

## **Broads Authority**

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

Minutes of the meeting held on 9 February 2016

#### **Present:**

Mr Guy McGregor (Chairman)

Mr Louis Baugh  
Prof. Jacquie Burgess  
Sir Peter Dixon

#### **In Attendance:**

Ms Esmeralda Guds – Administrative Officer  
Miss Emma Krelle – Head of Finance  
Ms Andrea Long – Director of Planning and Resources  
Dr John Packman – Chief Executive

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

Ms Emma Hodds - Head of Internal Audit Consortium  
Mr Mark Russell - External Audit Ernst Young LLP

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

Apologies for absence were received from Michael Whitaker, Nigel Dixon, Jill Penn and Kevin Suter.

#### **2/2 Appointment of Vice Chair**

The Chairman invited nominations for the position of Vice Chairman for the forthcoming year.

It was proposed and duly seconded that Mr Nigel Dixon be appointed as Vice-Chairman.

There being no other nominations, it was

RESOLVED

that Mr Nigel Dixon be appointed as Vice-Chairman of the Financial Scrutiny and Audit Committee for the forthcoming year.

#### **2/3 Matters of Urgent Business**

There were no items being proposed as matters of urgent business.

#### **2/4 Declarations of Interests**

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

#### **2/5 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 22 September 2015 (herewith)**

The minutes of the meeting held on 22 September 2015 were approved as a correct record and signed by the Chairman.

#### **2/6 Public Question Time**

No questions were raised by members of the public.

#### **2/7 Investment Strategy Performance Six Monthly Report 2015/16**

This report set out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the six months to 30 September 2015 and included a review of the performance in 2014/15.

The Head of Finance informed the Committee that the interest rate continued to remain low but since the National Park Grant settlement the possibility of fixed term deposits was something the Authority could look at.

Members considered whether the Authority should remain in a Service Level Agreement with Broadland District Council or whether working with other district councils could prove to be more profitable.

The Head of Finance pointed out that the reason for opting with BDC was because they used to do our payroll and continued to provide us with a Treasurer and Financial Adviser.

Further it was pointed out that the majority of councils banked with Barclays Bank as the Authority does and therefore were offered the same rate. However the Head of Finance said that she would look into the alternatives and options open to them and would report back to the Financial Scrutiny and Audit Committee.

Members noted the report.

#### **2/8 Draft Budget 2016/17 and Financial Strategy to 2018/19**

Members were provided with a report which set out information for the Financial Scrutiny and Audit Committee to consider the consolidated income and expenditure budget for 2016/17 and a three year Financial Strategy to 2018/19. The latter was based on the four-year settlement for National Park Grant, the adopted overall 4.5% increase in navigation charges for 2016/17 and an assumption of 2.5% per annum increase in the subsequent two years.

Members noted that Volunteer costs had been transferred from Operations to Planning and Resources from 2015/16 onwards. In regards to pension deficit they recognised that the Authority had no control over the pension lump sum deficit which was forecast to increase at 22% per annum, however the next triennial valuation would set the contribution for the next three years from 1 April 2017.

A further issue was the appointment of a Solicitor and Monitoring Officer. It was explained that although there were advantages and disadvantages to both options of appointing legal services in-house or contracting someone from outside, the Authority believed the benefits of having a solicitor on hand would outweigh the disadvantages and therefore would try and recruit a Solicitor and Monitoring Officer.

It was noted however that if the Authority was unsuccessful it would test the market and be open to proposals from other providers of legal services in addition to Nplaw. It was clarified that splitting the role (having a separate Solicitor and Monitoring Officer) would not save money and would decrease the chance of finding a suitable applicant.

Members noted that the legal budget forecast had been increased this year by £20,000 to fund exceptional items. They were asked to consider whether the legal budget should remain at £80,000 for contractors or reduced back to £60,000. Members deliberated whether the legal challenges the Authority was currently experiencing were now the norm and whether the budget held enough funds to manage those challenges.

In response the Chief Executive clarified that as a local planning authority, the level of potential legal costs were difficult to predict, and would vary considerably from year to year.

It was agreed to leave the budget at £60,000 for contractors as there are currently too many unknowns. If the Authority was unsuccessful in appointing a new Solicitor and Monitoring Officer the salary part of the budget could be utilised for contractors.

The Navigation Committee had been keen that items of expenditure were scrutinised, for example the costs of the Dockyard. The Chief Executive responded that all budgets were regularly reviewed but that there was limited management time available for a fundamental review of all budgets.

The Committee indicated that a more productive way forward was for officers to investigate the scope for identifying benchmarks for key areas of activity so that value for money could be tested by reference to similar organisations. Officers agreed to take this forward.

In light of the positive outcome for National Park Grant, it was questioned whether the current levels of reserve were necessary and whether some of the funds could be used for improving or opening new Tourist Information

Centres (TIC) or be put towards bike/walk routes or sustainable tourism. The Chief Executive suggested that the Broads Plan should help guide priorities for expenditure and that forthcoming announcements would probably give guidance on the Government's priorities.

Members welcomed the favourable National Park Grant settlement and noted that the Chair of the Authority had written to the National Parks Minister expressing thanks from Members and officers for his efforts and personal commitment to their work.

Members scrutinised both the draft budget for 2016/17 and the draft Financial Strategy and supported its adoption at the March meeting of the Authority.

Members considered the Earmarked Reserves Strategy for the period 2016/17 to 2018/19, and recommended that the Authority approved the proposed contributions to and from Earmarked Reserves for the period 2016/17 to 2018/19.

## **2/9 Consolidated Income and Expenditure: 1 April to 31 December 2015 Actual and 2015/16 Forecast Outturn**

Members received a report which provided them with details of the actual income and expenditure for the nine month period to 31 December 2015, and a forecast of the projected expenditure at the end of the financial year (31 March 2016).

Members noted that as last year, the variances existed due to timing differences. It was further explained that the Prisma reserve needed to be left open until a final bill in Euros had been processed, the amount of which would depend on the exchange rate at the time. The balance would then be transferred to the Plant, Vessels and Equipment budget as part of the year end Statement of Accounts.

Members noted the report.

## **2/10 Internal Audit Strategic and Annual Audit Plan 2016/17**

Member received a report which provided an overview of the stages followed prior to the formulation of the Internal Audit Plan 2016/17.

The Annual Internal Audit Plan served as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provided the basis upon which the Internal Audit Consortium Manager would subsequently give an Annual Audit Opinion for 2016/17.

In respect of the National Park Partnerships it was agreed that the auditor should look at external funding as well as sponsorship, in order to make the most of the 4 days allocated.

Members approved the updated Internal Audit Charter; the updated Internal Audit Strategy for 2016/17 and the Annual Internal Audit Plan for 2016/17.

Members noted the Performance Management measures for the Internal Audit Contractor.

## **2/11 External Audit**

Mark Russell informed members that the engagement team was led by Kevin Suter, the new Audit Director, who had to send his apologies. He introduced himself as the new Assistant Manager and said he was responsible for the day to day direction of audit work and would be the key point of contact for the Head of Finance.

It was highlighted that the Audit Letter was a summary of what was delivered in September 2015.

In regards to materiality it was explained that as the previous year, the overall materiality for the financial statement of the Authority was £148,000, which was based on 2% of gross expenditure. It was further pointed out that uncorrected audit misstatement greater than £7,000 would be communicated back to the Authority.

It was noted that the indicative fee scale for the audit of the Broads Authority was still at £13,943.

The External Auditor informed Members that there were about twelve key areas when looking for value for money and that only one area of risk was identified, the risk of management override. He confirmed that this was not a bench marking process.

Members were reminded that this year was a trial run to meet the new deadline for the production and audit of the Statement of Accounts. This had been brought forward by the Government which will officially be the end of July 2017. The Head of Finance explained that the trial run this year would help plan for the official change from 2017.

It was noted that process for verifying items of stock had a big impact on the new deadline. It is hoped that this process will be streamlined prior to 2017 in consultation with the auditors.

Members noted the report.

## **2/12 Implementation of Internal Audit Recommendations – Summary of Progress**

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2014/15 and 2015/16.

The Head of Finance highlighted that in respect of the Planning Audit there had been slight changes in how priorities were rated. A member queried whether the audit results needed to also go to the Planning Committee; however it was confirmed that this was not required.

Members noted that two “important” recommendations had been implemented and the one “needs attention” recommendation remained outstanding but was still on target to be completed by the agreed date.

Members noted the report.

## **2/13 Review of Strategic Risk Register**

Members received a report which appended the Authority’s updated Strategic Risk Register.

Members were reminded that in the last agenda for the Broads Authority three reports where there were significant risks included a specific risk analysis. The Risk Register had been reviewed by Management Team and Management Forum (all the section heads) to see whether the register could be simplified. They considered whether all risks were identified and updated the Register.

One of the items identified by Members was the risk posed by an outdated governance regime. It was suggested that the Code of Conduct for Members needed to be reviewed.

The Chief Executive suggested that a workshop could be held in the autumn after the new members had been appointed.

Members noted the report.

## **2/14 Counter Fraud, Corruption and Bribery Strategy**

Members received a report which provided a revised Counter Fraud, Corruption and Bribery Strategy. The Strategy now included references to money laundering and an update of job titles.

Members were informed that apart from some toll payers paying in cash, the Authority didn’t receive large amount of cash.

Members adopted the report.

## **2/15 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.

**2/16 Formal Questions**

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

**2/17 Date of the next meeting**

Members noted the date of the next Committee meeting would be held on Tuesday 5 July 2016 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.29 pm

CHAIRMAN

**APPENDIX 1**

**Declaration of Interests**

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 9 February 201

<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 ✓
Guy McGregor		Member of SCC	