

Audit and Risk Committee

Minutes of the meeting held on 20 July 2021

Contents

1.	Apologies and welcome	2
	Openness of Local Government Bodies Regulations 2014	2
2.	Introductions and declarations of interest	2
3.	Items of urgent business	2
4.	Public question time	2
5.	Minutes of last meeting	2
6.	Code of Conduct and declaration of interests	3
7.	Internal Audit Annual Report and Opinion 2020/21	3
8.	Annual Governance Statement 2020/21 and Code of Corporate Governance 2021	4
9.	External Audit - Audit Plan	5
10.	Draft Statement of Accounts 2020/21	5
11.	Financial Management Code	6
12.	Investment Strategy and Performance Annual Report 2020/21	6
13.	Implementation of Internal Audit recommendations – summary of progress	6
14.	Corporate Risk Register – 6-month review	7
15.	Other items of business	7
16.	Formal questions	7
17.	Date of next meeting	7

Present

Nicky Talbot – in the Chair, Matthew Bradbury, Bill Dickson, Gail Harris, Greg Munford and Fran Whymark

In attendance

John Packman – Chief Executive, Emma Krelle – Chief Financial Officer, Maria Conti – Head of Governance (minute taker), Faye Haywood – Internal Audit Manager, Erika Voinic – Internal Audit Trainee, Mark Hodgson - Ernst & Young External Audit.

1. Apologies and welcome

The Chairman welcomed everyone to the meeting.

Apologies were received from Tristram Holborn and Simon Roberts.

Openness of Local Government Bodies Regulations 2014

The Chairman reported that the minutes remained the record of the meeting, but the meeting was also being recorded as a back-up. The Broads Authority retained the copyright. Anyone wanting a copy of the recording should contact the Governance Team. No one else indicated that they would be recording or filming the meeting.

2. Introductions and declarations of interest

Members introduced themselves. No member made any declarations of interest on items on this agenda.

3. Items of urgent business

There were no items of urgent business.

4. Public question time

No public questions had been received.

5. Minutes of last meeting

The minutes of the meeting held on 2 March 2021 were approved as a correct record and signed by the Chair.

In regard to the minutes of the meeting held on 17 November 2020, a correction to the penultimate paragraph in minute 8 (Annual Audit Results 2019/20) was confirmed as follows:

“In addition, members ~~agreed suggested~~ that the Chair of the Broads Authority should write to the Minister, Lord Gardner, indicating that the Authority’s audit arrangements were not appropriate and should be tailored to its turnover and to the size and complexity of the organisation.”

The Chief Executive confirmed that he had raised the issue with the Minister in a 1-to-1 meeting in March and followed it up with a briefing note at the Minister’s request. Civil

servants were also in contact with the Ministry of Housing, Communities & Local Government (MHCLG) and the Public Sector Audit Appointments (PSAA). The Chief Executive added that the issue was unlikely to be a current priority for Defra, and suggested waiting for the detailed feedback from the Landscapes Review before pursuing it further. A member suggested that a joint letter from the Broads Authority and the National Park Authorities might be appropriate.

6. Code of Conduct and declaration of interests

The Chief Executive introduced the report on the external legal advice provided to the Authority on Disclosable Pecuniary Interests (DPI) in relation to the setting of navigation charges.

The Chair noted that all members had an opportunity to give their expertise and views on the setting of navigation charges at the tolls briefing, held before the matter went to the Navigation Committee for consideration and subsequently to the Broads Authority for decision. The Chief Executive added that, as the Navigation Committee was consultative rather than decision making, the Authority would take the Monitoring Officer's advice on whether it would be appropriate for the MO to grant any dispensation to allow members with a DPI to participate in this item at Navigation Committee meetings.

The report also presented a draft new Member Code of Conduct, based on the Local Government Association's Model Code of Councillor Conduct, together with a draft new Register of Interests form.

Members considered that the new Code gave clear and comprehensive guidance, focused on the Nolan Principles of ethics and conduct in public life.

The Committee noted the external legal advice on DPIs, and resolved unanimously to recommend that the Broads Authority adopts, subject to any further amendments agreed by the Authority, the new Member Code of Conduct for Authority members and the updated Register of Interests' form for members.

7. Internal Audit Annual Report and Opinion 2020/21

The Internal Auditor presented the Authority's Annual Report and Opinion for 2020/21, drawing upon the outcomes of Internal Audit work performed over the course of the year, and a conclusion on the Effectiveness of Internal Audit.

It was noted that, on the basis of Internal Audit work performed during 2020/21, the Head of Internal Audit had given a 'reasonable' opinion (positive) on the framework of governance, risk management and control at the Authority. The outcomes of the Effectiveness Review confirmed that Internal Audit was compliant with the Public Sector Internal Audit Standards, it continually monitors performance and looks for ways to improve, and be compliant with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

It was recognised that both the auditors and the Authority had been significantly impacted in 2020/21 by Covid-19. Members agreed that the outcome of the audits undertaken

throughout the year was satisfying as all four reviews had achieved a positive assurance grading.

The Committee approved the contents of the Annual Report and Opinion of the Head of Internal Audit.

8. Annual Governance Statement 2020/21 and Code of Corporate Governance 2021

The Chief Executive presented the draft Annual Governance Statement (AGS) and action plan, supported by the Code of Corporate Governance, published following the audit of the Authority's governance and internal control systems, including risk management.

The Chief Executive drew attention to Section 2 in the AGS, on external factors affecting the Authority's governance over the past year including Covid-19, Brexit and the Landscapes Review. Measures were currently being put in place to provide emergency cover for staff having to self-isolate due to Covid-19, to make sure key services were maintained. He had written to the lead civil servant on inland waterways, raising the Authority's concerns about the potential impact on public safety. With regard to the Landscapes Review, it was anticipated that the Government would launch a consultation in August, and the Authority would address this in the year ahead.

The Chair welcomed the weekly briefing recordings from Management Team and Section Heads that kept members, officers and volunteers updated on the Authority's operations. A member asked if officers were considering scenarios that might arise this winter, including a possible Covid variant and further lockdowns, which could impact on planning and budgets. The Chief Executive said the Management Team would continue to take a cautious approach. This included assessing future working arrangements, with combinations of onsite and home working. The Head of Construction, Maintenance and Ecology had restructured and reprioritised practical works over the past year to enable staff to keep working safely. It was too soon to assess what might happen to future income, particularly from tolls, but the Collector of Tolls was tracking toll income on a frequent basis. A member reinforced the need for an accommodation review if fewer staff would be coming into the office on a longer-term basis.

The Chief Executive commented that the Authority had to be extremely adaptable and quick to respond to opportunities. Increasingly, the turnaround time for new funding streams from Government were very tight, such as the recent release of the Nature for Climate Peatlands Discovery Grant, to which the Authority had to submit an initial bid by 1 September; as such, this was an urgent item on the agenda for the Authority's annual meeting. It was noted that, if members agreed to pursue this grant, it would impact on the Authority's strategic priorities.

A member commented that the AGS did not specify who the members were, their appointing bodies and other details. It was noted that this information was not normally part of an AGS, but was in the Annual Report.

The Committee resolved to recommend the Annual Governance Statement (AGS) 2020/21 to the Broads Authority for adoption and to note, subject to the implementation of improvements identified in the action plan, that the Authority's systems of governance and internal control are considered to be adequate and effective.

9. External Audit - Audit Plan

The Chief Financial Officer introduced the report on the provisional Audit Plan for the 2020/21 external audit, which identified significant risks, the audit approach to these risks and an overview of the scale fee chargeable.

The External Auditor took members through the report, which included an overview of the audit strategy, risks, value for money approach and risks, materiality and scope, timeline and fees. It was confirmed that the audit was being carried out from 19 July to 13 August.

The Chair expressed the Committee's ongoing anxiety about the scale of the fees, and its support for the Chief Executive and Chief Financial Officer in pursuing this matter. The CFO added that no budget provision had been made for the outstanding fees.

A member asked about the application of estimation techniques to calculate the year-end bad debt provision recorded in the balance sheet linked to the audit risk. The External Auditor replied that most local government bodies had historically provided a percentage to write off bad debts, linked to their age. The audit challenge this year, in light of the economic situation post-pandemic, was whether those historic percentage rates remained appropriate. The Chief Financial Officer added that the Authority presently had one low value outstanding debt.

It was noted that references in the audit plan to 'council' should be amended to 'authority'.

The Chair thanked the auditors for attending the meeting.

The Committee noted the provisional Audit Plan for the year ending 31 March 2021.

10. Draft Statement of Accounts 2020/21

The Chief Financial Officer (CFO) introduced the update report on the Authority's Statement of Accounts and its audit for the year ended 31 March 2021.

The CFO noted that there were no significant changes to the Statement compared to last year. The most significant year-end adjustment related to the Pension Scheme, and the Statement may change in the final version, with a new actuary report.

In response to a member's question about Pension Scheme liability, the CFO confirmed that the actuary makes an assumption on the year end position, and the actual figure could be higher or lower. The long-term trend was important, and there was a 20-year plan to bring the scheme back into a surplus position.

A member referred to the transfers to and from earmarked reserves, and asked how the £731k in the Property reserve related to the £150k reserve for Mooring Provision. The CFO replied that the Property reserve included asset management, Mutford Lock endowment and

dredging disposal, moorings maintenance and piling. The £150k for Mooring Provision was revenue budget, with an agreement that if not spent it would go into earmarked reserves, although this had not happened in recent years. Mooring Provision was prioritised over 20 years to spread liability. The Navigation Committee had received a detailed report on this earlier this year, which showed that moorings liability and set aside budget matched.

The Chair thanked the Finance team for their hard work in preparing the Statement.

The Committee noted the Draft Statement of Accounts 2020/21.

11. Financial Management Code

The Chief Financial Officer (CFO) introduced the report giving an overview of the Authority's assessment with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code, including improvements identified by Management Team.

Demonstrating compliance with the Code was a collective responsibility of members and Management Team (including the CFO), and Management Team's review highlighted that the Authority has a good level of compliance, while identifying some areas for improvement. The actions in Appendix 1 of the report would be monitored and reviewed on an annual basis.

It was noted that this was a self-assessment exercise, although the National Park Authorities and the Broads Authority were considering a peer assessment process. Members commented that the exercise must be proportionate, but it helped to show the public how thorough and transparent the Authority was in reviewing and assessing its finances.

The Committee noted the actions identified in the Financial Management Code report.

12. Investment Strategy and Performance Annual Report 2020/21

The Chief Financial Officer introduced the report setting out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2021.

As interest rates were very low, the CFO reported that she would be looking at alternative investment opportunities, which might require a change of strategy, and she would report back to members at the next meeting.

The Committee noted the arrangements regarding the investment of the Authority's unallocated cash.

13. Implementation of Internal Audit recommendations – summary of progress

The Chief Financial Officer introduced the report summarising progress in implementing Internal Audit recommendations arising out of audits carried out during 2018/19, 2019/20 and 2020/21.

It was noted that all audits in 2020/21 had been completed and had received a 'reasonable' assurance. Key controls had received a 'substantial' assurance in previous years, but this was impacted in 2020/21 by short staffing in the Finance team and working from home measures in place due to Covid-19, resulting in some processes taking longer. A member congratulated the team for doing well under these circumstances.

The Committee noted the report.

14. Corporate Risk Register – 6-month review

The Chief Executive introduced the latest Corporate Risk Register, which was reviewed and updated as part of a biannual review cycle.

He highlighted the risk relating to the Covid-19 pandemic, which remained a high risk even with mitigating measures applied, and said the Register highlighted the importance of people as a critical resource. It was noted that the outcomes of the Landscapes Review may introduce new risks to the Register.

The Committee approved the Corporate Risk Register (update July 2021).

15. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

16. Formal questions

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

17. Date of next meeting

The next Audit and Risk Committee meeting would be on 21 September 2021 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 15.46pm

Signed by

Chairman