. The Internal Audit Manager replied that it depended on the result of the review, and stated that there was not a specific timeframe that would be given to these items. She added that when scoping for the next audit, these areas would be expected to have improved, but the Committee had to take into account changes in circumstances or new risks that might have arisen.

Cllr C Cushing referred to the review of procurement arrangements, and the maintenance of the contracts register, where it was noted that some contracts gave rise to actions required, and asked which contracts these were. The Internal Audit Manager replied that the first action referred to the maintenance of the register itself, in order to review aggregated spend over a given time period, and for this to be added to the control framework. The second action was for exemptions, which required all exemption forms to be signed and stored in a single location. Cllr C Cushing asked if there was any particular individual responsible for ensuring that these would be implemented. The Internal Audit Manager replied that these would be assigned to a procurement officer, but individual finance officers may also be involved in monitoring the control.

#### **RESOLVED**

**To note the outcomes of the assurance audit completed between 13<sup>th</sup> March 2020 and 4<sup>th</sup> June 2020.**

#### **8 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 NOVEMBER 2019 TO 31 MARCH 2020**

The Internal Audit Manager introduced the item and informed Members that it was the year-end report, and managers were requested to provide a response to any outstanding recommendations not completed in the given timeframe. Members were referred to appendix 2 in which one outstanding recommendation from 2011 was still being monitored as incomplete. The Internal Audit Manager noted that the responsible officer had requested an extension of the completion date to April 2021, as a result of the delays caused by Covid-19. On appendix 3, the Internal Audit Manager noted that the responsible officer had requested their team members to forward the relevant information for completion, though this was yet to be received.

#### Questions and Discussion

Cllr C Cushing asked about the level of risk posed to the Council by the outstanding recommendation NN1807 on environmental health policies and procedures. The

Internal Audit Manager replied that this was an important priority recommendation, which required policies and procedures to be updated to ensure guidance followed legislation. She added that it had been delayed and needed to be resolved as soon as possible. Cllr C Cushing added that there appeared to be no progress on several recommendations, and asked what the Committee could do to address this. The Chairman suggested that he would form a recommendation to SLT to ensure that the recommendations were implemented. The internal Audit Manager noted that there was an additional recommendation for environmental health on data sharing, for which a new deadline was needed.

On procurement, the Internal Audit Manager stated that the procurement strategy was due to be reviewed. She added that it was not ideal, however given the circumstances, with teams being redeployed to help residents during lockdown, it was understandable that the implementation of some recommendations would slip.

The Chairman summarised the points raised and suggested that he would like to see SLT follow-up on the outstanding recommendations, as it was frustrating that some had still not been resolved after several years. He added that in some cases no response had been received on outstanding recommendations, and this wasn't good enough. It was then proposed by Cllr C Cushing and seconded by Cllr S Penfold that the outstanding recommendations be placed on the agenda for SLT to review and implement as soon as possible.

## **RESOLVED**

- 1. That the outstanding recommendations be placed on the agenda for SLT to review and implement the recommendations as soon as possible.**
- 2. To note the report.**

## **9 ANNUAL REPORT AND OPINION 2019/20**

The Internal Audit Manager introduced the report and informed Members that it was a full year review of the work completed in 2019/20, and allowed the Head of Internal Audit to give an opinion of the governance risk and control framework at NNDC. She then referred to point 2.2 which outlined the opinion as a reasonable assurance rating, which was a positive grading. It was noted that sixteen reviews were carried out, and all were given positive assurance grading, with four given a substantial assurance grading. Overall, this meant that the governance framework at NNDC was in a healthy position. The Internal Audit Manager stated that whilst four reports were still in draft at this time, there was no reason to doubt the assurances given. The quality assurance and performance indicator outcomes were discussed, and it was noted that there were no issues of concern.

### Questions and Discussion

The Chairman referred to the limited assurance for IT hardware disposal highlighted in the report for 2016/17, and asked for further details. The Internal Audit Manager stated that she did not know the full details, but the fact that it had not been revisited suggested that any issues had likely since been resolved. She added that she would look for further details and follow-up the issue.

The Chairman referred to item 5.1.2 on external assessment, and noted that the attribute standards were required to be reviewed every five years, which had last

been completed in January 2017. He then asked how long this review would take to complete. The Internal Audit Manager replied that this was not a large piece of work, and would be completed well within that timeframe.

The Chairman proposed the recommendations en bloc, and were seconded by Cllr J Stenton.

## **RESOLVED**

- 1. To receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
- 2. To 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 2020.**
- 3. To 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 2019/20.**
- 4. To note the conclusions of the Review of the Effectiveness of Internal Audit.**

## **10 RISK MANAGEMENT POLICY/Framework AND CORPORATE RISK REGISTERS**

The Head of Finance & Asset Management introduced the report and informed members that the Risk Management Policy and Framework was reviewed on a bi-annual basis. It was noted that the new policy included additional information from training sessions that had taken place, such as those on identifying the Council's risk appetite. On the risk registers, it was noted that new headings had been added to cover issues raised during training. A Covid-19 specific risk register had also been created to focus solely on the risks raised by the pandemic.

### Questions and Discussion

Cllr C Cushing referred to section ten of the policy on risk scoring, and suggested that if a risk was given over a 90% probability rating, then it should be recorded as an assumption elsewhere, as opposed to remaining on the risk register. The Head of Finance & Asset Management replied that he was unsure whether the Council had used assumptions logs previously, but he would be happy to look into whether it would be possible.

Cllr N Dixon referred to previous points made on paying attention to optimism bias on the risk register, and stated that even with the best risk policy and framework, the Council still appeared to have a systemic weakness in its business and project planning and analysis. He added that until these issues were resolved, the Council remained at a high risk of project failure, and for that reason asked whether there should be an additional line in the risk register to address these issues. It was noted that in addition to the impact of optimism bias, it was also important that the Council had the appropriate skill set in place, to enable these tasks to be completed. Cllr N Dixon then suggested that the Committee should give consideration, as to whether these issues had been fully addressed. The Chairman noted that a new performance

management system was in the process of being introduced, and asked whether this might help to resolve some of these issues. The Head of Finance and Asset Management stated that the Inphase system did have a built in risk register module, which it was hoped could be used to support the existing risk registers, that were currently kept on spreadsheets. He added that the system would also enable the risk registers to be presented online, with a trajectory for each risk as mitigations are put in place to manage them. In relation to project risks, the Head of Finance and Asset Management suggested that clearly defining the desired outcomes would help to avoid scope creep, clearly identify project success, and help to mitigate risks. He added that another option would be to apply gateway tests to projects, which would improve transparency of the requirements for each stage of a project. On report papers, it was suggested that adding high level summaries as standard, could help to highlight the key issues and risks for members.

The Head of Legal Services stated that optimism bias remained a cultural issue at the Council amongst officers and members. She added that whilst officers were required to provide advice, decisions were still made in a political environment, which meant that projects could maintain strong political support despite advice to the contrary. As a result, The Head of Legal Services stated that officers must be free to give their professional advice and opinion despite political pressure, and this was why a strong framework of processes and procedures was crucial to mitigate risk. Cllr N Dixon thanked officers for their comments, and suggested that it would be extremely helpful to see these comments converted into items on the risk register, to ensure that these processes could be followed. Cllr C Cushing stated that he endorsed these comments, and added that from a project management perspective, using a milestone system to stage projects would be very beneficial. He added that a benefit realization plan would also be very helpful to ensure positive outcomes for projects.

Cllr R Kershaw stated that lessons had been learnt from recent projects, and made clear that Cabinet did listen to the advice given by officers. He added that it was vital that there was an audit trail from inception to completion for projects in order to maintain transparency, and that projects must be stopped if they become unviable.

The Chairman referred to the risk appetite in section 11 p81, and stated that the recommendation suggested that the Council's risk appetite was moderate, and asked if this could be changed to a more positive stance of 'open'. The Head of Finance and Asset Management explained that the appraisal of the Council's risk appetite had taken place at a workshop with Members, though Members were free to continue to discuss this rating. He added that culturally, an open risk appetite might be an aspiration for the Council, but he did not think it was appropriate at this time. The Head of Legal Services added that some members might be closer to this, but historically NNDC had never had a fully open risk appetite, and having worked elsewhere where the risk appetite was open, it was clear that there was a very different culture at NNDC. The Chairman accepted the comments and reiterated that an aspiration to achieve an open risk appetite must remain.

In addition to the officers' recommendations, it was proposed by Cllr C Cushing and seconded by Cllr J Stenton to recommend to the responsible officer that additional lines be added to the corporate risk register, to address systemic issues caused by optimism bias, and business and project planning/analysis.

## **RESOLVED**

- 1. To note and adopt the Risk Management Policy and Framework**

2. To note the Risk Registers.

3. To recommend to the responsible officer that additional lines be added to the corporate risk register, to address systemic issues caused by optimism bias, and business and project planning/analysis.

**11 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**

The Democratic Services Officer informed Members that as a result of March's meeting being cancelled due to Covid-19, the actions list was from the December meeting. He added that the recommendation for SLT to follow-up outstanding audit recommendations had now be reiterated.

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

The Chairman informed Members that there was a scheduled meeting date in the calendar for 14<sup>th</sup> July, however due to significant delays in the sign-off of annual accounts and the impact of Covid-19, it was unlikely that reports would be ready for this date. As a result, he suggested that it would be useful to hold an additional meeting prior to September to avoid a build-up of reports, such as the Counter Fraud Policy, Annual Governance Statement, and the additional Egmore and Splash reports. It was suggested that August 4<sup>th</sup> was provisional date, though it would be confirmed nearer the time.

**13 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.15 pm.

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Chairman