

# Audit and Risk Committee

## Minutes of the meeting held on 29 November 2022

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### Present

Matthew Bradbury – in the Chair (from item 3), Bill Dickson, Gail Harris, Paul Hayden, Tristram Hilborn, Michael Scott, Matthew Shardlow, Nicky Talbot and Fran Whymark.

### In attendance

Jason Brewster – Governance Officer, Emma Krelle – Director of Finance, John Packman – Chief Executive– in the Chair (until item 3), Andrew Paylor –Ernst & Young External Auditor (items 1-8) and Sara Utting – Senior Governance Officer.

## 1. Apologies and welcome

The Chair welcomed everyone to the meeting at which all members were in attendance.

### Openness of Local Government Bodies Regulations 2014

The Chair explained that the meeting was being audio-recorded. All recordings remained the copyright of the Broads Authority and anyone wishing to receive a copy should contact the Governance Team. The minutes remained the formal record of the meeting. He added that the law permitted any person to film, record, photograph or use social media in order to report on the proceedings of public meetings of the Authority. This did not extend to live verbal commentary. The Chair needed to be informed if anyone intended to photograph, record or film so that any person under the age of 18 or members of the public not wishing to be filmed or photographed could be accommodated.

## 2. Appointment of Chair

Matthew Bradbury was proposed by Gail Harris and seconded by Bill Dickson.

A member was concerned about the perceived risk of a conflict of interest arising as the appointed Chair was also the Vice-Chair of the Authority and asked for the External Auditor's opinion. The EA highlighted that this was a decision for the committee and he could not envisage this being an issue especially as the other committee members had an oversight role. The Chair thanked the member for his question and explained that he would rely on the committee to highlight any perceived issues or risks in this regard.

**Matthew Bradbury was appointed Chair.**

## 3. Appointment of Vice-Chair

Tristram Hilborn was proposed by Matthew Bradbury and seconded by Bill Dickson.

**Tristram Hilborn was appointed Vice-Chair.**

## 4. Introductions and declarations of interest

No additional declarations of interest were declared.

## 5. Items of urgent business

There were no items of urgent business.

## 6. Public question time

No public questions had been received.

## 7. Minutes of last meeting

The minutes of the meeting held on 26 July 2022 were approved as a correct record and signed by the Chair.

## 8. Annual Audit 2021/22 – progress

The Director of Finance (DoF) confirmed that the audit had only just started just before the report was authored and the External Auditor (EA) reported on progress so far for each Risk / Area of focus:

**Management Override: Misstatement due to fraud or error:** The EA indicated that testing had been completed and no findings had been raised.

**Risk of inappropriate capitalisation of revenue expenditure:** The EA indicated that these entries had been reviewed and they were clean.

**Valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUV') method:** The EA explained that this was ongoing and the auditors were awaiting replies to queries regarding the Authority's valuation approaches.

**Derecognition of infrastructure assets upon subsequent expenditure/ replacement:** As previously reported the EA indicated this was an up and coming area of focus. There were allowances coming through from Statutory Instruments but the EA did not believe these would be applicable to the Authority given the immateriality of the current balances. The EA did not believe there had been any additions that would be considered replacements for existing assets. The EA considered this issue to be largely non-existent and the audit work was mostly complete.

**Pensions Liability Valuation:** The EA explained that the majority of the audit work had been completed and they were awaiting Norfolk Pension Fund to complete their audit and issue the associated assurance letter within the next week.

**Recoverability of Receivables (Debtors):** The EA confirmed that this audit had been completed and no issues noted.

The EA provided an update on the work assessing the Authority's value for money (VFM) arrangements. The EA confirmed that this work had been initiated and conversations with the Finance Team were ongoing. The VFM assessment would be produced as a separate entity and the EA confirmed it would be delivered to its own timescale.

The EA concluded that the draft Audit Opinion was currently clear and he did not envisage anything preventing the audit completing and being signed off by the end of the year. The DoF confirmed that if any significant issues were raised by the audit that these would be brought to the committee.

Members were concerned by the lateness of this audit and the implications for the 2022/23 audit timescales. The EA confirmed that Ernst & Young had a backlog of 2021/22 audits that

precluded the initial audit plan for the Authority's 2022/23 accounts being progressed until June 2023 at the earliest. Ernst & Young were not alone in having a backlog of audit work and the EA indicated this situation existed across all the other public sector auditors and that difficulty recruiting, ever changing audit requirements and increasing standards were all factors in these delays. The EA explained that Ernst & Young were intending to clear this backlog over the next 2 years. The EA elaborated that the auditor was seeking to secure additional resource to address the backlog and, along with other industry partners, was an active participant in consultations with the government and standard setters about public sector audit requirements. The DoF confirmed that other National Parks who used different auditing firms were experiencing similar delays and highlighted that one audit firm had removed themselves from the public sector audit appointments process.

A member was concerned that this delay to the 2022/23 audit would be attributed to the Authority completing their accounts late. The DoF explained that the draft 2022/23 accounts would be posted by the 31 May 2023 irrespective of the 2022/23 audit plan timescales.

The Chief Executive (CE) was concerned that the audit requirements being employed, while wholly suitable for a Local Authority, seemed excessive given the small comparative size of the Broads Authority. The CE wondered whether there could be some common ground sought on this matter with the audit industry's consultations with government and the EA recommended that this be raised with Mark Hodgson, the Authority's Audit Partner at Ernst & Young.

The Chair thanked the EA for their attendance.

**The progress of the audit for 2021/22 Statement of Accounts was noted.**

## 9. Draft Statement of Accounts 2021/22

The Director of Finance (DoF) introduced the report that provided an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2022. Since the draft Statement of Accounts were reviewed at the 26 July 2022 committee meeting the DoF confirmed that the deficit had been reduced by £14,484 due to business rate relief being retrospectively applied on Yare House and further accruals for the CANAPE and Heritage Lottery Funded projects.

The Pension liability had decreased by £245,000 due to the estimated contributions and predicted performance as of 31 March 2022 being superseded by actual contributions and pension performance during the intervening period resulting in the finalisation of these figures. The DoF explained that this change accounted for the majority of the £257,000 increase in the net movement on the balance sheet.

The DoF indicated that a message explaining why audited 2021/22 final statement of accounts were unavailable for the deadline of 30 November 2022 had been published on the Authority's website under Annual accounts 2021/22.

The Chair thanked the DoF for a comprehensive report and Statement of Accounts.

**The reasons for the delayed audit and the recommendation to the Authority to delegate the final sign off to the Director of Finance and Chair of the Authority if there were no significant findings by EY were noted.**

## **10. Consolidated Income and Expenditure: 1 April to 31 March 2022 actual and 2022/23 forecast outturn**

The Director of Finance (DoF) provided apologies for the Senior Accountant, who was unable to attend the meeting, and presented this report in her absence which detailed actual income and expenditure for the seven-month period to 31 October 2022, and a forecast of the projected expenditure at the end of the financial year (31 March 2023).

The DoF explained that since this report was produced Defra had confirmed the Authority's bid for extra capital funding had been successful. Committing to purchasing new capital items before 31 March 2023 could result in ongoing projects being re-prioritised although the DoF indicated that no changes had been required to date. A full report on this extra capital spending would be presented to the Authority meeting on 2 December 2022, and in the meantime the Chief Executive (CE) provided a summary to the committee.

The CE explained that Defra have confirmed funds of £1,115,000 for capital spending on 8 projects to support the management of Sites of Special Scientific Interest and species recovery in the Broads, and £217,112 capital and £6,768 revenue to match the funding from the Lottery in order to complete the final phase of the Water, Mills and Marshes (WMM) project.

The CE indicated that the capital spending would have a transformative impact on the Authority's conservation and bio-diversity work and the smaller comparative funding for WMM was very significant as it would enable the project to maximise the funding available from the National Lottery Heritage Fund.

The CE commended the Chair of the Authority and those involved in hosting a visit from Defra earlier in the year; this exercise reflected the good working relationship between the Authority and Defra and was instrumental in securing this significant amount of Defra funding.

The CE stressed the need to have committed (if not spent) funds by the end of the financial year and given the Authority's Standing Orders, procurement processes, supply chain difficulties and lead times associated with some of the associated work requirements, this would not be straightforward. The CE gave the example of proposed spending at Strumpshaw Mill being dependent on a permit from the Environment Agency and planning consent.

A member stressed the need for maintaining good communications with Defra especially given the challenges posed by a pressing deadline. The member, speaking from experience, elaborated that adopting a spending profile/plan would provide a good basis for reporting progress to Defra; this would show delays between planned spending and actual commitments and provide a means for highlighting why these delays existed. The member added that a combination of good communication and proactively reporting progress on a

regular basis would provide reassurance to Defra. The CE acknowledged this suggestion and believed that reporting progress on a regular basis would be beneficial for Members too. Members accepted this suggestion as it showed the Authority as a trustworthy, reliable and credible partner.

Members welcomed this new funding and congratulated officers for achieving this outcome. Members acknowledged the need for spending plans and procurement processes to be flexible to maximise the opportunities this funding provided. Members were supportive of the proposed recommendations to the Authority meeting on 2 December 2022. Members noted the risk of this funding crowding out other planned activity and to ensure other projects continued to be supported.

The Chair identified the following actions relating to the Defra funding:

- Progress reporting for use by the Audit and Risk Committee and full Authority.
- Progress reporting for Defra; adopt a framework that works for the Authority.
- Chair to commend associated recommendations at full Authority 2 December 2022.

In response to a member question regarding the financial sustainability of the Authority, the DoF confirmed that the plan was to move away from deficit in 2023/24 assuming that the budget proposals were approved by Navigation Committee and full Authority in January 2023. The CE explained that changes to Navigation revenue would be necessary and the Authority would be reducing costs, the main change being to reduce office space. The CE indicated that the Authority would also explore opportunities that would provide additional long term revenue streams.

A member was aware of difficulties with the new payroll system employed by our payroll provider and wanted to know if any staff had suffered any hardship as a result. The DoF explained that there had been issues when the system was introduced and the Authority had stepped in to pay impacted staff directly although these problems had since been resolved. The only outstanding issue, the DoF added, related to Visitor Services, who had not received their back pay and it was expected that this would be resolved as part of December's payroll.

**The income and expenditure figures were noted.**

## 11. Financial Regulations

The Director of Finance (DoF) introduced the report which proposed revisions to the Authority's Financial Regulations, highlighted as tracked changes since the last update in 2018. The DoF confirmed that apart from updates to job titles the key change was to increase the limits for carry forwards that can be approved by Management Team from £1,000 individually to £5,000. The DoF confirmed that requests that are individually above £5,000 or £25,000 in total would still be referred to committee for approval.

Nicky Talbot proposed, seconded by Fran Whymark and

**It was resolved unanimously to approve the updated Financial Regulations.**

## 12. Corporate Partnerships Register

The Senior Governance Officer (SGO) introduced the report that provided the latest version of the Corporate Partnerships Register with changes marked since it was last brought to committee on 21 September 2021. It was noted that the first entry for National Parks England should have had struck-through text (as per the other terminated partnerships) however this row had been deleted rather than cut and pasted and hence the variance in formatting.

A member highlighted that the last time the Corporate Partnerships Register was reviewed more information had been requested, namely the nature of the partnership; whether it was formal, informal and any associated contractual duration.

A member wanted to know if the reason for terminating the partnership with National Parks England (NPE) was purely financial. The CE explained that the Authority, along with Exmoor National Park, had had concerns over the cost and value for money of this partnership for a number of years. The Chair of the Authority, as a former NPE director on behalf of the Authority, explained that the Authority had, over the last 2 years, attempted to liaise with NPE to adopt a more productive way of working across the various National Park bodies. Unfortunately, NPE was not receptive to these proposals. The Chair of the Authority went on to highlight problems with the NPE's organisational structure and gave an example of the disappointing quality of NPE's work; when the NPE had been engaged to formulate a combined National Parks response for the Landscape Review their output was underwhelming and was not commensurate with the amount of time and effort involved.

In contrast, the CE highlighted the National Parks Partnership which was going from strength to strength and the Broads would be a front runner in their new electric charging points scheme sponsored by BMW.

A member highlighted the good work that resulted from the Broads Beat partnership and wondered whether there were any plans to increase the Authority's contribution to this partnership. The CE confirmed that the Authority had not been approached to increase this contribution and indicated that there were a number of contributing partners. The CE praised the unique work of this long running collaboration between the Authority and the Police which achieved results greater than either party could achieve individually.

A member enquired as to the status of the Electrifying the Broads project given the success of the first phase. The CE explained that this project had been funded by the Department of Transport (DoT) to research how to improve the sustainability of boating holidays on the Broads and had been envisaged as a two-phase delivery; an initial research phase and then a much larger implementation phase. The CE explained that phase 1 had successfully concluded and the findings written up and published: [Electrifying The Broads - Clean Maritime Demonstration \(broads-authority.gov.uk\)](#). The DoT had not come forward with phase 2 funding however the CE confirmed that the Authority would continue to pursue the implementation of Electrifying the Broads and were investigating other sources of funding.

The Chair noted the action to update the Corporate Partnerships Register to include information to describe the nature of each partnership.

**The updated Corporate Partnerships Register was noted.**

### **13. Corporate Risk Register**

The Senior Governance Officer (SGO) introduced the report that provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The SGO highlighted that none of the risk scores had changed since the last meeting.

A member asked why the revised risk scores for items 5 and 8 remained unchanged despite a series of mitigations, as this seemed to imply that these revised scores were not up-to-date and, if true, undermined what is a key metric to this committee. The member was also concerned that these items were still classed as high risk, what further steps should the Authority be considering to mitigate these risks? The CE acknowledged that the score for item 5 might be high, given the improved Covid-19 situation and this would be reviewed. In regard to item 8 the CE explained that the assessment of boat safety for this season and the associated collation of completed hire boat questionnaires had not taken place, and once this exercise had been completed and ratified by the Navigation Committee this score would be updated. The CE explained that anecdotal evidence indicated that the larger hire boat firms bar one were providing a comprehensive handover to their customers and this improvement would be reflected in the updated risk score. In relation to the high risk scores, a member pointed out that the revised scores had reduced but not enough to remove their high risk classification. The member elaborated that some items could be inherently high risk and that they could be shared with external parties and as such the associated mitigations might not be the responsibility of the Authority.

A member asked why the revised risk score for item 2 remained unchanged and expressed their frustration that this matter was unresolved after more than 12 months. The CE explained that the associated independent investigation had been completed and a draft report had been issued to the Complainant, Defra and the Authority's Monitoring Officer.

Members were concerned that the change of risk classification (demonstrated by the red, amber and green background colours) would not be self-evident within the register given the nuances of tracked changes within a pdf document and asked for this function to be reviewed.

The Chair summarised the following actions:

- Review items 5 and 8 as discussed.
- Item 2, press for a timeline for completion with the aid of the new Monitoring Officer, once they have been appointed.

**The Corporate Risk Register was noted.**



## 14. Implementation of Internal Audit Recommendations: Summary of progress

The Director of Finance (DoF) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2018/19, 2019/20, 2020/21 and 2021/22. The DoF was pleased to announce that procurement training had been provided to budget holders which completed the final outstanding recommendation from the Procurement audit 2019/20. The DoF confirmed that two reports from the 2022/23 audit, Corporate Health and Safety and Partnership Working, had been received. The DoF indicated that each of the audit areas had two recommendations apiece and that one of the recommendations for each area had been implemented.

A member, in relation to Key Controls in Table 5, asked whether the Authority had diversified its investment portfolio across multiple banking institutions. The DoF explained that during the pandemic most of the investment funds ended up in a 95-day notice account with the remainder in a 32-day notice account and the activity to diversify had been delayed by resource shortages in the Finance team and the low interest rates. The DoF explained that money had since been placed with the Debt Management Office on a much shorter timescale due to their preferable interest rates. The DoF confirmed that as soon as money was returned to the current account steps were taken to assess where to transfer this money in order to secure the most preferable interest rates. The DoF indicated that these transfers/investments might exceed the £85,000 compensation limit per banking institution.

The DoF indicated that since this report was written the Norfolk Pension Fund had offered the Authority the opportunity to pay the pension contributions for the next 3 years as a one-off lump sum. The DoF was uncertain what benefit, if any, this would provide the Authority and was seeking professional investment advice. The DoF confirmed that this decision would form part of the budget papers to be brought to the Authority meeting on 20 January 2023.

The DoF confirmed that the Capital Treasury and Investment Strategy report would be presented at the next meeting and highlighted the importance of the Authority's investment strategy given the higher interest rates available and the likelihood of them rising still further.

The DoF indicated that the internal audit would start in December and was expected to complete before the next meeting although the findings of the last scheduled audit (Corporate Governance) might not be written up in time for publication of the committee papers; in this circumstance a verbal update would be provided at the meeting.

**The report was noted.**

## 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 **Tuesday 14 March 2023** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11:35am

Signed by

Chair