

Risk, Audit and Governance Committee

Minutes of the meeting held on 23 July 2025

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Present

Tristram Hilborn – in the Chair, Harry Blathwayt, Siân Limpenny and Gurpreet Padda.

In attendance

Jason Brewster – Governance Officer, Emma Krelle – Director of Finance, Izabela Foley – Senior Accountant, John Packman – Chief Executive, David Riglar –Ernst & Young External Auditor, Teresa Sharman – Head of Internal Audit and Rob Thomas – Head of Governance.

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1. Apologies and welcome

The Chair welcomed everyone to the meeting.

Apologies were received from Alan Goodchild, Tony Grayling and Matthew Shardlow.

Openness of Local Government Bodies Regulations 2014

The Chair explained that the meeting was being audio-recorded. All recordings remained the copyright of the Broads Authority and anyone wishing to receive a copy should contact the Governance Team. The minutes remained the formal record of the meeting. He added that the law permitted any person to film, record, photograph or use social media to report on the proceedings of public meetings of the Authority. This did not extend to live verbal commentary. The Chair needed to be informed if anyone intended to photograph, record or film so that any person under the age of 18 or members of the public not wishing to be filmed or photographed could be accommodated.

2. Introductions and declarations of interest

No additional declarations of interest were declared.

3. Items of urgent business

There were no items of urgent business.

4. Minutes of last meeting

The minutes of the meeting held on 11 February 2025 were approved as a correct record and signed by the Chair.

5. Draft Statement of Accounts 2024/25

The Senior Accountant (SA) introduced the report that provided an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2025. The new International Financial Reporting Standards (IFRS) 16 Leases came into effect on 1 April 2024 which required Rights of Use (ROU) assets, including peppercorn leases, to be included on the balance sheet (as reported at the Risk, Audit and Governance Committee meeting on 12 March 2024). Future payments associated with operational leases had resulted in a significant increase in the Authority's liabilities and a donated asset for 2024/25 had been included representing peppercorn leases.

Since the surplus was reported to Members at the Authority 9 May 2025, the SA confirmed that it had increased by £32,580 due to the release of a deferred income for Yare House rent incentive on the old and the new lease.

The SA highlighted Table 1 Summary Income and Expenditure 2024/25, Table 2 Summary of adjustments and Table 3 Detailed adjustments of the report and then explained the most significant adjustments.

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As in previous years, the staff pension fund accounted for most of the figure shown under Employee expenses. The SA indicated that this adjustment might vary between the draft and final versions of the Statement of Accounts due to the Norfolk Pension Fund being audited during the intervening period resulting in the finalisation of these figures.

Table 2 Summary of adjustments included an entry for Amounts included in Table 1 not in the Comprehensive Income and Expenditure Statement. The SA explained that the main adjustment to this entry was the removal of the DEFRA grant interest and investment income and interest payable. These items were added back in under the cost of services entry. Further adjustments related to the accounting treatment of capital expenditure and reserve expenditure.

A Member asked whether the adjustment due to the deferred income for Yare House rent incentive was a one-off adjustment. The Director of Finance (DoF) confirmed that this adjustment consisted of rent incentives associated with both the old and new leases which resulted in adjustments spreading these over the life of the lease. These had been completed and there would be no further adjustments of this nature.

A Member sought confirmation that no further significant adjustments were expected before approval of the Statement of Accounts. The DoF confirmed that, apart from the previously mentioned adjustment regarding the pension fund valuation, no further adjustments were anticipated. She added that these accounts were the first to be audited under IFRS 16 and, despite all the work undertaken to ensure compliance, there was some uncertainty regarding the outcome.

The Member noted the work undertaken to ensure the Authority's financial reporting was compliant with IFRS 16 and asked whether there would be significant additional effort in future years to maintain this compliance. In addition, the Member asked whether IFRS 16 had materially altered the Authority's approach to financial planning. The DoF explained that a significant part of the work undertaken to meet the IFRS 16 standard was the identification of the Authority's existing leases of which over 60 related to moorings. These assets had been identified and incorporated into the balance sheet and the impact of reporting this information in future would be considerably reduced. The DoF reminded Members of the changes to the Capital, Treasury and Investment Strategy 2024/25 to increase the authorised and operational boundary for external debt to potentially offset the impact of including leases on the balance sheet. On reflection, although the Authority's liabilities had increased to reflect the future payments associated with operational leases these had been matched by an equivalent increase in assets.

The Member asked for confirmation of when the Statement of Accounts would be approved. The DoF indicated that the intention, as indicated in the report for item 9 of this agenda, following receipt of the Audit Results Report, was to sign-off the Statement of Accounts in November 2025. The External Auditor indicated that the planned audit completion was in advance of the 2024/25 audit backstop date of 27 February 2026.

The report and Draft Statement of Accounts were noted.

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Gurpreet Padda joined the meeting.

6. Investment Strategy and Performance Annual Report 2024/25

The Director of Finance (DoF) introduced the report setting out details of the Authority's investment of unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2025.

The DoF highlighted the high Instant Access balances in table 1 of the report part of which reflected the uncertainty regarding the National Park Grant payment; the first instalment was due in April 2025 and received in June 2025. Interest received in 2024/25 was marginally higher than forecast by £6,000. The Finance Team was short staffed for 2024/25 due to sickness and vacancies which meant that opportunities to invest elsewhere were not pursued. Given the uncertainty regarding the receipt of the additional Defra capital funding for 2025/26 the account balances would remain higher than expected and investments would be on a short-term basis until payment arrangements for capital items had been finalised. Interest rates had remained higher than forecast at 4.25% and would remain so until the next Bank of England rate review on 7 August 2025. The DoF indicated that, given the current circumstances, the forecast interest income for 2025/26 was achievable.

The Chair noted that the Authority's investment strategy could be perceived as being too cautious; given the current uncertainty faced by the Authority, he believed the proposed low risk strategy was appropriate.

The arrangements regarding the investment of the Authority's unallocated cash were noted.

7. Internal Audit Annual Report and Opinion 2024/25

The Head of Internal Audit (HoIA) gave a summary of the report, highlighting an overall 'reasonable' opinion (positive) on the framework of governance, risk management and control at the Authority and confirmed that Internal Audit was more than likely compliant with the Global Internal Audit Standards in the UK Public Sector.

The HoIA indicated that of the four audits undertaken, two had been issued with substantial assurance opinions and two had been issued with reasonable assurance opinions. The HoIA summarised the recommendations and compared the numbers to the previous 2023/24 audit: No urgent recommendations in 2024/25 or 2023/24; Four important recommendations in 2024/25 compared with eight in 2023/24; 11 routine recommendations in 2024/25 compared with six in 2023/24; Only two outstanding recommendations, dating from 2023/24, remained in 2024/25 compared with 9 in 2023/24 that covered a number of audit periods.

The HoIA highlighted the performance of the audit contractors which the Authority had scored as well above three, which was not commensurate with the wider consortium whose scoring was below three. She explained that the overall performance status of the contractor

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was categorised as red although there were a few outstanding client responses which could improve their status and secure an amber rating, consistent with their performance in 2023/24. The consortium had access to other contractors, such as BDO and the shared internal audit service at Hertfordshire County Council, which accounted for one half of the audit plan across consortium members in 2025/26 and there was scope for the inhouse team to increase the number of audits they undertook.

Next year was the final year of the contract with the main audit contractor, when re-procurement would commence before the contract ended on 31 March 2027. A new contract would result in an end to the existing audit rate which would have cost implications for all consortium members. The HoIA proposed to elaborate on this matter when reporting on the Internal Audit Strategic and Annual Plans 2025/26 (item 8 of the agenda).

The HoIA discussed the ongoing Quality Assurance and Improvement Programme (QAIP) and highlighted that the 2024/25 self-assessment against the Global Internal Audit Standards (GIAS) in the UK Public Sector was outstanding. The HoIA did not have the capacity to perform this gap analysis and she was attempting to secure additional resources to complete this work. The HoIA was not anticipating any major non-compliance issues to arise although she was expecting some nuances relating to reporting to audit committees.

The report was noted with particular consideration given to:

- i. The 'Reasonable' audit opinion given in relation to the framework of governance, risk management and control for the year ended 31 March 2025**
- ii. The opinions expressed together with significant matters arising from internal audit work and contained within the report should be given due consideration when developing and reviewing the Authority's Annual Governance Statement for 2024/25**
- iii. the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).**

8. Internal Audit Strategic and Annual Plans 2025/26

The Head of Internal Audit (HoIA) presented the report which covered the Internal Audit Plan 2025/26 and the Internal Audit Charter and Mandate 2025/26. The HoIA indicated that internal audit standards encouraged a targeted approach to audits rather than the previous cyclical approach. Given the 2024/25 audit opinion the Internal Audit Plan 2025/26 maintained a focus on risk and governance, key financial controls had been included with an intention to select other areas relating to the Authority's strategic objectives and/or corporate risk. Given the importance of tolls to the revenue of the Authority, the proposal was to audit the tolls system and income collection area. The other area proposed for audit related to climate change and delivery of net zero targets which the HoIA believed were of importance to the Authority.

Next year was the final year of the contract with the audit contractor when re-procurement would commence in preparation for the end of the contract on 31 March 2027. A new

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contract would bring an end to the existing audit rate which had cost implications for all consortium members. The existing contractor's daily rate was expected to increase by more than 30% over the current discounted rate, resulting in a considerable increase in the Authority's internal audit costs. There was scope to use different contractors to minimise the audit cost but this option would nevertheless result in an increased daily rate. The other consideration was the possibility of reducing the number of audit days to ensure that the overall costs remained within budget. The HoIA explained that the Internal Audit Charter followed a new template that complied with recent changes to internal audit standards. The key change stipulated by the change in standards was the inclusion of a mandate section which provided information on the authority to audit. The remaining content of the Internal Audit Charter remained largely unchanged and was consistent with previous versions.

In response to a question the Director of Finance confirmed the cost of the 2024/25 internal audit was £15,255.

There was an in-depth discussion on the proposed audit areas for 2025/26. Members supported the inclusion of the corporate governance and risk management area which, they agreed, was consistent with the latest audit opinion. The inclusion of the tolls system and income collection area was considered timely by the Chief Executive, given the ongoing fall in tolls revenue and its implications for maintaining navigation within the Broads.

Members believed that an audit of the climate change and net zero area, although important, was not the most significant issue that faced the Authority in 2025/26. Given the recent reduction in the National Park Grant settlement Members believed this area warranted further investigation. A Member believed that the Authority should be investigating efficiencies to streamline its operations and innovate new sources of revenue and wondered whether audit could help in this regard. The CE questioned the focus on efficiencies; he believed the organisation was already considerably scaled down. Using examples relating to the Communications and Planning Teams he highlighted there was a risk that further cuts would prevent the Authority from meeting its obligations. A Member suggested an audit of those areas which presented the greatest risk to the Authority's ability to deliver its statutory obligations and possibly the Authority's ability to raise revenue through commercial ventures. Members believed consideration of the Authority's revenue raising capability was less important than fulfilling its statutory purposes and suspected there were more effective mechanisms, other than an audit, to consider this capability. The Director of Finance asked whether the contractor would have the expertise to perform an audit relating to the Authority's statutory purposes. The HoIA indicated that, given it was a 12 day audit, the scope would need to be clearly defined and, if there were many statutory purposes to be considered, then the Authority would need to prioritise the areas for inclusion. The HoIA confirmed that audits of other local authorities' planning function had previously been undertaken; maintaining the contractor had the necessary experience to do the same for the Broads Authority if required.

The HoIA questioned the priority of auditing key financial controls in 2025/26. The External Auditor confirmed there was no requirement to audit key financial controls every year and

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suggested using a risk assessment to determine whether this area warranted an audit. Members supported the removal of the key financial controls area assuming this was consistent with the risk assessment outcome.

The Chair summarised the audit areas for 2025/26 as: corporate governance and risk management; tolls system and income collection; replace climate change and net zero with strategic purposes; consider removing key financial controls assuming the risk assessment outcome permitted.

The HoIA agreed to revisit the audit plan based on the discussed audit area priorities and would report on the revised Internal Audit Plan 2025/26 at the next meeting on 25 November 2025.

Harry Blathwayt proposed, Gurpreet Padda seconded

It was resolved unanimously to approve both the Internal Audit Charter and Mandate 2025/26 and, subject to the agreed changes, the Internal Audit Plan 2025/26.

9. External Audit

The External Auditor (EA) introduced the report on the Auditor's Annual Report 2023/24 and the Audit Plan for 2024/25. The EA confirmed to Members that the Annual Report 2023/24 was consistent with the verbal update provided at the last meeting on 11 February 2025, with no further matters to report to the committee since completion of the audit on 14 February 2025. In response to a question the Director of Finance confirmed that the formal letter to the auditor, agreed at the last meeting, was in progress.

In discussing the 2024/25 Audit Plan, the EA reminded Members of the issues concerning financial reporting and local audit that the Government were seeking to address. He directed Members to pages 5 and 6 of Appendix 2 of the report which outlined the steps required to reform the local audit system, indicating that the independent reviews into the reasons for the failure of the local audit system had not yet been fully addressed but the recent English Devolution white paper marked a significant step in the creation of the Local Audit Office, a key element of the reform.

The EA provided an overview of the audit risks and areas of focus for 2024/25 (pages 7-8 of Appendix 2 of the report). Audit risks concerning fraud, Valuation of Land and Buildings, and Pension Liability Valuation had been included consistent with previous audit plans. The audit plan reflected a new risk associated with the introduction of IFRS 16 which would aim to provide assurance regarding the Authority's new financial procedures associated with this new standard. The Valuation of Land and Buildings attracted a new risk due to the valuations being performed by a new valuer in 2024/25.

The EA indicated that the Authority Materiality for 2024/25 was consistent with previous years (page 9 of Appendix 2 of the report). The 75% of planning materiality reflected the Authority's performance over previous audits; if there was an expectation that the audit would identify quite a few differences, then this figure would be set at 50%.

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The EA confirmed that there was no change to the Value For Money (VFM) scope (page 11 of Appendix 2 of the report) or subsequent focus as stated in section 3.

The EA provided a status report on the 2024/25 audit, indicating that the work associated with the VFM arrangements was largely complete, that no additional risks or weaknesses had been identified and indicating that the audit timeline was available on page 31 of Appendix 2 of the report.

A Member asked how the auditor proposed to resolve the disclaimed opinion on the Authority's 2023/24 financial statements arising from non-assured closing balances from financial year 2022/23. The EA indicated that the National Audit Office had recently provided guidance regarding rebuilding assurance into the local audit system which provided a consistent framework for the industry. The next step was to undertake a risk assessment to identify the gaps in the 2023/24 audit and, given how advanced the 2024/25 audit was, the EA anticipated this happening during the 2025/26 audit. Depending on how well the 2024/25 audit progressed there was scope to revisit some areas of the 2022/23 audit that would enable a modified opinion for 2024/25. The EA anticipated further work regarding the 2022/23 closing balances to be undertaken in the 2025/26 audit which might enable an unmodified opinion to be issued. If this was not achieved in 2025/26, then the expectation would be an unmodified opinion would be issued for the 2026/27 audit. The EA confirmed that the 2024/25 audit results report would, as per last year, contain an appendix to track progress in addressing the disclaimed audit opinion.

A Member asked whether devolution and Local Government Reorganisation (LGR) would undermine the negotiating power of the Public Sector Audit Appointments (PSAA), the body responsible for appointing auditors on behalf of local authorities and the Broads Authority. The EA indicated that the PSAA would be monitoring LGR and would seek to liaise with the resulting new unitary authorities. The EA indicated that the Local Audit Office would ultimately strengthen the PSAA by mandating that all local authorities were included.

The Auditor's Annual Report 2023/24 and the Audit Plan 2024/25 were both noted.

10. Annual Governance Statement 2024/25 and Code of Corporate Governance 2025

The Head of Governance introduced the report that demonstrated how the Authority was complying with the principles of good governance and included the Annual Governance Statement 2024/25 and Code of Corporate Governance 2025.

Harry Blathwayt proposed, Gurpreet Padda seconded

It was resolved unanimously to recommend the Annual Governance Statement 2024/25 to the Broads Authority for adoption and to note, subject to the implementation of improvements identified in the action plan, that the Authority's systems of governance and internal control are considered to be adequate and effective.

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11. Risk Management Policy

The Head of Governance (HoG) introduced the report that detailed the Authority's updated Risk Management Policy (RMP). The HoG indicated that the RMP had been updated to include the Authority's new Risk Appetite Statement (RAS), required to address a 2024/25 internal audit recommendation and incorporated further changes resulting from a general review of the policy undertaken at the same.

Members welcomed the introduction of the RAS although some disappointment was expressed regarding the small number of categories with an open or eager risk appetite. The HoG responded the lower risk appetite reflected the operational nature associated with some of the categories and that the strategic risk category had an open risk appetite reflecting that not all externally funded projects would succeed. The CE believed that the RAS represented a snapshot of current projects and provided examples of completed projects that demonstrated more open/eager risk appetites. A Member acknowledged that this was a good start and, based on his previous experience, he expected the RAS to mature over time. The HoIA indicated that auditing the Authority's risk management area could prove helpful in improving this area.

Gurpreet Padda proposed, Harry Blathwayt seconded

It was resolved unanimously to recommend both the Risk Management Policy and Risk Appetite Statement to the Broads Authority for adoption.

12. Corporate Risk Register

The Head of Governance Officer (HoG) introduced the report which provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The HoG confirmed that, since the last meeting, no new risks had been added or existing risks deleted and highlighted that there had been no change to any risk scores. The HoG added that since the report was authored the Chief Executive (CE) had announced his retirement which would have an impact on Risk 1, Loss of key staff, and confirmed that Risk 4, Reduction in income and increase in costs, had been and was continuing to be monitored given the reduced grant settlement.

There was a discussion regarding the change in CE. A Member highlighted the possible impact on existing staff and an increased risk of their departure given the uncertainty in the leadership of the Authority. The CE and Members emphasised the impact on the strategic planning capability of the Authority given the loss, from 1 August 2025, of the Director of Strategic Services and the planned retirement of the existing CE. A Member believed the change in the CE could possibly impact on existing stakeholders and partnerships, indicating it might be appropriate to consider this impact under Risk 9, Disruption to key project partnerships. The HoG confirmed that the Management Team (MT) would consider this feedback when next reviewing the CRR.

Members raised some other possible impacts on the CRR including devolution and local government reorganisation, the Cunliffe report into the UK's water sector and the Corry

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review into Defra's regulatory landscape. The CE advised that these items would be reviewed by the MT in the wider context of changes to external bodies.

The updated Corporate Risk Register was noted.

13. Implementation of internal audit recommendations - Summary of progress

The Senior Accountant (SA) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2020/21, 2023/24 and 2024/25. Since the previous meeting, audit opinions for both the Corporate Governance and Risk Management and Cyber Security 2024/25 audits had been received confirming they both achieved a "reasonable assurance". There were five recommendations associated with Corporate Governance and Risk Management which had all been completed. Cyber Security had received two "important" and seven "needs attention" recommendations which were all planned to be completed before October 2025.

Recommendation 3 Pilotage, from the Port Marine Safety Code audit in June 2021 had been completed (see table 1 of Appendix 1 of the report). The actions associated with Recommendation 4, from the Port Marine Safety Code audit November 2023 (see table 2 of Appendix 1 of the report), and Recommendation 1, from the Corporate Governance and Risk Management audit February 2024 (see table 3 of Appendix 1 of the report), had been updated.

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 Risk, Audit and Governance Committee meeting would be on **Tuesday 25 November 2025** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11:51am

Signed by

Chair