

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 8 July 2014

Present:

Mr G McGregor – Chair

Mr D Broad
Prof J A Burgess
Mr N Dixon
Mr P Durrant
Dr J S Johnson

In Attendance:

Ms E Guds – Administrative Officer
Ms M Hammond – Planning Assistant
Ms E Krelle – Financial Accountant
Mr J W Organ – Head of Governance and Executive Assistant
Dr J Packman – Chief Executive

Also in Attendance:

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

3/1 Apologies for Absence

Apologies for absence were received from Mr T Adam.

3/2 Matters of Urgent Business

There were no matters of urgent business.

3/3 Declarations of Interests

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

3/4 Minutes of the Financial Scrutiny and Audit Committee Meeting held on 11 February 2014

The minutes of the meeting held on 11 February 2014 were approved as a correct record and signed by the Chairman.

3/5 Public Question Time

No questions were raised by members of the public.

3/6 Annual Governance Statement

The Committee received a report providing the Annual Governance Statement for 2013/14, together with the 2014/15 Action Plan and a summary of progress against the 2013/14 Action Plan.

Members noted an amendment to paragraph 4.9 of the draft Annual Governance Statement, to reflect the new arrangements under the Public Sector Internal Audit Standards.

The Treasurer and Financial Adviser and Monitoring Officer had provided an assurance that the Authority's governance arrangements were adequate and were operating effectively and that there had been no significant control issues that had required the need for formal action in their respective roles. The Monitoring Officer had also concluded that the ethical standards of the Authority continued to be high.

Members also noted the Internal Audit opinion that there were no significant issues to be highlighted within the Authority's Annual Governance Statement. It was noteworthy that the Authority has received two good assurance levels in respect of Corporate Governance and Risk Management and Key Controls and Assurances.

The Committee therefore concluded that proper arrangements had been put in place to comply with the statutory requirements relating to Internal Audit and that the system of internal control at the Authority was effective.

Members considered that it would be helpful to include further detail within the Annual Governance Statement on the process of Risk Management, making it clear that any risk which exceeded the Authority's agreed risk tolerance level would be referred to the Chairman of the Financial Scrutiny and Audit Committee for appropriate action.

RESOLVED

- (i) that the Annual Governance Statement for 2013/14 and Action Plan for 2014/15, following the incorporation of the amendments agreed by the Committee, be recommended to the Authority for approval; and
- (ii) that, subject to implementation of the improvements identified in the Action Plan, the Authority's internal control systems and governance arrangements were considered to be adequate and effective.

3/7 Draft Unaudited Statement of Accounts 2013/14

The committee received a report summarising the Broads Authority's Statement of Accounts for the year ended 31 March 2014.

Members were reminded that note 26 (amounts reported for resource allocation decisions) reconciled the Monitor surplus of £190k to the figures disclosed in the Statement of Accounts.

Attention was brought to Section 2 of the covering report which demonstrated that compared with the draft income and expenditure figures reported to the last Broads Authority meeting, there had been a very small movement (-£2,500) in the National Park actual year end position, and no movement on the Navigation side.

Section 3 provided details of £94,237 of carry forward requests, with the impacts of approving these set out in paragraphs 3.3 and 8.1. It was noted that many of the Biodiversity carry forwards were due to the Authority being provided with additional income from Natural England which was ring-fenced for specific tasks.

In addition many of the carry forward requests related to projects which had been delayed by external events and it was made clear to the members that the main reason for these delays was because often the Authority had been paid for a project in advance late in the year.

In Section 4 it was confirmed that the balance of earmarked reserves was higher than forecast in setting the Financial Strategy, in part as result of the timing of income from Defra and works at Mutford Lock. The latest balance of earmarked reserves will need to be taken into account in the budget setting for 2015/16, but does not impact on the need to continue to make provision for the Authority's asset management strategy.

In Appendix 3 it was noted that a number of restatements have been made in the 2012/13 comparative year figures throughout the Statement of Accounts in relation to national changes in the accounting for pensions. These have an impact on the 2012/13 CI&ES, Movement in Reserves, Cashflow and various notes, but not on the overall 2012/13 balance sheet position.

Although it was highlighted at the previous meeting of the Committee that the outcome of the Pension Valuation / IAS19 adjustments for 2013/14 could result in the Authority having a negative balance sheet, it was reported that this was not the case, as the Authority's balance sheet position had improved compared with the 2012/13 position.

Furthermore it was reported that the element of DEFRA grant funding for repairs to Mutford Lock which had not been incurred as at 31 March 2014, totalling £64,000, was recognised in the "Capital Grants Unapplied Account" in the balance sheet, and would be used in 2014/15.

The balance sheet value of the Authority's fixed assets had reduced in 2013/14 and this was principally due to the reclassification of Ludham Fieldbase as an "Investment Property" and the revaluation of the Dockyard as an operational property from an "Asset Under Construction" held at cost. The balance of cash and cash equivalents had increased as the Authority did not hold any fixed term investments at 31/03/2014 (in contrast to 31/03/2013).

Members were made aware that details of Members' Allowances, Officer Remuneration and External Audit Costs were set out on pages 62 and 63, and Related Party Transactions from page 64.

It was noted that the Broads Authority was one of the National Parks with the lowest value of members expense claims and it was recognised that members should be commended on this. However as currently there was no time limit on how late a member can submit his/her claim it has been suggested a proposal regarding introducing a deadline, i.e. within a year, should be put in place.

It was noted that the Broads Authority was required to disclose material transactions with related parties, bodies or individuals that had the potential to control or influence the Authority or be controlled or influenced by the Authority and that these transactions were included each year within the Broads Authority's Statement of Accounts. It was noted that members should be alerted to the fact when these were available to view by the public.

It had also been noted that a new contingent liability (page 76) had been recognised in 2013/14 in relation to the Judicial Review proceedings in respect of the Whitlingham Charitable Trust byelaws.

It was highlighted that extracted Navigation income and expenditure figures were shown in note 38 (page 78).

Members commented that the accounts were improving and were closer to the budget.

The Treasurer and Financial Adviser commended the Finance Team on an excellent achievement of completing the accounts before deadline and mentioned that there was currently a consultation (Local Audit) in process regarding moving the deadline for production of the Statement of Accounts to 31 May from 2017/18.

The External Auditor commented that he was satisfied with what he had seen of the accounts so far and did not anticipate any significant issues at this point.

RESOLVED

that the Statement of Accounts for 2013/14 be recommended to the Broads Authority for approval.

3/8 Internal Audit Annual Report and Opinion 2013/14

The committee was presented with a report which was developed to satisfy the mandatory requirements of the new Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013 and specifically Standard 2450, concerning the provision of an annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, which, in turn, should be used to inform the Authority's Annual Governance Statement.

The report also sought to confirm compliance with the Accounts and Audit (England) Regulations 2011 and reviewed the effectiveness of the Internal Audit Service.

The overall opinion for the Authority is that the framework of governance, risk management and control was adequate; the Authority had also achieved two good assurance levels in respect of Corporate Governance and Risk Management and Key Controls and Assurance.

The Head of Internal Audit highlighted that section 5 of the report, the Annual Review of the Effectiveness of Internal Audit, used to be presented to the Committee as a separate report, but the view had been taken that these could be considered as one report as they are inextricably linked.

Members were made aware that the review of the degree of conformance with the PSIAS indicated full conformance with the elements of the Definition of Internal Auditing, Code of Ethics and Performance Standards but it had been recognised that in order to reach full conformance in relation to the Attribute Standards, an external review of Internal Audit must be undertaken which must be completed by 31 March 2018. It was noted that initial discussions have been held to ascertain the best way to achieve this and a report would be brought back to this Committee at a later date.

It had been noted that a review of the contractor's performance against their contractual indicators suggested that performance was generally on target and that at the Broads Authority there were no major causes for concern, however the survey that requested feedback at the end of an audit had been streamlined to encourage a higher response rate across the Consortium (although this was not an issue at the Broads Authority).

Finally it was noted that the compliance of the Head of Internal Audit arrangements had been examined against the CIPFA Statement on the Role of the Head of Internal Audit, and it was considered that there was substantial compliance with the five principles.

The only area where non-compliance was noted was in relation to the absence of a defined procedure in the Audit Charter for the Head of Internal Audit to raise issues around resourcing levels for the Annual Audit Plan. In practice this was mitigated by the discussions with the Head of Finance, Section 17 Officer and this Committee. The requirement would be addressed when the Audit Charter is updated.

RESOLVED

that the Committee:

- (i) notes the Annual Report and Opinion of the Internal Audit Consortium Manager;
- (ii) notes that an **adequate** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2014;
- (iii) notes 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 authority's Annual Governance Statement for 2013/14; and
- (iv) notes the conclusions of the Review of the Effectiveness of Internal Audit.

3/9 Consideration of Planning Pre-Application Fees

The committee received a report which set out the background and options for charging for pre-applications planning advice.

It was noted that currently the Authority provided a completely free and unrestricted pre-application service and the introduction of pre-application charging would result in an income stream for the Authority in the region of £5k, but would have risks in terms of reputational damage.

However, some members believed pre-payment application charging would generate more revenue than £5k pa and were of the opinion that as pre-planning application was offering a public service, requesting some charge would be reasonable.

Members therefore were in favour of a more structured and controlled approach to pre-application advice as identified in paragraph 8.3 which could include setting a limit on the amount of time spent on a particular case and a finite amount of correspondence. This approach would enable the Authority to reduce and better manage the workload associated with pre-application advice whilst retaining some flexibility and without compromising standards.

RESOLVED

that the Committee's view that further consideration be given to the options for some limited charging, including the development of thresholds for larger applications, as set out in paragraph 8.3 of the report, be reported to the Authority when this item is considered for decision.

3/10 Investment Strategy and Performance Annual Report 2013/14

The committee received a report which set out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the twelve months to 31 March 2014.

Members were advised that the Co-op Bank did not provide any of the Broads Authority's services.

RESOLVED

that the current arrangements regarding the investment of surplus cash be noted.

3/11 External Audit Annual Audit Fee 2014/15

The committee received a report which appended the annual audit fee letter from Ernst & Young for undertaking the 2014/15 audit (the fee would be maintained at £13,943) and a notification of a rebate for audit fees from the Audit Commission in relation to the 2013/14 audit.

RESOLVED

that the details of the annual audit fee letter be noted and the Audit Commission rebate welcomed.

3/12 External Audit: Audit Committee Briefing- June 2014

The committee received a report which appended a Local Government Audit Committee Briefing issued by the Authority's External Auditors, Ernst & Young.

It was noted that the briefing was presented to the members as a "for information" item and it addressed wider issues affecting all local authorities. Relevant items to the Authority were the economic and sector issues update, the update on the Future of Local Audit (page 6) and the key questions for the Audit Committee (page 11).

RESOLVED

that the briefing was noted.

3/13 Implementation of Internal Audit Recommendations: Summary of Progress

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

A member noted that the Revised Target Date for a refresher Procurement Training course (Appendix 1- Summary of Actions/Responses to Internal Audit Recommendations 2013/14 – 2014/15, page 173) should read 30/06/2014 not 30/06/2013.

RESOLVED

that the report be noted.

3/14 Other Items of Business

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.

3/15 Formal Questions

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

3/16 Exclusion of the Public

RESOLVED

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the item below on the grounds that it involves 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.

3/17 Exempt minutes of the Financial Scrutiny and Audit Committee meeting held on 11 February 2014

The minutes of the meeting held on 11 February 2014 were approved as a correct record and signed by the Chairman.

3/18 Date of Next Meeting

The next meeting of the Committee would be held on Tuesday 23 September 2014 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.50 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 31 July 2014

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
D Broad	11	In receipt of pre-pay application advice at the moment	