

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 8 December 2020 at the remotely via Zoom at 2.00 pm

Committee

Members Present:

Mr J Rest (Chairman)
Mr H Blathwayt

Mr C Cushing
Dr P Bütikofer

Members also attending:

Mr N Dixon (Observer)
Ms V Gay (Observer)
Miss L Shires (Observer)

Mrs A Fitch-Tillett (Observer)
Mr R Kershaw (Observer)
Ms L Withington (Observer)

Officers in Attendance:

Democratic Services and Governance Officer (Scrutiny) (DS&GOS), Chief Technical Accountant (CTA), Director of Internal Audit (AD), Chief Executive (CE), Property, Project & Programme Manager (PPPM), Democratic Services Manager (DSM), Programme & Projects Manager (PPM) and Resilience Manager, Civil Contingencies (RM)

44 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr S Penfold.

45 SUBSTITUTES

None.

46 PUBLIC QUESTIONS

None received.

47 ITEMS OF URGENT BUSINESS

None received.

48 DECLARATIONS OF INTEREST

None declared.

49 MINUTES

Minutes of the meeting held on 29th September were approved as a correct record and signed by the Chairman.

50 CIVIL CONTINGENCIES REPORT

The RM introduced the report and noted that it had been an exceptionally busy year for the Team with multiple incidents, in addition to the continued response to Covid-19. It was reported that the Council remained an active member of the Norfolk Resilience Forum (NRF), with annual contributions paid to facilitate the Council's response to incidents as a category one first responder, under the Civil Contingencies Act 2004. The RM noted that the Council's annual contribution remained at £2386, in addition to a £1200 contribution made to the British Red Cross (BRC), which allowed reserve staff to be called upon when required. She added that there had been a recent amendment to the BRC memorandum of understanding, known as the Emergency Response Cooperation Agreement, though this had not impacted the Council's contribution.

The RM reported that there had been a reinvigoration of the Sea Palling Flood Warden Liaison Group, and the Environment Agency (EA) had recently confirmed that information provided by the group had been valuable. It was noted that the EA would be reviewing their flood warning levels in Bacton and Walcott as a result of the impact of the Sandscaping Scheme.

In relation to the EU exit transition, it was reported that the Council had appointed the Head of Economic and Community Development as lead officer. On Covid-19 the RM noted that gold and silver command meetings continued, with information provided by the NRF. In addition to these key issues, there had been a significant increase in severe weather incidents, in a trend that could be set to continue as a result of the effects of climate change. It was noted that the EA had reduced its flood alerts on Norfolk rivers as a response to the increased demands of Covid-19, though these had now been reinstated at the request of the Council.

On business continuity plans, the RM reported that the Council had 28 in total, of which 14 were for teams undertaking NNDC critical activities, notable for a recoverable period of 48 hours or less. It was noted that these plans were considered current, if they had been reviewed within the last 12 months. The RM stated that GRAC had agreed a target for at least 85% of these plans be up to date, though it was noteworthy that 100% of the critical plans had been reviewed within the last 12 months. It was reported that there was no target for non-critical plans, but these were 79% up to date, and it was expected that reviews following completion of the management restructure would further update the plans.

In conclusion, the RM stated that Covid-19, the transition of exiting the EU and increased severe weather events would continue to test the Council resources, but the Team continued to hard to meet demands.

Questions and Discussion

- i. Cllr C Cushing asked whether there had been any specific lessons learnt from the events of the year, to which the RM replied that communications could always be improved, and having the Council Leader on the gold command group had facilitated excellent Member involvement in decision making.
- ii. Cllr H Blathwayt referred to a recent press article on the overtopping of riverbanks, and asked whether the RM had any comment. The RM replied that she was in communication with the EA on the issue, though the Council was to some extent reliant on information from members the public to provide frequent updates in specific areas.

- iii. Cllr P Butikofer referred to the memorandum of understanding with the BRC and asked whether the new agreement had been signed. He then asked whether representatives from the Norfolk Rivers and Internal Drainage Boards could be invited to NRF meetings, and whether the sand spread at Walcott had been mentioned in the report. The RM replied that on the memorandum, the BRC had recently changed its working practices, and it was anticipated that the agreement would be signed once it was confirmed that support would still be provided for severe weather events. In respect of inviting further representatives NRF meetings, it was suggested that this could be explored if they were not already represented. On the sand spread issues at Walcott, it was noted that this was mentioned briefly in the report, and there had been a full NRF debrief as a result of the incident, though a report was still forthcoming.
- iv. The Chairman referred to a flood warning on the river Wensum in Fakenham, and suggested that this was likely the result of leaves causing drainage issues, and asked whether there had been any discussion with NCC to have this resolved. The RM replied that she was not aware of any such drainage investigations taking place in that area. The Chairman replied that he had been informed of the issue by the Fire Service, and asked whether the matter could be followed-up. Cllr L Withington stated that Sheringham had suffered similar drainage issues, and noted that it had taken considerable effort to have them cleared. The RM noted that there had been a change in the way highways services were run which had caused some issues, and stated that she would speak to Highways to ensure future incidents were avoided.

RESOLVED

To note the report.

51 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 19TH SEPTEMBER 2020 TO 25TH NOVEMBER 2020

The AD introduced the report and informed Members that the internal auditors had delivered 57 days of work equating to 53% of the plan, which was in-line with most of the work taking place across quarters three and four. It was noted that audit work had continued to run smoothly despite people working remotely, with the required information being delivered on time. The AD reported that some audits had required office visits due to the nature by which data was held, but this had been completed without issue. It was noted that resource was in place and had already been allocated for the completion of the annual audit.

RESOLVED

To note the report.

52 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 31 MARCH 2020 TO 25 NOVEMBER 2020

The AD introduced the report and informed Members that a number of recommendations remained outstanding from previous years, though it was noted that several had been delayed by the impact of Covid-19. It was reported that 33 recommendations remained outstanding, of which 22 were priority 2, with none at priority 1. It was suggested that the reasons for some of the outstanding

recommendations alluded to issues such as Section 106 agreements, which were dependent on the introduction of a new planning system that was currently in the process of implementation.

Questions and Discussion

- i. Cllr P Butikofer referred to the new Uniform planning system and asked what the implications would be if the project were to be delayed further. The AD replied that it would have a detrimental impact, and suggested that a more detailed response could be given by the relevant head of service. Cllr P Butikofer then referred to the recommendation on appointing a monitoring role for Section 106 agreements, and asked whether it would be possible to have a reserve officer in place. The CE replied to the first question and noted that the planning system had been closed down for approximately two weeks to allow for a significant data transfer, which had gone well. He added that the new system should provide a number of advantages, such as improvements to the monitoring of Section 106 agreements as highlighted in the recommendations. It was noted that the Head of Planning was also looking to improve the process of monitoring planning conditions, and it was expected that the outstanding recommendations would be addressed in the near future.
- ii. Cllr C Cushing referred to the recommendation on implementing a new procurement strategy and noted the reason for delay, then asked whether there was a deputy for this position. The CE replied that this was a specialist role and whilst there was not a deputy in place at present, it could be considered in the future.
- iii. Cllr P Butikofer referred to the recommendation on updating the licensing register, and noted that after considerable work with officers, they had completed a taxi handbook. He added that there were issues with taxi licenses not being added to the NNDC website, which he hoped could be addressed as part of the recommendation, to ensure public safety.
- iv. The Chairman raised concerns that a number of recommendations had been outstanding for a number of years, and asked whether the Committee would be supportive of calling-in heads of service to explain delays of two years or more. The CE replied that he would be supportive of such proposals to improve accountability, and noted that under the new management structure this would become an assistant director's responsibility.
- v. In response to a question from Cllr N Dixon, it was confirmed that the percentage of outstanding recommendations was 12%, as opposed to the 24% listed. Cllr N Dixon then referred to long overdue recommendations and asked whether the Committee had a clear understanding of the reasons for delays, and whether Members would look to address this in a recommendation. The AD replied in reference to the Section 106 monitoring recommendation, that a decision to delay manual monitoring had been taken to wait for the new Uniform system, to better address the issue. She added that delays to the implementation of this system meant that the risk of Section 106 agreements being inadequately monitored would remain until implementation was complete. Cllr N Dixon sought to ensure that the Committee were satisfied with the explanations given for delays, and whether this would be considered as part of any potential proposals.
- vi. Cllr L Withington referred to the Section 106 recommendations and asked

whether the auditing process took into account how agreements were reached. The AD replied that the audit did take into account all stages of the Section 106 agreement process, from the original planning application to their utilisation.

- vii. Cllr J Rest proposed that Assistant Directors be called-in to the Governance, Risk and Audit Committee to explain the reasons for delays on outstanding audit recommendations of two years or more. Cllr C Cushing seconded the proposal.

RESOLVED

- 1. To note the report.**
- 2. Assistant Directors be called-in to the Governance, Risk and Audit Committee to explain the reasons for delays on outstanding audit recommendations of two years or more.**

53 NEW PROJECT GOVERNANCE AND MANAGEMENT FRAMEWORK

The CE introduced the report and informed Members that it outlined a revised plan for the Council's project management and governance arrangements. He added that it came as a response to the audit recommendations of audit report NN2001 project management framework. It was reported that the new management structure sought to increase and strengthen project governance and management arrangements to provide greater clarity of project objectives, improve project delivery and closure/learning. The CE stated that the proposals included establishing a Corporate Delivery Unit that would promote and support strong project governance at both a Member and officer level. A new project governance framework and guide were included in draft form for review, which combined with the proposed Scrutiny Panels and a major projects Cabinet Working Party, were intended to improve ownership and scrutiny of projects.

Questions and Discussion

- i. Cllr C Cushing stated that he had extensive experience as a project manager in the private sector, and had a number of comments on the proposals that he had shared with officers prior to the meeting. The first point referred to project proposals being written by the project manager, which Cllr C Cushing suggested should be written by the project owner or sponsor. He added that a project manager wouldn't normally be appointed until the project was agreed. The CE replied that with respect to the Councillors experience, local government had considerable differences to the private sector. As a result corporate priorities were defined by the administration, and there was a separation of roles between the Cabinet Member as project sponsor, and officers, as the former would not be responsible for delivering the project themselves. The CE therefore suggested that in local government, the project manager would be appointed at an earlier stage to develop the project proposal, prior to its approval.
- ii. Cllr C Cushing suggested that GDPR issues should be given consideration early in the development of projects, to which the CE replied that this would be the case for projects that made specific use of or reference to personal data.
- iii. Cllr C Cushing referred to the development of a business case for projects,

and suggested that this should again be part of the initial stages of the project management process. The CE replied that as the Council often had to respond to time sensitive bidding processes, this required a two stage sign-off on projects which began with a political proposal seeking approval in principal, prior to the preparation of a business case. The PPM added that the purpose of projects going to business planning meetings was to consider which projects should proceed, as opposed to approving projects, acting as a filter or sieve to avoid expending unnecessary officer resource.

- iv. Cllr C Cushing referred to comments within the report that suggested that full project costs needed to be known upfront, and suggested that this could be very difficult. The CE accepted these concerns and noted that with previous projects issues of potential optimism bias had been raised, therefore the proposals sought to make this process more robust.
- v. Cllr C Cushing referred to who should be the project sponsor and suggested that in the case of large projects this should be the Cabinet portfolio holder. The CE agreed and stated that this would be appropriate for purposes of political accountability.
- vi. Cllr C Cushing noted that his principal concern was on project delivery and noted that the proposals did not provide substantial detail on the format of delivery. He added that in most cases projects would be delivered using either a waterfall or agile methodology, and asked whether these skills were available within the Council. It was noted that the project lifecycles may also have been overlooked, and concerns were raised regarding the use of Microsoft Project. In regards to project budgets and funding, Cllr C Cushing noted that little detail had been provided, and suggested that Prince2 would provide an adequate methodology. The CE replied that the Council had experience of both Prince2 and Agile methodologies, and the appropriate methodology could be determined by the nature of the project. He added that there were various software packages available to the Council to facilitate project management, though MS Project had been used previously. The PPM added that whilst officers were versed in various methodologies, the proposals being discussed were focused on the project process, including the approval, whereas the methodology might be determined by external project managers. It was noted that the introduction of Inphase software may provide an additional opportunity, as it included project management features.
- vii. Cllr A Fitch-Tillett stated that she had reviewed the proposals and noted that they were textbook for local government and were commendable as a result.
- viii. Cllr N Dixon stated that at previous meetings he had sought to ensure that the new proposals would learn from previous mistakes, and suggested that an exercise should be completed to ensure this. The CE replied that even once approved the proposals would remain under review to ensure that lessons could be learnt and changes implemented, where required.
- ix. The Chairman asked whether there was a date for implementation, to which the CE suggested that it was planned for the first quarter of 2021, alongside the implementation of the management restructure.

RESOLVED

To review and comment on the proposals.

54 CORPORATE RISK REGISTER

The CTA introduced the item and noted that updated elements of the register had been highlighted in green. The first such change related to the sales fees and chargers compensation scheme run by MHCLG, and it was noted that the first tranche of funding had rebalanced the in-year budget and eliminated the forecasted deficit. The CTA added that the Council continued to update Central Government in relation to the future funding tranches. The next change was the inclusion of the income generation and savings workshop, which had generated several proposals that were now under consideration by the Finance Team, and would be reported back the OSC in the months ahead. The CTA noted that the impact of the Central Government spending review was also being modelled and the outcome would be included in the MTFs and 2021/22 budget. It was noted that the anticipated multi-year spending review would likely lower the financial risks to the Council, once the outcome was known.

On operational risks, the CTA noted that the only change was that references to the digital transformation programme, which had been replaced by digital service improvement, that would be led by the Council's requirements. The remaining updates related to the business grants scheme, for which the delivery dates had been delayed as a result of the ongoing impact of Covid-19.

RESOLVED

To review and note the Corporate Risk Register.

55 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DS&GOS informed Members that there were no outstanding actions from the previous meeting, and noted that the Project Governance and Management Framework was in-part the result of a recommendation made by the Committee at the June meeting.

56 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The DS&GOS informed Members that the EY Annual Audit Letter and Final Statement of Accounts for 2019/20 had been expected at the December meeting, though these had been delayed due to ongoing issues with the external auditors. The CTA stated that there were two outstanding issues with EY which related to the sign-off of the 2018/19 and 2019/20 accounts. It was reported that the 2018/19 accounts sign-off was imminent, and that the remaining issues had been resolved, which meant that the annual audit letter could be expected at the March meeting. On the 2019/20 accounts, the CTA stated that they should have been signed-off in November, which whilst later than normal, had still not been met due to resourcing issues with the external auditor. It was noted that up to 55% of Councils had missed this deadline, and the audit for the 2020/21 year was not scheduled to begin until the end of February 2021, which meant that the audit would not be completed in time for sign-off at the March meeting. This would create a clash of signing-off the 2019/20 accounts with the start of the 2021/22 accounts, though this was preferable to a conflict with the budget setting process that required greater resource.

Questions and Discussion

- i. The Chairman noted that the issues raised were not unique to EY and

expected that there would be justified reasons for the delays, but asked whether there was any break clause in the contract with the external auditor. The CTA replied that PSAA held the Council's external audit contract and did so for 97% of Council's, which was intended to secure economy of scale. She added that to her knowledge there was not a break-clause in the contract, and she understood that PSAA would not take action on delayed audits, so long as the quality of audit's was maintained. It was noted that in future, external audit procurement through the PSAA was opt-in, though the current contract term was for five years.

- ii. Cllr H Blathwayt stated that he was a representative of NNDC at a different authority, and whilst EY had completed the 2018/19 external audit, it was suggested that a prohibitive price increase had been presented for future audits. He asked whether it was possible that similar circumstances could be presented to the Council. The CTA replied that she had not yet seen the offer for future years, though as a general rule it was apparent that prices were rising above the expected threshold. She added that ultimately the quality of the audit was paramount, and if this meant an increase in audit costs then it would likely be considered acceptable.
- iii. Cllr P Butikofer asked whether the accounts remaining unsigned would have any negative impacts or drawbacks for the Council. The CTA replied that whilst this had been expected, it did not appear to be the case and there was no evident detriment to the Council at present.
- iv. The Chairman suggested that it could be useful for the Committee to see a register of the Council's assets and asked whether it could be added to the Work Programme. The CTA replied that this would be possible, though it would be helpful to understand exactly what the Committee sought to achieve with the information. In reply to a question from Cllr H Blathwayt, the Chairman suggested that as a Member he was unsure of the current value of the Council's assets, and suggested that it could be useful for the Committee to better understand this from an audit perspective. The CE stated that the Estates and Asset Strategy Manager compiled a list of assets for insurance purposes on an annual basis, though this was a book value that may not be relative to market values. The CTA added that as part of the statement of accounts, all property assets were reviewed each year at fair value, which would be more relevant than a reinstatement value calculated for insurance purposes. It was noted that CIPFA's requirement for Council's to develop an annual capital strategy also required a plan for restoring changes in asset values. As a result, it was appropriate and reasonable for the Committee to review the asset register.
- v. In response to a question from Cllr P Butikofer, it was confirmed that the register would cover all assets, as opposed to those over a certain value.
- vi. The request to add a review of the Council's asset register to the Committee's Work Programme was proposed by Cllr J Rest and seconded by Cllr C Cushing.

RESOLVED

To add a review of the Council's asset register to the Committee's Work Programme.

57 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 3.46 pm.

Chairman