

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 24 July 2018

Present:

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

In Attendance:

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

Also in Attendance:

Ms Emma Hodds – Head of Internal Audit
Ms Faye Haywood – Internal Audit Manager
Ms Sappho Powell – Audit Manager, External Audit Ernst & Young LLP

3/1 To receive apologies for absence

Apologies were received from Sarah Mukherjee. Further apologies were received from Kevin Sutter, Audit Director E&Y and David Harris, Solicitor & Monitoring Officer.

Recordings

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

Variation in the Order of the Agenda

The Chairman announced in accordance with Standing Order Item 5(1) (c) that he proposed to vary the order of the Agenda to take item 11 after agenda item 9 allowing Sappho Powell to leave in time for another appointment.

3/2 To note whether any items have been proposed as matters of urgent business

The Chair said he would like to raise an item of urgent business under agenda item 14.

3/3 Declarations of Interests

Nothing to declare

3/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 6 March 2018 (herewith)

The minutes of the meeting held on 6 March 2018 were approved as a correct record and signed by the Chairman.

When a member asked when the self-assessment mentioned on page 5 of the minutes would take place, the Committee was reminded that due to the influx of new Members they had agreed to postpone the self-assessment until the Committee had settled in.

3/5 Public Question Time

No questions were raised by members of the public.

3/6 Internal Audit Annual Report and Opinion 2017/18

The Head of Internal Audit gave members an overview of the report, explaining its contents as there were a number of new Members around the table, as well as a new Internal and a new External Audit Manager.

The Head of Internal Audit highlighted that the Opinion itself had a reasonable assurance and was not showing any cause of concern. She explained that a reasonable assurance was positive and a substantial assurance would be an unrealistic achievement for the size of the Authority.

It was confirmed that the majority of the recommendations raised by internal audit throughout the year had been completed. One outstanding recommendation was in relation to Corporate Governance / Data asset register which was nearly completed. It would need to take into account the ICO checklist for documentation of processing activity requirement and best practice. It also covered Occupational Health records.

It was explained that recommendation number 7, in regards to providing training on risk assessment and ALARP principles, had not been completed yet, because there had been no new appointees to the Navigation Committee in last four years.

3/7 Annual Governance Statement 2017/18

Members received the draft Annual Governance Statement for 2017/18 and a report explaining the legal requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements.

A Member highlighted the importance of the framework of core principles (para 2.4, page 43) and how this should be the framework the Authority would subscribe to.

The Members approved the Annual Governance Statement for 2017/18 and Action Plan for 2018/19.

The Committee noted that, subject to implementation of the improvements identified in the Action Plan, the Authority's internal control systems and governance arrangements were considered to be adequate and effective.

3/8 Statement of Accounts 2017/18

The Members received a report summarising the Broads Authority's Statement of Accounts for the year ended 31 March 2018. They were informed that as part of the update to the Narrative report it contained additional information regarding the Authority's strategic priorities, governance and risks. As documents already exist that contain this information links had been provided to avoid duplication.

The Chief Financial Officer thanked the Members who attended the training on the Authority's Finance and Statement of Accounts held on 19th July.

She highlighted that the movement in the pension fund had been beneficial to the balance sheet and that the draft statement originally showing a net liability position now showed a net asset position. It was explained that pensions could have a significant effect on the Authority. Assets could go up as well as down but a stabilisation mechanism in place assured this would balance out.

The Members were re-assured that there was a plan to minimise the pension deficit over the years.

The Chair asked about the mechanism for having to re-instate the pension position and the question on materiality. It was explained that the Auditors determine the materiality. Whether the accounts required to be adjusted depended on the size of the movement and as the movement was above the materiality level the level needed to be re-instated.

When queried it was clarified that the effect of the apprenticeship levy was less than £2,000 and therefore was included under "corporate items" within the Income and Expenditure Statement.

Members were informed that a provision had been created for the tax owed to HMRC in relation to the members' expenses. It was confirmed that the tax implications for Secretary of State Members were the same as for Local Authority Members whilst they were at the Broads Authority offices.

Members recommended the Statement of Accounts for 2017/18 to the Broads Authority for approval.

3/9 Annual Audit Results

The Committee received the Annual Audit Results for 2017/18 prepared by the External Auditors, Ernst & Young and was reminded that the Appendix letter would be signed together with the Statement of Account at the Broads Authority meeting on Friday 27 July 2018.

The Audit Manager thanked the Finance team for producing a very good set of accounts and confirmed there were no matters to report.

Members welcomed that the audit fee would be reduced in 2018/19.

The Committee was assured that Management Override was regularly reviewed as part of the audit. Management override is reviewed at every Local Authority due to influence management could have on the Statement of Accounts.

It was commented that apart from having an ongoing responsibility to operate well, there were particular areas where the Authority looked at improving matters, i.e assets. There was now a database in place, showing all its assets, lease terms and when they were due.

The Chair thanked the Audit Manager from EY for her first audit.

Members noted the Annual Audit Results 2017/18 and that the Letter of Representation in connection with the Audit of the Financial Statements for 2017/18 be signed by the Chief Financial Officer and the Chairman of the Finance Scrutiny and Audit Committee.

Agenda item 11 was dealt with at this point

3/10 Investment Strategy and Performance Annual Report 2017/18

Members received a report, which set 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 2018.

The Chief Financial Officer highlighted that this was the first full year that the Authority had managed investments in-house and their target for interest had been achieved.

It was highlighted that since the end of March 2018, the notice account deposit had increased to £1 million. The Chief Financial Officer explained that there was a carefully monitored balance between holding funds in fixed terms deposit, benefiting of high interest rates, and sufficient funds in the current account, allowing purchases when needed and preventing getting into an overdraft.

The Committee was made aware that, depending on the interest rate, the investment coming out in September 2018 most likely would be re-invested for a further year.

Members noted the current arrangements regarding the investment of its unallocated cash.

3/11 External Audit

Members received the annual audit fee letter from Ernst & Young for undertaking the 2018/19 audit for a fee of £10,736 and the Local Government Audit Committee Briefing by Ernst & Young.

The Chief Financial Officer commented that the audit committee briefing in the papers was not the latest that the most recent briefing would be circulated to the members outside of the committee.

Members noted the report.

Sappho Powell left the meeting. 2.50 pm.

3/12 Implementation of Internal Audit Recommendations: Summary of Progress

The Members received a report which updated them on the progress in implementing Internal Audit recommendations arising out of the audits carried out during 2016/17 and 2017/18.

It was explained that the reason the report did not contain any audits from the 2018/19 program, was because the audits were scheduled for the third and fourth quarter of the year. Key controls and Corporate Governance were scheduled for October – December 2018.

It was confirmed that a long outstanding recommendation in regards to External Funding had been completed by the end of the financial year. It was also confirmed that an outstanding HR issues had now been resolved and that a new HR Assistant recently had been appointed.

The Chairman mentioned that this was the last meeting for Emma Hodds, Head of Internal Audit, and thanked her for her work and support.

Members noted the report.

3/13 Updated Terms of Reference of Committees

The Members received a revised draft of the Terms of Reference of Committees and the Chief Financial Officer confirmed that the Head of Internal Audit and the Internal Audit Manager had considered the report and that their opinions had been incorporated into the document.

When a Member queried the presence of the Compulsory Purchase Powers (p.226), the Committee was informed that although it was part of the original Terms of Reference this power had never been used.

A Member pointed out an inconsistency on page 44 para 3.3 where it was mentioned that Broads Authority meetings were held every two months appose to the new arrangements of 4 times a year plus two workshops.

A further amendment was suggested on page 230 para 2
...annual meeting, which will include the Chairman... change to *...annual meeting, together with the Chairman...*

Members approved the report subjects to those amendments being made.

3/14 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

The Chair raised a matter of urgent business when he stated his concerns regarding a vision documented which was circulated by one of the two nominated candidates for the upcoming elections for Chair and Vice Chair of the Broads Authority. As Haydn Thirtle was one of the nominated candidates, he was asked not to take part in the deliberations.

The Chairman said he wished to establish the accuracy of the document in regards to Tolls Income which stated as follows:

Navigation income was ring fenced as part of a side agreement to the 2009 Broads Act, and the accounting methodology showing the separation between national park and navigation income was abandoned some years ago. I am proposing that, in order to gain the trust of the NSBA and the BHBF, we restore the format as originally agreed, as the current arrangement gives the wrong impression and makes it difficult to compare the accounts year on year.

The Chief Executive was asked to comment and addressed the four different concerns within the statement.

1. Navigation Income were ring fenced as part of the side agreement to the 2009 Broads Act.

The Chief Executive clarified that the separation of National Park and Navigation expenditure was introduced in April 1989.

An agreement to have a single Income and Expenditure account was reached at the end of 2006 between the Broads Authority, the Royal Yachting Association and the British Marine Federation on the condition that a legal arrangement ensuring transparency was established. This made provision for changing the format of management statements with the agreement of the Navigation Committee.

2. The accounting methodology showing separation between National Park and Navigation income was abandoned some years ago.

It was explained that although an agreement was reached with the RYA and the BMF to have a single income and expenditure account, the Authority was unable to secure this agreement with the then Minister Barry Gardiner at Defra. The Minister's views were that management of the waterways needed to be funded entirely by the boat owners, as it was a private rather than a public benefit.

The Authority therefore ended up with an Act incorporating the Minister's views that navigation income would equal navigation expenditure ensuring that no National Park funds were spent on Navigation.

Consistently, as agreed with RYA and BMF, the Authority has continued to report in a transparent way so it was clear to Members, auditors and members of the public where funds came from and whether it was spend on National Park or Navigation.

3. To gain trust from the Norfolk Suffolk Boating Association and British Hire Boat Federation the original format was re-instated as the current arrangement gave the wrong impression.

It was explained that it was not appropriate to use the format for management reporting contained in the Appendix to the agreement with the RYA and BMF because many of the budget headings had changed, new ones added and other deleted – for example it was no longer necessary to have a budget line for the Ludham Fieldbase and new lines were necessary for Water Mills and Marshes and CANAPE.

4. Difficult Year on Year Comparison of the accounts

It was confirmed that the Budget had always included the current year's expenditure, last year's expenditure and expenditure for the next three years, allowing Members, auditors and members of the public to see how the Authority spent funds against a set of headings.

A Member commented that the Authority had received an extremely clean audit. Auditors confirmed that part of the audit was to look closely at transparency and accessibility of the accounts and that any concerns would have been reported.

A Member mentioned that some members of the NSBA believed that some clarification of the accounts would be useful. Another Member responded that more detailed information was available if requested and enquired whether the Authority had received representation directly or via the Navigation Committee from the NSBA and the BHBF, registering concern about financial accountability and transparency?

After careful deliberation, the Committee agreed that the statement contained factual inaccuracies and was therefore misleading. The Committee believed that as it indirectly was being accused of acting incorrectly, it was in capacity to respond to the statement.

It was therefore agreed that the Chairman would draft a response on behalf of the Committee and circulate to fellow Members of the Authority.

3/15 Formal Questions

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

3/16 Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 11 December 2018 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.50 pm.

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 24 July 2018

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			
Jacquie Burgess			
Bill Dickson			
Greg Munford			
Nicky Talbot			
Haydn Thirtle			
Gail Harris			

