

Audit and Risk Committee

Minutes of the meeting held on 19 November 2019

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Present

Louis Baugh, Bill Dickson, Lana Hemsall, Nicky Talbot, Fran Whymark.

In attendance

John Packman – Chief Executive, Esmeralda Guds – Administrative Officer (Governance), Emma Krelle – Chief Financial Officer, Mark Hodgson – Audit Partner from External Audit Ernst & Young.

1. Apologies and welcome

The Chairman welcomed everyone to the meeting, in particular the new Committee members Lana Hemsall and Fran Whymark, and Mark Hodgson from Ernst & Young.

Apologies were received from Greg Munford and Tristram Hilborn.

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 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.

Committee papers and accessibility

The Chief Executive referred to the new format and style of the papers, which had been redesigned to comply with the accessibility regulations for public sector websites that came into effect in September 2018. He paid tribute to the Governance, Communications and IT teams in implementing this change, commenting that it had required a considerable amount of work and a radical change to the process of compiling the reports. Feedback from members would be welcomed.

2. Appointment of Chair

The Chief Executive reported that nominations for the Chair had been invited in line with the procedures set out in the Standing Orders adopted in November 2018 and following on from the decisions by the Authority in May 2018 as a result of the Peer Review.

Louis Baugh had been proposed by Bill Dickson, seconded by Nicky Talbot. As there were no further nominations, **it was resolved** that Louis Baugh was appointed as Chairman of the Audit and Risk Committee.

Louis Baugh in the Chair.

3. Appointment of Vice-Chair

Louis Baugh had proposed the nomination of Nicky Talbot as Vice-Chair seconded by Bill Dickson. As there were no further nominations, **it was resolved** that Nicky Talbot be appointed as Vice-Chair of the Audit and Risk Committee.

4. Introduction of members and declarations of interest

Members introduced themselves and indicated they had no further declarations of interest other than those already registered.

5. To note whether any items have been proposed as matters of urgent business

There were no items of urgent business.

6. Public question time - to note whether any questions have been raised by members of the public

No public questions had been received.

7. To receive and confirm the minutes of the Audit and Risk Committee meeting held on 23 July 2019

The minutes of the meeting held on 23 July 2019 were approved as a correct record and signed by the Chairman.

8. Statement of Accounts 2018/19

Members received a report updating them on the Authority's Statement of Accounts and its audit for the year ended 31 March 2019. The Chief Financial Officer (CFO) confirmed that the audit was completed on 15 November and gave a verbal update on the report.

The CFO reported that the Norfolk and Suffolk Broads Act 1988 requires that the Secretary of State lays the accounts and annual report before Parliament each year. Although this had not happened in the past, Defra is arranging for it to happen going forward. The guidance on laying papers requests that the Statement of Accounts is laid before Parliament and is not made publicly available. This is in conflict with the Accounts and Audit Regulations 2015, which require the Broads Authority to publish and share the accounts with the public in a timely manner.

A member asked about a potential early repayment of the Public Works Loan, which was due to be repaid in 2027. It was explained that paying off the loan early had not been financially viable because, when previously explored, the penalty attached to this had exceeded the benefit. However, this would be reassessed and brought to members at the next meeting.

A member asked about the Pension Fund Deficit and whether it was sustainable. It was explained that the fund was revalued every three years to assess its assets and liabilities and whether the current level of contributions was adequate. In addition, the Authority participates in a stabilisation mechanism to smooth the changes to contributions with the long-term aim of being 100% funded in 20 years. The Audit Partner commented that the Norfolk Pension Fund was one of the better funded Local Government Pension schemes and agreed with the CFO's comments.

It was confirmed that the Authority was still a member of the Local Government Association, and there were no plans to change this.

There was some discussion about how the accounts were presented. It was explained that the accounts follow the guidance set out by CIPFA. This meant the income and expenditure was analysed by directorate, as this was how the Authority received finance reports throughout the year. It was not practical to disclose more than the current year and previous year for comparison. However, further information could be obtained from the Authority's Finance Team.

Members recommended the Statement of Accounts for 2018/19 to the Broads Authority for approval.

9. Annual audit results 2018/19

The Committee received a report that appended the draft Annual Audit Results for 2018/19 prepared by the external auditors Ernst & Young (E&Y).

The Audit Partner of E&Y reported on the status of the audit and advised that there were no matters to report; all but one of the outstanding works on page 100 had been or would be completed after today's meeting, to be followed up by the Broads Authority's approval of the accounts on Friday.

The Audit Partner also reported that no matters were raised against any of the risks mentioned on pages 104-109, although he noted the impact on the pension disclosure around the Mcloud and Guaranteed Minimum Pension legal case.

The Audit Partner apologised for missing the ARC meeting in July. He acknowledged that the previous audit date in July had been missed, but said he had issued an audit opinion in the window made available to him. He continued that the CFO had been invited to a meeting in January to discuss 2019/20 close down and audit planning to review any issues that had occurred during the 2018/19 audit. Members were assured that the accounts had received an unqualified opinion, and noted the apology.

It was noted that Defra would receive the final version of the Statement of Accounts, but would not be able to lay them before Parliament until January.

Members noted the Annual Results 2018/19 and recommended that the Letter of Presentation in connection with the Audit of the Financial Statement for 2018/19 was signed by the Chief Financial Officer and the Chairman of the Audit and Risk Committee.

10. Preparation for the 2020/21 budget including 2019/20 actuals

The Committee received a strategic overview of key financial issues and items, and a presentation highlighting the budget timeline and 2020/21 issues and possible budget additions. The CFO said the suggested approach was to plan for a deficit budget for 2020/21,

which would be balanced from reserves, and wait for final indication of the National Park Grant. The Authority would then undertake a full cost review in year for 2021/22 budget preparation.

The CEO confirmed that the Navigation Reserve could not be used to fund 50% of the proposed pontoons at Peto's Marsh. He explained that the navigation budget was sensitive to change and needed to be self-funding. The CFO added that it would be very difficult to bring reserves up to the recommended level if they were to fall below the 10% mark. The Chairman clarified that a reserve minimum of 10% had previously been agreed with the auditors and should not be used to fund revenue expenditure.

Members noted the budget process for 2020/21 and the income and expenditure figures.

11. Risk management register and policy: update

Lana Hemsall left the meeting at this point.

Following recommendation from the internal auditors, the Authority's Corporate Risk Register (previously called the Strategic Risk Register) and Risk Management Policy had been reviewed and updated. The corporate register now only contained high level strategic risks using a 5x5 matrix rather than a 3x3 matrix. More detailed Directorate registers sat under this register, covering operational, lower level risks.

The Committee was reassured that the risk around the fraud incident earlier this year was included in the Corporate Risk Register and that mitigating actions reducing this risk had been put in place.

The Audit Partner suggested including a clear definition of when a risk was classified as a corporate risk. He further suggested that, as well as having a mechanism to move risks up from the directorate registers to the corporate register, there should be a process that would move risks from corporate to directorate level.

The Audit Partner left the meeting at this point.

Members recommended the updated Corporate Risk Register and Risk Management Policy to the Broads Authority. Members also acknowledged the point made by the External Audit Manager with regards the risk trigger point at which risks moved from Corporate to Directorate risk. A paper from officers at the next meeting would inform any necessary amendment of the Risk Management Policy.

12. Corporate partnerships register

Members noted that the Authority's Corporate Partnerships Register had been updated.

It was suggested that the definition of a partnership in paragraph 1.3 should be strengthened by including the requirement of a financial relationship.

Members noted the updated Corporate Partnership Register.

13. External audit

The members received a report that appended The Local Government Audit Committee Briefing by Ernst & Young.

Members noted the report.

14. Implementation of internal audit recommendations: summary of progress

Members were updated on the progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18, 2018/19 and 2019/20.

The CFO outlined the outstanding recommendations for branding. Recommendation 1 on page 205 had been completed and the deadline for the remaining three had been extended until the end of December. Feedback would be provided at the March 2020 ARC meeting. The Head of Communications would make a presentation to the Authority soon, updating them on the branding strategy.

Members noted the report.

15. 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.

16. Formal questions

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

17. Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 3 March 2020 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2.00pm.

The meeting ended at 3.45pm

Signed by

Chairman

Appendix 1 - Declaration of interests - Audit and Risk Committee, 19 November 2019

Member	Agenda/minute	Nature of interest
Louis Baugh	-	None
Bill Dickson	-	None
Lana Hempsall	-	None
Nicky Talbot	-	None
Fran Whymark	-	None