

**GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL REPORT 2019/20 & 2020/21**

**Summary:** This report aims to provide the Council with an outline of the role, purpose and background of the Governance, Risk & Audit Committee, as well as a summary of the work undertaken throughout both the 2019-20 and 2020-21 municipal years, as a result of reporting delays caused by the Covid-19 Pandemic.

**Conclusions:** Despite significant delays caused to the accounts sign-off and external audit process by issues beyond the Council’s control, the Committee continued to meet its obligation to provide oversight of the Council’s governance procedures, corporate risk and internal/external audits.

**Recommendations:** **It is recommended that Council notes the report, affirms the work of the Governance, Risk & Audit Committee, and considers any concerns raised within the report.**

**Reasons for Recommendations:** To inform Council of the work of the Governance, Risk and Audit Committee in 2019/20 and 2020/21.

Cabinet member(s): All  
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Matt Stembrowicz, Democratic Services & Governance Officer, 01263 516047, [Matthew.Stembrowicz@north-norfolk.gov.uk](mailto:Matthew.Stembrowicz@north-norfolk.gov.uk)

## 1. Introduction – Role and Purpose of the Committee

- 1.1. The role of the Governance, Risk and Audit Committee is to provide oversight and monitor the governance, risk management and internal control arrangements of the the Council, to provide independent assurance that these are effective and efficient. This is achieved through items received by the Committee in relation but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting.
- 1.2. The Terms of Reference (which have been updated to allow the Committee to sign off the Final Accounts) outline the purpose of the Committee in more detail:
- a) Internal Audit
    - To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues.
    - To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations.
    - To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year.
    - To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards.
  - b) External Audit
    - To consider annually the External Audit plan of work.
    - To consider External Audit reports and letters.
  - c) Accounts / Finance
    - To consider the extent of the Council's compliance with its own and other published financial statements and controls.
    - To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.
  - d) Risk Management
    - To review the strategic risks that the Council faces and ensure that these are being appropriately managed, monitored and mitigated.
  - e) Governance
    - To review the Council's arrangements for governance, with particular regard to the Local Code of Corporate Governance and the Financial and Contracts Procedure Rules.
    - To review the Council's arrangements to counter fraud and corruption, with particular regard to the policies on: Counter Fraud, Whistleblowing and Money Laundering.
    - To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.
    - To commission ad-hoc work from internal and external audit.
    - To assess the Committee's own effectiveness on an annual basis against best practice.

## **2. Committee Background and Membership**

2.1 The Committee was originally convened on 21<sup>st</sup> June 2006 as the Final Accounts Committee. It was established to allow a more robust discussion of the final accounts prior to their approval by Full Council. On 16<sup>th</sup> October 2006, the Committee met for the first time as the Audit Committee. Its remit was more far-reaching than accounts and included scrutiny of external and internal audit, risk management and internal control. On 6<sup>th</sup> September 2016, the Committee agreed to change its name to the Governance, Risk and Audit Committee to better reflect its function and the range of its oversight.

2.2 Subsequent to minor changes throughout the period covered by the report, membership at the end of the 2020/21 municipal year was comprised of the following six Members:

Cllr J Rest (Chairman)  
Cllr S Penfold (Vice Chair)  
Cllr C Cushing  
Cllr H Blathwayt  
Cllr Dr P Bütikofer  
Cllr P Fisher

2.3 An interesting result of a move to remote meetings during the Covid-19 Pandemic, combined with a number of high profile reports, has been that attendance at Committee meetings has significantly improved, with observers often exceeding the number of Committee Members present. Whilst it is unclear whether these high levels of attendance can be maintained, it is clearly an improvement from previous years, when it has often been suggested that the profile and understanding of the Committee should be improved.

2.4 Across both the 2019/20 and 2020/21 years, apologies were only given on four occasions, with three of these absences covered by substitutes, suggesting that poor Committee Member attendance is no longer a concern.

## **3. Work of the Committee 2019/20**

3.1 The Committee met four times during the 2019/20 municipal year, as a result of the initial outbreak of the Covid-19 Pandemic, which led to the cancellation of the March 2020 meeting at short notice. Despite the Pandemic and the subsequent impact on reports, the following items of business were considered throughout the year:

### Internal Audit

- Progress report on Internal Audit Activity (Quarterly).
- Follow-up on Internal Audit Recommendations (Six-Monthly)
- Annual report and opinion 2018/19 and review of the effectiveness of Internal Audit (June 2019)
- CIPFA Self-Assessment (June 2019)
- Confidential Investigation (December 2019)

### External Audit

- No external audit reports were received in the 2019/20 municipal year

### Accounts / Finance

- Draft Statement of Accounts 2018/19 (June 2019)

- Independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England (July 2019)

#### Risk Management

- Civil Contingencies Update (December 2019)
- Corporate Risk Register (Quarterly)

#### Governance

- Local Code of Corporate Governance and Annual Governance Statement 2018/19 (June 2019)
- Monitoring Officer's Annual Report 2018/2019 (June 2019)
- Annual report on the work of the Governance, Risk and Audit Committee 2018/19 (June 2019)

### **4. Work of the Committee 2020/21**

- 4.1 The Committee met six times during the 2020/21 municipal year, though all of these took place remotely as a result of the Covid-19 Pandemic. One of the six meetings that took place was scheduled as an extraordinary meeting, to allow for further consideration of exempt information in relation to the Cromer Tennis Hub audit report. A summary of the work undertaken throughout the year is listed below:

#### Internal Audit

- Progress report on Internal Audit Activity (Quarterly)
- Follow-up on Internal Audit Recommendations (Six-Monthly)
- Annual report and opinion 2019/20 and review of the effectiveness of Internal Audit (June 2020)
- Counter Fraud, Corruption and Bribery Policy (August 2020)
- CIPFA Self-Assessment (March 2021)
- Revised Internal Audit Plans (August 2020)
- Egmore Project Audit Report (August 2020)
- Sheringham Leisure Centre Project Audit Report (August 2020)
- Cromer Sports Hub Project Audit Report (March 2021)

#### External Audit

- Letter of Representation (September 2020)
- Annual Audit Letter 2018/19 (March 2021)
- Audit Results Report 2018/19 (September 2020)

#### Accounts / Finance

- Final Statement of Accounts 2018/19 (September 2020)
- Draft Statement of Accounts 2019/20 (September 2020)

#### Risk Management

- Civil Contingencies Update (December 2020)
- Corporate Risk Register (Quarterly)
- Risk Management Framework/Policy (June 2020)

#### Governance

- Local Code of Corporate Governance and Annual Governance Statement 2019/20 (September 2020)
- Monitoring Officer's Annual Report 2019/20 (August 2020)
- New Project Governance and Management Framework (December 2020)
- Management response to Internal Investigation (August 2020)

## **5. Key Issues**

- 5.1. Delays with External Audit have been an ongoing issue for NNDC and many other authorities throughout the Country, which caused significant disruption to the Committee's Work Programme and had an ongoing impact on the annual accounts sign-off process. As outlined in the body of report, no External Audit reports were received in the 2019/20 year, and as a result, the External Audit process remains behind schedule. Whilst this is a matter of concern for the Council, the process by which External Auditors are appointed to Local Authorities means that despite raising concerns, the issue remains largely beyond the control of the Council. At present the audit of the 2019/20 accounts is expected to begin in December 2021, with the accounts expected to be signed off by March 2022. It is expected that the deadline for publication of the draft 2021/22 accounts will be June 2022, unless CIPFA and MHCLG determine that this should be delayed further.
- 5.2. The Internal Audit plan for 2020/21 was approved in March 2020 but was required to be revised to provide coverage over the risks associated with the Covid-19 pandemic. The plan was split into five key themes with any non-essential assurance deferred and re-considered for the 2021/22 planning process. A reduction of 59 internal audit days was agreed by the committee with progress monitored to ensure the plan could be completed on time for the annual opinion.
- 5.3. Outstanding Internal Audit recommendations and historical audit recommendations remain a concern for the Committee with some dating back as far as 2017. Whilst the Committee is pro-active in monitoring these long outstanding recommendations, the decision has been made to increase the frequency of Internal Audit Follow-Up reports. Additionally, officers with responsibility for implementing outstanding audit recommendations will be called-in to explain the reasons for the delays, in order to expedite the process.

## **6. Conclusions**

- 6.1 Despite the reporting delays and meeting cancellations caused by the Covid-19 Pandemic, and the resulting delays in the External Audit process, the Committee has continued to meet its obligations of providing oversight for matters of governance, risk, internal and external audit. It is hoped that in the year ahead both the ongoing delays with the External Audit process and any long outstanding audit recommendations can be resolved. Whilst there have been minor changes in the membership of the Committee, attendance has remained consistently high, whilst remote meetings and the improved profile of the Committee have led to some of the highest attendance levels the Committee has ever seen.
- 6.2 Issues raised during the review of individual projects such as the Sheringham Leisure Centre and Cromer Tennis Hub audits, have resulted in several positive recommendations and additional reporting being added to the Committee's Work Programme, to improve the working practices of the Council. This includes the improvement of project governance via the introduction of the new Project Governance and Management Framework, regular review of procurement exemptions and an increase in the reporting frequency of the Corporate Risk Register.
- 6.3 It should be noted that despite significant delays with the External Audit process, the Council's 2018/19 annual accounts were finally signed off as complete in March 2021.

6.4 In summary, by continuing to fulfil its role and identifying areas for improvement, the Committee has proven itself as able to provide effective oversight for the Council, as well as continuing to improve its knowledge and subject area expertise. Looking forward, the Committee must continue to remain focused to help ensure that effective value for money, good governance and oversight of risk is maintained for the Council, whilst Internal and External Audit are also provided with all the necessary information to fulfil their respective roles.