

# Audit and Risk Committee

## Minutes of the meeting held on 08 February 2022

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## **Present**

Greg Munford – in the Chair, Matthew Bradbury, Bill Dickson, Gail Harris, Simon Roberts, Michael Scott, Matthew Shardlow, Fran Whymark.

## **In attendance**

Emma Krelle – Director of Finance, Sarah Mullarney – Governance Officer, John Packman – Chief Executive, Sara Utting – Senior Governance Officer, Faye Haywood – Head of Internal Audit, Mark Hodgson – Audit Partner, Ernst & Young.

## **1. Apologies and welcome**

The Chair welcomed everyone to the meeting.

**Apologies** were received from Paul Hayden, Tristram Hilborn, and Nicky Talbot.

### **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 declarations of interest were declared.

## **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 21 September 2021 were approved as a correct record and signed by the Chair.

## **6. Investment strategy and performance report 2021/22 and draft capital, treasury and investment strategy 2022/23**

The Director of Finance informed members that there had been no significant movement on the balance since 31 September 2021. Further guidance had been published by The Chartered Institute of Public Finance and Accountancy (CIPFA) on Treasury Management for Local

Authorities, however initial review of the notes indicated there weren't any significant changes required.

It was reported that CIPFA had launched a 4-week emergency consultation, part of which proposed deferring the implementation of IFRS 16 (International Financial Reporting Standard) to 2023/2024. The Director of Finance explained that there were benefits to the delay and said she would respond to the consultation in support of this.

The draft strategy highlighted that one supplier was being used for all investments. The Director of Finance recognised this was not ideal and said the Finance team were in a position to review investments options for 2022/23 now that the team was fully resourced. Options that required a change to the strategy would come back to members.

Members were also informed that the Local Government Treasury Guidance did not acknowledge the high premiums on early repayment of Public Works Loan Board (PWLB) loans. This made it difficult to restructure the debt. The Director of Finance advised that because of this it was preferable to let the loan run its course rather than repay early.

In response to a member query, the Director of Finance explained that not all members of the Finance team were involved in Treasury Management, however training would be explored as part of staff development.

It was noted that there was a typo on page 18 of the combined papers, at 3.2: "At the end of 2020/10" should read 2020/21. This would be corrected before submission to the Broads Authority.

#### **Members unanimously resolved**

- i. to note the current arrangements regarding the investment of surplus cash**
- ii. to recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority.**

## **7. Consolidated income and expenditure: 1 April to 31 December 2021 actual and 2021/22 forecast outturn**

The Director of Finance reported that at the end of January, the toll income was £190,000 above the budget. This was forecast to reach £195,000 by the end of March. There was no update on expenditure.

Members were informed that there was a significant amount of variances related to the staff pay award. A 1.75% pay increase for 2021/22 was rejected by the unions in October 2021. Negotiations with the National Joint Council (NJC) were ongoing however there was no indication of an agreement being reached soon.

The Broads Authority, with other National Park Authorities, have agreed to implement a 1.75% salary increase, backdated to 1 April 2021. This has been agreed with Broads Authority unions Unison and GMB and will be paid in March before the National Insurance increases in

April. If the final agreement reached for 2021/22 is above 1.75%, the agreed increase will be applied and the difference backdated to 1 April 2021. The Director of Finance explained that the 2021/22 budget had allowed for a 2% pay increase. The Chief Executive (CEO) said the decision was taken in recognition of pressures on staff in relation to rising costs and inflation. Members commended the decision as a sign of a good employer.

A member queried if the underspend in the report meant objectives hadn't been met. The CEO responded that some of the underspend was related to the Authority's commitment to the purchase of new electric vehicles. Some upcoming projects were becoming difficult to deliver with the anticipated work at Commissioners Cut requiring review due to increasing cost. It was also explained that salary provision was made on the basis that every post would be filled for the whole year. The CEO said the Broads Authority workforce was stable but there had been a higher turnover of staff this year than previously experienced by the Authority. Since the pandemic, the nature of employment had changed and recruitment was increasingly competitive.

In response to a member question about utilising apprenticeships, the CEO said the Authority's apprenticeship schemes had been successful, however noted there was no guarantee of a job following the scheme. It was recognised that the nature of roles within the Authority required a degree of training. The CEO said the Authority would continue with the apprenticeship scheme.

The member also queried the long-term expenditure of Yare House. It was explained that the notice to trigger the break clause had been extended to November 2022. The Authority had initiated an agile working trial which would help assess what physical space was needed. The CEO explained that there was also potential to negotiate different office space set ups within Yare House.

A member asked how much opportunity there was to defer some expenditure to next year and if there was a difference in the way this could be done for capital and revenue expenditure. The Director of Finance explained that the electric vehicles were funded from the earmarked reserves so had already been transferred to 2022/23 as part of the budget setting. Budget holders had also indicated which projects would require a carry forward, such as the work at Commissioner's Cut. The Director of Finance said this approach could not be relied upon indefinitely and suggested a reprofiling of the programme of works.

Members discussed the Authority's recruitment in comparison to other organisations; the Director of Finance stated that the staff turnover for the last year was not unique to the Broads Authority and said there was additional competition from agile working. Members discussed the benefits of scheduling a benchmarking exercise to assess staff salaries and their sustainability in the employment market. Members were asked to consider how the results of the exercise would be used. A member said the impact of differing salaries needed to be identified. The CEO added that it would be useful to track and assess over time if an identified gap was widening. Members agreed that comparisons should be made across the sector, and not limited to Local Authorities.

The CEO added that there were other factors to consider when making comparisons, as roles, such as HR, IT, and Finance, competed in a wider sector. The Committee recognised the sensitivity of a benchmark exercise and were reminded that realistic expectations needed to be set for staff as to the outcome of the exercise. A member commented that it was important to explore incentives other than salary.

A member suggested that the exercise be incorporated into the business planning cycle as part of a review of strategic challenges and the long-term resources required. He said it was important to avoid the perception that the exercise would automatically increase salaries. It was discussed that due to the confidential nature of the information, the findings would be reported as an exempt item to all Audit and Risk Committee (ARC) members for review. The Director of Finance agreed that the results of the benchmarking could be fed back to members at the November Audit and Risk Committee meeting.

It was suggested by a member that an external organisation be used to help undertake the benchmark process, and relieve pressure on Authority staff in completing the exercise.

**It was proposed by Matthew Shardlow, seconded by Fran Whymark, and unanimously agreed that:**

**As part of the planning process for developing the Broads Plan, members recommend that a sector wide benchmark process is undertaken on a 5-yearly cycle, managed by management, and reported to the Audit and Risk Committee, the first of which is to be reported at the November 2022 ARC meeting.**

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

## **8. Internal Audit Strategic and Annual Plans 2022/23**

The Head of Internal Audit introduced the report which outlined the areas for audit from April onwards. Members were informed that the contract for the audit work was due to end on 31 March 2022. It was reported that South Norfolk Council had agreed to appoint the incumbent for another contractual term which would maintain stability.

In response to a member question, the Head of Internal Audit confirmed there had been a change to the cost of the audit work as a result of the retendering. She agreed to circulate the percentage increase to members for information.

Members were updated on the annual internal audit plan for 2022/23. It was explained that Corporate Governance and Risk Management and Key Controls and Assurance Framework were assessed on an annual basis. In addition, the service area audits identified for review were Corporate Health and Safety and Partnership Working. The latter was last reviewed in 2009/10. Ideas for future audits in 2023/24 were provided in the report.

It was also confirmed that the results of the Cyber Security audit would be presented to members at the 26 July 2022 Audit and Risk Committee meeting.

A member commented on the amount of regulatory auditing that the Authority was required to fund as a small organisation. He suggested this be fed back as part of the Landscape Review consultation.

**Members resolved to approve:**

- i. **The Internal Audit Strategy for 2022/23**
- ii. **The Annual Internal Audit Plan for 2022/23**

Faye Haywood left the meeting.

## 9. External Audit

The Audit Partner for Ernst & Young introduced the report. It was noted that the Auditor's Annual Report replaced the 'The Annual Audit Letter', however it had the same purpose.

It was reported that the audit opinion was issued on 30 September 2021 and this had been published with the accounts by the required date. There were no matters to report on the Value for Money arrangements. Members were informed that following the 21 September ARC meeting, the pension liability procedures were found to fall within the acceptable range and an 'unqualified audit opinion' was issued. The auditors were unable to issue the certificate as they were awaiting guidance from the HM Treasury on Whole of Government Accounts (WGA).

It was also reported that since the last meeting, the Public Sector Audit Appointments (PSAA) had determined the 2019/20 scale fee adjustment.

**The Auditor's annual report for 2020/21 was noted.**

## 10. Implementation of internal audit recommendations: summary of progress

The Director of Finance introduced the report. The final report for the key controls had received 'substantial assurance' with one minor recommendation in regards to diversifying investments. Members were informed this was the highest rating that could be achieved. The Director of Finance said this was a particularly good result given the staffing challenges over the last year and paid thanks to the Finance and Tolls teams. It was reported that the Cyber Security audit was ongoing.

The Chair thanked the Director of Finance and Collector of Tolls on behalf of the Committee for leading the Finance and Tolls teams and achieving the highest rating.

**The report was noted.**

## 11. Corporate Risk Register – review

The Corporate Risk Register was presented to members following a request at the previous Audit and Risk Committee meeting that it be present on every ARC agenda.

A member noted that Risk No 4, Finance, in the report was not a reduction in income but an increase in costs. He said this was a definite risk that needed to be managed.

The Chair read out comments from Paul Hayden who said he was grateful for the inclusion of the Corporate Risk Register on the agenda and wished to thank officers for being responsive to the request.

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

## 12. Risk Management and Policy report

The Senior Governance Officer introduced the report. The policy was renewed every two years and would be presented to the Broads Authority for adoption. It was explained that minor changes had been made to the Risk Management Policy to reflect that the register would be presented to every ARC meeting.

A member queried the use of the word 'regularly' at 8.1 and 8.2 of the policy and said 8.1 should remain as 'every six months' and 8.2 should read 'at every meeting'. The Director of Finance explained that the proposed change in wording at 8.1 recognised that ARC meetings may not be held within a six-month period as they were scheduled to adhere to the audit deadlines. Another member agreed that 'regularly' was ambiguous but said it also implied the policy could be reviewed more frequently than six months.

Members agreed that the proposed amendment at 8.1 be adopted but 8.2 be changed to "every meeting".

**Michael Scott proposed, seconded by Gail Harris and members unanimously agreed to approve the Risk Management Policy and recommend its adoption by the Broads Authority, subject to the following change:**

8.2 The Corporate Risk Register will be reviewed **at every meeting** of the Audit and Risk Committee.

## 13. 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.

## 14. Formal questions

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

## 15. Date of next meeting

The next Audit and Risk Committee meeting would be on Tuesday 26 July 2022, commencing at 10.00am.

The meeting ended at 11.14am

Signed by

Chair

DRAFT