

# Audit and Risk Committee

## Minutes of the meeting held on 03 March 2020

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## **Present**

Louis Baugh – in the Chair, Nicky Talbot, Bill Dickson, Greg Munford, Tristram Hilborn (dial-in).

## **In attendance**

Esmeralda Guds – Administrative Officer (Governance), Emma Krelle – Chief Financial Officer, Faye Haywood – Internal Audit Manager, Jacob McHugh – Audit Manager from External Audit Ernst & Young (EY).

## **1. Apologies and welcome**

The Chairman welcomed everyone to the meeting, in particular Jacob McHugh as this was his first meeting, and Tristram Hilborn who joined the meeting by means of telephone conference.

**Apologies** were received from Fran Whymark, Lana Hemsall and John Packman.

### **Openness of Local Government Bodies Regulations 2014**

The Chairman reminded Members that the meeting would be recorded as a back-up for accuracy. The Broads Authority (BA) retained the copyright. If a member or a member of the public wished to receive a copy of the recording, they should contact the Governance Team. No one else indicated that they would be recording or filming the meeting.

## **2. Introduction of members and declarations of interest**

Members indicated they had no further declarations of interest other than those already registered, and as set out in Appendix 1 to these minutes.

## **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 Audit and Risk Committee meeting held on 19 November 2019**

The minutes of the meeting held on 19 November 2019 were approved as a correct record and signed by the Chairman.

## **6. Investment strategy and performance report 2019/20 and draft capital, treasury and investment strategy 2020/21**

Before introducing the report, the Chief Financial Officer (CFO) mentioned it was the Chairman's last Audit and Risk Committee meeting. She thanked him on behalf of the finance

team for his support and excellent service as Chairman of the Audit and Risk Committee (ARC) for two year and four months.

The CFO updated the Committee that as the National Park Grant had been confirmed as a roll over the 2019/20 allocation. As a result, the fixed term £1-million-pound deposit had been reinvested for a further one year at an interest rate of 1.05%.

The CFO reported there had been no significant changes to the Capital and Treasury part of the strategy compared to the 2019-20 version.

The new lease standard IRFS 16, which would be adopted in 2020/21, was likely to have an impact on increasing the Authority's long-term lease liabilities. Work to assess what the impact would be was under way.

At the last meeting a question was raised to consider the opportunity of repaying the Public Works Loan Board, which was a loan the Authority took out to purchase the Dockyard Operation from May Gurney. The CFO explained that the Capital Receipts Reserve (proceeds from the sale of Ludham Field Base) could only be used to purchase capital items or repay debt. As the original loan was for Navigation expenditure this would firstly need to be considered by the Navigation Committee, before it going to the BA meeting in May. The CFO confirmed that the Authority had considered paying off the loan early on several occasions but was not considered as affordable. Paying off the loan early would bring a small saving, however, the use for investment in other projects i.e a toilet and shower block at Acle Bridge, would be reduced and might mean having to raise tolls or taking out another loan.

The CFO confirmed that that there was an early repayment fee and that exact figures of repaying the loan early would be included in the reports both to Navigation and the Authority.

**The Committee noted the current arrangements regarding the investment of surplus cash, including the fixed deposit which had been reinvested for a further year, and recommended the Draft Capital, Treasury and Investment Strategy to the Authority for approval.**

## **7. Consolidated income and expenditure: 1 April to 31 January 2020 Actual and 2019/20 forecast outturn**

The CFO reported there was no update for February and that the forecast deficit was likely to reduce a little further due to an increase in planning income. Also, vacancies which occurred around Christmas period were unlikely to be filled by March which meant there would be further savings in regards to salaries. An update would be provided for the March BA meeting.

A member enquired whether the gap in vacancies varied over the year. The CFO explained that when setting the budget, no allowance was made for vacancies. The difficulty was the split in many salary budgets between national park and navigation. The budget was based on the assumption that all roles were at 100% staff occupancy.

**The Committee noted the income and expenditure figures.**

## 8. Internal audit strategic and annual plans 2020/21

The Internal Audit Manager introduced the report and highlighted that the Audit Charter was approved by the Committee in 2019 and would therefore be reviewed and approved by the Committee in March 2021, as no changes had been required for the year ahead.

There were no significant changes to the Internal Audit Strategy except that the contract with TIAA had been extended for a further two years at the same fee.

The Internal Audit Manager confirmed that the Port Marine Safety Code, which was due to be audited in Quarter 2, would be reviewed by the same auditor as last time.

Planning would also be audited in Quarter 2, focusing on planning applications and enforcement action being carried out in line with the legislation and the Authority's agreed processes.

The IT review of Cyber Security had been postponed until next year to allow the team to recruit a new member of staff and work on the Cyber Security Essentials certification. Instead internal audit would focus on providing assurance over key legislative and health and safety systems.

The Annual Internal Audit Plan for 2020/21 totals 36 days, same as last year.

A member thanked the Internal Audit Manager for reassuring the committee about the cyber security issue in April 2019 and that this would be audited next year.

**The Committee approved the Internal Audit Strategy for 2020/21 and the Annual Internal Audit Plan for 2020/21.**

## 9. External audit

The Audit Manager from Ernst and Young took the Members through the report. He highlighted that the BA audit timeline was different to the timeline of other Local Authorities and that EY intended to provide an audit results report in July giving the need for the BA to provide accounts to DEFRA to be laid before parliament. The annual Audit letter would be provided at a later date, similar to last year.

The CFO commented that the audit results would not be brought to the ARC meeting on 21 July but would go directly to the BA meeting on the 24 July. Therefore, the accounts wouldn't be laid before parliament until the autumn recess as it would miss the summer recess deadline of 21 July.

The Chairman confirmed he had received a letter from the Chief Executive of Public Sector Audit Appointments Ltd (PSAA) and a letter from EY Partner and Public Sector Assurance Lead about the consideration of fees and an explanation of a likely fee increase. This letter had been circulated to Members prior to the meeting.

Nicky Talbot gave a verbal update on an EY briefing meeting she attended in Cambridge on 26 February where all East Anglia Authorities were represented. She said the meeting reviewed

why the EY issues had occurred. On the one hand EY demonstrated that increasing work load would lead to an increase in hourly rate to recover a fee deficit, while on the other hand authorities were trying to find justification for EY's request for an increase in fees.

The Chairman said there was a strong sense of disappointment within the BA. The letter from EY spoke in very generic terms about the issues without making any reference to specific reasons for a fee increase. It was therefore difficult for the Committee justifying an increase in fee to the BA.

The External Audit Manager explained that the audit adjustment was based on an overall increase effecting all authorities as well as an increase based on specific authority related issues such as quality of working papers, IT systems and staff skills. The Chairman suggested that any potential increase should be itemised and distinguish between the two aspects of a fee adjustment. He requested the BA's previous successful two-year rehearsal of the early account filing date at the former audit fee, prior to the PSAA process, should be the benchmark and of material consideration when determining a fee adjustment.

The CFO mentioned it would have been helpful if EY had communicated and clarified earlier that the 31 July wasn't a statutory deadline.

The Chairman asked the Committee to note appendix B (p120 of the agenda papers) which outlined the communications required with the Audit and Risk Committee.

**The Committee noted the 2018/19 Annual Audit Letter, the 2019/20 Audit Plan and the briefing including the key questions as set out on page 72 of the agenda papers.**

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

The CFO took the members through the report and updated the Committee that the Corporate Governance and Risk Management actions had now been completed. The delays with the Business Continuity Plan in regards to the IT audit and the HLF were now in hand. Also the Corporate Governance audit for 2019/20 was in process and results would be provided at the ARC meeting in July.

The CFO highlighted that for the second year running Key Controls did not receive any recommendations and maintained a substantial assurance. Given the issues around cybercrime earlier in the year, this gave re-assurance that adequate procedures were in place.

The Chairman, on behalf of the Committee, thanked and congratulated the finance team for their achievements in maintaining the quality standards within financial control, as to do so was quite remarkable for such a small organisation.

## 11. 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.

## 12. Formal questions

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

## 13. Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 21 July 2020 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2.00pm.

The meeting ended at 3.01pm

Signed by

Chairman

## Appendix 1 – Declaration of interests Audit and Risk Committee, 03 March 2020

<b>Member</b>	<b>Agenda/minute</b>	<b>Nature of interest</b>
Louis Baugh	-	None
Bill Dickson	-	None
Tristram Hilborn	-	None
Greg Munford	-	None
Nicky Talbot	-	None