

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 10 July 2012

Present:

Mr G McGregor – Chairman

Mr N Dixon

Mr P Durrant

Dr J S Johnson

In Attendance:

Dr J Packman – Chief Executive

Mr T Adam – Head of Finance

Mr R G Holman – Director of Change Management and Resources

Mr J W Organ – Head of Governance and Executive Assistant

Also Present:

Ms E Hodds – Deputy Audit Manager

Mrs S King – Head of Internal Audit

Ms J Penn – Treasurer and Financial Adviser

Mr D Riglar – Audit Manager, Audit Commission

Mr M Russell – Audit Commission

3/1 Apologies for Absence

Apologies were received from Mr A S Mallett.

3/2 Matters of Urgent Business

There were no matters of urgent business.

3/3 Declarations of Interests

Members had no interests to declare.

3/4 Minutes of the Financial Scrutiny and Audit Committee Meeting held on 14 February 2012

The minutes of the meeting held on 14 February 2012 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 Review of the Effectiveness of Internal Audit for 2011/12

The Committee reviewed a report from the Head of Internal Audit concerning the annual review of the effectiveness of Internal Audit for 2011/12. Members noted that this review was required to be conducted annually in accordance with the Accounts and Audit Regulations 2011. The report sought to confirm that proper arrangements had been made to comply with these statutory requirements and presented evidence to members that the critical assurances provided were reliable and based upon a firm foundation, and that the service itself was operating effectively. Members noted that the Internal Audit service was benchmarked against a range of eight measures.

Members noted that there had been no deviations from quality standards set concerning the Internal Audit service. Internal Audit assessed that the standards of internal control had remained satisfactory over the previous 12 months, meriting an adequate/positive audit opinion. The year end audit verification work had confirmed that the percentage of fully completed/superseded audit recommendations for 2011/12 had fallen compared with 2010/11. However there had been activity in response to 81% of recommendations due to be progressed over the 12 month period. Members also noted that no significant weaknesses in fundamental systems were identified during External Audit's assessment of internal controls.

Members discussed the issue concerning the limited assurance which had been provided for the audit of the new Tolls Management System, which had been commissioned to review the system before it went live. Members considered that looking at ways of engaging Internal Audit in providing advice and guidance on specific projects/requirements as a pre-audit check would be beneficial for similar such instances.

Members noted that the Committee had not yet held private discussions with Internal and External Audit as proposed by the Head of Internal Audit, but questioned whether such discussions would be beneficial unless there were specific issues to discuss.

Members also debated whether it was appropriate for the Committee to carry out regular assessments of its own effectiveness, as advocated in the Head of Internal Audit's report. The benefits of performing such an exercise were explained and the Head of Internal Audit would circulate a questionnaire for members' consideration in this regard.

RESOLVED

that the findings of the report and the evidence given in support of the effectiveness of the Internal Audit Service be noted and taken into

consideration when receiving the Internal Audit's Annual Report and Opinion, and the Authority's Annual Governance Statement.

3/7 Internal Audit Annual Report and Opinion 2011/12

The Committee received a report summarising the outcomes of Internal Audit work undertaken in 2011/12, including an annual opinion to inform the Authority's Annual Governance Statement.

Members noted that the cost of Internal Audit had risen in 2011/12, due to the completion of a larger Audit Plan compared with the previous year.

The report concluded that the internal control environment at the Broads Authority was "adequate" during 2011/12. Members noted that the activity in progressing audit recommendations strongly indicated that management was taking a proactive stance to resolve the internal control weaknesses highlighted in internal audit reports. As at 31 March 2012, there were no outstanding high priority recommendations, and in terms of the overall implementation of agreed recommendations, of 21 requiring action in year, 57% had been fully completed whilst 24% had been partially progressed. A total of 9 recommendations needed further input from management before they were effectively resolved – comprising 7 medium and 2 low priority. Members also noted that the report concluded that Corporate Governance and Risk Management arrangements in the Authority had received a good assurance which represented a noticeable improvement on the previous year.

It was considered that it would be advantageous to conduct a one day Computer Audit Needs Assessment when the Authority relocated to its new office premises.

RESOLVED

that the annual report and audit opinion for 2011/12, and in particular the opinions on the internal control environment, Corporate Governance arrangements and systems of Risk Management be noted.

3/8 Annual Governance Statement

The Committee received a report providing the Annual Governance Statement for 2011/12, together with the 2012/13 Action Plan and a summary of progress against the 2011/12 Action Plan.

Members noted that the Treasurer and Financial Adviser and Monitoring Officer had provided an assurance that the Authority's governance arrangements were adequate and were operating effectively and that there had been no significant control issues that had required the need for formal action in their respective roles. Following the Internal Audit opinion that there were no significant issues to be highlighted within the Authority's Annual Governance Statement, members agreed the text to be inserted within the

final sentence of paragraph 4.8 as follows: "The Committee concluded that proper arrangements had been put in place to comply with the statutory requirements relating to Internal Audit and that the system of internal control at the Authority was effective." Members considered that it would also be prudent to include a statement concerning the succession planning for the planned departure of the Director of Change Management and Resources within the Annual Governance Statement.

Members reviewed the 2012/13 Action Plan and noted two proposed amendments to the actions concerning Carbon Reduction and Data Management and Monitoring. These amendments would be incorporated into the Action Plan prior to being recommended to the Authority for approval.

RESOLVED

- (i) that the Annual Governance Statement for 2011/12 and Action Plan for 2011/12, following the incorporation of the amendments agreed by the Committee, be recommended to the Authority for approval; and
- (ii) that, subject to implementation of the improvements identified in the Action Plan, that the Authority's internal control systems and governance arrangements were considered to be adequate and effective.

3/9 Statement of Accounts 2011/12

The Committee received a report summarising the Broads Authority's Statement of Accounts for the year ended 31 March 2012. Members noted that the Treasurer and Financial Adviser had signed off the draft accounts.

The year end saw a net underspend of £224,624 for the General Fund, though £31,491 had been proposed to be carried forward to 2012/13. The Navigation Fund saw a net underspend of £269,738, with £78,000 of this being proposed to be carried forward to 2012/13. There was therefore a consolidated net underspend of £494,362, of which £109,491 was proposed to be carried forward to 2012/13. Members expressed concern on the magnitude of the underspend and welcomed that the Management Team would be reviewing future outturns on a monthly basis. When reviewing the Statement of Accounts, members amended the third bullet on page 29 to reflect that the Authority was disputing some of the costs in relation to Dragonfly House. It was also considered that the notes on page 12 concerning the revaluation of fixed assets and pensions should be better explained.

RESOLVED

that the Broads Authority Statement of Accounts for 2011/12, following the incorporation of advised amendments, be recommended to the Authority for approval.

3/10 Investment Strategy and Performance 2011/12

The Treasurer and Financial Adviser reported that the rates for the fixed term deposits were still quite reasonable at 1.5% and 1.8%, however, such rates might not be achievable going forward. Members noted that the Treasurer and Financial adviser would be meeting with officers to determine the way ahead.

RESOLVED

that the current arrangements regarding the investment of surplus cash be noted.

3/11 Counter Fraud, Corruption and Bribery Strategy

The Committee received a report providing a revised Counter Fraud, Corruption and Bribery Strategy. The revision extended the existing controls for fraud and corruption to apply these also to bribery, to have regard to the Bribery Act 2010.

The Strategy identified the policies and practices which were in place for countering or minimising the risk of fraud, corruption and bribery. It detailed the roles and responsibilities of designated officers, staff and other persons together with a response plan setting out the actions which would be taken when a fraud was suspected or discovered.

It was noted that the Committee should be responsible for the Strategy, including the adequacy and effectiveness of arrangements for counter-fraud and whistle blowing, and maintain an oversight of the systems for corporate governance and internal control.

RESOLVED

- (i) that the revised Counter Fraud, Corruption and Bribery Strategy be endorsed; and
- (ii) that paragraph (3) of the Committee's Terms of Reference be amended to read "To approve the Authority's Financial Regulations, Standing Orders relating to Contracts and fraud, corruption and bribery arrangements".

3/12 Audit Commission Audit Plan for 2011/12

The Committee received a report concerning the Audit Commission's Audit Plan for the 2011/12 audit. The Plan set out the work which the Audit Commission proposed to undertake for the audit of financial statements and the Value for Money conclusion for 2011/12.

The Audit Manager explained that the changes to key finance staff (Head of Finance and Section 151 Officer) would increase risk because of diversion of capacity and focus of the finance team, which could lead to errors in the

accounts or failure to meet the deadlines. The consideration of risks that were relevant to External Audit's value for money conclusion had not identified any significant risk and, as such, no local risk based work had been planned.

Members noted that the proposed timetable for completing the Annual Audit Letter had been brought forward to October 2012 and welcomed that the fee for the audit would be £23,238, representing a 25% reduction on the audit fee for 2010/11.

RESOLVED

that the Audit Opinion Plan for the 2011/12 audit be noted.

3/13 External Audit Update

The Committee received a report providing a progress update on the delivery of the Audit Commission's responsibilities and the proposals to externalise the Audit Practice.

Members noted that the draft Local Audit Bill was now out for consultation and that contracts would be let from 2012/13 on a five-year basis for the provision of local audit. Members welcomed the reduction in the Authority's scale fee for the 2012/13 audit, which had been set at £13,943, a reduction of 40%.

RESOLVED

that the report be noted.

3/14 Implementation of Internal Audit Recommendations: Summary of Progress

The Committee received a report providing an update on progress in implementing Internal Audit recommendations arising out of audits carried out since 2008/09.

Two further audits had been carried out since the previous meeting of the Committee. The audit on Key Controls had generated three Medium priority and one Low priority recommendations and received an "Adequate" assurance. Members noted that all three of the Medium priority recommendations had already been implemented. The audit on Corporate Governance and Risk Management had generated one Low priority recommendation only, and had received a "Good" assurance.

RESOLVED

that the report be noted.

3/15 Other Items of Business

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 Next Meeting

The next meeting of the Committee would be held on Tuesday 23 October 2012 at Dragonfly House, 2 Gilders Way, Norwich, commencing at 2:00pm.

3/18 Exclusion of the Public

RESOLVED

that the public be excluded from the meeting under section 100A of the Local Government Act 1972 for consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined by Paragraph 3, of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighed the public benefit in disclosing the information.

3/19 To receive and confirm the exempt minutes of the meeting held on 14 February 2012

The exempt minutes of the meeting held on 14 February 2012 were approved as a correct record and signed by the Chairman.

The meeting concluded at 4:45pm

CHAIRMAN