

Broads Authority

Audit and Risk Committee

Minutes of the meeting held on 5 March 2019

Present:

Mr Louis Baugh (Chairman)
Prof. Jacquie Burgess
Ms Gail Harris
Mrs Nicky Talbot
Mr Haydn Thirtle

In Attendance:

Ms Esmeralda Guds - Administrative Officer
Miss Emma Krelle - Chief Financial Officer
Dr John Packman - Chief Executive

Also in Attendance:

Ms Faye Haywood – Internal Audit Manager
Ms Vicky Chong – Audit Manager, External Audit Ernst & Young LLP

2/1 To receive apologies for absence

Apologies for absence were received from Greg Munford and Mark Hodgson, Associate Partner from Ernst & Young.

Recordings

The Chair announced that the meeting would be recorded and that the copyright remains with the Authority. A copy of the recording could be requested.

No members of the public were present.

2/2 Appointment of Vice Chair

The Chair reported that nominations for the Vice Chair had been invited in line with the new procedures adopted following the Authority's May meeting.

Nicky Talbot had been proposed and as there were no other nominations, it was

RESOLVED

that Mrs Nicky Talbot be appointed as Vice Chairman of the Audit and Risk Committee for the forthcoming year.

2/3 Declarations of Interests

Nothing to declare as stated in Appendix 1

2/4 To note whether any items have been proposed as matters of urgent business

No matters or urgent business were raised.

2/5 To receive and confirm the minutes of the Audit and Risk Committee meeting held on 11 December 2018 (included)

The minutes of the meeting held on 11 December 2018 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 and Performance Report 2018/19 and DRAFT Capital, Treasury and Investment Strategy 2019/20

The Committee received a report containing details of the Authority's investment of surplus cash and the Draft Capital, Treasury and Investment Strategy 2019/20.

The full 'year-end analysis' on the performance of the Authority's investments is presented at the July meetings and Members agreed they preferred receiving the midyear performance report at the February meetings.

There was some discussion around borrowing between local authorities and whether the Broads Authority should explore the option of making short term loans. However, the Committee concluded that loan fees and the risk of repayments not being met, would be too high.

A Member commented whether the decision to re-invest should be a decision made by the Committee. It was explained that the purpose of the Investment Strategy was to determine whether and how much investment would be spent and that the Chief Financial Officer had the delegated powers to implement these strategies.

The non-treasury investment which was included in the 2018/19 strategy was Ludham Field Base, which had been sold in August 2018. It was clarified that the proceedings of the sale were ring fenced in a capital receipts reserve for future capital expenditure or repayment of debts. The split of the reserve is 60 percent National Park, 40 percent Navigation.

The Members discussed the Authority's Reserves, and whether these were in

excess of what was expected for the size of the Authority. It was explained that this level of reserves was required, not just to meet the Authority's long-term plans and ambitions but also when attracting external funding which was often based on match funding. Furthermore, it was highlighted that the navigation reserve was sensitive to changes in boat numbers.

The Chief Financial Officer said that in 2022-23 a high proportion of the vehicle fleet would be due for replacement so annual contributions were made into the earmarked reserves so sufficient funds would be available for future capital replacements.

The committee noted the current arrangements regarding the investment of surplus cash and recommended that the Draft Capital, Treasury and Investment Strategy would be approved by the Broads Authority.

2/8 Consolidated Income and Expenditure: 1 April to 31 January 2019 Actual and 2018/19 Forecast Outturn

The Members received a report which provided them with details of the actual income and expenditure for the ten months period to 31 January 2019, and provided a forecast of the projected expenditure at the end of the financial year (31 March 2019).

The Chief Financial Officer commented that a number of savings meant that the accounts had moved from a deficit to a surplus position. Some of this was due to salary savings but £73,000 was due to increased toll income and higher rates of interest.

In regards to the CANAPE project and the fluctuation of the Euro, the Chief Financial Officer clarified that the exchange rate used in the application was a cautious rate which allowed for fluctuations. It was confirmed that the European projects would continue to be paid post Brexit.

The Chief Executive highlighted that apart from extra investment income and income from additional private and hire craft, the Authority had also received additional planning fee income due to the Government increasing fees. The extra income had been used for extra resources in enforcement and on members of staff within the Planning Department.

Members noted the report.

2/9 Internal Audit Strategic and Annual Plans 2019/20

The Chief Financial Officer introduced the Internal Audit Manager who took members through the report.

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. It further provided the basis upon which the Head of Internal Audit would subsequently give an Annual Audit Opinion for 2019/20.

The Committee was reminded that the Internal Audit Charter had been amended slightly to reflect the role of the Internal Manager and how this role supported the Head of Internal Audit.

It was highlighted that the Internal Audit Strategy was a repeat of last year and therefore had remained the same.

The Annual Internal Audit Plan would look at four areas which were; Governance, Key Controls, Procurement and Heritage Lottery Fund External Funding.

It was confirmed that the Internal Audit would take place over a total of 36 days.

The Members appreciated that Internal Audit closely looked at the bigger projects such as the Heritage Lottery Fund (HLF) as externally funded projects were likely to encounter more community-based issues. It was explained how the Broads Authority's responsibility for CANAPE and HLF projects was different.

CANAPE finances were scrutinised in detail by an additional audit firm as required by European funding rules. Each partner within the bid also appointed its own first level control auditor to undertake the checks on their expenditure.

With the Heritage Lottery Fund project each of the partners had their own percentage of match funding to contribute towards their project. Where the Authority was reimbursing partners expenditure, it was up to the Water Mills and Marshes team to satisfy themselves that correct procurement rules were being followed.

It was made clear that auditors and officers worked together. The purpose of the audit was about checking procedures were being followed and offering advice on best practise.

The committee approved the Internal Audit Charter for 2019/20; the Internal Audit Strategy for 2019/20; and the Annual Internal Audit Plan for 2019/20.

2/10 External Audit

The Chief Financial Officer introduced the Audit Manager of External Audit from Ernst & Young LLP and welcomed her to her first Audit and Risk Committee meeting.

The Audit Manager took the Committee through the report which appended the Audit Plan for 2018/19 audit and the Local Government Audit Committee Briefing by Ernst & Young.

Some concerns were raised in regards to the timing of the year end audit and a Member stressed that making a date available sooner rather than later was particularly important for a small Authority with limited resources. A further concern was the risk that all three audits, Whitlingham, CANAPE and External Audit, would take place at the same time.

The Auditors noted the concerns and said a date for the substantive testing would be made available as soon as possible.

There was some discussion around the large turn over of auditors within the audit team in recent months and how it was important to strike the right balance between continuity and a fresh view.

Members welcomed the reduction of £3,207 in the audit fee compared to the 2017/18 audit fee.

The Committee noted the Audit Plan for the 2018/19 audit and the briefing including the key questions for Audit Committees as set out on page 10 of the report.

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

The Chief Financial Officer took the Members through the report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18 and 2018/19.

The Members were informed that since the last meeting the first three audits had been completed. Corporate Governance & Risk Management and Disaster Recovery received a reasonable assurance. Key Controls had for the first time a substantial assurance, with no formal recommendations raised.

There was an update in regards to the Port Marine Safety Code recommendation of using a peer review or an MCA health check. The Committee was informed that it had been decided not to proceed with the recommendation as the cost for the audit, £5,000, which was 35% of the internal audit budget, was considered too high.

The Committee received a further update in regards to recommendation number 7 confirming that the Hazard Review had been scheduled for 13 March 2019. The Boat Safety Management Group and the Navigation Committee would receive training in March/April to review the outcome.

It was explained that the audit on Branding was to ensure that the use of National Park Branding and processes of implementation throughout the organisation were consistent.

Members were informed that the Authority was in the process of procuring legal services as the Solicitor & Monitoring Officer had resigned and was due to leave the Authority at the end of March. Currently a deputy Monitoring

Officer was in place but this meant that Management Team would be responsible for some of the outstanding audit tasks relating to Corporate Governance and Risk Management. It was therefore suggested to amend references of Monitoring Officer to Chief Executive and Management Team. The Authority was also looking at transferring GDPR responsibilities to another officer.

Members noted the report.

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 items of urgent business for consideration.

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

No formal questions of which due notice was given had been received.

2/14 Exclusion of the Public

The Committee agreed excluding the public 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, 3 and 5 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.

No members of the public were present and the recording of the meeting was suspended.

2/15 To receive and confirm the exempt minutes of the Audit and Risk Committee meeting held on 11 December 2018

The exempt minutes of the meeting held on 11 December 2018 were approved as a correct record and signed by the Chairman.

2/16 Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 23 July 2019 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.22 pm.

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Audit and Risk Committee

Date of Meeting: 5 March 2019

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 ✓
Louis Baugh		None	
Jacquie Burgess		None	
Gail Harris		None	
Nicky Talbot		None	
Haydn Thirtle		None	