

Audit and Risk Committee

Minutes of the meeting held on 21 September 2021

Contents

1.	Apologies	2
	Openness of Local Government Bodies Regulations 2014	2
2.	Appointment of Chair	2
3.	Appointment of Vice Chair	2
4.	Introductions and declarations of interest	2
5.	Items of urgent business	2
6.	Public question time	3
7.	Minutes of last meeting	3
8.	External audit	3
9.	Audit plan addendum – Value for Money Risk Assessment	4
10.	Annual audit results 2020/21	4
11.	Statement of Accounts 2020/21	5
12.	Corporate Partnership Register - update	6
13.	Implementation of Internal Audit recommendations – summary of progress	7
14.	Other items of business	7
15.	Formal questions	8
16.	Date of next meeting	8

Present

Greg Munford – in the Chair, Matthew Bradbury, Bill Dickson (until item 14), Gail Harris, Paul Hayden, Simon Roberts, Michael Scott (from item 4), Matthew Shardlow, Nicky Talbot, Fran Whymark

In attendance

Maria Conti – Head of Governance, Emma Krelle – Chief Financial Officer, Sarah Mullarney – Governance Officer, John Packman – Chief Executive

Jacob McHugh – Assistant Manager, Ernst & Young.

1. Apologies

Apologies were received from Tristram Hilborn.

Openness of Local Government Bodies Regulations 2014

It was announced that the meeting would be recorded and that the copyright remained with the Authority, however, a copy of the recording could be requested from the Governance team.

2. Appointment of Chair

Nominations for the Chair had been invited in line with the procedure adopted following the 18 May 2018 Broads Authority meeting.

The outgoing Vice Chair (Nicky Talbot) reported that Greg Munford had been proposed by Bill Dickson, seconded by Matthew Bradbury. No other nominations had been received.

It was resolved that Greg Munford be appointed Chair of the Audit and Risk Committee.

Greg Munford in the Chair.

3. Appointment of Vice Chair

The Chair reported that nominations for Vice Chair had been received for Matthew Bradbury, proposed by Nicky Talbot, seconded by Gail Harris. No other nominations had been received.

It was resolved that Matthew Bradbury be appointed Vice Chair of the Audit and Risk Committee.

4. Introductions and declarations of interest

Michael Scott joined the meeting.

No additional declarations of interest were declared.

5. Items of urgent business

There were no items of urgent business.

6. Public question time

No public questions had been received.

7. Minutes of last meeting

The minutes of the meeting held on 20 July 2021 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

Minute 5 (Minutes of last meeting), final paragraph to include additional wording:

“In subsequently discussing this course of action, the Chair and Chief Executive considered it would not be the most productive approach at this stage. The Chief Executive confirmed to members that he had instead raised the issue with the Minister in a 1-to-1 meeting in March and followed it up with a briefing note at the Minister’s request. Civil servants were also in contact with the Ministry of Housing, Communities & Local Government (MHCLG) and the Public Sector Audit Appointments (PSAA). The Chief Executive added that the issue was unlikely to be a current priority for Defra, and suggested waiting for the detailed feedback from the Landscapes Review before pursuing it further. A member suggested that a joint letter from the Broads Authority and the National Park Authorities might be appropriate.”

8. External audit

The Chief Financial Officer (CFO) reported that the external audit was mostly complete, a further update was provided by the Ernst & Young Assistant Manager at item 10.

Members discussed the escalating costs of the audit and the options for future audits. In response to a member question the CFO said that the auditors could request any information related to the Statement of Accounts and that the process of the audit also generated more requests. She said the final fee for the current audit was not yet determined. It was added that a report on the option to opt back in to the Public Sector Audit Appointments (PSAA) scheme would be reported to members at the November Broads Authority meeting.

It was clarified that the requirements of the audit were determined by the Ministry of Housing, Communities and Local Government (now known as the Department for Levelling Up, Housing & Communities), and not Defra. The CFO had responded to numerous consultations on these matters which raised the issue of small organisations such as the Broads Authority being subject to the same audit level as multi-million-pound Local Authorities.

Members agreed that the projected fees were disproportionate for the size of the Authority and discussed the impact the level of the audit had on the Authority and staff. They noted the increase to internal costs and limiting staff resources for other strategic tasks. The CFO explained that the audit regulations had changed since the tendering process for the current auditing agreement. She added that the Authority’s working relationship with the auditors was a good one, however it was the change in the process that was causing difficulties.

Members discussed how the 10 English National Park Authorities (NPAs) could work together to collectively put pressure on Ministers to address the audit standards; it was noted that this was a separate issue to the fees. The CFO reported that the scale of the fee increases differed across the NPAs as different auditors were used. However, she said she would report discussions with the other NPA financial officers on the issue to members.

The position on the external audit fees was noted by members.

9. Audit plan addendum – Value for Money Risk Assessment

Under the Code of Audit Practice 2020, a commentary was required against the specified reporting criteria for the Value for Money risk assessment. The Assistant Manager for Ernst & Young reported that there were no risks identified on the Broads Authority's arrangements for the specified reporting criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Value for Money risk assessment audit plan addendum was noted.

10. Annual audit results 2020/21

Members were provided with an update on the status of the audit. The Ernst & Young Assistant Manager reported that the audit was on track to conclude with an unqualified opinion and with no matters to report under the value for money arrangements. The 'other income and expenditure testing' was now complete with no issues identified. The pension liability valuation was still outstanding.

The new auditing standard for 2020/21 required auditors to challenge the method of measurement of accounting estimates. In order to complete the outstanding work, additional information was requested from the Norfolk Pension Fund which would be used to test this model.

It was also reported that the risks identified when the provisional audit plan was issued have remained unchanged. These related predominantly to the valuation of Property, Plant, and Equipment, and the pensions valuations.

Timing issues were attributed to the uncorrected material difference of £12,000 relating to the Heritage Lottery Fund, and the one material adjusted difference relating to the pension liability. The CFO explained that the adjustment relating to the Heritage Lottery Fund was highlighted in the letter of representation.

A member asked if the reserves and sustainability of the organisation in light of the pandemic had been reviewed as part of the value for money risk assessment. The Assistant Manager explained that the risk assessment commentary set out the arrangements for the Authority. He said an additional disclosure note had been requested in respect of going concern and concluded the Authority would be a going concern for 12 months post signing the statement of accounts. The auditors were content that the impacts of Covid had been included in the Authority's forward-looking budgets.

In response to a member question about meeting the 30 September deadline, it was explained that there was no strict requirement for the audit opinion to be attached to the published report. The CFO added that if the pension model didn't provide the results within the auditor's range then approval of the accounts could be delegated outside of committee. Any significant changes would be reported back to the Audit and Risk Committee.

A member commented on the wording relating to misstatements due to fraud or error (page 11 of appendix 1): "The financial statements as a whole are not free of material misstatements whether caused by fraud or error." He said if read in isolation it implied there were material misstatements. The Assistant Manager for Ernst & Young responded that this was extracted from the audit plan. It was noted that the plan was presented to the Audit and Risk Committee as part of the audit process and so could be reviewed by members going forward.

The CFO concluded that the letter of representation highlighted the adjustment related to the Heritage Lottery Fund.

It was resolved:

- i. To note the annual audit results 2020/21**
- ii. That the Letter of Representation in connection with the Audit of the Financial Statements for 2020/21 be signed by the Chief Financial Officer and the Chair of the Audit and Risk Committee.**

11. Statement of Accounts 2020/21

The Chief Financial Officer reported further adjustments to the Statement of Accounts as a result of the review of the fixed asset revaluations. It was explained that a property with a decreased valuation was previously recognised as a loss through the income and expenditure statement in a prior year; however, this could be reversed if the property saw an increase in future years rather than using the valuation reserve.

This had been amended and resulted in a change in figures recoded in table 2 of the report, summary of adjustments. The amount of the comprehensive income and expenditure statement (CIES not reported to management) had reduced to £745,000, and the total cost of services had been amended to £3,579,000. There was also a change to table 3, detailed adjustments, the figure for depreciation, amortisation and revaluation was now £326,000. The total deficit of provision of services was now £368,000.

The CFO explained that the revaluation had affected the expenditure and funding analysis, the comprehensive income and expenditure statement (CIES), the movement of reserves, balance sheet and cash flow. The net liability remained the same. Supporting notes 7, 8A, 9, 19, 35 had also been impacted. Following discussions with the auditors, note 25, external audit costs was split between the scale fee and additional charges.

In response to a member question, the CFO explained that the legal fees formed part of the CIES expenditure figure, classified under the Chief Executive's directorate. She confirmed that

last year £108,830 was spent on legal fees of which £26,222 was from the navigation budget and the remainder from the National Park grant.

Another member discussed the long-term impacts of the pandemic on the navigation funds and how to plan for a repeat event or the potential for a longer lockdown period. He said the Authority needed to consider different scenarios and how the Authority would respond to these. The CFO responded that a strategic piece of work to review the recommended reserve minimum was due. This would involve reviewing the Authority's financial commitments to determine what level of reserves would be required in order to sustain the Authority in a period of lockdown. She added that if a higher reserve was needed this could impact a potential toll increase.

The CEO said the Authority needed to balance the level of risk it was willing to accept against the level of reserves. He added that the reserves had proven to be robust however the financial support from the government had helped. The Authority was in a good financial position with a higher number of private and hire boats than what had been budgeted for.

It was suggested that the Audit and Risk Committee support the CFO in reviewing the reserve policy, to ascertain if the pandemic had materially altered the policy. The Chair concluded that initial figures on the short-term risks and commitments were required and requested the initial findings be reported back to the committee for discussion.

It was clarified that the increased balance at the bank, reported in table 15 of the report, was a result of the ending of the fixed term deposits being returned to the current account. Investment options would be reported to members at a future meeting. The CFO also reported that the dilapidations provision for Whitlingham, reported in table 17, had been resolved and would be reported in the next years' accounts.

On behalf of the committee, the Chair requested the Assistant Manager put pressure on Ernst & Young to deliver the outstanding pension information in time for the 24 September Broads Authority meeting.

It was resolved to recommend to the Broads Authority the Statement of Accounts for 2020/21 for approval, and to delegate to the Broads Authority Chair and Chief Financial Officer if the outstanding pensions information was not provided in time for the next Broads Authority meeting.

12. Corporate Partnership Register - update

The Head of Governance (HG) provided an update on the Corporate Partnerships Register. The Farming in Protected Landscapes (FiPL) partnership was a new addition to the register, and the Broads Test and Trial ELM scheme had been removed.

A member questioned the effect of Brexit on the financial arrangements of the partnerships listed. The HG responded that those likely to be affected had guaranteed funding and it was new partnership opportunities that were likely to be affected by Brexit. It was noted that the pandemic had had an effect on the CANAPE partnership.

A member suggested that more information be included in the register to list the nature of the partnership and the status of the partner bodies. Another member commended the report for linking the outputs and benefits of the partnerships and said this was valuable information. The HG noted that Management Team also identified any potential risks with each partnership in the Authority's Risk Register.

Members discussed the frequency with which the Risk Register was reported to the Audit and Risk Committee and asked if an update could be provided at every meeting. It was acknowledged that there wouldn't always be substantial changes to the register. Officers agreed to report the Risk Register at every ARC meeting and would review the Officer workload required for this.

Gail Harris left the meeting.

The report was noted.

13. Implementation of Internal Audit recommendations – summary of progress

Members were informed that there was little change since the recommendations were last reported to the committee in July, however the planning recommendations were now complete.

Gail Harris returned to the meeting.

The CFO said an update on the current years' audit would be reported at the next meeting as they were yet to start.

In response to a member question about the finance vacancies and issue with IT resources mentioned in the report, the CFO explained that both teams were recruiting to fill vacancies. A member of the IT team had also been on long term sick leave which had impacted the small team. The CFO noted that the recruitment was a resource intensive process and so vacancies were being filled one at a time. A temporary member of staff had been recruited to the Finance team to relieve the pressure with workload.

Bill Dickson left the meeting.

Another member commented that the required procurement training listed in table 2 of the report would also impact staff availability.

The report was noted.

14. 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.

15. Formal questions

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

16. Date of next meeting

The next Audit and Risk Committee meeting would be on Tuesday 8 February 2022 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11.34 am

Signed by

Chairman