

Risk, Audit and Governance Committee

Minutes of the meeting held on 23 July 2024

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Present

Siân Limpenny – in the Chair, Bill Dickson, Tony Grayling, Paul Hayden, Kevin Maguire and Matthew Shardlow.

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 Sara Utting – Senior Governance Officer.

Please note these are draft minutes and will not be confirmed until the next meeting.

1. Apologies and welcome

The Chair welcomed everyone to the meeting. The Chair noted that this was Bill Dickson's last meeting as his appointment as Chair of the Authority, in which capacity he attended these meetings, would end when his successor was appointed at the Authority's annual meeting on 26 July 2024. She thanked him for his contribution to this committee and welcomed the opportunity to give him a proper send-off at the annual meeting.

Apologies were received from Alan Goodchild, Tristram Hilborn and Michael Scott.

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. She added that the law permitted any person to film, record, photograph or use social media in order 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 12 March 2024 were approved as a correct record and signed by the Chair.

5. Draft Statement of Accounts 2023/24

The Director of Finance (DoF) thanked those who attended an online briefing on the Statement of Accounts on 16 July 2024; those unable to attend had been provided access to a recording of the briefing. The DoF introduced the Senior Accountant who had recently joined the Authority.

The DoF introduced the report that provided an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2024, and confirmed that there was no significant change to the format compared with previous years. Since the deficit was reported to members at the Authority 10 May 2024, the DoF confirmed that it had increased by £20,100 due to a correction of some external audit adjustments that had been posted incorrectly to provision rather than revenue on the balance sheet. The deficit would be financed out of the National Park (general) reserves and the Navigation reserves.

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The DoF highlighted Table 1 Summary Income and Expenditure 2023/24, Table 2 Summary of adjustments and Table 3 Detailed adjustments of the report and then explained the most significant adjustments.

The staff pension fund accounted for the majority of the figure shown under Employee expenses. This adjustment might vary between the draft and final versions of the Statement of Accounts due to Norfolk Pension Fund being audited during the intervening period resulting in the finalisation of these figures.

The figure under Other Services expenses related to capital expenditure which had previously been reported as expenditure throughout the year, via the Authority's Financial Performance and Direction reports; at year end this was transferred to the balance sheet. The capital expenditure included the purchase of Hulver Ground which was financed with the remainder of the Defra capital grant from 2022/23. Debt repayments was also transferred to the balance sheet to reduce the amount of debt owed.

The DoF referred to a new contingent liability relating to an appeal under S31 of the Harbours Act 1964 lodged by the Broads Hire Boat Federation (BHBF) which, if the appeal found in favour of the BHBF, could have implications for the setting of future levels of tolls.

In response to a question, the DoF indicated that the aim was to maintain reserve thresholds at their minimum level and then budget accordingly. Given the uncertainty regarding revenue from tolls and the National Park grant this meant monitoring income throughout the year and using this information to inform spending decisions.

Members thanked the DoF and the finance team for their hard work and due diligence in producing the Statement of Accounts.

The report and Draft Statement of Accounts were noted.

6. Investment Strategy and Performance Annual Report 2023/24

The Director of Finance (DoF) introduced the report setting out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2024.

The DoF indicated that there was an error in Table 1 of the report relating to the lowest sum for the 32 Day Notice account which should read £513,000 (not £539,000).

The amount of interest received for 2023/24 was at a record high for the Authority. As interest rates were expected to fall in the next six months there was expected to be a corresponding fall in the amount of interest for 2024/25.

The DoF confirmed that replacement staff resource for the finance team had been recruited and training was underway. The work to restore the finance team to full capacity had meant that the work to engage a Treasury Management provider to help formulate the Authority's next investment strategy had not started.

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In relation to reviewing the Authority's banking providers from an ethical perspective, the DoF had confirmed that Local Authority regulations restricted this provision to just two providers, one of which was the Authority's current provider. The DoF had received information from the Authority's current banking provider regarding their ethical/climate friendly investments and she could share this information with Members if required.

The Chair noted the reduced options regarding the review of banking providers and stressed the need for the advice of a Treasury Management provider given the fiscal constraints faced by the Authority.

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

7. Internal Audit Annual Report and Opinion 2023/24

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 compliant with the Public Sector Internal Audit Standards.

The HoIA highlighted the performance of the contractors delivering the internal audits and indicated that they had not met their targets, in relation to the Authority's audits, resulting in the audit terms of reference documentation being delivered late. In response to a question, the HoIA indicated that steps were being taken to improve the performance of the internal audit contractors and these included a change in personnel and an increase in the number of contractors.

The HoIA highlighted the low number of responses, one out of four, with respect to KPI 8 that measured average feedback scores from key clients. She indicated that the associated questionnaire would be simplified to improve future response numbers.

The HoIA discussed the ongoing Quality Assurance and Improvement Programme (QAIP) and the introduction of new Global Internal Audit Standards (GIAS) that would become effective from 1 January 2025. The intention was to undertake a self-assessment against the GIAS and the HoIA expected there to be gaps in conformance as the GIAS differed from the previous standards. An action plan would be created to document the work required to resolve these gaps in conformance and this information would be reported to the committee early in 2025.

There was an outstanding action from the quinquennial External Quality Assessment, last performed in October 2022, and the HoIA confirmed that Assurance Maps would be factored into the next iteration of internal audit plans.

The report was noted with particular consideration given to:

- i. The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with the summary of the work supporting the opinion.**

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- ii. **The statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Association Note (LGAN) and the results of the Quality Assurance and Improvement Plan (QAIP) that support the statement**

8. External Audit

The External Auditor (EA) provided a verbal update on the 2023/24 audit and the outstanding 2022/23 audit.

The EA explained that the 2023/24 audit had been rephased following a change in personnel resulting from two resignations within the audit team. These roles had subsequently been replaced and good progress was being made on the 2023/24 audit. There were no significant findings or issues to report from the audit of the 2023/24 Statement of Accounts reported at item 5.

The EA reminded Members of the proposed reset of the local audit system and the proposed first phase of this proposal to clear the backlog of historical audit opinions up to and including financial year 2022/23. This phase of the reset required legislation to be passed by the government which had been delayed by the general election. The EA expected this secondary legislation to continue as before under the new administration, although the time delay could result in the proposed back stop dates being amended.

In response to a question, the EA confirmed that the 2023/24 accounts could not be signed off until the 2022/23 accounts had been disclaimed/modified under the proposed legislation.

The update was noted.

9. Annual Governance Statement 2023/24 and Code of Corporate Governance 2024

The Senior Governance Officer introduced the report that demonstrated how the Authority was complying with the principles of good governance and included the Annual Governance Statement 2023/24 and Code of Corporate Governance 2024.

It was resolved to recommend the Annual Governance Statement 2023/24 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.

10. Implementation of Internal Audit Recommendations: Summary of progress

The Director of Finance (DoF) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2020/21, 2021/22, and 2022/23. Since the previous meeting, the remaining two Corporate Governance and Risk Management recommendations had been completed (one from 2020/21 which the committee had agreed to delete at its meeting on 12 March 2024 and the other from

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2022/23), two of the recommendations from the Port Marine Safety Code audit and one of the recommendations from the Key Controls audit, all in 2023/24, had been completed. The DoF explained that the first two audits from the 2024/25, Cyber Security and Farming in Protected Landscapes (FiPL) grant programme, were due to commence imminently and the results would be reported at a future meeting.

In response to a question, the DoF confirmed that the Authority had requested the audit of the FiPL grant programme. The Chief Executive (CE) indicated that this programme was of importance to Defra and given that FiPL was due to end March 2025 the audit was well-timed. A Member asked whether there would be some form of communication regarding FiPL and its outcome. The DoF indicated that information was provided on the Authority's website (under [looking after/projects](#)) and the CE agreed to consider further communication on this programme following guidance from Defra.

Members noted that the updated Health & Safety at Work policy, an action identified during the 2022/23 audit, was outstanding and not due to complete until 31 March 2025. The Chief Executive indicated that work had commenced on this activity but had been delayed when the Head of Safety Management (HoSM) retired earlier this year. A replacement had been recruited and was due to start in June 2024 however they failed to join the Authority. The role had since been re-advertised and four candidates had been shortlisted and were due to be interviewed. Given the unforeseen delay in replacing the HoSM, work on updating the Health & Safety at Work policy had resumed and the intention was for this policy to be issued for review no later than the Broads Authority meeting on 29 November 2024.

Members noted that the arrangements for General Directions on larger vessels had not been finalised, the Pilotage action identified during the 2020/21 audit, and requested an update. The CE explained that this related to the provision of a pilot for large vessels when entering the Broads navigation. As a pilot had not been required for over twenty years the proposal, as endorsed by the Navigation Committee earlier in 2024, was to restrict access to large vessels and only permit entry once a risk assessment had been undertaken to confirm the vessel could safely navigate the Broads without a pilot. The Authority had engaged NP Law to confirm that the Authority's General Directions, which govern the responsibilities of the Authority as a port, could be updated to accommodate this proposal. NP Law had no inhouse expertise in this specific area of law and were looking to secure access to this specialist knowledge on behalf of the Authority. The CE believed it would take some time to resolve this matter and, in the meantime, it would not have an impact to the Broads navigation and questioned why the priority of this action was important.

The report was noted.

11. Corporate Risk Register

The Senior Governance Officer (SGO) introduced the report which provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The SGO confirmed that, since the last meeting and other than a change in layout, no new risks

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had been added or existing risks deleted and highlighted that there had been no change to any risk scores.

A Member questioned the continuing inclusion on the register of risk of items that had reduced their risk scores to levels that were below the reporting threshold and unlikely to improve further. The Head of Internal Audit suggested that the Authority could agree risk score targets for each of the risks and once the target had been achieved, they could be removed from the CRR.

The Chief Executive (CE) proposed splitting Risk 10 relating to a breach in data security or data protection, or loss of data into two discrete risks to reflect the two sources for this risk corresponding to inside and outside the organisation. There was a discussion regarding the rising risk to public IT systems from cyberattacks and their resulting impacts ranging from temporary loss of access to the irrevocable loss of data. A Member recommended not splitting this item as it was useful at the corporate level to group these factors within a single risk item. He added that splitting Risk 10 would be inconsistent with the other existing risks, as you could justify sub-dividing all the other existing risks in a similar fashion.

The CE provided an update on the factors associated with Risk 4 relating to a reduction in income and increase in costs. A recent analysis of tolls indicated that the 2024 tolls revenue was down on the expected value, predicted using numbers for the equivalent period last year, despite the increase in tolls for 2024/25. While the current Hire Boat tolls revenue was very close to the final figure for 2023/24 (a shortfall of £30,000), private tolls revenue was below predictions by about 5%. The poor weather, increased mortgage costs and the ongoing cost of living crisis were all contributory factors. A similar analysis of short visit tolls so far this year resulted in a revenue of £3,823.95, approximately 40% down on the same period in 2023/24. The CE and Director of Finance planned to re-assess the situation in August and if required propose reductions in expenditure on navigation in 2024/25 for discussion at the next Navigation Committee meeting (5 September 2024). The aim was to mitigate the extrapolated revenue shortfall, as predicated on the current analysis, and alleviate some of the pressure for further tolls increases in 2024/25.

A Member noted that Risk 2, Harmful actions undermining public confidence in Broads Authority, had focused on harm resulting from actions by officers and Members of the Authority and suggested that this should be updated to include harmful actions from people outside the Authority.

The updated Corporate Risk Register (appendix 1 of the report) was noted.

12. 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.

13. Formal questions

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

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14. Date of next meeting

Since the meeting, it had been agreed to cancel the meeting scheduled for 17 September 2024. The next Audit and Risk Committee meeting would be on **Wednesday 27 November 2024** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11:30am

Signed by

Chair

DRAFT