

Audit and Risk Committee

Minutes of the meeting held on 02 March 2021

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Present

Nicky Talbot – in the Chair, Matthew Bradbury, Bill Dickson, Gail Harris, Lana Hemsall, Tristram Hilborn, Greg Munford, Simon Roberts and Fran Whymark.

In attendance

John Packman – Chief Executive, Emma Krelle – Chief Financial Officer, Rob Rogers – Director of Operations, Faye Haywood – Internal Audit Manager, Mark Hodgson – Audit Partner External Audit Ernst & Young, Esmeralda Guds – Governance Officer, Sarah Mullarney (meeting moderator) and Sara Utting (meeting moderator).

1. Apologies and welcome

The Chair welcomed everyone to the meeting.

No apologies had been received.

Openness of Local Government Bodies Regulations 2014

The Chairman reminded members that the meeting was being held under the provisions of the above regulations and in accordance with the Broads Authority's Standing Orders for remote meeting procedures agreed on 22 May 2020. The meeting was being live streamed and recorded and the Broads Authority retained the copyright. The minutes remained the record of the meeting.

2. Introductions and declarations of interest

Members introduced themselves and there were no further interests to declare.

3. Items of urgent business

There were no items of urgent business.

The Committee noted the proposed change of time of the Audit and Risk Committee to 10 am as from September 2021, to fall in line with the Broads Authority and Planning Committee meetings. A member suggested checking whether the proposed changes would clash with other local authority council meetings.

4. Public question time

No public questions had been received.

5. Minutes of last meeting

In regard to item 8, para 12 of the Audit and Risk Committee minutes of 17 November 2020, a member said he believed it was proposed, rather than 'suggested', that the Chair of the Broads Authority should write a letter to the Minister. The minute taker would check the recording and confirm the correct wording with the Chair.

Subject to the above, the minutes of the meeting held on 17 November 2020 were approved as a correct record and signed by the Chairman.

6. Investment Strategy and Performance Report 2020/21 and Draft Capital, Treasury and Investment Strategy 2021/22

The Chief Financial Officer (CFO) introduced the report, which provided details of the Broads Authority's investment of surplus cash and the Draft Capital, Treasury and Investment Strategy 2021/22.

The CFO apologised for an error in Tables 1 and 2 on page 11 of the report, where in the 95 Day Notice Account, the highest and lowest sum were presented in reverse.

The CFO reported that the fixed term deposit was due to mature and that interest rates were due to decrease further as from 12 April 2021. Reviewing the options, the CFO was exploring whether the Debt Management Office would be a better option to place the £1m investment. Members would be updated at the next Broads Authority meeting on 19 March 2021.

The CFO explained that the 95 Day Notice Account was currently the best option for the £1m investment, as it provided flexibility to move the funds after 3 months if interest rates were to improve. The notice accounts held with Barclay were around base rate, which meant that if the base rate became negative the Authority would be paying the bank to look after the surplus cash.

The Committee was reminded that, in the past, the Authority had considered the services of treasury advisers but the cost doing this would outweigh the interest received.

The CFO said that she had doubts that interest budget for 2021/22 would be achieved if the maximum rate achievable remained around 0.15%. The budget for 2021/22 had been set at £13,500 but using the rate above only £5,250 would be received.

A member asked whether, with interest rates being so low, this would be a good time to revisit the Public Works Loan. The CFO explained that the options of paying off the loan early had been explored several times over the last few years, but the fixed penalty would be higher than paying off the loan and therefore this was not financially viable. The CFO said she would look at the Public Works Loan again and give a verbal update at the next Broads Authority meeting on 19 March 2021.

Another member suggested investing with Churches, Charities and Local Authorities (CCLA), an organisation that invests funds on behalf of these three sectors. The member believed that, especially as the Authority was dealing with long term investments, the CCLA or similar organisations were worth considering. The CFO explained that the Authority had always been cautious to ensure the maximum security of its funds. Although the CCLA was currently showing better returns than investing within the banking sector, it provided less security as the investment fund could go up as well as down. It was also highlighted that this would be a change in strategy as equity investments are currently excluded within the Investment strategy.

A further point was raised as to whether the Authority should, within its investment policy, think about how it pays attention to its ethical and environmental considerations. The

member believed Environmental, Social and Governance (ESG) risks should be considered when investing, especially for an organisation proud of its environmental and ethical credentials. The CFO agreed this was a good point and would look into this.

The members noted the current arrangements regarding the investment of surplus cash and recommended the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval

7. Consolidated Income and Expenditure: 1 April to 31 December 2021 actual and 2020/21 forecast outturn

The CFO introduced the report, which provided details of actual income and expenditure for the nine-month period to 31 December 2020, and a forecast of the projected expenditure at the end of the financial year (31 March 2021).

Table 1 on page 31 of the report showed the Actual Consolidated Income and Expenditure figures up until the end of December 2020. The CFO reported that as at the end of January 2021 the variable variance total had moved up to £699,448, which was 74.6% of the budget. The members were reminded the budget had not changed, but that savings had been adjusted to the forecast.

As at the end of February 2021, there was a £115,000 deficit on both private and hired tolls income combined. This was positive compared to the forecast influenced by the Covid-19 situation for April figures last year.

There had been no changes to the Latest Available Budget or the forecast.

Table 4 on page 33 showed an Earmarked reserves balance of £1,714,649 which had now moved to £1,640,674. The Heritage Lottery Fund (HLF) reserve was still showing overdrawn and members were reminded that, at the last Broads Authority meeting, a transfer had been agreed from the National Park General reserve to the HLF as a one-off loan to help balance the account until the end of the project. The transfer would be made at the end of the financial year.

£60,000 online toll payments had been received to date, which was a positive start to the 2021/22 financial year.

Members noted the income and expenditure figures.

8. Internal Audit Strategic and Annual Plans 2021/22

The Internal Audit Manager introduced the report, which outlined the approach to internal auditing for 2021/22 and highlighted the areas that Internal Audit wished to look at in providing assurance for the year-end opinion.

The Internal Audit Manager said that the Internal Audit Charter had been received by the Committee on several occasions and no material changes had been made to the document.

Apart from a small paragraph in relation to the contract, which was up for renewal this year, the Internal Audit Strategy feeding into the Opinion and the Annual Government Statement, had not changed.

As for the previous year, a work block of 36 days had been proposed for the Internal Audit Plan, which included a focus on the Authority's recovery response to the Covid pandemic.

Of the four proposed areas for internal audit, the first was Corporate Government and Risk Management. This was carried out annually and would this year include the risk management of the Covid pandemic. The audit would also look at the governance arrangements, including the management of remote (online) meetings.

Auditing of Key Controls and Assurance was also carried out every year, focusing this year on the budget monitoring in relation to income.

The third area of audit was Human Resource and Payroll, where the audit would look at the new HR system which had been implemented.

The fourth area of audit was IT, which was carried out every two years. The focus for 2021/22 would be to review Cyber security. Internal Audit would provide support through practical recommendations and review that home working had been managed robustly throughout the pandemic period.

For 2022/23, Internal Audit aimed to consider Asset Management and Partnership Working, although this was subject to change.

A member asked about the frequency of the different areas of audit on the register and whether there was a five year forward plan separating the regular items from the ad hoc items.

The internal auditor explained that key areas providing the most significant risks to the Authority took priority and were audited annually, like Risk Management and Financial Control. Operational risks like cyber security and the Port Marine Safety Code sat further down the register and were addressed on a rotational basis.

The Internal Auditor confirmed that 36 audit days was standard for the Authority and that they felt confident in being able to give an opinion within this number of days.

It was resolved unanimously that the Committee approved the Internal Audit Strategy for 2021/22, the Internal Audit Charter and the Annual Internal Audit Plan for 2021/22.

9. External Audit

The Committee received the Audit Letter for 2019/20, which summarised the key issues arising from the audit.

The audit findings had been received by the Committee at their last meeting. The Annual Audit Letter summarised the key audit findings for the year in a more public facing format

than the detailed audit results report considered at the meeting on 17 November 2020 before the approval of the accounts.

The CFO highlighted that the Covid fee had been determined and that all additional fees above the scale fee were being disputed with Ernst & Young via the PSAA.

The Audit Partner explained that due to the pandemic they were not in a position to provide an audit plan for 2020/21. However, apart from having to consider the impact of Covid on the Authority's finances, he expected to see the same risks in the audit plan as last year.

Members recommended that the Annual Audit Letter for 2019/20 was noted.

10. Implementation of internal audit recommendations: summary of progress

The CFO introduced the report, which gave a summary of progress in implementing Internal Audit recommendations arising out of audit carried out during 2018/19, 2019/20 and 2020/21.

The Internal Audit Manager commented that they were experiencing significant delays due to the pandemic but assured the Committee that outstanding audit reports on Key Controls, Port Marine Safety Code and Risk Management & Corporate Governance would be completed in the coming weeks ready for the next meeting in July 2021.

Members noted the report.

11. Independent review of External Audit and Financial Reporting

The CFO introduced the report, which provided an overview of the recommendations raised by Sir Tony Redmond in his review into external audit and financial reporting.

One of the recommendations was to move the deadline from 31 of July to 30 September for the approval of accounts, and the CFO reported that the revised committee timetable 2021/22 going to the Broads Authority on 19 March for approval reflected that change.

It was highlighted that, in regards to the fee structure, all Local Authorities were subject to audit under the Public Sector Audit Appointments (PSAA) regime.

A member asked for an update on the progress made in addressing the matter of the increase in the audit fees. The Chief Executive replied that he was engaging with Defra officials and the Ministry of Housing, Communities and Local Government (MHCLG) to seek their support in this matter. The Chair of the Authority had suggested that engaging with Defra officials before writing to the Minister would be a better approach.

Members noted the report.

12. 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.

13. Formal questions

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

14. Date of next meeting

The next Audit and Risk Committee meeting would be on 20 July 2021, commencing at 2pm.

The meeting ended at 2.52pm.

Signed by

Chairman