

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 7 February 2017

Present:

Mr Guy McGregor (Chairman)
Mr Louis Baugh
Prof Jacquie Burgess
Sir Peter Dixon

In Attendance:

Ms Esmeralda Guds – Administrative Officer
Mr David Harris – Solicitor & Monitoring Officer
Miss Emma Krelle – Head of Finance
Ms Andrea Long – Director of Planning & Resources
Dr John Packman – Chief Executive

Also in Attendance:

Ms Emma Hodds - Head of Internal Audit Consortium
Mr Kevin Sutor – Audit Director

Also Present:

Cllr Gail Harris, Norwich City Council
Cllr Brian Iles, North Norfolk Council

2/1 Apologies for Absence

Apologies were received from Michael Whitaker. The Chairman welcomed Gail Harris and Brian Iles to the meeting. He clarified that they were welcome to comment on the topics they were interested in but wouldn't be able to vote.

The Chairman announced that at the last Broad Authority meeting it had been agreed that the Authority as from immediate effect would audio record all meetings to assist in the writing of the minutes and therefore this meeting would be recorded. At the moment there were no plans to make the recordings available online however on request could be made available at the office.

2/2 Appointment of Vice-Chair

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

It was proposed by Jacquie Burgess and duly seconded by Sir Peter Dixon that Mr Baugh be appointed as Vice-Chairman.

There being no other nominations, it was

RESOLVED

that Mr Baugh 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 27 September 2017 (herewith)

The minutes of the meeting held on 27 September 2017 were approved as a correct record and signed by the Chairman.

2/6 Public Question Time

No question had been raised by members of the public.

2/7 Investment Strategy and Performance Report 2016/17

This report sets out policy for the Authority's investment of surplus cash, including the investment principles adopted and the performance achieved in the eight months to 30 November 2016. The Committee was informed that as the Authority was waiting for Lloyds Bank to perform their background checks, no further updates were available.

A Member commented that now the services of Broadland District Council were no longer needed the Authority would need a clear statement outlining where it should invest. It was clarified that the Authority was covered by the Broadland Investment Policy until 31 March and that a new Draft Investment Strategy would be considered at the Broads Authority meeting in March 2017. It was agreed that a copy of the Draft Investment Strategy would be circulated to members of the Committee prior to the Broads Authority meeting.

Brian Iles enquired whether the Authority had considered using the investment services of Norfolk County Council. The Head of Finance explained that this had been considered but due to the Authority's low level of funds paying the County Council or other local authority for their services would outweigh what the Broads Authority could earn in interest. Therefore

the Authority would be looking at managing it internally but with a low risk appetite.

Members noted the report.

2/8 Consolidated Income and Expenditure: 1 April to 31 December 2016 Actual and 2016/17 Forecast Outturn

Members received a report providing the Committee with details of the actual income and expenditure for the nine month period to 31 December 2016, and a forecast of the projected expenditure at the end of the financial year (31 March 2017). The second part of the report provided the draft valuation results for the Authority's pension liabilities from the triennial valuation.

The Head of Finance highlighted that the main variances within the budget were due to timing differences with major projects, for example the piling work at Cockshoot Dyke and the dredging work at Hickling Broad.

It was further highlighted that the Planning and Resources Directorate had been successful in securing extra funding from Tesco in supporting the Authority's work with farmers in the catchment. It was proposed to set up an earmarked reserve at year end for any unspent funds instead of applying for carry forwards. This income would be ring fenced and could not be spent on other areas.

The Members welcomed the news that the hire boat income had improved and it was confirmed that the Authority had been refunded for the faulty toll plaques.

With regard to pensions, the Committee welcomed the fact that the Authority results of the triennial valuation were in line with the Financial Strategy. It was explained that although the annual costs of employing staff were going to rise the lump sum contribution towards pension costs was going to fall. It was noted that the judgement by the Head of Finance on the level of provision in the Financial Strategy had been pretty accurate.

Members acknowledged and welcomed the fact that the annual lump sum pension deficit contribution had halved, however there was some concern as it was unclear why the contribution was anticipated to rise again. It was agreed that the Head of Finance would seek clarification from the Norfolk Pension Fund and provide feedback to the Committee.

2/9 Internal Audit Strategic and Annual Plans 2017/18

The Committee received a report providing an overview of the Internal Audit Plan for 2017/18. This 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 will subsequently give an Annual Audit Opinion for 2017/18.

It was highlighted that the Internal Audit Charter which normally was brought to the Committee every two years, had been brought back to the meeting early to inform Members of recent updates. These included the new Internal Professional Practices Framework (IPPF) and PIAS but in particular the mission statement and core principles.

The Committee was reminded that there wouldn't be an IT audit next year as it was agreed that the IT audit coverage would be reviewed every other year. Instead the Internal Auditors were asked to carry out an audit on the Port Marine Safety Code. The scope and the focus of the audit, the first one carried out by Internal Auditors still needed to be determined and it was estimated would take about 8 days.

It was explained that when the Internal Auditors changed contractors, the assurance rating changed from 'reasonable' to 'adequate', however for the purpose of staying consistent the Head of Internal Audit Consortium agreed to move the assurance rating back to 'reasonable'.

The Committee noted and supported:

- the updated Internal Audit Charter
- the updated Internal Audit Strategy for 2017/18
- the Annual Internal Audit Plan for 2017/18

The Committee noted the Performance Management measures for the Internal Audit Contractor.

2/10 External Audit

The Members received the Annual Audit letter for 2015/16, which was a statutory requirement, providing the conclusion of the 2015/16 audit. They were further provided with the Audit Plan 2016/17 and it was pointed out that the two main responsibilities were the audit of the Financial Statements and the Value for Money Conclusions for 2016/17. They also received the Local Government Audit Committee Briefing by Ernst & Young.

The Audit Director thanked the Finance Team for producing a good Statement of Accounts and commented that the low level of risk was positive and remained consistent with the findings of last year. He highlighted that in terms of the Financial Statement the only significant risk was about Management Override which was a risk that needed to be recognised in every audit.

In regards to 'value for money', the area identified as risk was the ongoing stretch in terms of budgeting and financial pressures across the public sector. It was explained that although the Government had announced that there was some stability that the National Park Grant would be maintained, a large part of the Authority's budget came from navigation income where there were more pressures. It would need to be scrutinised whether the ring fencing was being upheld.

It was clarified that when talking about pressures for 'value for money' the auditors were not referring to the pressures on resources when members of staff had to bring forward the statement of accounts.

It was noted that the proposed audit fee would remain £13,943, and that provisions for this had been made in the 2016/17 budget.

Members noted the Annual Audit Letter for 2015/16; the Annual Audit Plan for 2016/17 and the Local Government Audit Committee briefing by Ernst & Young, including the key questions for Audit Committees.

2/11 Implementation of Internal Audit Recommendations: Summary of Progress

Members received a report updating them on progress in implementing Internal Audit recommendations arising out of audits carried out during 2015/16 and 2016/17.

The Committee was updated that the outstanding recommendation under Corporate Governance regarding Members Training Strategy was tied in with the Members Appraisals and the Solicitor and Monitoring Officer confirmed that this had now been completed.

It was noted that the first completed audit was on External Funding which covered the Broads Landscape Partnership and the National Park Partnership (NPP). Only one of the five recommendations remained outstanding. The second audit looked at Anti-Virus, Malware and Backups & Firewall Administrations and all of the recommendations had been completed.

Members were updated that the third audit on Key Controls had just been completed and that the Corporate Governance audit was due to be completed shortly. The results for both audits would be reported back to the next Committee meeting in July 2017.

The Committee was further updated that the NPP letter had not been received in time for the last NPP Board meeting, however it was ensured that the letter would go to the NPP Board meeting in February.

With permission from the Committee, Brian Iles, a Member of the Broads Authority, enquired in regards to paragraph 4.1 how the systems and controls in place would be recognised and monitored. It was explained that the Head of Finance would address the recommendations set by the internal auditors. Subsequently a report updating Members on the recommendations would be brought to the FSAC Committee meeting and finally the Internal Auditors would determine whether the evidence received in relation to the recommendations were satisfactory. The External Auditors would monitor the work carried out by the Internal Auditors.

Members noted the report.

2/12 Review of Strategic Risk Register

The Committee was provided with the Strategic Risk Register which had been reviewed and updated following consultation with risk owners in December 2016 and both Management Forum and Management Team in January 2017. The Register had also been reformatted in the layout approved by the Financial Scrutiny and Audit Committee on 27 September 2016.

The Solicitor and Monitoring Officer highlighted that two new risks, 19 and 20, had been added and informed the Members that as an outcome of the Corporate Governance audit 'failure of pay-roll' would be added as a further risk.

It was confirmed that the Strategic Risk Register would be brought to the Committee twice a year.

When looking at the Initial Risk within the Strategic Risk Register, one member queried whether the severity of a risk should be linked to the mitigations put in place. To provide more clarity it was agreed to be more explicit when describing the vulnerability and impact of a specific hazard.

The Members welcomed the new format of the register and agreed that it was easier to read. It was explained the same system was used for the organisation as a whole as for individual sites to stay consistent.

Members noted and supported the Strategic Risk Register.

2/13 Review of Code of Corporate Governance

A review of the Authority's Code of Corporate Governance had been initiated by the Solicitor and Monitoring Officer and Members received a report which set out the new guidance issued by The Chartered Institute of Public Finance for the financial year 2016/17 and which would need to be incorporated into the review of the Code.

The Committee noted the new guidance and supported the amendments of the Code of Corporation Governance which reflected this.

2/14 Peer Review

Members received a report which responded to the motion adopted by the Broads Authority at its meeting on 27 January 2017 which recommended that

"the Financial Scrutiny and Audit Committee considers the need, scope and terms of reference for a peer review involving the National Park Authorities and independent experts into the governance arrangements of the Broads Authority and how they can be modernised."

At the meeting an additional paper was circulated (*please find attached*) which explained that whilst the Authority rejected an Local Government Association (LGA)-led Peer Challenge, some informal practical advice from the LGA had been sought on how the Broads Authority might begin to design a focused peer review process.

The Committee was in agreement that the Peer Review would need to be led by a team who understood National Parks, however they recognized that using LGA's experience in taking on an administrative role would be beneficial.

Members were mindful that the Peer Review would be expensive and time consuming but agreed that done correctly, the Review would produce a stronger and improved Authority which would benefit both Members and staff. In order to justify the cost of £25,000, funded from the National Park budget, it was stressed that the need and scope of a Peer Review were essential to get right.

Members were conscious of a difficult relationship between some Secretary of State appointed Members and some local authority appointed Members and aware that communication between the two would need to improve. It was believed that if a Peer Review could help the Authority improve communications, it would be worthwhile.

When it was proposed to encourage Members and Co-opted Members to provide feedback on the Peer Review through their annual review, the Chairman commented that the Performance Annual Review was a requirement for State of Secretary nominees only. He continued that some local councilors felt they were not answerable to the Authority's review but to the performance review of their local authorities and therefore preferred not to combine the Performance Appraisal Review with the Peer Review.

It was explained that to help to scope this review, proper feedback from the Members was essential. The Members were therefore offered the opportunity to respond to this motion through their annual review and comment on the governance challenges the Authority was facing.

Members accepted unanimously that a peer review on the lines set out in the paper would be useful. The Members further agreed that all Broads Authority Members should be encouraged to contribute to scoping the review through the Members Annual Review process, the interviews for which were due to be held in February and early March.

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 1972.

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 that date of the next Committee meeting would be held on Tuesday 25 July 2017 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

Chairman

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 7 February 2017

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 ✓
Guy McGregor		Member of SCC	
J A Burgess		Toll Payer	
Peter Dixon		Governance Review, Peer Review, General Interest	
Louis Baugh		None	