

## **Broads Authority**

### **Financial Scrutiny and Audit Committee**

Minutes of the meeting held on 25 July 2017

#### **Present:**

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

#### **In Attendance:**

Ms Esmeralda Guds – Administrative Officer  
Mr David Harris – Solicitor and Monitoring Officer  
Miss Emma Krelle – Chief Financial Officer  
Ms Andrea Long – Director of Planning & Resources  
Dr John Packman – Chief Executive  
Mr Rob Rogers – Director of Operations

#### **Also in Attendance:**

Ms Emma Hodds - Head of Internal Audit  
Mr Kevin Suter - Executive Director, Ernst & Young LLP  
Mr Mark Russell – Assistant Manager Ernst & Young LLP

#### **3/1 Apologies for Absence**

Apologies were received from Nicky Talbot.

The Vice Chair expressed thanks to Guy McGregor who had been a Member of the Authority since 2005 and chaired the Financial Scrutiny and Audit Committee since 2010. Louis Baugh would Chair this final meeting before a new Committee is appointed at the Authority's AGM on 28 July 17, and the Chair and Vice Chair will be appointed at the FSAC on 14 November 2017.

#### **3/2 Matters of Urgent Business**

There were no items being proposed as matters of urgent business.

#### **3/3 Declarations of Interests**

Sir Peter Dixon expressed his declaration of interests as set out in Appendix 1 to these minutes, that he is a Board Member of the National Park Partnerships.

**3/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 7 February 2017 (herewith)**

The minutes of the meeting held on 7 February 2017 were approved as a correct record and signed by the Chairman.

**3/5 Public Question Time**

No questions were raised by members of the public.

**3/6 Annual Governance Statement 2016/17**

Members received a report which explained the legal requirement, background and purpose of the Annual Governance Statement, and the requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements. Members further were provided with a draft Annual Governance Statement 2016/17 for their consideration.

The Solicitor & Monitoring Officer said he wished to make an amendment to the recommendations of the report and that the second recommendation should read '*recommended for approval*' instead of '*approval*'.

Further it was confirmed that a report on General Data Protection Regulations would go to the Full Authority before March 2018.

The Committee recommended the Annual Governance Statement for 2016/17 and Action Plan for 2017/18 for approval and noted that the Authority's internal control systems and governance arrangements were considered to be adequate and effective.

**3/7 Internal Audit Annual Report and Opinion 2016/17**

Members received a report which provided the Authority with an Annual Report and Opinion for 2016/17, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

The Committee was informed that a reasonable audit opinion (positive) had been received. The Head of Internal Audit explained that in reality it was unlikely for a council or authority to receive a substantial assurance as an opinion could only be based upon work carried out up to the time of the audit and therefore wouldn't be absolute. The Broads Authority however had consistently been at the top end of a reasonable assurance and therefore was in a very positive position.

The Chair mentioned that Members attended a Members development workshop on the Statements of Accounts which introduced Members to internal audit and its function and roll.

Members noted the conclusions of the Review of the Effectiveness of Internal Audit and that a reasonable audit opinion (positive) had been given in relation to the framework of governance, risk management and control for the year ended 31 March 2017.

### **3/8 Statement of Accounts 2016/17**

Members received a report which summarised the Broads Authority's Statement of Accounts for the year ended 31 March 2017.

The Chief Financial Officer highlighted that the format of the Statement of Account was slightly different this year due to the introduction of the Expenditure Funding Analysis. Also the Income and Expenditure Statement had changed to reflect the organisations structure rather than CIPFA's SeRCOP used in previous years. She further highlighted that the balance sheet moved to a net liability position due to the movement in the pension valuation which was not uncommon in the public sector.

Member's attention was drawn to the Draft Statement of Accounts published on the website and it was explained that £2 million misclassified under 'Cash & Cash Equivalent' was now showing under 'Short Term Investments'. This was because investments needed to be readily convertible to be included under Cash and Cash Equivalents.

It was clarified that investments previously in place with Broadland District Council were deposited in an instant access account.

A member commented that the narrative report was out of date as the Authority had been successful in its EU bid CANAPE. However at the date the report was written the result of this was still unknown and the External Auditor agreed that the Authority should leave the narrative report as it was.

Members recommended the Statement of Accounts for 2016/17 to the Broads Authority for approval.

### **3/9 Annual Audit Results**

Members received a report which was appended the Annual Audit Results for 2016/17 prepared by the External Auditors, Ernst & Young.

Members were informed that no evidence of material management override or any material weaknesses in controls were identified. It was concluded that the SoA was a good quality statement and no matters needed to be brought to the Committee's attention. The External Auditors were pleased to give an unqualified opinion on the Statement of Accounts.

Regarding the second responsibility, Value for Money, the External Auditors looked at the financial planning to see whether emerging pressures would be identified and were satisfied that appropriate arrangements were in place. The

External Auditors were proposing an unqualified conclusion on the Authority's Value for Money arrangements.

It was confirmed that the timescale for next year would be 31 May 2018 for the Draft Accounts and 31 July 2018 for approval.

The Committee thanked the auditors for examining the Authority's accounts early in their programme.

Members noted the Annual Audit Results 2016/17 and approved that the Letter of Representation in connection with the Audit of the Financial Statements for 2016/17 be signed by the Chief Financial Officer and the Chairman of the FSAC.

### **3/10 Investment Strategy and Performance Annual Report 2016/17**

Members were provided with a report which set out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the twelve months to 31 March 2017.

The Chief Financial Officer reminded Members that part of the investment which had come back from Broadland District Council in November 2016 was put in fixed term deposits to maximise their return and the remaining in an instant access account.

She reported that the interest rate had remained low and that she had been approached by Barclays Bank offering a higher rate. The rate, however, was nowhere near the 1% fixed term deposit being achieved currently. The Chief Financial Officer would continue reviewing this.

It was explained that the Authority didn't use investment consultants as the cost exceeded the benefit.

Members noted the current arrangements regarding the investment of surplus cash.

### **3/11 External Quality Assessment of Internal Audit**

Members received a report which presented the results of an external review by the Institute of Internal Auditors of whether the Eastern Internal Audit Services was in conformity with the proscribed standards.

The Head of Internal Audit reported that the internal audit service met most of the standards and that the one area which needed looking at was coordinating and maximising assurance and formally recognising the relationships with the other internal teams, i.e Health and Safety.

It was concluded that the Authority's internal audit service fully met most of the globally recognised standards, which was described as "Generally Conforms" and therefore the internal audit service could state in its reports

and literature that the work “had been performed in accordance with the Internal Professional Practices Framework”.

Members noted the report.

### **3/12 External Audit**

Members received the Local Government Audit Committee Briefing by Ernst & Young and the annual audit fee letter from Ernst & Young for undertaking the 2017/18 audit. They were informed that the fee for 2017/18 would be maintained at £13,943 and that the fee had remained the same for the last three years.

Members were informed that the Authority’s auditors (as determined by the PSAA) for 2018/19 would be proposed in August 2017 and confirmed in December 2017

Members welcomed that the fee had remained the same and noted the audit fee letter. Members further noted the Local Government Audit Committee briefing, including the key questions for audit committees as set out on page eight.

### **3/13 Implementation of Internal Audit Recommendation: Summary of Progress**

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17

The Chief Financial Officer highlighted that the recommendation relating to External Funding still remained outstanding but was due to be completed by the end of August 2017. She further highlighted that within Key Controls two items remained outstanding. One was relating to Payroll which would be in place by the end of September 2017. Another was relating to Tolls and wasn’t due until the end of August 2017 and therefore was still on target.

Members were updated that under Corporate Governance two recommendations had been completed and the third was not due until end of September 2017.

The Chief Financial Officer informed Members that as part of the 2017/18 programme the first audit had been undertaken on Asset Management and the Port Marine Safety Code Audit would be undertaken in September 2017. It was clarified that no opinion would be given on the latter one, just a checklist. The details of any recommendations would be fed back to Members at the next FSAC committee meeting in November 2017

Members note the report.

### **3/14 Updated Financial Regulations**

Members received a report which appended the updated Financial Regulations following a recommendation from the Key Controls Audit.

In the updated version the Financial Regulations now reflect that advance payment would be required prior to the goods/services being ordered. Furthermore regulations were updated to reflect all circumstances when a purchase order was not required.

An additional amendment was made to update the wording to reflect change to the Section 17 Officer from it being outsourced to now being provided in house. As part of this change amendments had been made to the signing of cheques.

Members adopted the updated Financial Regulations.

### **3/15 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.

### **3/16 Formal Questions**

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

### **3/17 Date of the next meeting**

Members noted that the date of the next Committee meeting would be held on Tuesday 14 November 2017 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.10 pm

CHAIRMAN

## APPENDIX 1

### Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 25 July 2017

<b>Name</b> <b>Please Print</b>	Agenda/ Minute No(s)	<b>Nature of Interest</b> (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
Peter Dixon		Board Member of the NPP	
Louis Baugh		None	
Jacquie Burgess		None	