

# Audit and Risk Committee

## Minutes of the meeting held on 25 July 2023

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## **Present**

Tristram Hilborn – in the Chair, Bill Dickson, Paul Hayden, Michael Scott, Matthew Shardlow and Fran Whymark.

## **In attendance**

Jason Brewster – Governance Officer, Jonathan Goolden – Monitoring Officer, Faye Haywood – Head of Internal Audit, Emma Krelle – Director of Finance, John Packman – Chief Executive, Ellie Richards – Senior Accountant, Sara Utting – Senior Governance Officer and Erika Voinic – Internal Auditor.

## **1. Apologies and welcome**

The Chair welcomed everyone to the meeting.

**Apologies** were received from Alan Goodchild.

It was noted that this would be the last meeting for the Head of Internal Audit and the Chair thanked her for the help and support she provided to the Authority during her tenure.

### **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. Introductions and declarations of interest**

No additional interests were declared in addition to those already registered.

## **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 14 March 2023 were approved as a correct record and signed by the Chair.

## 6. Draft Statement of Accounts 2022/23

The Senior Accountant (SA) thanked those Members who attended the recent Finance briefing and reminded Members that a link to a recording of the briefing had been emailed to them.

The SA introduced the report that provided an update on the Authority's Statement of Accounts and its audit for the year ended 31 March 2023. The SA reminded Members that this was the draft version of the SoA and that no start date for the audit of 2022/23 accounts had been agreed. The delay in agreeing the 2022/23 audit plan was due to the external auditor having to deal with a backlog of 2021/22 audits. The Authority's external auditor was not alone in dealing with a backlog of audits and the Department of Levelling-Up, Housing and Communities (DLUHC) had recently made an announcement detailing a series of proposals to resolve this back log. The external auditor had yet to respond to these proposals and the SA agreed to share their response with Members at the earliest opportunity.

Since the deficit was reported to Members at the Authority meeting on 12 May 2023, the SA confirmed that it had increased by approximately £49,000 due to further accruals and the deferral of the unspent access grant from Defra. Table 3 showed how the deficit differed from the net position shown on the provision of services. The SA stated that the most significant adjustment related to the staff pension fund and accounted for the majority of the figure shown under Employee expenses. This adjustment might vary between the draft and final versions of the Statement of Accounts due to Norfolk Pension Fund being audited during the intervening period resulting in the finalisation of these figures.

The figure under Other Services expenses related to capital expenditure which had previously been reported as expenditure throughout the year, via the Authority's Financial Performance and Direction reports; at year end this was transferred to the balance sheet. Included in this transfer is the debt interest associated with leases and loans from the Public Works Loan Board which was intended to reduce outstanding capital movements.

A Member noted the DLUHC communication regarding audit backlogs and suggested that it would be timely to repeat the Authority's previous representations regarding reducing the scope of the audit requirements to reflect the small scale of the Authority in comparison to Local Authorities. The Member recommended contacting both Defra and DLUHC on this matter.

The Director of Finance indicated that the external auditor was expected to commence the 2022/23 audit early in 2024. Members were keen to avoid being included in the audit backlog and urged the Authority to be persistent with the external auditor in agreeing the 2022/23 audit plan.

**The report and Draft Statement of Accounts were noted.**

## 7. Investment Strategy and Performance annual report 2022/23

The Director of Finance (DoF) 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 2023.

The DoF explained that during 2022/23 the Authority utilised the Debt Management Office (DMO) deposit with its higher interest rates which resulted in approximately £117,000 of interest received in 2022/23, considerably higher than the previous year.

The DoF added that the interest was allocated across the National Park, Navigation and Earmarked reserves was calculated at year end and this could result in increased balances at the end of the financial year. Since 31 March 2023, the Authority had placed an additional £1 million with the Debt Management Office for six months.

The DoF confirmed that the market engagement with Treasury advisers, as requested at the previous Audit and Risk Committee meeting, would be undertaken over the summer and the resulting findings would be reported at a future meeting.

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

## 8. Financial Management Code

The Director of Finance (DoF) provided an update on the action plan associated with the CIPFA Financial Management Code (FMC) since it was last reviewed in July 2021. The DoF stated that good progress had been made and sought Members' views on the frequency of reporting on this action plan.

A Member noted the reference to the creation of common Key Performance Indicators (KPIs) across ten National Parks; the Member was wary of KPIs as, in his experience, they required careful formulation to ensure they provided the desired outcome and without this initial effort tended to be of little value. The Chief Executive (CE) responded that Defra had struggled to define KPIs for several reasons:

- The variance across the National Parks themselves; a sensible indicator for the Lake District may not be applicable to Northumberland.
- It was difficult to assess the ability of a National Park to impact a desired outcome, let alone identify an appropriate measure.
- The Broads was distinct from other National Parks; an indicator relating to the length of footpaths might be a common measure for most National Parks but it would not be applicable to the Broads.

The CE confirmed that the Authority would be consulted on the outcome of Defra's analysis and Members would be kept informed of any proposed response by the Authority.

There was a discussion on the frequency of progress reporting on the FMC actions. The DoF indicated that she had envisaged these actions being reviewed by an external body (either internal or external audit) and believed that, given the size of the Authority, a review every two years would be appropriate. Given the number of items flagged for completion in the autumn it was agreed to have an update at the next meeting and then updates every two years thereafter.

**Progress on the revised Financial Management Code action plan was noted.**

## 9. Finance Strategy and Policy updates

The Director of Finance (DoF) introduced the report which detailed the final results from the ongoing programme of finance documentation reviews.

### Standing Orders Related to Contracts

The DoF highlighted the key change to this document was for low value waivers for contract extensions to consider a fixed monetary limit of £25,000 as well as the existing 10% of original contract (whichever is the greater); below these limits a contract would be approved by the Chief Executive otherwise it would require approval by the Broads Authority.

The DoF indicated that a further change was required to the document. Since the report was published the DoF had received a Public Procurement Notice that required the contract thresholds stated in the document to be updated to include VAT:

- Where a limit was stated as £5,000 this would be amended to state £6,000.
- Where a limit was stated as £25,000 this would be amended to state £30,000.

The DoF explained that consideration had been given to creating another threshold above the current upper threshold of £25,000 which would be consistent with other Local Authorities' Standing Orders Related to Contracts. Unlike Local Authorities, the Broads Authority did not have a procurement department and the creation of a new limit would require more administrative support by the Finance Team. Given the use of Contract Finder was mandated for contracts of £25,000 and above and the Finance Team currently administered the use of this system on behalf of budget holders, the DoF saw little benefit to creating a new threshold.

### Procurement Strategy

The DoF explained the main changes had been to update job titles, reflect legislation changes following the UK leaving the EU and to incorporate the updated themes from the National Procurement Strategy for Local Government in England 2022 (14.1).

A Member welcomed the changes to the Procurement Strategy to reflect the aim of reducing carbon emissions and asked how this was balanced with the Value For Money criteria. The DoF explained that price was a consideration along with quality and ordinarily it would account for 50% of the decision. There was scope, in consultation with the Chief Executive, to vary the weighting given to price; for example, quality may, in some situations, be of greater importance than the price.

The DoF explained that new legislation, the Procurement Bill, was scheduled for early 2024 that would require both these documents to be reviewed again.

Bill Dickson proposed, seconded by Michael Scott and

**It was resolved unanimously to approve the updated Standing Orders Related to Contracts and Procurement Strategy documents.**

## 10. Internal Audit Annual Report and Opinion 2022/23

The Internal Auditor (IA) gave a summary of the report, highlighting an overall 'reasonable' opinion (positive) on the framework of governance, risk management and control at the Authority and confirmed that Internal Audit was compliant with the Public Sector Internal Audit Standards. The IA indicated that since the report was issued the HR and Payroll audit recommendation (Audit title BA2203 in Appendix 4) had been completed.

Members welcomed the reasonable assurance, noted the substantial assurance for both Key Controls and Assurance and Corporate Health and Safety and congratulated those involved.

A Member expressed their disappointment that the Port Marine Safety Code recommendation (Audit title BA2102 in Appendix 4) had not yet been completed, and that a report regarding the relevance of General Direction for larger vessels had still not been presented to the Navigation Committee nearly two years after the original due date. The Chief Executive (CE) clarified that this item related to the Authority piloting large vessels, a situation which had not arisen for a number of years and was not anticipated to arise in the immediate future. The report would require specialist advice and the CE confirmed that this advice was being commissioned and the recommendation was expected to be completed in late 2023.

Michael Scott proposed, seconded by Matthew Shardlow and

**It was resolved unanimously to receive and approve the contents of the Internal Audit Annual Report and Opinion 2022/23.**

## 11. Annual Governance Statement 2022/23 and Code of Corporate Governance 2023

The Senior Governance Officer introduced the report that demonstrated how the Authority was complying with the principles of good governance and included the Annual Governance Statement 2022/23 and Code of Corporate Governance 2023.

**It was resolved to recommend the Annual Governance Statement 2022/23 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.**

## 12. Terms of reference for Audit & Risk Committee - revised

The Senior Governance Officer (SGO) introduced the report that detailed changes to the Terms of Reference (ToR) to the Audit and Risk Committee. The SGO reminded Members that these revisions to the ToR related to the implementation of recommendations from an external review as agreed by the Broads Authority (20 January 2023) and asked Members to note progress on these recommendations as stated in Appendix 3. The SGO added a correction to the note in section 7.3 of the ToR; the reference to “auditors” should state “internal auditors”. The SGO indicated that section 2.3 of the report provided a summary of the ToR revisions and welcomed Member’s feedback on these changes before they were presented for adoption by the Broads Authority at the 28 July 2023 meeting.

The Monitoring Officer (MO) added that the Director of Finance, Senior Governance Officer, Deputy Monitoring Officer and Monitoring Officer had all contributed to the amended ToR. This work had been guided by the external review recommendation to consider ongoing governance improvements and this was reflected by the proposed committee name change to include Governance. The MO indicated that the next area of focus would be the creation of a Standards Committee, to replace the Hearings Committee, which would enable a proactive stance to Code of Conduct matters.

Members supported the proposed substantive changes and agreed with the Acting Chair’s suggestion that the committee’s name include the term “risk” to better reflect the committee’s remit. It was agreed to recommend to the Broads Authority that the committee’s name would be Risk, Audit and Governance.

**Members’ views on the revised terms of reference were noted and would be included when the terms of reference were presented to the Broads Authority meeting on 28 July for adoption. Members noted progress on the implementation of the external review recommendations.**

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

The Senior Accountant (SA) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2020/21, 2021/22 and 2022/23. The SA indicated that the annual review of Corporate Governance & Risk Management had received a “reasonable” audit opinion. Four “needs attention” recommendations had been raised and the SA confirmed that one had been completed, two were planned for completion September 2023 and the remaining one would be completed before the end of the financial year.

**The report was noted.**

## 14. Corporate Risk Register

The Senior Governance Officer (SGO) introduced the report which provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The

SGO confirmed that, since the last meeting, no new risks had been added or existing risks deleted and highlighted that there had been no change to any risk scores.

A member asked why the score for risk number 2 remained unchanged and the SGO indicated that the score would not be revisited until all the recommendations from the VVV report had been completed.

Members indicated that it was not easy to identify whether there had been a change or no change to the score for a given risk. The SGO agreed to add a new data attribute to the CRR to indicate whether the score had increased, decreased or not changed since the last report.

**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

Due to the uncertainty over the commencement of the external audit, it was agreed to cancel the meeting scheduled for 21 November. As the next scheduled meeting was not until March 2024, it was agreed to hold an informal meeting instead on 21 November to welcome new members to the Audit and Risk Committee. The next Audit and Risk Committee meeting would be on **Tuesday 12 March 2024** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

## 18. Exclusion of the public

Proposed by Bill Dickson, seconded by Fran Whymark.

**It was resolved unanimously to exclude the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighed the public benefit in disclosing the information.**

There were no members of the public present and the recording was suspended.

## 19. Medium-Term Financial Planning Reserve

The Chief Executive (CE) introduced the report that detailed proposals for spending the Medium-Term Financial Planning (MTFP) reserve. The CE reminded members that this reserve was derived from the additional Defra National Park Grant funding to support increasing costs during 2022/23. This additional grant was announced and received very late in the financial

year and resulted in a surplus for 2022/23. This surplus had been allocated to the MTFP reserve while a decision was taken on how best to utilise this money following members' suggestions at the previous committee meeting (14 March 2023).

As laid out in the report the key efficiency was the reduction in office space at Yare House. The CE explained the costs associated with the move that would result in the loss of the first floor, a move to the rear of the second floor and the reconfiguration of the Waveney meeting room to house additional desk space and a smaller meeting room.

The Management Team (MT) had consulted budget holders on how, once the cost of the Yare House move had been deducted, the remainder of the MTFP reserve could best be utilised which resulted in the three proposed options: External Funding & Partnership Working, Education and Access, and Hoveton Riverside Park.

The CE indicated that the MT favoured the External Funding & Partnership Working option as the Authority had a good track record of bidding and winning external funding, there was potential to work with existing partners on a Landscape Recovery Project and the Heritage Fund's new 10 year strategy provided more opportunities for the Authority.

There was a discussion whether the proposed spending associated with Yare House could be classed as spending on navigation and therefore not permitted under the terms of the additional National Park grant funding (section 1.4 of the report stated "cannot be used to support navigation expenditure" which related to a stipulation of the Change Control Notice (CCN) associated with the additional grant funding March 2023).

A Member believed that the spending on Yare House included navigation and therefore this cost should be apportioned to navigation on the same basis as other common running costs and recouped over a number of years via a loan arrangement. The Director of Finance (DoF) confirmed that spending on Yare House would be classed as spending on "service management & support services" which was permitted under the CCN criteria. The DoF added that this proposal was equivalent to the purchasing of the new plant cutter that was facilitated via Defra capital funding August 2022 and was permissible under National Park grant guidelines. The DoF clarified that the CCN had been fulfilled when funds were allocated towards costs in 2022/23 and therefore section 1.4 was incorrect (this would be noted at the Broads Authority meeting on 28 July 2023).

A number of Members acknowledged that the Education and Access option had initially looked appealing before recognising that the External Funding & Partnership Working provided the long term potential to deliver the other two options and more. A Member was concerned how the spending on Yare House could be perceived and recommended careful messaging to ensure it was understood to be part of a wider programme to improve the Authority's efficiency and reduce its costs. Members noted that the External Funding & Partnership Working would deliver themes within the Broads Plan and the intention to self-fund the associated new Partnership and External Funding Manager role within two years.

Proposed by Michael Scott, seconded by Paul Hayden and

**It was resolved unanimously to recommend to the Broads Authority to use the additional National Park expenditure, in reducing the long-term costs of occupation at Yare House and increasing the capacity of the Authority to develop partnerships and seek external funding, as set out in the External Funding & Partnership Working option.**

The meeting ended at 11:45 am.

Signed by

Chair