

# Audit and Risk Committee

## Minutes of the meeting held on 23 July 2019

### Contents

1.	Apologies and welcome	2
	Openness of Local Government Bodies Regulations 2014	2
2.	Items of urgent business	2
3.	Introduction of members and declarations of interest	2
4.	Minutes of Audit and Risk Committee held on 5 March 2019	2
5.	Public question time	2
6.	Internal Audit Annual Report and Opinion 2018/19	2
7.	Review of Annual Governance Statement and Code of Corporate Governance	3
8.	Draft Statement of Accounts 2018/19	4
9.	Investment Strategy and Performance Annual Report	5
10.	External Audit	5
11.	Audit Committee self-assessment exercise	5
12.	Implementation of Internal Audit Recommendations: Summary of progress	6
13.	Grant Funding Agreement	6
14.	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	7
15.	Formal questions	7
16.	Date of next meeting	7
	<b>Appendix 1</b>	<b>8</b>
	Declaration of interests Audit and Risk Committee, 23 July 2019	8

## **Present**

Louis Baugh – in the Chair, Jacquie Burgess, Greg Munford (agenda items 6 to 16), Nicky Talbot, Haydn Thirtle

## **In attendance**

John Packman – Chief Executive, Emma Krelle – Chief Financial Officer, Maria Conti – Head of Governance, Esmeralda Guds – Administrative Officer, Faye Haywood – Internal Audit Manager, Vicky Chong – Audit Manager from External Audit, Ernst & Young LLP

## **1. Apologies and welcome**

The Chairman welcomed everyone to the meeting.

**Apologies** were received from Mark Hodgson – Associate Partner, Ernst & Young LLP.

### **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.

No members of the public were present.

## **2. Items of urgent business**

There were no items of urgent business.

## **3. Introduction of members and declarations of interest**

Members indicated they had no further declarations of interest other than those already registered and as set out in Appendix 1 to these minutes.

## **4. Minutes of Audit and Risk Committee held on 5 March 2019**

The minutes of the meeting held on 5 March were approved as a correct record, subject to minor typos, and were signed by the Chairman.

## **5. Public question time**

No public questions had been received.

## **6. Internal Audit Annual Report and Opinion 2018/19**

The Internal Audit Manager gave a summary of the report, highlighting that the opinion had received a positive 'reasonable' assurance. The report drew upon the outcome of Internal Audit work over the year and a conclusion on the effectiveness of the audit.

Members were assured that, following the Authority's recent cybercrime incident, all budget holders had received refresher training from Barclays Bank on detecting fraud and scams. Correct procedures had always been in place and would now be part of the induction process for new staff. Police were still investigating the fraud incident. The incident was not covered by existing insurance policies; additional cover was being investigated with other providers as it was felt the initial quote with an excess of £25,000 was too high. The Internal Auditors confirmed they would continue updating the Authority on the latest scams.

A member asked if there were consequences of anyone misusing the Broads National Park branding. It was explained that the Authority was looking at gaining legal advice on trademarking the brand, which would offer some protection against misuse.

**The Committee approved the Annual Report and Opinion of the Head of Internal Audit and noted:**

- **that a 'reasonable' audit opinion had been given in relation to the framework of governance, risk management and control for the year ended 31 March 2019.**
- **that the opinions expressed should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2018/19.**
- **the conclusions of the Review of the effectiveness of Internal Audit.**

## **7. Review of Annual Governance Statement and Code of Corporate Governance**

The Chief Executive welcomed the Head of Governance to her first meeting in her new role.

The Head of Governance took members through the updated Annual Governance Statement (AGS), which incorporated the updated Code of Corporate Governance (CCG) and the AGS Action Plan. All actions in the 2018/19 plan had been completed, apart from two which were taken forward into the 2019/20 action plan.

The Chief Financial Officer (CFO) clarified that, although the audit had been delayed, the AGS and CCG could be signed by the Authority on 26 July 2019 if members approved it.

Referring to the Peer Review Action Plan, the Chief Executive informed members of ongoing action to increase the Authority's relationship with the local authorities. It had been agreed that he would attend Norfolk Chief Executive meetings on a quarterly basis, and the Chairman and Chief Executive the Norfolk Leaders meeting every six months. Councillor William Nunn, the previous Leader of Breckland Council, had offered to work with the new Chair and Vice-Chair of the Authority. Members felt this was a positive development and welcomed Cllr Nunn's offer.

The Chief Executive reported that the Authority would be carrying out a staff survey in the Autumn. The survey would use the 'Sunday Times 100 best companies to work for' scheme, asking staff to comment against eight factors, and would allow the Authority to benchmark

their feedback against similar organisations. To keep costs down it was proposed to carry out the survey every other year, rather than annually.

**The Committee noted that the Authority's systems of governance and internal control were considered to be adequate and effective, and recommended the Annual Governance Statement for approval by the Broads Authority on 26 July 2019. The Committee also noted the updated Code of Corporate Governance.**

## 8. Draft Statement of Accounts 2018/19

The report gave an update on the Authority's Statement of Account and its audit for the year ended 31 March 2019.

The CFO thanked members who attended the training session on the Statement of Account on 12 July, and introduced the report. She highlighted that the movement from a net asset in 2017/18 to a net liability position in 2018/19 Statement of Accounts was due to the increase of the Pension Fund Liability at the end of the financial year.

It was explained that a further pension adjustment would be required following an updated pension report being received from the Actuary. The additional report had been issued following the McCloud ruling and Guaranteed Minimum Pension (GMP) Indexation.

The Audit Manager from External Audit apologised that Ernst & Young LLP had not been able to deliver the audit in time this year, due to staffing resource issues. As they did not want to compromise the quality of the audit, they had deferred the start date to 14 October 2019.

The CFO commented on the impact this delay would have on the Authority, especially as DEFRA expected to receive auditing accounts by a certain date, namely 31 July 2019, as part of the grant agreement. It would mean writing to DEFRA explaining that the accounts had been delayed through no fault of the Authority. The delay would also affect the timetable for internal audit programs.

The Committee expressed their disappointment with the external auditors for not being able to carry out the audit within the given timescale. It was commented that Ernst & Young did not appear to have a statutory responsibility to deliver by 31 July and their contract was not aligned with the Authority's legal obligation to DEFRA.

The Chairman reported that Broads Authority members were most unhappy with the July audit date, when in previous years the Authority had worked hard to trial earlier audits at the beginning of June. However, the Authority's limited staffing had met the new imposed deadlines efficiently. At the recent finance training there was a strong consensus that the delay in audit was unacceptable, causing disruption to staff and members. It was also noted that within the audit consortium only one local authority would be completed within the deadline, and all other authorities would be completed late.

The Chairman said that the correspondence from Ernst & Young was disappointing, and was a technical response he was uncomfortable about publishing on the Authority's website.

Reputational damage was a concern and the Chairman respectfully requested that the Audit Director draft a letter, meaningful to the facts and removing any responsibility from the Authority, which could be published on the website alongside the technical response.

**Members noted the report.**

## 9. Investment Strategy and Performance Annual Report

The CFO introduced the report, giving an overview on how the Authority had invested its funds in 2018/19 compared to the previous year.

The CFO explained the details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2019. She clarified that the figures in the table on page 77 for the 95-Day Notice Account were transposed, and should read as the highest sum being £1.5 million and the lowest sum being £500,000. Through a combination of investing some of the funds in fixed term deposits and the Notice Account, the Authority had achieved £14,476 more in interest than in 2017/18.

Members were reassured that the closing balances for instant access at the end of 2018/19 were high because toll payers started paying next year's toll fees during February and March and so the cash balances were traditionally higher during that time of the year.

**Members noted the report.**

## 10. External Audit

The report included the annual audit fee letter from Ernst & Young LLP (EY) for undertaking the 2019/20 external audit. The Committee noted the letter and the fee of £10,736, the same as for 2018/19.

The second part of the report was the quarterly Local Government Audit Committee briefing. EY's performance was discussed and it was highlighted that the firm had been appointed by the Public Sector Audit Appointments Ltd (PSAA) as the Authority's appointing person until the 2020/23 Statement of Accounts.

Members discussed the possibility of sending a joint response with other local authorities to PSAA expressing their disappointment, as PSAA were ultimately responsible for the auditors they contracted. The CFO explained that it was not an option for the Authority to change auditors at present, but it could review the scheme when it came up for renewal.

**Members noted the briefing and the key questions for the Committee as set out on page 8 of the Local Authority Committee Briefing.**

## 11. Audit Committee self-assessment exercise

The report gave an overview of the self-assessment exercise carried out in March 2019. The Chairman noted that this process had been delayed because of the Peer Review and

subsequent re-badging of the Financial Scrutiny & Audit Committee as the Audit and Risk Committee.

The Internal Audit Manager reported that the self-assessment exercise was a good outcome, with little room for improvement. With changes to the Authority's membership following the local elections, it was agreed that a skills assessment should be carried out for the newly appointed ARC members to highlight any training requirements.

The Internal Audit Manager proposed that the self-assessment should be carried out annually, albeit not as detailed as the first one. The same assessment was carried out for the other authorities within the consortium, which helped with comparative benchmarking and discussion of good ideas coming from the assessments.

The Chairman thanked the Internal Audit Manager for arranging the audit and risk training for the authorities within the consortium.

**Members noted the report.**

## 12. Implementation of Internal Audit Recommendations: Summary of progress

The report updated members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18 and 2018/19.

The CFO advised that a revised Strategic Risk Register (SRR) would be reported to the November meeting. Where the previous SRR had been on the number of risks, both operational and strategic, the revised SRR would focus on strategic risks and changes to risk scores.

In regard to the 2019/20 audits, the external funding of the Water, Mills & Marshes programme would start in August 2019. Procurement and Key Controls had been scheduled for November and December 2019.

**Members noted the report.**

## 13. Grant Funding Agreement

The report briefed members on the recent discussions with Defra on the updating of the Grant Funding Agreement.

The Committee was informed that as part of the new agreement the Authority would have to provide annual information to DEFRA on forecast closing balances. The Chief Executive would also be required to meet with DEFRA for an annual review of performance.

Once agreed, the Grant Funding Agreement would also be rolled out to Areas of Outstanding Natural Beauty (AONB).

**Members noted the progress made with Defra officials in revising the Grant Funding Agreement.**

## 14. 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 items of urgent business for consideration.

## 15. Formal questions

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

## 16. Date of next meeting

The next meeting would be held on Tuesday 19 November 2019 (previously scheduled for 12 November 2019) at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The Chairman reported that his appointment to the Authority would end in March 2020 and as such he would not be present to complete the full audit year for 2019/20. He therefore asked the Committee to consider a replacement Chair at the November meeting.

The Chief Executive thanked the Chairman for all his support, especially to the Chief Financial Officer and the Finance Team, adding that he had fulfilled his role in an exemplary way.

The meeting ended at 3.34pm

Signed by

Chairman

# Appendix 1

## Declaration of interests Audit and Risk Committee, 23 July 2019

<b>Member</b>	<b>Agenda/minute</b>	<b>Nature of interest</b>
Louis Baugh	-	None
Jacque Burgess	-	None
Greg Munford	-	None
Nicky Talbot	-	None
Haydn Thirtle	-	None