

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 5 July 2016

Present:

Mr Guy McGregor (Chairman)
Mr Louis Baugh
Prof. Jacquie Burgess
Mr Nigel Dixon
Sir Peter Dixon
Mr Michael Whitaker

In Attendance:

Ms Esmeralda Guds – Administrative Officer
Mr David Harris – Solicitor and Monitoring Officer
Miss Emma Krelle – Head of Finance
Ms Andrea Long – Director of Planning & Resources
Dr John Packman – Chief Executive

Also in Attendance:

Ms Emma Hodds - Head of Internal Audit Consortium
Ms Jill Penn – Treasurer and Financial Adviser

3/1 Apologies for Absence

There were no apologies for absence.

3/2 Matters of Urgent Business

There were no items being proposed as matters of urgent business.

3/3 Declarations of Interests

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

3/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 9 February 2016 (herewith)

The minutes of the meeting held on 9 February 2016 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 Annual Governance Statement 2015/16

Members received a report which explained the legal requirement, background and purpose of the Annual Governance Statement, and the requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements.

While taking the Members through the report, the Solicitor and Monitoring Officer pointed out that the few actions which were outstanding had been included in this year's Action Plan. It was further highlighted that no weaknesses were identified and that the Authority had received a *Substantial* assurance level in respect of *Corporate Governance & Risk Management* for 2015/16.

It was confirmed that compared to previous years the number of formal complaints had decreased, were broadly similar and mainly planning related. It was suggested to include more information about the complaints, illustrating what sort of complaints the Authority attracts and how they were being dealt with.

In regards to the Strategic Risk Register the Chief Executive explained that instead of the register being considered at each FSAC Committee as previously recommended by the internal auditors, he would like to suggest that risk owners and Management Team look at the risk register collectively on a regular basis and report back to the FSAC meeting twice a year, as this had been proven sufficient. The Members were assured that the reviewed Risk Register would incorporate a process which would trigger an alert should there be a significant change in the occurrence of risk.

It was further suggested that the Business Continuity Plan should be brought to the FSAC meeting to ensure it stays up to date.

After considering the wording in paragraph 3.10 of the report it was agreed to change the wording from '*All Matters*' to '*All decision, other than the planning committee and those matters specifically delegated to the Chief Executive, are dealt with by the full Broads Authority*'.

RESOLVED

- (i) The Annual Governance Statement for 2015/16 and Action Plan for 2016/17 were approved, subject to any amendments or additions recommended by the Internal Audit report due by 8 July 2016 or as the Authority may wish to make.
- (ii) the Committee confirmed, 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.

- (iii) the Committee noted the likely forthcoming changes to the CIPFA/SOLACE governance framework during 2016 and that these were likely to require a consequential review and update of key Authority governance documents.

3/7 Draft Unaudited Statement of Accounts 2015/16

Members received a report which summarised the Broads Authority's Statement of Accounts for the year ended 31 March 2016.

Members were informed that the audit had been completed including the Statement of Accounts and this had not identified any significant issues but the auditors had suggested removing lines with a zero balance to shorten the report.

While looking at the Related Party Transactions the auditors pointed out that declarations would need tightening up and that it was important for Members to identify any (financial) relation they might have with the Authority in their declaration. It was made clear that this was as much about protecting the individual as the Authority and that it was recognised that it was more often about perception.

The matter of pension liability was raised as a concern. Although the Authority had increased its rate of contribution, it was believed that the liability was still considered to be substantial and therefore could in future prove a difficult matter for the Authority to service.

It was explained that the loan from the Public Works Loan Board could not be paid off from National Park Reserves as this was a navigation debt. In addition there would be a fee for paying it off early.

The Head of Finance corrected a minor inaccuracy in paragraph 2.3 regarding the Navigation Reserves. She explained that the Navigation Reserve indeed increased. She also cleared up an error on page 109 which should read £2 million and not £22 million.

The Treasurer and Financial Advisor praised the work of the Finance Team in completing the accounts on the new shorter timetable. It was noted that Members of the Committee were interested in receiving audit committee training.

RESOLVED

that the Statement of Accounts for 2015/16 was recommended to the Broads Authority for approval.

3/8 Internal Audit Annual Report and Opinion 2015/16

The Members received a report which provided the Authority with an Annual Report and Opinion for 2015/16, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

While going through the report the Head of Internal Audit highlighted that the overall opinion was that the framework of governance, risk management and control was deemed to be reasonable.

It was pointed out that the audit of IT would be undertaken every other year rather than every year to take account of the resource implications.

It was noted that the Head of Internal Audit believed the report to be very encouraging and very positive and that Management was on top of the recommendations and so it was suggested that members of staff should be congratulated on the outcome.

When queried, the amount of the internal audit bill was confirmed and so was the 35 days of work delivered.

The Committee was grateful for the good work of the internal auditors and believed that working with the consortium had proved to be an effective way of using the Authority's resources.

RESOLVED

that the Committee

- (i) receive and approve the contents of the Annual Report and Opinion of the Internal Audit Consortium Manager;
- (ii) note that a reasonable audit opinion (positive) is given in relation to the framework of governance, risk management and control for the year ended 31 March 2016;
- (iii) note that the opinions expressed together with significant matters arising from internal audit work and contained within this report are given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2015/16.
- (iv) note the conclusions of the Review of the Effectiveness of Internal Audit.

3/9 Investment Strategy and Performance Annual Report 2015/16

The Committee received a report which set out details of the Authority's investment of surplus cash, including the investment principles and performance during the twelve months to 31 March 2016.

Paragraph 2.5 was highlighted where the sum paid in 2015/16 was compared to 2014/15. The Treasurer mentioned that while she was aware that there was some concern about the level of income received, security was still a prime driver rather than risking funds in volatile areas. The current investment strategy would be reviewed.

The Head of Finance confirmed that the Authority would have further discussion with officers of Broadland District Council to see whether they could arrange a fixed term investment to increase the Authority's interest.

RESOLVED

the contents of the report be noted.

3/10 External Funding Strategy

Members received a report which updated them on the recent progress made in developing an approach to securing more funding and support from external sources.

Two key issues were highlighted, the need for clarity as to the priorities for external funding and the benefit of a standalone charitable vehicle to maximise fundraising income.

Five priorities for the Broads Authority external funding were identified, the top priority being to ensure the success of the second stage of the Landscape Partnership bid.

Members of the Committee were in agreement that the External Funding Strategy was the right approach as it highlighted the need to use project management techniques to develop fully worked up and costed proposals.

Members agreed that before applications for funding were made it was necessary to determine what it was needed for and so it would be practical to have a list with projects available, ready to be implemented when the opportunity arises.

RESOLVED

- (i) that Members note the conclusions from the workshop led by the South Downs National Park;
- (ii) that Members support the national and local priorities identified in Section 4 of the report.

3/11 Tolls Review and Proposed New Structure for Navigation Charges

Members received a report which briefed Members of the Committee on the proposals for the restructuring of navigation charges and the potential

impacts and risks.

The Chief Executive highlighted the different categories of vessels in both Commercial and Private Crafts. It was explained that the proposal by Members was that in future the toll structure would provide a more flexible system where small boats overall would be paying less and larger boats more. Overall more boats would be seeing a reduction.

The Head of Internal Audit believed that this was a good opportunity for the FSAC to look at the proposals at an early stage and be able to put any comments towards it with a fresh pair of eyes from Members who had not been that deeply involved.

Members were informed that some of the main proposals from the Tolls Review Group involved the removal of the hire boat multiplier and reducing the number of categories from 199 to 65. Another major element was to acknowledge that the different fleets operating on the Broads needed to be treated differently. It was said that by simplifying the toll structure it created greater transparency.

Some Members expressed concerns that although income from private boats was increasing, this was being undermined by the continuing trend of losing revenue on the hire fleet side. It was therefore thought that the Authority should take this into account.

It was however mentioned that compared to the rest of the UK, the tolls in the Broads were low which meant there was room for manoeuvre. It was explained that reducing tolls would mean reducing services but surveys had shown that toll payers wanted more, i.e waste facilities, more rangers, more dredging and more moorings.

RESOLVED

that the Committee support the revised Guiding Principles and the key elements of the suggested way forward.

3/12 External Audit

Members received a report which appended the annual audit fee letter from Ernst & Young for undertaking the 2016/17 audit. The fee would be maintained at £13,943. It further appended the Local Government Audit Committee Briefing by Ernst & Young.

Attention was drawn to the fact that authorities had to appoint their own auditors under new regulations, which meant the Authority would have to go through a procurement process.

The Members agreed that to undertake a joint audit procurement and appointing exercise with other local authorities was the most logical option. The alternative would be a national audit procurement.

RESOLVED

- (i) that the details of the annual audit fee letter be noted.
- (ii) that the briefing, including the key questions for Audit Committees as set out on page 9, be noted.

3/13 Implementation of Internal Audit Recommendation and Summary of Progress

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2015/16.

It was highlighted that two audits had been undertaken since the last meeting in February 2016 which were Key Controls and Members Governance. It was noted that both audits had received a reasonable assurance and that most of the issues identified had been completed.

RESOLVED

that Members note the report.

3/14 Code of Conduct

Members received a report which updated the position regarding the new draft Code of Conduct for Members.

The Solicitor and Monitoring Officer highlighted that the two main requirements coming out of the Localism Act were that the Code of Conduct would need to be based on the "Nolan Principles" of public life and secondly it would require the Authority to appoint an independent person. In addition the internal audit recommendations required the Code to incorporate an assessment criterion in relation to the complaints process, and guidance for informal complaints against Members.

While reviewing the Code of Conduct comments were received and taken into account, especially in regards to paragraph 1.7 about social media and in terms of the sanctions in paragraph 6.5.

Members agreed that the draft updated Code of Conduct was a big improvement.

It was agreed that the Code of Conduct would come back to the FSAC September meeting before it would go to the Broads Authority meeting on 30 September.

3/15 Risk Analysis

Members received a report which updated them on risk analysis and reporting and it was

RESOLVED

- (i) that the revised timescale for the review of the Strategic Risk Register set out in paragraph 2.1 be adopted.
- (ii) that a risk analysis be incorporated in future reports to the Broads Authority where a significant financial or reputational risk had been identified.
- (iii) that the risk analysis for the Authority's Strategic Priorities be noted.

3/16 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972

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.

3/17 Formal Questions

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

3/18 Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 27 September 2016 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 4.10 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 5 July 2016

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 Pecuniary Interest ✓
Guy McGregor		Member of SCC	
M J Whitaker		Toll Payer, Hire Boat Operator, Chair of BHBF	
J A Burgess		Toll Payer	
P Dixon			