

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 12 July 2011

Present:

Mr G McGregor – in the Chair

Mr N Dixon
Mr P Durrant
Dr J S Johnson
Mr A S Mallett

In Attendance:

Dr J Packman – Chief Executive
Miss M Fox – 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:

Mr J Duvall – Treasurer and Financial Adviser
Mr N Harris – District Auditor, Audit Commission
Mrs L Mickleborough – Deputy Audit Manager, Internal Audit
Mr D Riglar – Principal Auditor, Audit Commission

4/1 Apologies for Absence

All Financial Scrutiny and Audit Committee members were present at the meeting.

4/2 Matters of Urgent Business

There were no matters of urgent business.

4/3 Declarations of Interests

Members expressed declarations of interest as set out in Appendix 1 to these minutes.

4/4 Minutes of the Financial Scrutiny and Audit Committee Meeting held on 15 February 2011

The minutes of the meeting held on 15 February 2011 were approved as a correct record and signed by the Chairman.

4/5 Public Question Time

No questions were raised by members of the public.

4/6 Review of the Effectiveness of Internal Audit for 2010/11

The Committee reviewed a report from the Deputy Audit Manager concerning the annual review of the effectiveness of Internal Audit for 2010/11. Members noted that this review was required to be conducted at least once in each year 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 seven measures which were considered to be adequate. Members noted that the Financial Scrutiny and Audit Committee had not yet undertaken a self assessment of itself. Though this was not considered the highest priority, members recognised the importance to conduct an assessment in the future to ensure that it had adopted best practice. Members also agreed to extend the opportunity for Internal Audit to have private discussions with the Committee, with these discussions taking place either side of future Committee meetings when required.

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.

4/7 Internal Audit Annual Report and Opinion 2010/11

The Committee received a report summarising the outcomes of Internal Audit work undertaken in 2010/11, including an annual opinion to inform the Authority's Annual Governance Statement.

The report concluded that the internal control environment at the Broads Authority was "adequate" during 2010/11. Particular attention was drawn to the following audit activity:

- Two assignments had been undertaken during the year in respect of the Authority's systems of internal control, involving a review of the key financial controls and the Authority's IT Governance and Strategy. No significant issues arose and both audits received an "adequate" assurance opinion.
- An audit of the Authority's Corporate Governance and Risk Management arrangements for 2010/11 had been undertaken as part of the 2011/12

Annual Audit Plan. Two medium priority recommendations were raised, but the audit received an adequate assurance opinion.

Members also noted that there were no high priority outstanding audit recommendations and, as “adequate” opinions had been issued in respect of all audit work performed in relation to 2010/11, there were no significant issues to be highlighted within the Authority’s Annual Governance Statement.

RESOLVED

that the annual report and audit opinion for 2010/11, and in particular the opinion of the internal control environment, be noted.

4/8 Annual Governance Statement 2010/11

The Committee received a report providing the Annual Governance Statement for 2010/11, together with the 2011/12 Action Plan and a summary of progress on the 2010/11 Action Plan. 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 4.7 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 Audit at the Authority was effective.”

Members reviewed the 2011/12 Action Plan and urged caution that the Authority should remain realistic in future as to what actions could be completed with the resources available. The action to “Provide training for selected members in dealing with the press and media” would be upgraded from “low” to “medium”.

RESOLVED

- (i) that the Annual Governance Statement for 2010/11 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.

4/9 Statement of Accounts 2010/11

The Committee received a report summarising the Broads Authority’s Statement of Accounts for the year ended 31 March 2011.

Members noted the additional requirement to produce the accounts in a different format to comply with the new International Financial Reporting Standards (IFRS), as required by the Chartered Institute of Public Finance

and Accountancy (CIPFA). The accounts format had changed with more disclosures required. Though the 30 June deadline had been exceeded, members noted that this had involved a substantial amount of additional work to what was already a sizeable technical exercise and thanked the Head of Finance for her hard work in this regard.

Members' attention was drawn to the Exceptional Item within the Comprehensive Income and Expenditure Statement concerning pension costs, some of which would be attributed to the "Navigation Income and Expenditure" table, which had not been shown due to a formatting error.

Following a review of the year, members noted that the Authority's overall financial position was sound, with the movement of reserves remaining broadly neutral over the year and the pension valuation improving. There were no areas of concern on the Balance Sheet, with the Authority's position being broadly as planned, and with future budget plans being in line with reduced grant projections.

A minor amendment was suggested within the "Review of the Year" to demonstrate that the National Park Grant for 2010/11, 'in year' cut of 5% and Sustainable Development Fund grant of £200,000 referred to in the General Income and Expenditure, matched the £4.44M referred to within the Financial Outlook.

RESOLVED

that the Broads Authority Statement of Accounts for 2010/11, following the incorporation of advised amendments to the "Review of the Year" and "Navigation Income and Expenditure" table, be recommended to the Authority for approval.

4/10 Investment Strategy and Performance 2010/11

The Committee received a report detailing the Authority's investment of surplus cash, including the investment principles adopted and performance during 2010/11.

Members noted that interest rates remained very low and reviewed the surplus cash sums held throughout the year. Though the closing balance for the year was £2.0M, in relation to an opening balance of £3.2M, members noted that this was partly due to two direct investments of £1M each being made on 12 month fixed interest rates during the year.

RESOLVED

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

4/11 Audit Commission Audit Plan for 2010/11

The Committee received a report concerning the Audit Commission's Audit Plan for the 2010/11 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 2010/11.

The District Auditor explained that materiality would be applied in both planning and performing the audit, in evaluating the effect of any identified misstatements, and in forming the External Audit opinion. The additional risks that were appropriate to the current opinion audit (concerning the preparation of financial statements on an IFRS basis, Finance Team capacity and resilience, and Authority redundancies) were highlighted. Similarly, the specific risks which would be taken into account when providing the statutory Value for Money conclusion (concerning the significant reduction in central government grant and the previously identified weaknesses in the Authority's Asset Management Strategy), were highlighted.

Members noted that the fee for the audit would be £26,710, excluding a rebate of £1,520 from the Audit Commission made in April 2010, and that the District Auditor aimed to deliver the Annual Governance Report and issue the audit opinion in time for the next Committee meeting in September.

RESOLVED

that the Audit Opinion Plan for the 2010/11 audit be noted.

4/12 Audit Commission Annual Audit Fee 2011/12

The Committee received a report concerning the Audit Commission's Annual Audit Fee Letter for undertaking the 2011/12 audit. The fee would reduce to £23,238, representing an overall reduction of £1,952 against the final 2010/11 fee. The District Auditor advised that, subject to affordability, a further 8% reduction to this fee would be made.

Looking to the future, members noted that the Audit Commission would be abolished in December 2012 and that the Audit practise could be outsourced in the future. This situation would affect the Broads Authority from 2012/13 onwards.

RESOLVED

that the details of the Annual Audit Fee Letter be noted, and the reductions in costs welcomed.

4/13 Future of Local Public Audit

The Committee received a report providing a summary of the contents of the consultation paper issued by the Government on the Future of Local Public

Audit, the potential implications for the Broads Authority and the response that had been sent by the Association of English National Park Authorities (ENPAA) on behalf of the nine English national park authorities and the Broads Authority.

Although the future was still unclear, some members were concerned over the potential requirements for smaller organisations and that the costs and processes required would not necessarily be beneficial. Particular concern was raised that the Audit Committee, as recommended in the consultation paper, might not remain effective or proportionate to the size of the organisation.

Members noted that ENPAA had responded to the consultation stating that the proposals as drafted in their application to national park authorities appeared to be too detailed and too prescriptive. It was also noted that ENPAA would be meeting with Defra officials to represent the points raised and that the measures would need to be appropriate and proportionate for smaller organisations.

RESOLVED

that the report and response submitted by ENPAA be noted.

4/14 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.

RESOLVED

that the report be noted.

4/15 Risk Management Update

The Committee received a report which appended the Authority's updated Strategic Risk Register and detailed the recommendations of the recent Corporate Governance and Risk Management audit.

The Strategic Risk Register had been reviewed by the Management Forum, with amendments being made to the number of risks, the risk/probability severity, the actions already in place, additional actions required and the risk owner. These amendments were reviewed by the Committee. Members also reviewed a proposed amendment to the Risk Management Policy, which would extend the review of risks to a maximum frequency of six months.

The Committee reverted to the Internal Audit recommendations for 2010/11 concerning training for risk owners and members of the Financial Scrutiny and

Audit Committee. Members considered that the provision of risk management training on 18 October 2011 would be beneficial.

RESOLVED

- (i) that the updated Strategic Risk Register be noted and approved;
- (ii) that the Risk Management Policy be amended to reflect the proposed frequency of when risks should be reviewed; and
- (iii) that risk management training be arranged for members of the Financial Scrutiny and Audit Committee on 18 October 2011.

4/16 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.

4/17 Formal Questions

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

4/18 Date of Next Meeting

The next meeting of the Committee would be held on Tuesday 27 September 2011 at Dragonfly House, 2 Gilders Way, Norwich, commencing at 2:00pm.

4/19 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.

Summary of Exempt Minute

4/20 Dragonfly House Expenditure

The Committee received a report concerning Dragonfly House expenditure issues.

RESOLVED

(by 4 votes to 0)

to give the Chief Executive the following guidance. That he should:

- (i) make occupancy payments to Defra, in accordance with the costs advised in the 2008 Stakeholder Paper, without prejudice to further negotiations;
- (ii) refrain from signing the underlease until Dragonfly House expenditure issues were satisfactorily resolved;
- (iii) maintain that Dragonfly House expenditure should be in accordance with expenditure advised within the 2008 Stakeholder Paper in all negotiations with Defra;
- (iv) explore alternative methods with Defra for providing Facilities Management, should the revised Facilities Management contract costs be too high;
- (v) take steps to relinquish up to 200 sq m of floorspace to reduce the Authority's footprint and costs within the building; and
- (vi) provide a report to the Broads Authority at its meeting on 23 September 2011, updating members of the latest position.

The meeting concluded at 4:10pm

CHAIRMAN

APPENDIX 1

Code of Conduct for Members

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 12 July 2011

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Prejudicial Interest ✓
N Dixon	General	Member of Norfolk County Council	
A S Mallett	General	Toll Payer	
G McGregor	General	Member of Suffolk County Council	