

## **Broads Authority**

### **Financial Scrutiny and Audit Committee**

Minutes of the meeting held on 23 September 2014

Please note these draft minutes will be reviewed by the Financial Scrutiny and Audit Committee at its next meeting on 10 February 2015 and may be subject to amendments prior to being confirmed

#### **Present:**

Mr G McGregor – Chair

Mr D Broad  
Prof J A Burgess  
Dr J S Johnson

#### **In Attendance:**

Mr T Adam – Head of Finance  
Ms E Guds – Administrative Officer  
Ms E Krelle – Financial Accountant  
Ms A Long – Director of Planning and Resources  
Mr J W Organ – Head of Governance and Executive Assistant

#### **Also in Attendance:**

Mr N Harris – Director, Ernst & Young  
Ms E Hodds – Internal Audit Consortium Manager, Internal Audit  
Ms J Penn – Treasurer and Financial Adviser  
Mr D Riglar – Audit Manager, Ernst & Young

#### **2/1 Apologies for Absence**

Apologies for absence were received from Dr J Packman, Mr N Dixon and Mr P Durrant.

#### **2/2 Matters of Urgent Business**

There were no matters of urgent business.

#### **2/3 Declarations of Interests**

Members expressed declarations of interests as set out in Appendix 1 to these minutes.

**2/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee Meeting held on 8 July 2014 and 24 July 2014**

Regarding minutes of the meeting held on 24 July 2014, **1/8 Strategic Response to National Park Grant Reduction – Update on Minor Organisational Restructure**, a member raised concern regarding the Authority's intention to recruit a Solicitor and Monitoring Officer and queried whether there was a risk that the independence of the Solicitor and Monitoring Officer might be compromised by the fact that they would be reporting to the Chief Executive.

Members were assured that the line management of the Solicitor and Monitoring Officer by the Chief Executive in the other national park authorities and local authorities was the normal procedure.

The minutes of the meetings held on 8 July 2014 and 24 July 2014, following a minor amendment to formatting, were approved as a correct record and signed by the Chairman

**2/5 Public Question Time**

No question had been raised by members of the public.

**2/6 Consolidated Income and Expenditure – 1 April to 31 July 2014 Actual and 2014/15 Forecast Outturn**

The Committee received a report which provided details of the actual income and expenditure for the four month period to 31 July 2014 and a forecast of the projected expenditure at the end of the financial year (31 March 2015).

It was demonstrated that Income was slightly ahead but was expected to be in line with the total budget at year end with Private Tolls up and Hire Tolls down.

It was noted that expenditure funded from reserves was detailed in 2.3 and that, once reserves had been excluded, Operations expenditure was very much on profile but that there was an underspend on Planning and Resources budgets (as set out in 2.3 due to delayed projects and additional income) resulting in an overall favourable variance of £219,713 at the end of July.

Adjustments to the Forecast Outturn were detailed in table 3 where it was highlighted that significant movements related to cancellation of the Whitlingham Project and the movements in tolls, although the tolls adjustment offset one another.

Members were informed that the current forecast outturn position for the year suggested a deficit of £97K for the national park side and a surplus of £6K on navigation resulting in an overall deficit of £91K.

At the end of the year it was therefore anticipated that the navigation reserve balance would be restored to the recommended level of 10% of net expenditure. The impact of both the national park and navigation reserve balances was taken into account when preparing the budget and medium term financial strategy.

Members considered that the reduction in tolls in the hire boat industry was difficult to explain, especially as the revenue had increased and noted that a possible reason for the reduction could be the boating season getting shorter.

RESOLVED

that the report be noted.

## **2/7 Annual Governance Report 2013/14**

Members received a report prepared by the External Auditors, Ernst & Young together with a draft Letter of Representation in connection with the Audit of Financial Statements for 2013/14 which was presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Members were reminded that the Authority was responsible for preparing and publishing its Statements of Accounts accompanied by the Annual Governance Statement and for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Members were informed that there were no matters arising from the specific risk-based work undertaken during the audit which needed to be reported.

The Auditors noted their thanks to officers for their cooperation and support during the audit, and the Committee was informed that an unqualified opinion and Audit Letter would be issued at the conclusion of the audit after the Statement of Accounts had been signed following the Broads Authority meeting on 26 September.

RESOLVED

- (i) that members note the Annual Governance Report 2013/14; and
- (ii) that members approve the Letter of Representation in connection with the Audit of the Financial Statements for 2013/14 to be signed by the Treasurer and Financial Adviser and the Chairman of the FSAC.

## **2/8 Implementation of Internal Audit Recommendations – Summary of Progress**

The Committee received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2013/14.

Members were informed that progress has been made on implementing outstanding recommendations from the previous report to Committee and no Internal Audits have been undertaken since last report.

It was reported that actions to deliver the only outstanding recommendation were underway and that this related to a review of aggregate spend with suppliers, which was underway for 2013/14 and would be undertaken annually as part of year-end work. In response to a question, members were reassured that the 36 suppliers identified for further review did not necessarily represent instances where there were issues with the procurement process, but rather the procurements were being reviewed to ensure that the optimum procurement approach had been adopted in each case.

RESOLVED

that the report be noted.

## **2/9 Audit Committee Self-Assessment Exercise 2014/15**

Members were reminded that The Chartered Institute of Public Finance and Accountancy (CIPFA) advocated that it was good practice for Audit Committees to undertake regular self-assessments.

The Internal Audit Consortium Manager reported that it was the third time the Committee had undertaken this exercise and that the CIPFA's Audit Committee Self- Assessment Checklist focuses on six fundamental areas: Establishment, Operation & Duties; Internal Control; Financial Reporting &Regulatory Matters; Internal Audit; External Audit and Administration.

A query was raised regarding item 6.4 of the Audit Committee Self-Assessment Checklist as a member believed the question '*Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?*' should have been answered in the negative. Following a discussion, the Internal Audit Consortium Manager confirmed that she was satisfied with the answer being 'yes' as the Authority offered the mechanism for urgent business to be raised, and there had been occasions where this facility had been used in the past.

RESOLVED

that the completed Audit Committee Self- Assessment Checklist be noted.

## **2/10 Annual Review of Strategic Risk Register**

Members received a report which appended the Authority's updated Strategic Risk Register for their comments.

It was explained that the recent Internal Audit of this area of activity had resulted in a recommendation to include an additional column to determine

the risk level following the completion of all additional actions required and that this was to specifically identify those actions in future which would have a significant effect on mitigating/reducing levels of risk to allow resources to be prioritised accordingly.

Members also noted that the Risk Management arrangements for the year ending 31 March 2014 had received a good assurance.

Concern was raised regarding the process and timing involved with the proposed external consultation on the use of the National Parks name, on the basis that this could risk misrepresentation and damage to the Broads Authority's reputation. A member therefore proposed that a new category of risk (Reputational Risk) was included in the Risk Register with a risk (probability x severity) score of 4(P2S2) and that the current risk score concerning 'Ineffective Engagement with Key Partner/Stakeholders' was raised from 4 to 6 (P3S2).

The concerns and risks were discussed in full and the Committee considered that it would be premature to include the new risk and increase the current risk before the outcome of the agenda item 'Branding of the Broads' on the Broads Authority Committee Meeting was determined.

If considered necessary, the Committee would revert to reviewing the Risk Register again at the next meeting and if need be, an additional meeting could be arranged in order to reconsider the Risk Register in the light of the discussions regarding the "branding" of the Broads,

It was also considered that the proposal to shorten the timetable for the production of the Statement of Accounts, and associated earlier deadlines for External Audit work, from the accounts for 2017/18, could result in additional pressure on the Authority's limited resources, and increase the risk of misstatements in the Statement of Accounts.

**RESOLVED**

that the updated Strategic Risk Register be noted.

## **OTHER MATTERS**

### **2/11 Procurement Strategy**

Members received a report setting out details of an updated Procurement Strategy for the Authority which incorporated a number of changes in legislation and best practice not covered in the previous version. Members were made aware that although a major overhaul had taken place to make the strategy more useful and useable, most of the fundamental principles remained the same.

The key changes summarised in section 2 were highlighted to the members and the strategy had been consulted on with the Treasurer and Financial Adviser, Management Forum, Management Team and Budget Holders, with some amendments being incorporated as a result.

Following a query about whether the Committee had delegated authority to approve the Strategy, members were informed that although the draft Procurement Strategy could have been approved by officers, it was felt appropriate to present it to the Committee due to their previous scrutiny of procurement issues.

#### RESOLVED

that the draft Procurement Strategy be approved.

**2/12 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972**

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

**2/13 To answer any formal questions of which due notice has been given**

There were no formal questions of which due notice had been given.

**2/14 Date of the next meeting**

The next meeting of the Committee would be held on Tuesday 10 February 2015 at 2.00 pm at Yare House, 62-64 Thorpe Road, Norwich

**2/15 Exclusion of the Public**

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds that they involve the likely disclosure of exempt information as defined by Paragraphs 1 to 3 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighs the public benefit in disclosing the information.

**2/16 Exempt minutes of the Financial Scrutiny and Audit Committee meeting held on 24 July 2014**

The minutes of the meeting held on 24 July 2014 were approved as a correct record and signed by the Chairman.

## **2/17 Internal Audit Procurement Process – Update**

Members received a report which set out details of the procurement process under the OJEU regulations which was being undertaken by South Norfolk Council to appoint a supplier for Internal Audit Services to the Internal Audit Consortium.

Members were made aware that the Internal Audit Consortium offers significant benefits to the Authority in providing a cost effective means of delivering an appropriate level of Internal Audit Activity.

Members were informed that as the procurement was still underway, no detail of specific bids was currently available, but the procurement timetable was for a decision to be made by all participating Authorities on 3 October in order to allow the contract to be awarded by South Norfolk. Therefore members were asked to delegate authority to officers to determine the preferred Internal Audit solution for the Authority, based on the final outcomes of the procurement.

### **RESOLVED**

- (i) that the Authority subscribes to the overall outcome of the procurement process managed by South Norfolk Council; and
- (ii) that delegated authority be provided to the Head of Finance in consultation with the Management Team and the Treasurer to determine the model for delivery from the options set out in paragraph 3.1 of the report.

The meeting concluded at 3.00 pm

CHAIRMAN

**Declaration of Interests**

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 31 July 2014

<b>Name</b>  <b>Please Print</b>	Agenda/ Minute No(s)	<b>Nature of Interest</b> (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
D Broad	4-17	Toll payer; Chairman of Navigation Committee; Great Yarmouth Port Consultative Committee	