

Financial Scrutiny and Audit Committee

AGENDA

9 February 2016

2:00pm

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1. To receive apologies for absence	
2. Appointment of Vice-Chairman	
3. To note whether any items have been proposed as matters of urgent business	
4. To receive declarations of interest	
5. To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meetings held on 22 September 2015 (herewith)	3 – 11
6. Public Question Time To note whether any questions have been raised by members of the public	
FINANCIAL SCRUTINY	
7. Investment Strategy Performance Six Monthly Report 2015/16 Report by Treasurer and Financial Adviser (herewith)	12 – 13
8. Draft Budget 2016/17 and Financial Strategy to 2019/20 Report by Head of Finance (herewith)	14 – 25
9. Consolidated Income and Expenditure: 1 April to 31 December 2015 Actual and 2015/16 Forecast Outturn Report by Head of Finance (herewith)	26 – 37
AUDIT	
10. Internal Audit Strategic and Annual Audit Plan 2016/17 Report by Head of Internal Audit Consortium (herewith)	38 – 56

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11. External Audit Report by Head of Finance (herewith)	57 – 99
12. Implementation of Internal Audit Recommendation and Summary of Progress Report by Head of Finance (herewith)	100 – 109
RISK MANAGEMENT	
13. Review of Strategic Risk Register Report by Chief Executive (herewith)	110 – 120
OTHER MATTERS	
14. Counter Fraud, Corruption and Bribery Strategy Report by Head of Finance (herewith)	121 – 135
15. 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	
16. To answer any formal questions of which due notice has been given	
17. To note the date of the next meeting – Tuesday 5 July 2016 at 2.00pm at Yare House, 62-64 Thorpe Road, Norwich	

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 22 September 2015

Present:

Mr G McGregor - Chair
Mr Louis Baugh
Prof J A Burgess
Mr M Whitaker

In Attendance:

Ms E Guds – Administrative Officer
Miss E Krelle – Head of Finance
Ms A Long – Director of Planning and Resources
Mr P Ionta – Solicitor and Monitoring Officer
Mr J Packman – Chief Executive

Also in Attendance:

Ms J Penn – Treasurer and Financial Adviser
Mr D Riglar – External Audit Ernst Young LLP
Mr M Russell - External Audit Ernst Young LLP

4/1 Apologies for Absence

Apologies for absence were received from Nigel Dixon and Peter Dixon.

4/2 Appointment of Chair

The Chief Executive invited nominations for the position of Chairman for the forthcoming year.

It was proposed and duly seconded that Mr McGregor be appointed as Chairman.

There being no other nominations, it was

RESOLVED

that Mr McGregor be appointed as Chairman of the Financial Scrutiny and Audit Committee for the forthcoming year.

Mr Guy McGregor in the Chair

4/3 Appointment of Vice Chair

Nominations for Vice Chair were postponed to next committee meeting in February 2016 as Vice Chair was not present.

4/4 Matters of Urgent Business

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

4/5 Declarations of Interests

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

4/6 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 7 July 2015 (herewith)

The minutes of the meeting held on 7 July 2015 were approved as a correct record and signed by the Chairman.

4/7 Terms of Reference of the Financial Scrutiny and Audit Committee

Members noted the report.

4/8 Public Question Time

No questions were raised by members of the public.

4/9 Annual Governance Report 2014/15

Members received a report which appends the Annual Governance Report for 2014/15 prepared by the External Auditors, Ernst & Young.

The External Auditor from Ernst & Young informed members that the audit was completed and thanked the Head of Finance and her team for the satisfying outcome. He explained that the key audit risk faced by the Authority was Management Override, the ability to manipulate the accounts. Their testing had revealed that there was no evidence of this.

The Chair said that he was happy the Authority had received a clean bill of accounts and mentioned last year it was suggested the auditors would start earlier so there would be less pressure for Authority staff to meet their deadline.

The External Auditor responded he agreed that starting earlier would be favourable but would mean starting their audit much earlier, before their obligations/commitments to other Local Authorities. He added that as from 2017/18 the audit would be earlier in line with the new regulations.

The Head of Finance informed members there would be a slight change to the letter of representation and that section J would be removed in the final copy. The letter would also be dated Friday 25 September when the accounts would be signed at the full Authority.

RESOLVED

Members noted the report and resolved that the Letter of Representation in connection with the Audit of the Financial Statements for 2014/15 be signed by the Treasurer and Financial Adviser and the Chairman of the FSAC.

4/10 External Audit Committee Briefing: September 2015

Members received a report which appended two briefings, Accelerating Your Financial Close Arrangements and a Local Government Audit Committee Briefing issued by the Authority's External Auditors, Ernst & Young.

The Head of Finance informed members that it was necessary to consider a new Stock Policy and that would help with the year-end valuation process. It would tighten up on what was counted and would look to exclude items such as offcuts, recycled parts and consumables. She continued that they would start to look at using the accounts package purchase order system. This would help budget holders with understanding their committed expenditure and calculate their accruals at year end. There would not be any extra cost as this was already included as part of the accounts package.

The Chair enquired how important Stock Valuation was to which the External Auditor responded that this was always border line material each year which was why the stock take was attended by audit. A policy would help the accounts team not to spend all their time on it at year-end.

A member mentioned an Obsolesce Policy and the Head of Finance confirmed that this was the case. As part of the stock process staff are asked to identify any obsolete stock in order for it to be written off.

The Treasurer and Financial Adviser recognised that having to manage the accounts as a small financial team was challenging and said that the Head of Finance and her team had proven that they were able to provide accounts to a very high standard.

A member added that, in the hope to try and help the Finance Team to prepare the accounts, the Authority had provided training for budget holders to clarify expenditure and plans and for stakeholders to recognise to identify budgets.

Members noted both appended briefings including the questions for Audit Committees set out on page 7 in the first briefing and page 9 in the second.

4/11 Annual Governance Statement 2014/15

Members received a report which explained the 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.

The Solicitor and Monitoring Officer highlighted that the overall opinion of the Head of Internal Audit for 2014/15 was that the framework of governance, risk management and control at the Broads Authority was deemed to be adequate and represented a stable control environment. He added that the Authority had also received two good assurance levels in respect of Corporate Governance and Risk Management and Key Controls and Assurance.

In relation to Consultation Activities and Partnership Provision, the Chair enquired about the adequate assurance opinion which was awarded. The Director of Planning and Resources responded that this was in relation to the stakeholders review and the Parish Forums. She explained that as the result of that review the Authority had come up with an action plan and that the next stage would be looking at the effectiveness of the measures put in place.

In relation to Strategic Partnerships, The Solicitor and Monitoring Officer highlighted that it had been decided to delay this annual review until November rather than September, as stated in the Annual Governance Statement, due to the busy agenda for members at the September meeting.

One member enquired how an adequate rating would differ from a good rating as she found it difficult to establish how one would improve from an adequate to a good rating.

The Treasurer and Financial Adviser explained that an adequate rating was good enough and appropriate for the size of an organization like the Authority. She continued that the fact that the Authority was awarded two good ratings was very positive and that an adequate rating demonstrated that no risks to the controls existed. However, if the Authority would want to improve their rating, it would involve having more controls put in place.

One member said that it was important how the Authority was portrayed by others and that it was being judged about what it put in place. Therefore he believed the importance was for the Authority to prioritize what was achievable and concentrate on quality rather than quantity.

Members recognised that none of the recommendations in the action plan were high priority which was very positive considering the Authority was under staffed and was challenged finding appropriate staff for the correct pay.

The Chief Executive agreed that the Authority was trying to keep the day to day issues going and that the core service had fallen back. Also he admitted that recruiting had been a challenge as the Norfolk market was limited

compared to London, however that the Authority had managed to find some very capable staff.

RESOLVED

- (i) Members recommended the Annual Governance Statement for 2014/15 and Action Plan for 2015/16 to the Broads Authority for approval on 25 September 2015.
- (ii) Members confirmed that, subject to implementation of the improvements identified in the Action Plan, the Authority's internal control systems and governance arrangements are considered to be adequate and effective.

4/12 Implementation of Internal Audit Recommendations – Summary of Progress

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2014/15 and 2015/16.

The Head of Finance informed members that the Authority had received a good rating for the Corporate Governance and Risk Management audit. She said that the Planning Audit had been undertaken and that although the final reports have not been received yet, as this stage they didn't expect to find any issues.

She further informed members that in regards to responses to recommendations relating to IT issues, actions 5 and 7 had now been completed and explained that the delay was due to staff recruitment issues.

She recognized that regards to Consultation Activities and Partnership Provisions there were still some actions outstanding but said that the target date didn't fall until later on within this financial year.

Members noted the report.

4/13 Consolidated Income and Expenditure 1 April to 31 July 2015 Actual and 2015/16 Forecast Outturn

Members received a report which provided them with details of the actual income and expenditure for the four month period to 31 July 2015, and gave a forecast of the projected expenditure at the end of the financial year (31 March 2016).

The Chief Executive reminded Members that there would be a request for extra budget for Hickling. This would make the finances extremely tight following the decision to increase tolls by 1.7% in 2015/16. However, in order to continue with the Hickling Broad Project the Authority would need an

additional £21K which would have a negative effect on the reserves which would drop below the recommended level of 10%.

Mutford Lock would need an additional £87K from a separate reserve set aside for Mutford Lock.

Members were informed by the Chair of the Navigation Committee that the Navigation Committee supported both the Hickling Project and the Mutford Lock repairs.

Members recognised that a decrease in the number of hire boats because the industry was selling some of its older craft to help pay for new investment, had a significant negative effect on navigation income. This pattern was likely to continue into next year but it was very difficult to predict how much and how fast this decline would carry on. Many hire boats were sold to private buyers, which meant that the vessels would stay on the Broads but the Authority would lose the benefit of the additional income from the multiplier effect on tolls.

The Chief Executive concluded that the Authority was in a reasonable financial position. The organisation had reasonable reserves without any big demands on expenditure and was looking hard how to continue to save money.

RESOLVED

- (i) members noted the position in respect of Hickling and Mutford Lock in regards to 2015/16; and
- (ii) members supported the additional budget request for referral to the Authority as set out in paragraph 6.2 and 7.1.

4/14 Annual Review of Strategic Risk Register

Members received a report which appended the Authority's updated Strategic Risk Register for their comments. The Solicitor and Monitoring Officer highlighted that the Register currently incorporated 18 key risks and that no new risks had been registered since the Committee's previous review in September 2014.

He continued that currently the Risk Register was reviewed once a year but it was a recommendation from the Auditors that this was done more frequently and that it had been recommended by the Internal Auditor and accepted by Management Team to add the Risk Register to the Agenda of this Committee as a standard Item as from the next meeting in February 2016.

The Treasurer and Financial Adviser supported this idea and said that this would provide evidence that the risk had been highlighted and would encourage members to establish and consider what the key risks for the Authority are.

The Solicitor and Monitoring Officer added that, should a risk exceed the tolerance level, the Chair of the Authority and Chair of the Financial Scrutiny and Audit Committee will be engaged immediately to determine appropriate action to be taken. A member commented that reviewing the Risk Register more frequently would be beneficial as it would add to the decision making process.

RESOLVED

that members noted the updated Strategic Risk Register and invited officers to produce a report for the next meeting with proposals for the amendment of policy reports to incorporate a specific section addressing the issue of risk.

4/15 Review of Policy on Reserves

Members were shown a presentation which illustrated the effect an increase or decrease in tolls would have on the budget and also how much income would need to increase to keep the Reserves at 10% of expenditure.

From the presentation it became clear that in order to be able to carry out both the Hickling Project and the repairs to Mutford Lock, compromises needed to be made. The Chief Executive said that if Hickling was a priority maybe members could suggest what compromises/sacrifices could be made.

Members agreed that there should be a cutoff point when it comes to trying to keep Mutford Lock operational as it is becoming beyond the Authority's ability to repair, especially as the North Sea could be reached via an alternative route.

One member believed that a 5.5% rise in toll was going to be challenging as it was not in line with the rise in inflation and suggested whether savings should be made by preventing purchases which were excessive, ie. purchase of land for disposal of dredge material. The Chairman commented that being able to dump dredging material was essential to keep the navigation channels clear.

Another Member believed that the presentation demonstrating the sensitivity of the reserves was informative however was concerned it was only betraying a partial picture and would be interested to know how the calculations would compare to the National Park Grant Reserves.

The Chief Executive responded that compared to the Navigation side which had many assets to maintain, the National Park side's biggest asset were people. He said that an example of a major emergency on the National Park side would be a major flood or a Food and Mouth outbreak, which were issues the Authority wouldn't have much control over.

The Member requested that the reserve position of the National Park side be illustrated in the Reserve Policy when it was brought to the Full Authority.

The Chief Executive highlighted that organisations like Canal River Trust and the Environment Agency receive public funding for the maintenance of the navigation while the Broads Authority was unique in the sense that its Navigation was entirely funded by toll payers.

He supported the implementation of the Hickling Project but suggested that the financial implications needed to be looked at carefully as to how this would be managed over the next 20 years.

The Head of Finance highlighted that a great deal of equipment was passed on from May Gurney and would all need replacing soon. The replacements would be funded from the earmarked reserves as long as they continued to have sufficient balances.

The Chief Executive said that the Authority believed that having reserves at 10% of Navigation Expenditure seemed to be a sensible provision to cope with risk, however they would need to establish how much was needed for demands on assets, how much was needed to respond to opportunities like buying land for dredging disposal and how much should be made available for match funding bids for external funding.

Members considered reserves being made available for match funding was very important as they believed match funding presented the Authority with the only realistic prospect of bringing in substantial sums of income, needed to realize many of the projects.

Members noted the report.

4/16 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.

4/17 Formal Questions

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

4/18 Date of the next meeting

Members noted that date of the next Committee meeting would be held on Tuesday 9 February 2016 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 4.05 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 22 September 2015

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 ✓
Michael Whitaker		Toll payer, Hire Boat Operator, BABF Chair	
Louis Baugh			
Jacquie Burgess			

Investment Strategy and Performance Six Monthly Report 2015/16
Report by Treasurer and Financial Adviser

Summary: This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the six months to 30 September 2015 and includes a review of the performance in 2014/15.

Recommendation: That the current arrangements regarding the investment of surplus cash are noted.

1 Introduction

1.1 It has been agreed with the Treasurer and Financial Adviser that a six monthly report on the performance of the Authority's investments will be presented to the Financial Scrutiny and Audit Committee, with a fuller 'year-end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

2 Investment Principles and Performance

2.1 The investment of surplus cash is governed by a Service Level Agreement between the Broads Authority and Broadland District Council. The use of the Council reflects the limited treasury management knowledge and staff resources that exist within the Broads Authority.

2.2 Surplus cash sums are calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then includes the investment of this cash with its own treasury management function. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the six months to 30 September 2015 were:

- Opening balance £3.250 million
- Closing balance £3.750 million
- Highest sum £4.250 million
- Lowest sum £3.250 million

2.3 There has been one withdrawal in September 2015 of £500,000.

2.4 The figures for the previous year (2014/15) were:

- Opening balance £2.750 million
- Closing balance £3.250 million
- Highest sum £3.750 million
- Lowest sum £2.750 million

2.5 A transaction charge is made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2014/15 and 2015/16 the actual interest receivable by the Broads Authority was/is based on the actual interest received on Broadland's internal investments.

2.6 The sum paid over for 2014/15 was £18,371.23 based on internal monthly returns that ranged from 0.34% to 0.72%. Interest earned for the period 1 April 2015 to 30 September 2015 is £11,960.37 based on monthly returns that ranged from 0.41% to 0.60%.

2.7 The total interest earned in 2014/15 was £19,452. Forecast interest for 2015/16 is £20,000.

2.8 Since the 2014/15 year end (31 March 2015), the Authority has transferred a sum of £1,000,000 to the Council, and has requested back £500,000, bringing its total investment to £3,750,000. There are currently very low rates on offer for fixed term deposits and it is therefore not proposed to make any direct investments at present, and a larger balance will continue to be invested with the Council at this time.

2.9 It has been agreed (although Broadland's low risk appetite did mean that the Council had no exposure to Icelandic banks in 2008/09) that if the Council were to suffer credit risk exposure, any losses would be shared pro-rata between the two organisations. Broadland Council is updating its Treasury Management Strategy but will be risk aware and ensure to the best of its ability the security of any investments from the Authority.

Background papers: None

Author: Jill Penn
Date of report: 13 January 2016

Broads Plan Objectives: None

Appendices: Nil

Draft Budget 2016/17 and Financial Strategy to 2018/19
Report by Head of Finance

Summary: This report sets out information for the Financial Scrutiny and Audit Committee to consider the consolidated income and expenditure budget for 2016/17 and a three year Financial Strategy to 2018/19. The latter is based on the four-year settlement for National Park Grant, the adopted overall 4.5% increase in navigation charges for 2016/17 and an assumption of 2.5% per annum increase in the subsequent two years.

Recommendations:

- (i) Welcomes the favourable National Park Grant settlement and notes that the Chair of the Authority has written to the National Park Minister expressing thanks from Members and officers for his efforts and personal commitment to our work.
- (ii) Scrutinises both next year's draft budget and the draft Financial Strategy and considers whether any amendments are required prior to recommending their adoption at the March meeting of the Authority.
- (iii) Considers the Earmarked Reserves Strategy for the period 2016/17 to 2018/19, and recommends that the Authority approves the proposed contributions to and from Earmarked Reserves for the period 2016/17 to 2018/19.

1 Introduction

- 1.1 An outline of the draft budget for 2016/17 was presented to the Authority at its meeting of 20 November 2015 in order to inform the setting of navigation charges for 2016/17. Following the Authority's decision to apply an overall increase in tolls of 4.5%, in line with the recommendations of the Navigation Committee, and the recent Ministerial letter setting out the National Park Grant settlement for the next four years, this report now sets out an updated draft budget for 2016/17 alongside a draft Financial Strategy to 2018/19.
- 1.2 The views of the Navigation Committee were sought to inform preparation of this final draft budget at the Committee's meeting of 10 December 2015. This was in advance of certainty about the future levels of National Park Grant. The draft Financial Strategy at that point indicated that the National Park side of the budget would run at a deficit for the three financial years. In the light of this the Committee proposed that the Financial Scrutiny and Audit Committee should review the budget to identify future areas for possible savings.

- 1.3 As members will be aware notification has since been received regarding the National Park Grant allocation. For the first time the notification has provided a degree of certainty for the next four years and includes a small allowance for inflation at 1.72%. The cumulative effect of this increase means that rather than a deficit the draft Financial Strategy now shows a surplus on the National Park side by the end of 2018/19.
- 1.4 This represents a very significant change in fortunes and Ministers have indicated considerable support for the work of National Park Authorities (and the Broads Authority). The Chair of the Authority has written to Rory Stewart MP, the Minister with responsibility for National Parks, to thank him for his support and confidence in us.

2 Overview of 2015/16 Forecast Outturn

- 2.1 Members will recall that the original budget provided for a surplus of £139,421, as approved by members on 23 January 2015. This original budget has subsequently been adjusted for the carry forwards and additional budget for Hickling giving a latest available budget (LAB) surplus of £64,084.
- 2.2 The current predictions for income in 2015/16 are for an overall decrease of £31,993. This incorporates a reduction in hire boat income of approximately £21,723, offset by a small increase for private craft and a decrease in interest income. As at 1 November 2015, boat figures show hire motor cruises reducing by 20 and private motor cruises 32 up on the 1 November 2014 figure.
- 2.3 Expenditure is broadly on target, with the exception of the Legal budget. There are a number of variances within budgets which mean that the overall forecast outturn position for 2015/16 anticipates a surplus in the consolidated budget of £17,083 (an adverse variance of £47,001 to the LAB). This would result in an overall consolidated reserve balance of approximately £1,251,000 at the end of the year, and £1,241,000 after year-end adjustments, which is in excess of the minimum recommended level for National Park. However this will mean that the Navigation reserve will fall below the recommended level of 10% to 8.9%. These balances provide the Authority with some level of protection against likely costs in subsequent years. Within the total consolidated balance, the forecast navigation balance after year-end adjustments is £268,000. The budget takes into account the forecast outturn position and makes proposals which will start to restore the balance of the navigation reserve to just below the recommended level in 2018/19.

3 2016/17 Budget Proposals

- 3.1 The draft budget for the Authority is set out in Appendix 1, alongside the financial strategy to 2018/19 to provide context. The format of the budget is in line with the monitoring presented to Authority through the financial year and reflects the Authority's organisational structure. Volunteer costs have been

transferred from Operations to Planning and Resources from 2015/16 onwards, reflecting the revised structure.

3.2 In line with the previously reported financial strategy, the draft budget takes account of the following three key factors:

1. Resourcing the Asset Management Plan
2. Allocation of Practical Work
3. Reductions in Central Costs

3.3 Total core income for 2016/17 is budgeted to be £6,373,641, including £3,243,802 National Park Grant, £1,972,000 for private craft tolls and £1,079,000 for hire craft tolls. This income takes account of the latest available data for boat numbers, and the impact of the overall 4.5% increase in tolls approved by the Authority at its meeting of 20 November 2015 following the recommendations of the Navigation Committee. Net expenditure is budgeted at £6,376,488. After taking into account the transfer of £10,000 of interest to earmarked reserves, this will result in a consolidated budget deficit of £2,847 in 2016/17, with the result that reserves at the end of March 2017 are projected to be £1,227,829 (£948,510 National Park and £279,319 Navigation, which amounts to 29% and 9% of net expenditure for the year respectively). Table 1 sets out an overview of the proposed 2016/17 budget, which is provided in more detail in Appendix 1.

Table 1 – Draft 2016/17 Budget

	2016/17		
	National Park	Navigation	Consolidated
	£	£	£
National Park Grant	(3,243,802)	0	(3,243,802)
Navigation Tolls	0	(3,109,839)	(3,109,839)
Other income	(10,000)	(10,000)	(20,000)
Total Income	(3,253,802)	(3,119,839)	(6,373,641)
Operations	1,020,415	2,138,295	3,158,710
Planning and Resources	1,874,019	752,129	2,626,148
Chief Executive	296,175	158,455	454,630
Corporate Items	82,200	54,800	137,000
Total Expenditure	3,272,809	3,103,679	6,376,488
Net (Surplus) / Deficit	19,008	(16,160)	2,847
Opening Reserves (Forecast)	(972,517)	(268,158)	(1,240,676)
(Surplus) / Deficit	19,008	(16,160)	2,847
Interest transfer	5,000	5,000	10,000
Closing Reserves (Forecast)	(948,510)	(279,319)	(1,227,829)

4 Operations

- 4.1 The Operations budget incorporates the second stage of changes to the apportionment of practical works (mainly affecting Construction and Maintenance salary budgets), which will enable additional navigation activity to be delivered in 2016/17. The Water Management budget which incorporates the Dredging and Lake Restoration activities have been increased for the additional works at Hickling as previously agreed. The Practical Maintenance budget which incorporates Mutford Lock, Electric Charging Pillars, Moorings maintenance and repair, Notice Boards, Other Navigation works and Site maintenance has seen a decrease. This reflects the removal of the provision for the Dickey Works plus the increased maintenance costs for Mutford Lock agreed in September. In other areas the budget represents the level of funding required to enable a continuation of the levels of service delivered in the current year.
- 4.2 It is however important to recognise that the Operations budget has no capacity to take on additional projects or ad-hoc work in 2016/17.

5 Planning and Resources

- 5.1 There has been one change within the Planning and Resources area of the navigation budget when compared to 2015/16. This principally relates to the Volunteer costs now falling as part of Strategy and Projects. The 2016/17 budget also allows for £50,000 annually for two years supporting the development phase of the HLF Landscape Partnership project. Within the Communications budget the additional £5,000 agreed last year for the branding has been carried forward into 2016/17, this is subject to the decision on the judicial review this month. Similarly to Operations there is little capacity to take on additional projects or other ad-hoc work.

6 Central and Shared Costs and Cost Apportionment

- 6.1 Apportionments between Navigation and National Park have been adjusted within the Operations Directorate to reflect the proposed apportionment for practical works supported by the Navigation Committee and subsequently approved by the Authority in 2014. In addition the apportionment of Legal budgets has been adjusted to reflect the latest actual split of activity (legal costs are always apportioned in line with actual use). All other apportionments are consistent with the principles agreed by the Resources Allocation Working Group.
- 6.2 Full details of apportionments by budget line for 2016/17 are set out in Appendix 1. The overall split of proposed net expenditure in 2016/17 is 51% National Park and 49% navigation, which is very much consistent with the forecast split of income standing at 53% to 47% for the same period.
- 6.3 Table 2 below provides further details of central and shared costs. These should not be seen as being synonymous with overheads, but have been identified in line with those areas specifically examined for apportionment by the Resource Allocation Working Group. As such they reflect costs across the

Authority that are included within the budgets of both the Operations and Planning and Resources directorates, and from the Chief Executive's section.

Table 2 – Central and Shared Costs

	2016/17			2017/18			2018/19		
	National Park	Navigation	Consolidated	National Park	Navigation	Consolidated	National Park	Navigation	Consolidated
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Share of central and shared costs	1,293	911	2,204	1,300	919	2,218	1,312	929	2,241
Pension contribution lump-sum	82	55	137	100	67	167	122	82	204
Total	1,375	966	2,341	1,400	985	2,385	1,435	1,011	2,445
Percentage split of central and shared costs	59%	41%	100%	59%	41%	100%	59%	41%	100%
Total core income	(3,254)	(3,120)	(6,374)	(3,315)	(3,182)	(6,496)	(3,376)	(3,245)	(6,621)
Central and shared costs as percentage of core income	42%	31%	37%	42%	31%	37%	42%	31%	37%

6.4 Central and shared costs have been defined in line with the work of the Resource Allocation Working Group to include: operational property; finance and insurance; communications (which includes, education and tourism); collection of tolls; ICT; legal; head office, office expenses and pool vehicles; directorate management and administration costs; human resources and training; governance and members' allowances; and the Chief Executive, all of which play a vital role in supporting the delivery of front line services. Central and shared costs also include the lump sum pension contribution which is made annually to reduce the Authority's share of the pension deficit as calculated by the pension fund actuary. As a percentage of income, central and shared costs are broadly static and remain at the same level as 2015/16.

7 Budget Assumptions

7.1 The following key assumptions have been applied in developing the draft budget:

- Navigation tolls will be collected in line with budget and an overall increase applied for 2016/17 with the reduction in the multiplier between Hire Craft and Private Craft from 2.62 to 2.55; (Note: there may be changes to future years as a result of the recommendations from the Tolls Working Group which will have to be taken into account).
- Based on information from the Broads Hire Boat Federation it has been assumed that hire boat numbers will continue to decrease at a rate of 20 per annum, and it is therefore thought prudent to budget for a reduction in annual Hire Boat income of £20,000 per annum (note from the Stakeholder survey, 6 of the 25 yards who responded indicated that their fleets will decline over the next five years);
- Continuation of the discretionary support provided to the hire boat industry in terms of the staged payments facility and early payment discount. This is where there is an annual hire tolls liability of £1,300 or more. For bills between £1,300 and £4,000 there is an option to pay in two instalments and for those above £4,000 four payments was provided as an option. To encourage payment in full on or before 1 April, which makes the administration much simpler, a 2% discount was provided. This process continues to work extremely well and received a positive response from the industry. The cost of the discount provided, in terms of lost revenue, was £11,797.33;
- Salary increases have been allowed for in 2016/17 onwards based on the public sector indications of 1% over the next three years;
- Changes to National Insurance arrangements as a result of the cessation of the contracted out rate for the state second pension will go ahead from 2016/17 onwards;
- Pension lump sum deficit will continue to increase at 22% per annum, although the next triennial valuation will set the contribution for the next three years from 1 April 2017; and
- The forecast outturn position for 2015/16 will be delivered in line with budget holders' projections.

7.2 A detailed sensitivity analysis for some of these key assumptions is set out below.

Table 3 – Budget Sensitivity Analysis

Assumption	Change in assumption	Approximate financial impact of change £ (+/-)
National Park budget for 2015/16 will be delivered in line with forecast outturn.	1% under / over-spend against National Park budget.	32,000
Navigation budget for 2015/16 will be delivered in line with forecast outturn.	1% under / over-spend against Navigation budget.	30,000

Overall salary increase of 1% in 2016/17.	1% change in salary inflation.	40,000
Boat numbers and distribution remain predicted; overall increase in navigation tolls income 4.5% 2016/17.	1% change in navigation toll income.	30,000
National Park Grant in line with notified allocations and no further reduction applied in 2016/17.	1% change in National Park Grant allocation.	32,000

8 Earmarked Reserves

- 8.1 The Authority's earmarked reserves strategy for the period 2016/17 – 2018/19 is set out in Appendix 2. The strategy details the actual balance of earmarked reserves at the end of December 2015, planned contributions and expenditure until the end of the financial year, and also provides an analysis of movements in reserves split between national park and navigation in all years to 2018/19.
- 8.2 Earmarked reserves stand at £1,363,592 (navigation £699,394) at the end of December 2015 and are forecast to reduce slightly (to £1,287,327) by the end of the financial year.
- 8.3 Appendix 2 reflects the contributions to reserves allowed for in the budget and financial strategy set out in Appendix 1. Planned expenditure from reserves is itemised within Appendix 2 and includes in 2016/17:
- Final payment of the 2nd launch fit out;
 - Replacement of four vehicles;
 - Repairs to Irstead Boat house;
 - Dockyard old workshop refurbishment;
 - Contribution to the Three Rivers Way cycle scheme partnership with Norfolk County Council;
 - Document Management System;
 - The Broads Plan and Local Plan final production costs; and
 - Heritage Lottery Fund development phase grant expenditure.
- 8.4 Significant planned expenditure from earmarked reserves in 2017/18 and 2018/19 includes the Local Plan Inspection, replacement of five operational vehicles at an estimated total cost of £62,000, a new Wherry estimated total cost of £107,000 and the relocation of the Dockyard Wet Shed estimated to a total cost of £60,000.
- 8.5 Taking account of all these items, the forecast balance of earmarked reserves at the end of 2018/19 is £1,630,684 (navigation £890,980), although it should

be noted that expenditure plans for 2017/18 and beyond are likely to be further refined when the financial strategy for 2017/18 is developed later on this year.

- 8.6 Within the Authority's revenue budgets, provision has been made for the annualised cost of asset management, in line with the Authority's Asset Management Strategy. It should be recognised that this Strategy represents the whole life costs of maintaining the Authority's assets and as such the actual expenditure may vary from year to year depending on requirements. The total budget however represents the level of funding required over the life of the asset. As such, these sums need to be available in future years to meet the liabilities which will arise. 2016/17 sees the addition of £46,000 per annum to the reserve to cover the future costs of the Countryside asset costs.

9 Summary

- 9.1 The draft budget presented here incorporates the 4.5% increase in navigation charges for 2016/17 and is designed to allow the Authority to continue to deliver priority navigation activities at the required level, whilst also making prudent provision for asset maintenance over the life of the strategy and beyond. Minor adjustments have also been made to reflect the latest staffing forecasts. As a result of all these factors there is no capacity within the budget for additional projects. The National Park budget similarly provides for the continuation of priority works in 2016/17 and to support the delivery phase of the Heritage Lottery Fund Landscape Partnership project.
- 9.2 It is important to recognise that the budget as a whole is highly sensitive to changes in salary inflation, as a result of the significant proportion of the budget that is made up of staff costs. The budget is based on a 1% increase in salaries for the period April 2016 to March 2019, however there remains considerable uncertainty in respect of likely future year awards.
- 9.3 The navigation surplus of £16,160 in 2016/17 is essential to start to restore the balance of the navigation reserve and provide some flexibility to respond to any higher than anticipated salary inflation in future years. It remains the case that the indicative tolls increases in 2017/18 and beyond will need to be revisited during next year's budget setting process to ensure they remain appropriate. This could be as a result of any variations from current assumptions or changes in outturn figures for 2015/16 and the recommendations from the Toll Review Working Group.
- 9.4 On the National Park side, the reserve remains above the minimum recommended levels despite running at a deficit for the next two financial years. The National Park Grant settlement for the next four years means that the Authority can confidently plan for this period.

Background Papers: Nil

Author: Emma Krelle
Date of Report: 26 January 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Draft Budget 2016/17 and Financial Strategy to 2018/19
APPENDIX 2 – Earmarked Reserves to 2018/19

**Consolidated Income and Expenditure:
1 April to 31 December 2015 Actual and 2015/16 Forecast Outturn**
Report by Head of Finance

Summary: This report provides the Committee with details of the actual income and expenditure for the nine month period to 31 December 2015, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2016).

Recommendation: That the report be noted.

1 Introduction

1.1 This financial monitoring report summarises details of the forecast outturn and actual expenditure for both National Park and Navigation.

2 Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 December 2015

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(5,413,458)	(5,374,567)	- 38,891
Operations	2,849,997	2,786,670	+ 63,327
Planning and Resources	2,060,080	1,894,443	+ 165,637
Chief Executive	330,280	348,683	- 18,403
Projects, Corporate Items and Contributions from Earmarked Reserves	(522,120)	(294,414)	- 227,706
Net (Surplus) / Deficit	(695,221)	(639,186)	- 56,035

2.1 Core navigation income is behind of the profiled budget at the end of month nine. The overall position as at 31 December 2015 is an adverse variance of £56,035 or 8.06% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £33,923 within toll income:
 - Hire Craft Tolls £21,723 below the profiled budget.
 - Private Craft Tolls £5,237 above the profiled budget.
- A favourable variance within Operations budgets relating to:

- Equipment, Vehicle and Vessels is above the profiled budget by £10,290 due to timing differences between the profiled budget and the actual receipt of invoices and the additional income from the Dockyard sale.
- Water Management is above the profiled budget by £25,497 due to the Hydrographic survey being completed ahead of profile.
- Land Management is above the profiled budget by £32,243 due to the change in payment schedule of the HLS income.
- Practical Maintenance is under the profiled budget by £59,643 due to timing differences.
- Ranger Services is under profiled budget by £34,910 due to delayed letting of the new launch contract following changes in the procurement regulations. This is partially offset by the salary overspend relating to unbudgeted unsocial hour payments.
- Asset Management is under profiled budget by £14,517 due to a small number of variances within each budget.
- Premises are under profiled budget by £16,839 due to an underspend within repairs and maintenance.
- A favourable variance within Planning and Resources budgets relating to:
 - Development Management is under profiled budget by £77,192 due to additional income being received for Section 106 agreements.
 - Biodiversity Strategy is above profiled budget by £14,042 due to timing differences on the receipt of income and expenditure.
 - Project Funding is under profiled budget by £29,644 due to savings on an unfilled post and timing differences on the receipt of income and expenditure.
 - Partnerships/HLF is above profiled budget by £17,848 due to a timing difference on the contribution to reserves which had originally been planned for March 2016. This was brought forward to coincide with the start of the development phase.
 - Communications is under profiled budget by £21,412 due to additional income being received and the delayed branding expenditure.
 - Visitor Centres and Yacht Stations is under profiled budget by £21,353 due to variances within income and expenditure.
 - ICT is under profiled budget by £29,768 due to delays on the infrastructure and DMS projects. The DMS project will be carried forward to 2016/17.
 - Planning and Resources Management and Administration is under profiled budget by £15,006 due to timing differences.
- An adverse variance within Chief Executive budgets relating to:
 - Legal budget is above profiled budget by £20,128 due to additional legal costs.
- An adverse variance within Projects, Corporate Items and Contributions from Earmarked reserves. This relates entirely to expenditure from Earmarked reserves:
 - Planning Delivery Grant reserve is behind profile by £43,196 due to the delayed DMS expenditure and profiled differences on the Local and Broads Plan expenditure. The variance on these is due to

continue to the end of the year with the balance being transferred to 2016/17 contribution from reserves.

- Property reserve is behind profiled expenditure by £47,669 due to delayed expenditure on Mutford Lock repairs.
- Plant, Vessels and Equipment reserve is behind profiled expenditure due to delayed billing for the 3rd Wherry and the delayed letting of the launch tender. This variance has been further increased due to the Wherry contract coming in under the original budget. This has resulted in an overall variance of £70,352. The variance on these is due to continue to the end of the year with the balance being transferred to 2016/17 contribution from reserves
- The Section 106 agreement reserve did not have a budget set as it is difficult to predict when these agreements will arise; this has resulted in a variance of £59,805.

2.2 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

3 Latest Available Budget

3.1 The Authority's income and expenditure is being monitored against the latest available budget (LAB) in 2015/16. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original budget 2015/16 – surplus	Item 12 23/01/15 (BA)	(139,421)
Approved budget carry-forwards	10/07/15 Item 11 (BA)	54,337
Additional Budget for Hickling	25/09/15 Item 8 & 13 (BA)	21,000
LAB at 31 December 2015 – surplus		(64,084)

3.2 Taking account of the budget adjustments, the LAB therefore provides for a consolidated surplus of £64,084 in 2015/16 as at 31 December 2015.

4 Overview of Forecast Outturn 2015/16

4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.

4.2 As at the end of December 2015, the forecast outturn indicates:

- The total forecast income is £6,208,639, or £31,993 behind the LAB.
- Total expenditure is forecast to be £6,191,556.
- The resulting surplus for the year is forecast to be £17,083.

4.3 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the changes shown in Table 3. The forecast surplus represents an adverse variance of £47,001 against the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn surplus reported to FSAC 22/09/15	(47,479)
Adjustments reported to BA 20/11/15	30,360
Adjustments reported to BA 22/01/16	1,036
Increase in Land Management income from Forestry Commission grant	(1,000)
Forecast outturn surplus as at 31 December 2015	(17,083)

4.4 The main reason for the difference between the forecast outturn and the LAB is the change in predictions for navigation toll income and interest, which are based on the latest actual income figures and show a net overall decrease of £31,993 in forecast toll and interest income for the year. The increase in the legal fees has also further reduced the forecast.

5 Reserves

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2015	In-year movements	Current reserve balance
	£	£	£
Property	(586,757)	186,101	(400,656)
Plant, Vessels and Equipment	(240,790)	107,498	(133,292)
Premises	(169,930)	(22,500)	(192,430)
Planning Delivery Grant	(353,676)	43,554	(310,122)
Mobile Phone Upgrade	(469)	469	-
Upper Thurne Enhancement	(53,285)	-	(53,285)
Section 106	(16,652)	(59,805)	(76,457)
PRISMA	(171,869)	6,671	(165,198)
Heritage Lottery	-	(32,152)	(32,152)

Fund			
Total	(1,593,427)	229,835	(1,363,592)

5.2 £699,394 of the current reserve balance relates to navigation reserves.

6 Summary

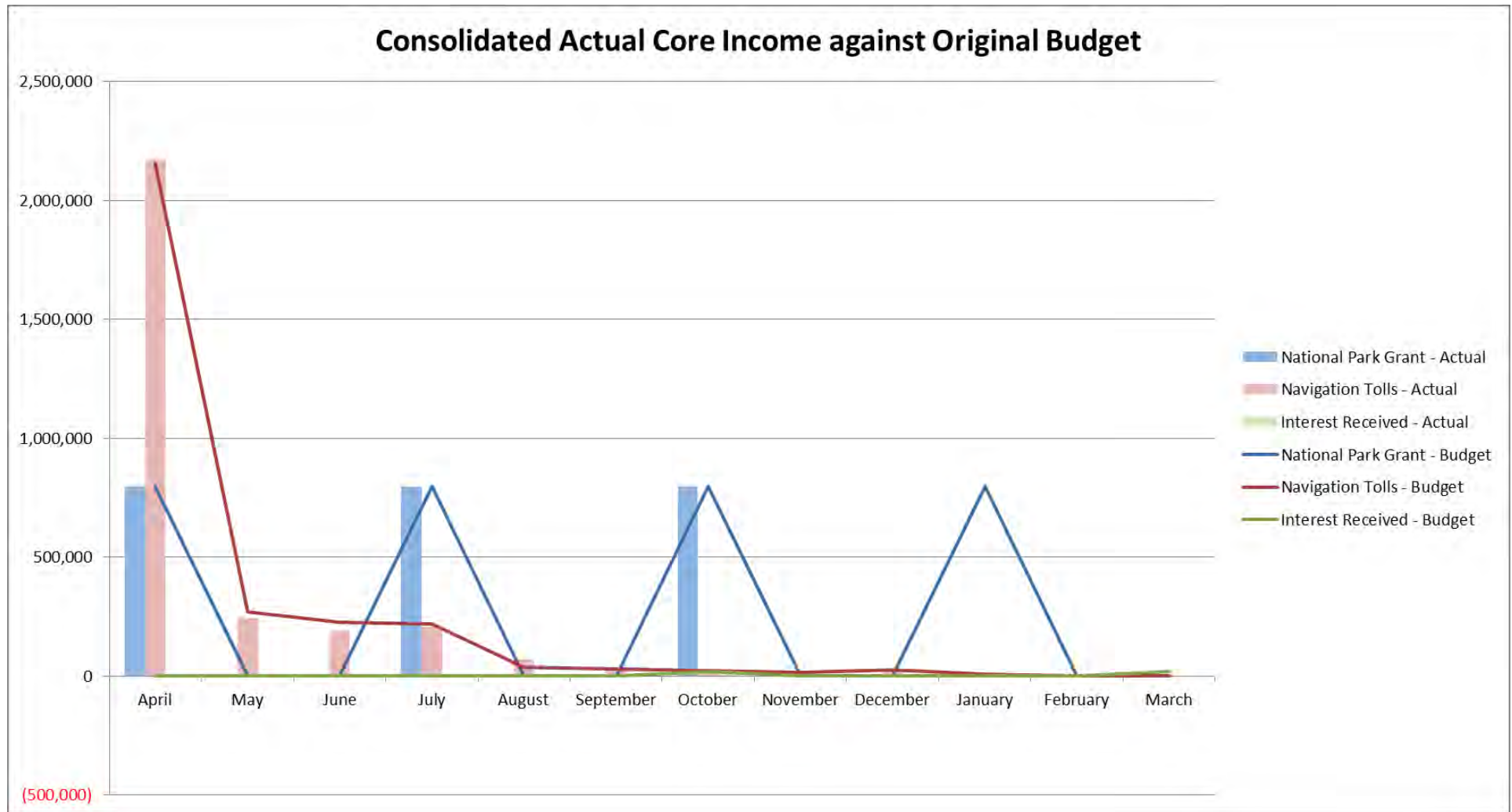
6.1 The current forecast outturn position for the year suggests a surplus of £24,062 for the national park side and a deficit of £6,979 on navigation resulting in an overall surplus of £17,083 within the consolidated budget, which would indicate a general fund reserve balance before year-end adjustments of approximately £977,519 and a navigation reserve balance of approximately £273,159 at the end of 2015/16. This will mean that the navigation reserve will fall below the recommended level of 10% of net expenditure to 9.1% during 2015/16. Year-end transfers mean that the navigation reserve will fall below the 9%.

Background papers: None

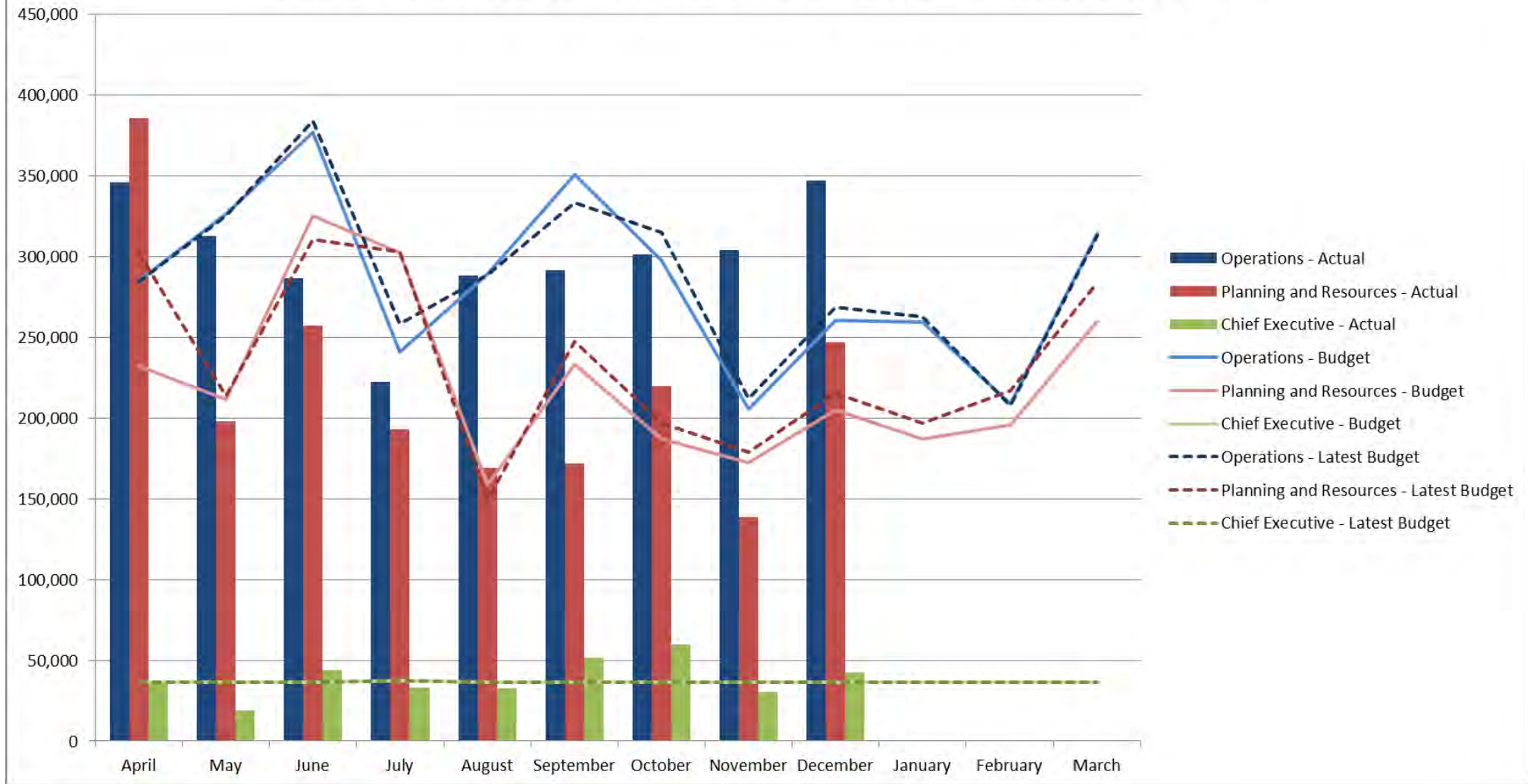
Author: Emma Krelle
Date of report: 26 January 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 December 2015
APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2015/16



Consolidated Net Actual Expenditure against Original and Latest Budget



To 31 December 2015

Budget Holder (All)

Values					
Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,240,632)		(6,240,632)	(6,208,639)	-31,993
National Park Grant	(3,188,952)		(3,188,952)	(3,188,952)	0
Income	(3,188,952)		(3,188,952)	(3,188,952)	0
Hire Craft Tolls	(1,090,525)		(1,090,525)	(1,068,689)	-21,836
Income	(1,090,525)		(1,090,525)	(1,068,689)	-21,836
Private Craft Tolls	(1,869,042)		(1,869,042)	(1,873,885)	4,843
Income	(1,869,042)		(1,869,042)	(1,873,885)	4,843
Short Visit Tolls	(38,363)		(38,363)	(38,363)	0
Income	(38,363)		(38,363)	(38,363)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(35,000)		(35,000)	(20,000)	-15,000
Income	(35,000)		(35,000)	(20,000)	-15,000
Operations	3,509,581	146,470	3,656,051	3,566,964	89,087
Construction and Maintenance Salaries	1,088,740		1,088,740	1,097,740	-9,000
Salaries	1,088,740		1,088,740	1,097,740	-9,000
Expenditure			0		0
Equipment, Vehicles & Vessels	631,500	12,300	643,800	607,130	36,670
Income			0		0
Expenditure	631,500	12,300	643,800	607,130	36,670
Water Management	172,500	56,950	229,450	229,450	0
Income			0		0
Expenditure	172,500	56,950	229,450	229,450	0
Land Management	(36,000)		(36,000)	(40,600)	4,600
Income	(90,000)		(90,000)	(98,000)	8,000
Expenditure	54,000		54,000	57,400	-3,400

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Practical Maintenance	459,200	77,220	536,420	501,420	35,000
Income	(7,000)		(7,000)	(7,000)	0
Expenditure	466,200	77,220	543,420	508,420	35,000
Ranger Services	736,910		736,910	715,093	21,817
Income	(35,000)		(35,000)	(35,000)	0
Salaries	578,910		578,910	578,910	0
Expenditure	193,000		193,000	171,183	21,817
Pension Payments			0		0
Safety	82,918		82,918	82,918	0
Income	(9,000)		(9,000)	(9,000)	0
Salaries	57,918		57,918	57,918	0
Expenditure	34,000		34,000	34,000	0
Asset Management	108,780		108,780	108,780	0
Income	(1,000)		(1,000)	(1,000)	0
Salaries	39,030		39,030	39,030	0
Expenditure	70,750		70,750	70,750	0
Premises	137,503		137,503	137,503	0
Income	(10,667)		(10,667)	(10,667)	0
Expenditure	148,170		148,170	148,170	0
Operations Management and Administration	127,530		127,530	127,530	0
Income			0		0
Salaries	115,030		115,030	115,030	0
Expenditure	12,500		12,500	12,500	0
Planning and Resources	2,576,090	167,337	2,743,427	2,667,448	75,979
Development Management	241,882	20,000	261,882	241,620	20,262
Income	(60,000)		(60,000)	(72,762)	12,762
Salaries	276,882		276,882	269,382	7,500
Expenditure	25,000	20,000	45,000	45,000	0
Pension Payments			0		0
Strategy and Projects Salaries	194,380	76,000	270,380	232,380	38,000
Income	(32,500)	18,000	(14,500)	(14,500)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	204,880	0	204,880	204,880	0
Expenditure	22,000	58,000	80,000	42,000	38,000
Biodiversity Strategy	0	2,300	2,300	2,300	0
Income	(10,000)		(10,000)	(10,000)	0
Expenditure	10,000	2,300	12,300	12,300	0
Strategy and Projects	69,780	14,037	83,817	87,948	-4,131
Income	0	(18,000)	(18,000)	(18,000)	0
Salaries	36,280	22,037	58,317	65,448	-7,131
Expenditure	33,500	10,000	43,500	40,500	3,000
Waterways and Recreation Strategy	77,820		77,820	82,953	-5,133
Salaries	68,320		68,320	68,320	0
Expenditure	9,500		9,500	14,633	-5,133
Project Funding	147,060		147,060	147,060	0
Income	(19,000)		(19,000)	(19,000)	0
Salaries	41,560		41,560	41,560	0
Expenditure	124,500		124,500	124,500	0
Pension Payments			0		0
Partnerships / HLF	50,000		50,000	50,000	0
Income			0		0
Expenditure	50,000		50,000	50,000	0
Volunteers	64,670		64,670	64,670	0
Income	(1,000)		(1,000)	(1,000)	0
Salaries	43,670		43,670	43,670	0
Expenditure	22,000		22,000	22,000	0
Finance and Insurance	330,920		330,920	330,920	0
Income			0		0
Salaries	130,920		130,920	130,920	0
Expenditure	200,000		200,000	200,000	0
Communications	259,830	25,000	284,830	279,830	5,000
Income			0		0
Salaries	187,830		187,830	187,830	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Expenditure	72,000	25,000	97,000	92,000	5,000
Visitor Centres and Yacht Stations	240,520		240,520	240,520	0
Income	(218,000)		(218,000)	(218,000)	0
Salaries	326,520		326,520	326,520	0
Expenditure	132,000		132,000	132,000	0
Collection of Tolls	116,740		116,740	116,740	0
Salaries	104,040		104,040	104,040	0
Expenditure	12,700		12,700	12,700	0
ICT	289,380	30,000	319,380	297,399	21,981
Salaries	132,680		132,680	135,386	-2,706
Expenditure	156,700	30,000	186,700	162,013	24,687
Premises - Head Office	254,548		254,548	254,548	0
Expenditure	254,548		254,548	254,548	0
Planning and Resources Management and Administration	238,560		238,560	238,560	0
Income			0		0
Salaries	128,360		128,360	128,360	0
Expenditure	110,200		110,200	110,200	0
Chief Executive	440,040		440,040	460,940	-20,900
Human Resources	111,530		111,530	112,430	-900
Income			0		0
Salaries	52,030		52,030	52,930	-900
Expenditure	59,500		59,500	59,500	0
Legal	107,260		107,260	127,260	-20,000
Income			0		0
Salaries	47,260		47,260	47,260	0
Expenditure	60,000		60,000	80,000	-20,000
Governance	119,790		119,790	119,790	0
Salaries	65,590		65,590	65,590	0
Expenditure	54,200		54,200	54,200	0
Chief Executive	101,460		101,460	101,460	0
Salaries	101,460		101,460	101,460	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Expenditure			0		0
Projects and Corporate Items	112,000		112,000	112,000	0
PRISMA			0		0
Expenditure			0		0
Corporate Items	112,000		112,000	112,000	0
Pension Payments	112,000		112,000	112,000	0
Contributions from Earmarked Reserves	(536,500)	(238,470)	(774,970)	(615,796)	-159,174
Earmarked Reserves	(536,500)	(238,470)	(774,970)	(615,796)	-159,174
Expenditure	(536,500)	(238,470)	(774,970)	(615,796)	-159,174
Grand Total	(139,421)	75,337	(64,084)	(17,083)	-47,001

Internal Audit Strategic and Annual Plans 2016/17

Head of Internal Audit Consortium

Summary: This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan 2016/17.

The Annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give an Annual Audit Opinion for 2016/17.

Recommendation:

The Committee is requested to approve:

- (i) the updated Internal Audit Charter;
- (ii) the updated Internal Audit Strategy for 2016/17; and
- (iii) the Annual Internal Audit Plan for 2016/17.

The Committee is requested to note:

- (iv) the Performance Management measures for the Internal Audit Contractor.

1 Introduction

1.1 The Authority is required by the Accounts and Audit Regulations 2015 to ensure "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

1.2 Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.

1.3 The formulation of the Annual Internal Audit Plans for 2016/17 is described in the attached report, and the resulting plan contained therein.

Background papers: Nil

Author: Emma Hodds, Internal Audit Consortium Manager

Date of report: 20 January 2016

Appendices: APPENDIX 1 - Internal Audit Plan 2016/17

Eastern Internal Audit Services



BROADS AUTHORITY

Internal Audit Plan 2016/17

Responsible Officer: Emma Hodds – Internal Audit Consortium Manager

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The PSIAS mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also taken into account when developing the internal audit plan:
 - Any declarations of interest so as to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
 - The relative risk maturity of the Authority;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Financial Scrutiny and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Financial Scrutiny and Audit Committee should '*review and assess the annual internal audit work plan*'.

2. INTERNAL AUDIT CHARTER

- 2.1 The Internal Audit Charter was developed as part of the planning process in 2014/15 and incorporated the requirements of the PSIAS. There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness. In addition the Charter will be presented to the Section 17 Officer, the Head of Finance, senior management and the Financial Scrutiny and Audit Committee every 2 years for review.
- 2.2 The Internal Audit Charter has been reviewed by the Internal Audit Consortium Manager in 2016/17 and amendments were made to reflect the operation of the internal audit team,

under the new contract with TIAA Ltd, which commenced on 1 April 2015, and to take on board improvements made to the service during the 2015/16 financial year. This updated Charter is attached at **Appendix 1**, for review and approval by the Financial Scrutiny and Audit Committee.

- 2.3 As part of the review of the Internal Audit Charter the Code of Ethics are also reviewed by the Internal Audit Consortium Manager, and it is ensured that the Internal Audit Services contractor staff, as well as the Internal Audit Consortium Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Internal Audit Consortium Manager.

3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy (**see Appendix 2**) is to confirm:
- How internal audit services will be delivered;
 - How internal audit services will be developed in accordance with the internal audit charter;
 - How internal audit services links to organisational objectives and priorities; and
 - How the internal audit resource requirements have been assessed.

4. ANNUAL INTERNAL AUDIT PLAN

- 4.1 Traditionally a Strategic Audit Plan has been included to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 Having reviewed the previous Strategic Plans it is apparent that the planned coverage does quite often change, for various reasons, and it has been decided that this approach will be amended for the Broads Authority to ensure that the internal audit plan is both responsive and reflective of developments, new risks, issues and any other changes on an annual basis.
- 4.3 The Annual Internal Audit Plan is attached at **Appendix 3**, the first section highlights the areas being reviewed in the forthcoming financial year, with the number of days identified for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.
- 4.4 The second section of the plan, confirms the audits that have been undertaken in previous years and the assurance opinions awarded on conclusion of the review, alongside areas for consideration in future financial years, thus ensuring that awareness is maintained of the services provided by the Authority. This approach will also continue to ensure that sufficient coverage is provided to give an annual opinion.
- 4.5 It is also worth noting that IT audit coverage will formally be reviewed every two years, as due to the size of the team and the work they have been completing this has happened by default. In the year during which an IT audit is not undertaken this will enable another service area to be reviewed.
- 4.6 The key controls & assurance audit and the corporate governance & risk management audit will continue to be undertaken on an annual basis due to the importance of these areas in

determining the adequacy and effectiveness of the Authority's framework of governance, risk management and control, which informs the Annual Report and Opinion.

- 4.7 The Annual Internal Audit Plan for 2016/17 totals 35 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Council's internal control environment carried out at year end.
- 4.8 In addition the Internal Audit Consortium Manager will continue to provide the Role of the Head of Internal Audit to the Broads Authority, the key roles include; developing the annual internal audit plan, quality reviewing the outcomes of the work undertaken by the contractor (TIAA) and ensuring that this meets the contract requirements, providing an annual report and opinion to the Authority, ensuring that the Committee continues to follow best practice through the self-assessment exercise and providing training as required to new members of the Committee.

5. PERFORMANCE MANAGEMENT

- 5.1 The new Internal Audit Services contract includes a suite of key performance indicators (**see Appendix 4**) against which the new contractor will be reviewed on a quarterly basis. There are a total of 13 indicators, over 4 areas. From the first year of the contract records will be maintained for all 13, however performance can only be recorded on 11 of these as base line data is required for the final 2. Monitoring of these will commence in 2016/17.
- 5.2 There are individual requirements for performance in relation to each indicator; however performance will be assessed on an overall basis as follows (for the first year):
 - 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed and agreed with the contractor to ensure that appropriate action is taken.

- 5.3 Performance in relation to these indicators will be reported to the Committee as part of the Annual Report and Opinion, ensuring that Members are kept up to date on a regular basis. Any issues that arise within the financial year will be discussed with the Section 17 Office and Head of Finance.

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES BROADS AUTHORITY

INTERNAL AUDIT CHARTER FOR 2016/17

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector thus ensuring continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document. The charter also displays formal commitment to the definition of internal auditing, the code of ethics and the PSIAS.
- 1.3 The charter also:
 - Establishes the position and reporting lines of internal audit;
 - Provides unrestricted access;
 - Sets the tone for internal audit activities;
 - Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
 - Sets out the nature and scope of assurance provided to other parties.
- 1.4 The charter is to be periodically reviewed and presented to Senior Management and the Board (Financial Scrutiny and Audit Committee) for approval, for Eastern Internal Audit Services the charter will be reviewed annually by the Internal Audit Consortium Manager (Chief Audit Executive) to confirm its ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.
- 1.5 This Charter applies to all Authority's which are part of Eastern Internal Audit Services, currently; Breckland, Broadland, North Norfolk and South Norfolk District Councils, Gt Yarmouth Borough Council and the Broads Authority. From April 2016 this will also include South Holland District Council.

2. Purpose, Authority and Responsibility

2.1 Purpose

- 2.1.1 Internal auditing is defined as; *“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.
- 2.1.2 Internal audit will provide reasonable assurance to all organisations that are part of Eastern Internal Audit Services that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

- 2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body must; *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. The statutory requirement for internal audit is recognised in the Constitution of each Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.
- 2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisations internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Internal Audit Consortium Manager.

2.3 Responsibility

- 2.3.1 The responsibility for maintaining an effective internal audit to evaluate risk management, control and governance processes lies with each Authority’s Chief Finance Officer (Section 17 Officer).
- 2.3.2 The Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.
- 2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Internal Audit Consortium Manager responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.
- 2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

3. Key Relationships and Position in the Organisation

- 3.1 The PSIAS require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.
- 3.2 Chief Audit Executive
- 3.2.1 The Chief Audit Executive is the Internal Audit Consortium Manager who provides the role of the Head of Internal Audit to all organisations part of the Eastern Internal Audit Services. The delivery of the annual internal audit plan, and any ad-hoc assignments is provided by an external contractor; TIAA Ltd since 1 April 2015.
- 3.2.2 The Internal Audit Consortium Manager reports functionally to the Board and administratively to the Director of Business Development at South Norfolk Council. In addition the Internal Audit Consortium Manager also reports administratively to the Section 17 Officer and the Head of Finance at the Broads Authority.

3.2.3 The Internal Audit Consortium Manager also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Authority and the Chair of the Finance Scrutiny and Audit Committee.

3.3 Board

3.3.1 The 'Board' is the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting. At the Broads Authority this is the Financial Scrutiny and Audit Committee, whose responsibilities are discharged through the Constitution and explicitly referred to in the terms of reference.

3.3.2 This functional reporting includes;

- Approving the audit charter, audit strategy and annual plans;
- Receiving regular reports on management action in relation to agreed internal audit recommendations (reported by the Head of Finance);
- Receiving the Annual Report and Opinion of the Internal Audit Consortium Manager, this includes the outcomes of internal audit activity and performance, alongside a conclusion as to the effectiveness of internal audit.

3.3.3 In addition the Financial Scrutiny and Audit Committee also; assesses its own effectiveness on an annual basis to ensure it meets best practice, receives reports in relation to relevant Policy / Strategy updates i.e. Fraud and will, in the future, receive and oversee the results of external assessments of internal audit.

3.4 Senior Management

3.4.1 'Senior Management' is those responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

3.4.2 The Internal Audit Consortium Manager meets regularly with the Section 17 Officer and the Head of Finance, both formally and informally, to ensure organisational awareness is maintained and that good working relationships are in place. The formal arrangements facilitate discussion in relation to the delivery of the current internal audit plan to ensure it remains on track and is responsive to changes and emerging risks. The meeting also highlights any areas which require immediate attention, that are not in the current annual plan, and also areas for future consideration. This is a key relationship to the effective delivery of internal audit and to ensure a value-added service is provided.

3.4.3 In addition the Internal Audit Consortium Manager meets with officers of the senior management team through the annual audit planning process to enable a risk based internal audit plan.

3.5 Other key relationships

3.5.1 There are other key relationships that are maintained which are important to the effective and efficient delivery of internal audit.

3.5.2 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

- 3.5.3 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.
- 3.5.4 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4. Rights of Access

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5. Objective and Scope

- 5.1 Assurance services is the primary role of internal audit services, which primarily feeds into the annual audit opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable. This opinion covers the entire control environment of the Authority and not just the financial controls.
- 5.2 Internal audit also provides consultancy services, where required, which is advisory in nature and generally performed to facilitate improved governance, risk management and control.
- 5.3 It is management's responsibility to manage the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition the Internal Audit Consortium is either responsible for, or is consulted on, related policy / strategy.
- 5.4 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.
- 5.5 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussion with senior management, however this scope will not be unduly bias nor shall it be restricted.

6. Independence, Objectivity and Due Professional Care

- 6.1 Internal audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. Internal auditors must maintain an unbiased attitude that allows work to be performed in such a manner that no quality compromises are made. To this end all internal auditors working within Eastern Internal Audit Services, annually review and sign up to the Code of Ethics, which sets out the

minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.

- 6.2 Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. In addition, internal auditors will not review operations for which they were previously responsible for in the preceding 12 months. Internal auditors may provide consulting services relating to such operations.
- 6.3 If independence or objectivity is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Consortium Manager and / or senior management. The nature of the disclosure will depend upon the impairment.
- 6.4 Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work is designed to enable them to provide reasonable assurance regarding the controls examined.

7. Resourcing

- 7.1 The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have a wide range of internal audit management experience to enable them to deliver the responsibilities that arise from the need to liaised internally and externally with councillors, senior management, officers and other professionals.
- 7.2 The Internal Audit Consortium Manager, through the contract with the external provider, shall ensure access to a team of staff who have the appropriate range of knowledge, skills, qualification and experience to deliver the audit service. The types of reviews are referred to in section 5 of the charter.

8. Audit Planning

- 8.1 The Internal Audit Consortium Manager develops a strategy, alongside a strategic and annual internal audit plan, using a risk based approach.
- 8.2 The Internal Audit Strategy is a high level statement of; how the internal audit service will be delivered; how internal audit services will be developed in accordance with the internal audit charter; how internal audit services links to the organisational objectives and priorities; and how the internal audit resource requirements have been assessed. The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 8.3 On an annual basis the internal audit plan of work, developed as per the Internal Audit Strategy, is submitted to senior management and the Financial Scrutiny and Audit Committee for approval. The Internal Audit Consortium Manager is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported through to the Committee.

9. Audit Reporting

- 9.1 As mentioned at section 8 the resultant internal audit plans will be received on an annual basis for approval by both senior management and the Financial Scrutiny and Audit Committee.
- 9.2 On conclusion of each assurance review a draft audit report will be provided to management that;

- Provides an assurance opinion on the systems and controls in place as to whether these are operating adequately, effectively and efficiently. These reports contribute to the annual report and opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- Provides a formal report of points arising from the review and management responses to the issues raised, this includes; acceptance (or not) of the recommendation, with responsibility and timescales for implementation.
- Provides Operational Efficiency Matters (as appropriate) which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

On receipt of responses from management the report can then be finalised, post review by the Internal Audit Consortium Manager.

- 9.3 As mentioned in 9.2, management can choose not to accept / implement the recommendations raised by internal audit. In all such instances this will be reported through to the Financial Scrutiny and Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 9.4 The Executive Summary of all final reports is reported through to the Financial Scrutiny and Audit Committee as part of Annual Report and Opinion. The PSIAS require this to report on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.
- 9.5 Where management agree to recommendations resulting in an action plan, these are regularly followed up to assess progress on implementation by the Head of Finance. The results of which are reported periodically to the Financial Scrutiny and Audit Committee as part of the follow up reports from the Head of Finance. The internal audit contractor undertakes verification work on closed recommendations at financial year end as part of the Key Controls and Assurance audit.
- 9.6 On conclusion of the annual internal audit plan for the financial year the Internal Audit Consortium Manager provides an annual report and opinion to senior management and the Financial Scrutiny and Audit Committee.
- 9.7 The annual report and opinion provides:
- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);and
 - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

10. Quality Assurance and Improvement Programme

- 10.1 The PSIAS require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.

- 10.2 If an improvement plan is required as a result of the internal and / or the external assessment, in order to further develop the existing service provisions, the Internal Audit Consortium Manager will coordinate appropriate action and report against this.
- 10.3 On an annual basis the quality assurance and improvement programme, and any resulting improvement plan will be reported to senior management and the Audit Committee, as part of the annual report and opinion.
- 10.4 Internal Assessment
- 10.4.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures which form a key part of the contract and through the quality review of all completed audits, both of which is undertaken by the Internal Audit Consortium Manager.
- 10.4.2 On conclusion of audit reviews a feedback form is provided to the key client on the audit process; the outcomes of which are reviewed to look to improve the service and any criticism received is investigated immediately and action take with the contractor to resolve the issue.
- 10.4.3 The PSIAS also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 17 Officer and Head of Finance for their independent scrutiny, before the summary of which is provided to the Financial Scrutiny and Audit Committee as part of the annual report and opinion. This information enables the Financial Scrutiny and Audit Committee to be assured that the internal audit service is operating in accordance with best practice.
- 10.5 External Assessment
- 10.5.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Consortium Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor / team.
- 10.5.2 An external assessment will:
- Provide an assessment on the internal audit function's conformance to the PSIAS;
 - Assess the performance of the internal audit activity in light of its charters, the expectations of the various boards and executive management;
 - Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
 - Benchmark the activities of the internal audit function against best practice.
- 10.5.3 The Internal Audit Consortium Manager will agree with the Section 17 Officer, the Head of Finance and the Financial Scrutiny and Audit Committee the approach to be taken and the qualifications and independence of the external assessor / team, including any potential conflict of interest.

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES BROADS AUTHORITY

INTERNAL AUDIT STRATEGY FOR 2016/17

1. Introduction

- 1.1 The Internal Audit Strategy is a high level statement of;
- how the internal audit service will be delivered;
 - how internal audit services will be developed in accordance with the internal audit charter;
 - how internal audit services links to the organisational objectives and priorities; and
 - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (PSIAS).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council (the Internal Audit Consortium Manager) currently to; Breckland, Broadland, North Norfolk and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. From the 1 April 2016, this will also include South Holland District Council. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Internal Audit Consortium Manager. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the

internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Financial Scrutiny and Audit Committee, the Section 17 Officer and the Head of Finance also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all the audits that could be performed; and
 - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's key documents, such as the strategic priorities. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the strategic priorities. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 17 Officer and the Head of Finance takes place to consider current and future developments, changes, and risks & areas of concerns.

3.2.8 The resultant annual internal audit plan, which also includes reference to previous reviews undertaken and areas for consideration in future years, is discussed with and approved by Senior Management prior to these being brought to the Financial Scrutiny and Audit Committee. In addition External Audit is also provided with early sight of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides senior management and the Financial Scrutiny and Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the PSIAS and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. **How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national Issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with colleagues through the Norfolk Chief Internal Auditors Group, all help to ensure developments are noted and incorporated where appropriate.

5. **How internal audit resource requirements have been assessed**

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an

in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 3 – ANNUAL INTENAL AUDIT PLAN

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5				5	The audit will focus on the Corporate Governance and Risk Management arrangements for 2014/15 and will inform aspects of the Annual Governance Statement 2014/15.
Key Control and Assurance	15				15	The budget for this audit is usually 15 days however it has been increased for 2015/16 to include specific review of the new Payroll provision arrangements.
Service Area audits						
External Funding - HLF Bid	4		4			This is currently at the development phase and it will be useful to look at this after the first 2 claims have been submitted; April and June/July 2016. Review will look at the processes in place and check the definitions and get assurance around the deliverables.
National Parks Partnership	4			4		The Broads Authority are signing off on Friday (22 January) becoming part of this with 15 other parks. Recommendations are to endorse the structure; implement the decision and sign off; and to produce regular reports, the first of which is likely to be September / October 2016, so a review after this would be beneficial.
ICT Audits						
IT audits to be confirmed	7	7				Coverage to be determined with the Head of ICT and Tolls
Total number of days	35	7	4	4	20	

Audits Previously undertaken		
Service area audits		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Adequate
Planning	2011/12	Adequate
Procurement	2013/14	Adequate
Consultation Activities and partnership provisions	2014/15	Adequate
Planning	2015/16	Reasonable
IT Audits		
Disaster Recovery	2008/09	Limited
IT Governance and Strategy	2010/11	Adequate
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Adequate

Future areas for consideration for audit review
Marketing and Communication
Procurement
Partnership Provisions
Planning
Project and Programme Management

APPENDIX 4 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u> 1. Audit Committee Satisfaction – measured annually 2. Chief Finance Officer Satisfaction – measured quarterly	Adequate Good
<u>Internal Audit Process</u> 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) 6. Compliance with Public Sector Internal Audit Standards 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100% 100% 100% Full 100%
<u>Clients</u> 8. Average feedback score received from key clients (auditees) 9. Percentage of recommendations accepted by management	Adequate 90%
<u>Innovations and Capabilities</u> 10. Percentage of qualified (including experienced) staff working on the contract each quarter 11. Number of training hours per member of staff completed per quarter 12. Number of high and medium priority recommendations made per quarter 13. Number of audits which are considered to add value	60% 1 day To decrease over the life of the contract (from year 2) To increase over the life of the contact (from year 2)

External Audit
Report by Head of Finance

Summary: This report appends:

- (i) the Annual Audit Letter for 2014/15
- (ii) the Audit Plan for the 2015/16 audit
- (iii) the Local Government Audit Committee Briefing by Ernst & Young.

Recommendations:

- (i) That the Annual Audit Letter for 2014/15 be noted.
- (ii) That the Audit Plan for the 2015/16 audit be noted.
- (iii) That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

1 Introduction

- 1.1 The Annual Audit letter for 2014/15 summarises the key issues arising from the audit. These key findings are set out on page 6 of appendix 1.
- 1.2 The Audit Plan for the 2015/16 audit by Ernst & Young is appended to this report (appendix 2). The plan sets out the work which the auditors propose to undertake for the audit of the financial statements and the value for money conclusion for 2015/16. It confirms that the proposed audit fee will be £13,943, which represents no change from the fee charged in 2013/14 and 2014/15.
- 1.3 There has been a slight change of contacts at Ernst & Young with the Authority now having a new Audit Director, Kevin Suter and Mark Russell replacing David Riglar. The Audit Director, Kevin Suter, and the Assistant Manager, Mark Russell, will be attending the meeting to introduce the Audit Plan and answer any questions.

2 Identification of Significant Risks

- 2.1 The Audit Plan takes a risk-based approach to audit planning and identifies one significant risk in 2015/16, which relates to management override.
- 2.2 The audit approach to these risks is set out in section two of the Audit Plan.

3 Financial Implications

3.1 Provision for the audit fee is included in the 2015/16 budget and will be charged in the accounts for the year.

4 Briefing Key Issues

4.1 This briefing is presented to Members as a “for information” item.

4.2 The items of relevance to the Authority are:

- The economic and sector issues update, in particular regarding Autumn Forecast (page 2 onwards);
- The Local Plan for New Homes (page 4)
- Finance in the cloud (page 5);
- Value for Money Conclusion guidance (page 6); and
- Regulation news (page 7).

Background papers: None

Author: Emma Krelle
Date of report: 19 January 2015=6

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Ernst & Young Annual Audit Letter 2014/15
APPENDIX 2 – Ernst & Young Audit Plan 2015/16
APPENDIX 3 – Ernst & Young Local Government Audit Committee Briefing (Quarter 4 2015)

Broads Authority

Annual Audit Letter for the year ended 31 March 2015

21 October 2015

Ernst & Young LLP



Members
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

21 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 audit results report presented to the 22 September 2015 Financial Scrutiny and Audit Committee, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for the Broads Authority.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully



Neil Harris
Director
For and behalf of Ernst & Young LLP
Enc

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014-15 audits.

The Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission’s website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with our Audit Plan issued on the 10 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them
- reviewing and reporting by exception on the Authority's AGS
- forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of the Broads Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2015 we issued an unqualified audit opinion on the Authority's financial statements
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources	On 25 September 2015 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Authority needs to prepare for the Whole of Government Accounts	The Authority is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack and submitted the required audit assurance statement confirming the threshold position.
Consider the completeness of disclosures on the Authority's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating the significant findings from our audit.

Our Audit Results Report was presented to the Financial Scrutiny and Audit Committee on 22 September 2015.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

We issued our certificate on 25 September 2015.

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool to show both how the Authority has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 25 September 2015.

Our detailed findings were reported to the 22 September 2015 Financial Scrutiny and Audit Committee.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk 1: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Findings:

- ▶ We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing
-

We have no other matters to report.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, we carried out the following work for our 2014-15 value for money conclusion:

- ▶ reviewing the annual governance statement;
- ▶ reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- ▶ undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

We issued an unqualified value for money conclusion on 25 September 2015.

Our audit did not identify any significant matters.

Looking ahead, along with other public sector bodies, the Broads Authority is facing significant financial challenges over the next three to four years. The Authority's external funding sources are reducing and are likely to be subject to change and uncertainty in future years.

The Authority's medium term financial strategy is based on a number of assumptions, including an estimate of the future levels of Government funding. Any reduction in Government funding in future years, together with an increased use of reserves if savings and income targets are not achieved represents a risk to achievement of the Authority's future budgets.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office. The Authority is below the specified audit threshold of £350 million and therefore we were not required to audit the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We made our audit assurance submission in line with the deadline.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6 Other powers and duties

We did not identify any issues during our audit that required us to use our powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Financial Scrutiny and Audit Committee on 22 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have not tested the individual system controls of the Authority as we have adopted a fully substantive approach to our audit.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Authority about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design of an internal control that might result in a material misstatement in the Authority's financial statements.

4. Looking ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Authority's arrangements for the production of its financial statements. We have outlined what we think are two of the main challenges below.

Description	Impact
<p>Highways Network Asset (formerly Transport Infrastructure Assets):</p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016/17 sets out the requirements to account for Highways Network Assets under Depreciated Replacement Cost. This is a change from the existing requirement to account for these assets under Depreciated Historic Cost. This change is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have assets which fall into the definition. This could include, for example, footways and cycle ways, unadopted roads on industrial estates, and street furniture.</p> <p>This may be a material change of accounting policy for the Authority. It could also require changes to existing asset management systems and valuation procedures.</p>	<p>The Authority should consider whether it holds any assets that would be classified as highways network assets and, if so, whether they have the necessary information to implement the changes in accounting for these assets from 1 April 2016.</p> <p>Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as:</p> <ul style="list-style-type: none"> • Footways • Cycleways • Street Furniture <p>If the impact of this change in accounting policy is material, the Authority would also need to restate the balances for these assets as at 1 April 2015.</p>
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p> <p>The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward.</p> <p>As a result, the Authority will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July in 2018.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Authority is aware of this challenge and the need to start planning for the impact of these changes.</p> <p>This will include the need to review the current processes for the production of the accounts and the associated supporting working papers, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year-end closure processes.</p>

5. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our Audit Plan.

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work	13,943	13,943	No change proposed

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Broads Authority

Year ending 31 March 2016

Audit Plan

February 2016

Ernst & Young LLP



The Members
Financial Scrutiny and Audit Committee
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

18th January 2016

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Financial Scrutiny and Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 9th February 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
Executive Director
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Financial Scrutiny and Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

1.1 Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of the Broads Authority give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

We will provide an update to the Financial Scrutiny and Audit Committee on the results of our work in these areas in our report to those charged with governance, currently scheduled for delivery in September 2016.

1.2 Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We will be undertaking a substantive testing approach as this represents the most efficient approach to our audit. To the fullest extent permissible by auditing standards within this approach, we will seek to rely on the work of internal audit wherever possible.

No changes are proposed to the scope of the audit in comparison with prior years.

Arrangements for securing economy, efficiency and effectiveness

We adopt an integrated audit approach, so our work in the financial statement audit feeds into our conclusion of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 3 of this Audit Plan.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Economy, efficiency and effectiveness

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Medium term financial planning	
<p>The recent grant settlement communicated that national parks would remain with consistent funding to previous years. However, we note the level of uncertainty relating to the specific allocation of the National Parks Grant to the relevant Authorities in 2016/17 and in future years. Management have taken the view that 2016/17 financial planning will involve the use of reserves to support any budget shortfall, with the plan to develop a more detailed medium term response once the funding has become more certain.</p>	<p>We will continue to review the Authority’s arrangements throughout our audit, including achievement of the 2015/16 budget, financial planning for 2016/17 and 2017/18 and the robustness of any savings plans and future projected reserve levels.</p> <p>We will assess the arrangements being put in place to develop the medium term financial plan, and its consistency with the size, shape and direction of the Authority.</p>

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

i **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

ii **Arrangements for securing economy, efficiency and effectiveness**

The Code sets out our responsibility to satisfy ourselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ Evaluating the design and implementation of key internal controls in place at the Authority;
- ▶ Reliance on the work of internal audit where appropriate;
- ▶ Procedures to establish reliance on the work of experts in relation to areas such as pensions and property valuations; and
- ▶ Substantive tests of detail of transactions and amounts.

Processes

We plan to rely on management procedures that operate at the financial statement or transactional level.

Our initial assessment has identified the following key processes that we will test:

- ▶ Clear communication of roles and responsibilities.
- ▶ Authorisation of significant transactions.
- ▶ Procedures to prepare financial statements.
- ▶ Management's review of the entity's financial performance.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Financial Scrutiny and Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our audit strategy where we identify issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit, whether as management’s experts or auditor’s experts are identified as:

Area	Specialists
PPE valuations	▶ Norfolk Property Services
Pension Liabilities	▶ EY pensions valuations team. ▶ PWC review of Hymans pension fund actuary

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority’s environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist’s findings are properly reflected in the financial statements.

4.3 Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other

regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have initially determined that overall materiality for the financial statements of the Authority is £148k based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £7k to you.

We will communicate any change in our materiality level to you after we have completed our interim procedures and received the draft financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the Broads Authority is £13,943.

4.6 Your audit team

The engagement team is led by Kevin Suter, who has significant experience within the Local Government sector. Kevin Suter is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the Value for Money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Financial Scrutiny and Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Financial Scrutiny and Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

Audit phase	Timetable	Financial Scrutiny and Audit Committee timetable	Deliverables
High level planning	January 2016		
Risk assessment and setting of scopes	January / February 2016	February 2016	Audit Plan
Testing of key management processes	February 2016		
Year-end audit	June – July 2016		
Completion of audit	July 2016	September 2016	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate
Conclusion of reporting	October 2016		Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Authority.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Authority has approved and that are in compliance with the PSAA's Term of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no other management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

[UK 2015 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Outturn fee 2014/15 £
Opinion Audit and VFM Conclusion	13,943	13,943
Total Audit Fee – Code work	13,943	13,943

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Financial Scrutiny and Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Financial Scrutiny and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Report to those charged with governance
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Financial Scrutiny and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary

Independence

EY | Assurance | Tax | Transactions | Advisory

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Local government audit committee briefing

Contents at a glance

Government and economic news

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Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



Government and economic news

However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: Managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

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Finance in the Cloud?

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Value for Money Conclusion guidance

Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>, and a copy of the NAO's consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

Consultation on 2016/17 proposed fee scales

For further details on the consultation and how to respond to it, please visit:

<http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

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Notes

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Implementation of Internal Audit Recommendations: Summary of Progress
Report by Head of Finance

Summary: This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out since 2015/16.

Recommendation: That the report be noted.

1 Introduction

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarizes the current position regarding recommendations arising out of internal audit reports which have been produced since 2014/15 and 2015/16. It sets out in the appendix details of:
 - recommendations not yet implemented;
 - recommendations not implemented at the time of the last meeting which have since been implemented: and
 - New recommendations since the last meeting.

2 Summary of Progress

- 2.1 In the previous report to this Committee in September all of the recommendations that fell due within that period had been completed. Consultation activities and partnership provisions actions have now been completed. Of the Corporate Governance and Risk Management actions a further one has now been completed with three still outstanding.

3 Internal Audit Programme 2015/16

- 3.1 The third audit from the 2015/16 programme is currently underway for Key Controls and the onsite work is expected to be completed by 12 February 2016. The recommendations from this audit will be reported to the next committee meeting in July 2016.

3.2 Planning

3.2.1 The last Planning Audit was undertaken in October 2011. This resulted in adequate assurance with two medium level recommendations being made, which have been subsequently implemented. The objective of the audit was to review the systems and controls in place for the Local Plan Preparation, Planning Applications, Enforcements and Appeals. This resulted in a “reasonable” audit opinion with two “important” recommendations (previously medium priority) and one “needs attention” recommendation (previously low priority) being raised. This is consistent with last review rating of “adequate”.

3.2.2 The audit identified areas for improvement relating to:

- Publication of Delegated decisions on the Broads Authority website is not correctly identified within the CAPs system. This could result in the public not being aware of planning decisions and being able to take action if they wish to;
- No checks being carried out to ensure the appropriate planning fee was received with the Finance system;
- The procedure manual had not received its review in January 2015 and did not include all of the planning processes.

3.2.3 Good practice was noted relating to controls in place around:

Separation of Duties

- The Broads Authority has a Scheme of Delegation, which allows delegated decisions to be made by designated officers. Any decisions which are outside of this must be referred to the Planning Committee for approval. All decisions made by delegated officers are reviewed and signed off by the Head of Planning or in her absence by the Director of Planning and Resources or the Chief Executive.

Local Plan

- A Core Strategy was adopted in 2007, Development Management Policies adopted in 2011 and the Site Specifics adopted in 2014. . It is now a requirement for a Local Plan to be produced. A timetable for the production of the Local Plan was presented to the Planning Committee in July 2015, which set dates for consultation, publication and final adoption which is scheduled for February 2018.

Planning Applications and Enforcements

- Planning applications may either be made via a portal on the Broads Authority web-site or by submission of a written application form. Application fees are present on the Broads Authority web-site and can also be viewed by a link to the Government’s web-site;
- A check list is maintained in the hard copy file identifying all of the documentation that will be required to support the application;

- Records of planning applications, subsequent decisions and enforcements are kept in both a hard copy file and maintained on the CAPS computer; and
- The Planning Committee is provided with quarterly statistics of the number of enforcement notices that have been.

Appeals

- The decision notice sent to the applicant has a section ‘notes relating to all other application refusal decisions’ clearly sets out the right of the applicant to appeal against the decision if they are not in agreement with; and
- Monthly and annual appeals reports listing the appeals received are presented to the Planning.

3.2.4 The two “important” recommendations have been implemented and the one “needs attention” recommendation remains outstanding but is still on target to be completed by the agreed date.

3.2.5 Details of all new recommendations and the Authority’s actions to date in response are set out in the appendix.

Background papers: None

Author: Emma Krelle
Date of report: 13 January 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Consultation Activities and Partnership Provisions: January 2015

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>3. Parish Forums are Consulted on Strategic Priorities Consideration should be given to increasing the Parish Forums participation in the setting of the Strategic Priorities by holding a joint meeting / workshop during the consultation period for the Parish Forums.</p>	<p>Medium</p>	<p>Director of Planning and Resources / Strategy and Projects Officer</p>	<p>Parish Forum (to which all Parishes will be invited) will be scheduled during the consultation period on the Strategic Priorities and will be highlighted as an agenda item. It is suggested that this be trialed for the consultation on the 2016-17 Strategic Priorities and the results reviewed to see whether it has resulted in increased participation.</p>	<p>By 01/01/2016</p> <p>When Reviewing Parish Forums at BA meeting on 11.07.15 Members agreed future forums should be more area based and specific issue led rather than covering generic issues. It was considered that there was unlikely to be any tangible benefit for a Parish Forum on generic Strategic Priorities. Hickling Forum in October 2015, was specifically on the Hickling Strategic Priority only</p> <p>In addition Strategic Priorities for 2014-15 are all longer term projects and are to be</p>

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
				rolled forward into 2016-17 and therefore there was no need for a specific parish consultation on Strategic Priorities.
<p>4. Consultative Review Action Plan An evaluation of the effectiveness of the measures put in place to implement the Review of Consultative Arrangements recommendations should be carried out.</p>	Medium	Director of Planning and Resources / Strategy and Projects Officer	<p>A Review of the effectiveness of the measures put in place following the Consultative Review to be completed.</p> <p>Completed. Report to BA 22/01/16</p> <p>Broads Forum will be asked to review the effectiveness of the changes introduced to its procedures in November 2015.</p> <p>Completed. Report to Broads Forum 05/11/15</p>	By 01/03/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Corporate Governance and Risk Management: June 2015

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Strategic Objectives Aligned with Risk Register The Strategic Risk Register should be directly linked to the Strategic Objectives and Annual Strategic Priorities, with a gap analysis completed.</p>	Low	Solicitor & Monitoring Officer	<p>Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015.</p> <p>This recommendation will be reviewed by the Authority's Management Team before reporting back to the Financial Scrutiny and Audit Committee on 22nd September 2015 (updated to 9 February 2016) with an agreed way to implement this recommendation being adopted as soon as practicable thereafter.</p>	By 31/03/2016
<p>2. Scoring within the Risk Register The risk scoring mechanisms, mitigating actions and further necessary actions on the Strategic Risk Register should be reviewed for all risks, to ensure they are giving adequate assurance to reduce the residual risk scoring.</p>	Low	Solicitor & Monitoring Officer	<p>Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015.</p> <p>This recommendation will be reviewed by the Authority's Management Team before</p>	By 31/03/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			reporting back to the Financial Scrutiny and Audit Committee on 22nd September 2015 with an agreed way to implement this recommendation being adopted as soon as practicable thereafter.	
<p>3. Embedding Risk Management The Strategic Risk Register should be added as a standing agenda item for the Financial Scrutiny and Audit Committee.</p>	Low	Solicitor & Monitoring Officer	<p>Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015.</p> <p>The Strategic Risk Register shall be added as a standing agenda item for the Financial Scrutiny and Audit Committee. This will be effective as of its first meeting of 2016, namely 9th February 2016.</p> <p>Completed, on this agenda.</p>	By 31/12/2015
<p>4. Communication of Documents All staff should be formally reminded to review the Code of Conduct and Code of Corporate Governance documents, to ensure that they remain compliant.</p>	Operational Effectiveness	Senior HR Advisor	<p>Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015.</p> <p>As part of a review of this</p>	By 31/03/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			Authority's HR policies, the recommendation to ensure that staff should be formally reminded to review the Code of Conduct and Code of Corporate Governance documents, to ensure that they remain compliant, will be implemented.	

Planning: October 2015

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Publication of Delegated Decisions The selection system is reviewed to ensure that it correctly identifies all delegated decisions, for inclusion in monthly reports for publishing on the web-site. The public may not be aware of planning decisions made and therefore be unable to take any action e.g. to report a development that does not take place in accordance with that approved. This could result in later challenge of decisions and the Authority's procedures.	Important	Head of Planning	There is a 'safety net' additional process, but this has not been followed and the additional checks not applied. It is proposed to review this process and responsibility so that it remains within the planning team. Completed. A new process has been instigated, whereby the generated delegated decision report is cross checked against the weekly	By 31/12/2015

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			record of decision. This is now carried out within the planning team.	
<p>2. Receipt of appropriate planning fee Evidenced checks should be undertaken on a regular basis to confirm that all fee income that is due has been received, either through:</p> <ul style="list-style-type: none"> A. Recording of receipt numbers in the planning system, with verification of the income receipted upon sign off decision notices; and/or B. Independent reconciliation of expected planning income due to actual receipts in the financial management system on a periodic basis. <p>An application may be inadvertently processed without receipt of an application fee.</p>	Important	Head of Planning	<p>Option A is preferred – we can do this at validation stage and can check it at decision issuing.</p> <p>We can add a standard box to the validation form, so we can be sure and we can ask finance for a weekly list of income to planning codes.</p> <p>Completed. Finance provides a monthly report of all income received. The Finance system audit number is recorded on the validation form.</p>	By 31/12/2015
<p>3. Policy and Procedures The Procedure Manual is reviewed and updated so that it includes the processes that should be followed in respect of enforcements, appeals and the administration processes. Future review dates be adhered to for reviewing the procedures. If the</p>	Needs Attention	Head of Planning	<p>The draft enforcement plan has been produced and will be completed by the end of the financial year.</p> <p>Additional work on updating standard templates will be undertaken following the</p>	By 31/03/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>procedures and processes are not clearly documented there is a risk that incorrect processes will be adopted. By documenting the procedures and processes it will lead to a clear understanding by staff and a standardized consistent approach.</p>			<p>system supervisor training.</p>	

Review of Strategic Risk Register
Report by Chief Executive

Summary:	This report appends the Authority's updated Strategic Risk Register for members' comments.
Recommendation:	That the updated Strategic Risk Register be reviewed by the Committee and consideration given to the incorporation of risk analysis in policy reports and the timetable for reporting.

1 Introduction

- 1.1 The Authority's Risk Management Policy states that the Strategic Risk Register will be formally reviewed by risk owners, the Management Forum (the group of senior staff comprising the Management Team and Section Heads) and this Committee on a regular basis.
- 1.2 At the meeting of this Committee in September it was reported that the Auditors has suggested that the review should be done more frequently than annually and that it had been recommended by the Internal Auditor and accepted by Management Team to add the Risk Register to the Agenda of this Committee as a standard Item as from this meeting.
- 1.3 The Treasurer and Financial Adviser supported this idea and said that this would provide evidence that the risk had been highlighted and would encourage members to establish and consider what the key risks for the Authority are.
- 1.4 Members also invited officers to produce a report for the next meeting with proposals for the amendment of policy reports to incorporate a specific section addressing the issue of risk.

2 Review Timescale

- 2.1 The current timetable for these reviews is usually as follows:
 - December: Six monthly review of Strategic Risk Register by Risk Owners
 - January: Formal review of Strategic Risk Register by Management Forum
 - June: Six monthly review of Strategic Risk Register by Risk Owners
 - July: Formal review of Strategic Risk Register and Risk Management Policy by Management Forum

- September: Annual review of the Strategic Risk Register by the Financial Scrutiny and Audit Committee

2.2 If the Committee wanted to consider the information more frequently then it is proposed to use the following timetable:

- December: Six monthly review of Strategic Risk Register by Risk Owners
- January: Formal review of Strategic Risk Register by Management Forum
- February: Review of the Strategic Risk Register by the FSAC
- June: Six monthly review of Strategic Risk Register by Risk Owners
- July: Formal review of Strategic Risk Register and Risk Management Policy by Management Forum
- September: Review of the Strategic Risk Register by the FSAC

3 Incorporation of Risk Analysis into Policy Reports

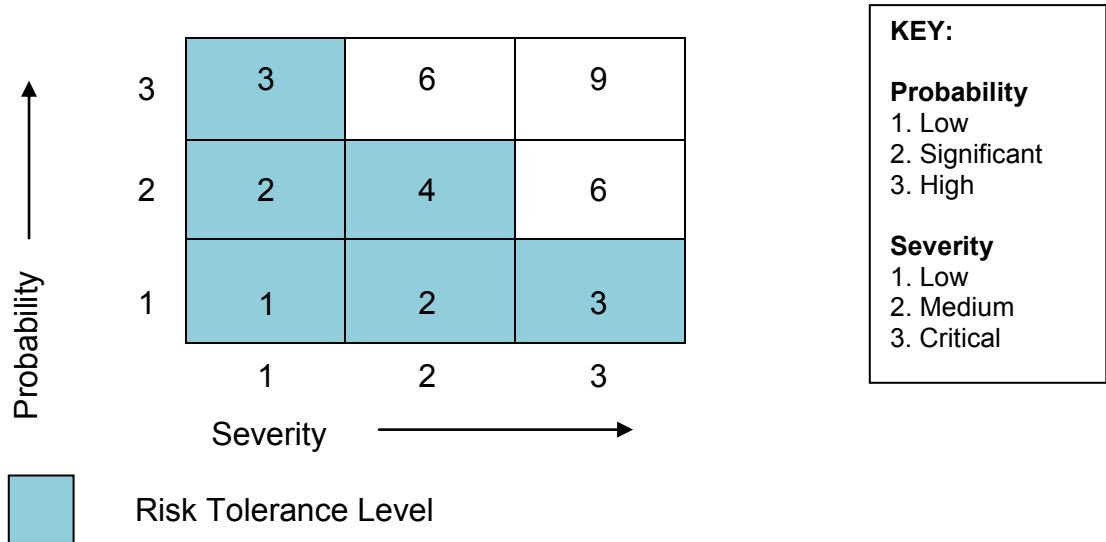
3.1 At the last Broads Authority an analysis of risk was built into three of the reports: High Level Review of Flood Risk Management for the Broads; Network Rail Update and National Park Partnership. The Committee is asked for its feedback on the effectiveness of such an arrangement on selective reports where such a process is considered relevant.

4 Purpose of this Review

4.1 The purpose of this review is:

- to consider whether the risks set out in the Register are still appropriate, and whether the vulnerabilities and impact are up to date and representative of the risk involved;
- to consider whether the actions and controls in place are still adequate and appropriate;
- to consider whether any further action is necessary to help mitigate the risk;
- to consider whether the risk tolerance level is still appropriate; and
- to consider whether any new risks should be added to the Register, in respect of new activities or existing activities for which the risk level has increased.

4.2 The updated Risk Register is set out at Appendix 1, following the six monthly review by Risk Owners and the formal review by the Management Forum. The changes made since it was last considered by the Committee are shown in red. The Register currently incorporates 18 key risks. No new risks have been identified. The Authority's Risk Management Policy states that, in developing its Strategic Risk Register, the Authority will assess all strategic risks against the following grid:



4.3 The Policy also states that the Authority will accept a ‘tolerance level’ of not more than 4, as set out in the shaded squares, although the aim is to introduce mitigation measures to manage all risks to as low a level as reasonably practicable. With the mitigation measures in place, all of the risks identified are considered to fall within the accepted tolerance level. Should a risk exceed the tolerance level, the Chair of the Authority and Chair of the Financial Scrutiny and Audit Committee will be engaged immediately to determine appropriate action to be taken.

4.4 Members’ views are sought on the updated Strategic Risk Register.

Background papers: None

Author: John Packman
 Date of report: 27 January 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Updated Strategic Risk Register

Description of Risk Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed			
Loss/Non Availability of Key Staff	Key post or posts absent for a prolonged period	S/M/L	Loss of decision making ability	4 (P2xS2)	Sickness absence reporting and monitoring procedures in place	LP to develop three year People Strategy to aid succession planning, to be incorporated into Business Plan. Initial action is to complete Research and planning stage of document.	01-Apr-16	4(P2xS2)	Head of HR	Apr-16		
	Sickness/outbreak of pandemic (eg Swine Flu)	S/M/L	Loss of knowledge and experience, and associated costs		Work Life Balance Policy							
	Over-reliance on key members of staff	S/M/L	Failure to deliver service		Scheme of Local Conditions of Service							
	Inability to compete in terms of pay	S/M/L	Reduced quality/less efficient service		Emergency Management and Reporting System							
	Inadequate succession planning	S/M/L	Increased workload/pressure for remaining staff		People Strategy, including identification of future staff requirements and annually reviewed job descriptions							
Loss of key personnel through oprganisational review, including loss of financial expertise		S	Failure to meet Government and other deadlines		Job Evaluation Scheme to ensure fair and appropriate remuneration of staff							
					Loss of credibility/reputation with the public/stakeholders	Employee Assistance Programme						
					Cost of taking on additional staff, including recruitment, agency costs and training.	Monthly meetings between Head of HR and Directors to anticipate staff changes/requirements						
						Use of secondment arrangements where appropriate						
						Staff Representatives Group established						
Loss of Offices including Field Bases	Destruction through fire, explosion or release of hazardous substances	S/M/L	Temporary loss of communication with staff, public and stakeholders	3 (P1xS3)	Fire Safety Risk Assessment Undertaken by Landlord and BA. Appropriate fire prevention measures in place, eg fire alarms, fire extinguishers		3(P1xS3)	† Solicitor and Monitoring Officer	Sep-15			
	Flooding of site or loss of access to site through flooding (especially Dockyard)	S/M/L	Loss of information		Yare House Emergency Fire Procedure and BA Supplementary Procedure (including bomb threat procedures)	A mains operated pump operates on the bridge hole keeping water levels down. Additional large bore pump on standby over pump if required.						
	Loss of use or access to premises	S/M/L	Postponement of work		Business Continuity Plans, including IT Disaster Recovery Plan and Finance Business Continuity Plan							
			Potential failure to achieve objectives/meet deadlines		Emergency Management and Reporting System							
			Damage to reputation/credibility		Home working and hot desking facility at alternative fieldbases available for some members of staff							
					Insurance Policies							

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Loss of IT/ Communications Systems	Destruction of or serious damage to buildings	S/M/L	Temporary loss of communication with staff, public and stakeholders	3 (P1xS3)	Business Continuity Plan			3 (P1xS3)	Head of ICT and Collector of Tolls	Sep-15
	Significant virus	S/M/L	Potential loss of data		Short-term power back-up facility available	Virtual environment is 4 years old and needs replacing. Project initiation commenced Sep 15 to confirm requirements and tender for supplier.	31-Mar-16			
	Loss of power	S/M/L	Postponement of work		Home working facility available for some members of staff	Following environment refresh, current infrastructure to become DR environment.	31-May-16			
			Potential failure to achieve objectives/meet deadlines		Use of Firewall, anti-virus systems, password security policies and daily back-ups with data taken offsite					
			Potential loss of income (eg tolls) Reduced service delivery Loss of credibility/reputation with the public/stakeholders Inability to calculate/pay monthly salaries Inability to pay suppliers		Electronic Communications Policy Insurance Policies IT Disaster Recovery Plan Virtualisation of servers Payroll Contingency Plan in place Finance Business Continuity Plan					
Financial Overspend	Large overspend of budget	S/M/L	Reduction in service	3 (P1xS3)	Budgetary control system including monthly reports to Budget Holders/Management Team	Note - can this item be removed for next 3 years?		3 (P1xS3)	Head of Finance	Sep-15
	Project overspend	S/M/L	Inability to meet expenses including payment of salaries without external support		Financial Regulations and Standing Orders Relating to Contracts					
	Underestimation of costs of managing Breydon Water	M/L	Loss of credibility/reputation with the public/stakeholders		Internal control systems eg separation of duties	Hydrographic modelling of Breydon Water, formation of Breydon User group and re-designed Turntide Jetty have increased our understanding of this waterbody and reduced the amounts of unknowns	Ongoing			
	Poor financial management and inadequate forecasting leading to flawed decision-making	S/M/L	Inability to meet commitments		Regular auditing of financial systems and controls					
	Underestimation of / failure to make provision for costs of maintaining the Authority's assets		Potential redundancies		Three year Financial Strategy published September 2014					
		Loss of reserves		Counter Fraud, Corruption and Bribery Strategy	Update required	2015/16				
				Budget Management Procedures, training and ongoing support provided to Budget Holders						
				Asset Management Strategy, updated Nov 2015 with regular reviews scheduled, planned contributions to reserves set out in Financial Strategy	Condition assessment of all BA buildings to be carried out in 16/17 to further inform Asset Management Strategy financial requirements	Nov-16				
				Turntide jetty renewed, routine replacement of channel markers included in budget provision						

Description of Risk Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Significant Loss of Income Significant reduction in core Government grant aid	S/M	Reduction in service	3 (P1xS3)	Budgetary control system including monthly reports to Budget Holders/Management Team			3 (P1xS3)	Head of Finance	Sep-15
				Work on securing National Park Grant				Chief Executive	
	S/M/L	Shortfall in income to meet commitments arising out of EC/other projects		Hedging of exchange risk is considered for significant contractual arrangements involving foreign currency					
Low level of investment income as a result of low returns / low interest rates due to wider economic climate		Inability to meet expenses including payment of salaries		Regular auditing of financial systems and controls					
		Loss of credibility/reputation with the public/stakeholders Potential redundancies		Three year Financial Strategy Regular reports to members Investments managed with Broadland to maximise returns including cash flow forecasting and placing of fixed term investments. Ongoing liaison with Barclays to identify alternative investment options					
Loss of invested reserve funds Risks to investments due to wider economic uncertainty	S/M/L	Reduction in service	3 (P1xS3)	Investments managed in line with CIPFA Code of Practice on Treasury Management				Head of Finance	Sep-15
		SLA with Broadland does not define risk sharing however subsequent agreement (see investment strategy) defines any losses to be split 50/50 with Broadland.		Inability to meet commitments or other expenses including payment of salaries	Low risk appetite within Broadland District Council resulting in "safer" investment decisions				
				Loss of credibility/reputation with the public/stakeholders Potential redundancies Loss of reserves	Report regularly to Members				
Failure of major procurement activity Inadequate or incorrect procurement process applied	S/M	Reduction in service or failure to deliver service	2 (P1xS2)	Standing Orders Relating to Contracts (updated)			2 (P1xS2)	Head of Finance	Sep-15
		Inappropriate supplier identified		Financial loss	Procurement Strategy	Update Procurement Strategy			
		Contract let incorrectly		Loss of credibility/reputation with the public/stakeholders	Financial Regulations				
		Potential for activity to be challenged			Standard Terms for Contracts	Finance support for Payroll service	ongoing		
				Internal Audit of Key Controls Finance / Director oversight of procurement activity SLA for services provided by Broadland District Council in place for 2015/16					
Loss resulting from fraud, corruption or misappropriation of resources Economic climate resulting in higher incidence of fraudulent and criminal activity	S/M/L	Financial loss and / or loss of other resources	2 (P1xS2)	Financial Regulations	Updated HR policies for disciplinary procedures		2 (P1xS2)	Head of Finance	Sep-15
		Potential vulnerabilities in systems including those of external organisations (internet banking, payroll provider) Fraudulent changes to supplier bank details		Loss of credibility/reputation with the public/stakeholders	Standing Orders Relating to Contracts				
				Higher insurance premiums	Standard Terms for Contracts				

Description of Risk Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Loss or theft of significant items of equipment Damage and / or theft at TICs, Yacht Stations, Dockyard or other Authority sites Fraudulent creation of fictitious employees		Impact on ability to deliver services		Internal / External Audit Supplier bank detail checking procedures Internal payment processing and authorisation controls, budget monitoring and financial reconciliations Separation of duties IT security and passwords Counter Fraud, Corruption and Bribery Strategy Insurance Physical security arrangements					
Death or Serious Injury to Member of Staff									
Use of heavy plant and equipment	S/M/L	Loss of expertise	3 (P1xS3)	Health and Safety at Work Policy.	SB to regularly review Health and Safety observations to identify trends	Every six months (December and June)	3 (P1xS3)	Head of Safety Management	Sep-15
Lone working	S/M/L	Lowering of staff morale		Generic, Site Specific and Public Risk Assessments					Dec-15
Danger of drowning through water based activity	S/M/L	HSE involvement		Codes of Practice eg for use of Lifejackets, provision of PPE	SB to Audit key areas to determine level of compliance and identify further development	ongoing audit programme			
Road traffic accident	S/M/L	Loss of credibility/reputation with the public/stakeholders		Safety Recording System and vehicle trackers for Lone Workers	SB to review all hazards and control methods				
Negligence (by Authority/ manager/individual)	S/M/L	Potential legal action against the Authority/costs		Safety Committee and nominated Safety Reps Health and Safety/Fire Awareness specific skills Training for relevant staff First Aid trained staff and Defibrillator at Yare House Insurance Policies Driving licence checks for All staff. All vehicles maintained in accordance with manufacturers requirements Audits in accordance with a public Audit schedule Quarterly reports on Health and Safety Monitoring to Management Team Personal Risk Assessment System introduced					
Death or Serious Injury to Member of the Public									
Danger of drowning through water based activity	S/M/L	Civil or criminal action against the Authority/costs	3 (P1xS3)	Port Marine Safety Code Safety Management System including regular Hazard Review	Complete roll out of electronic asset monitoring system to whole Broads area for BA properties	Mar-16	3 (P1xS3)	Head of Safety Management	Sep-15
Injury through embarkation/ disembarkation	S/M/L	Potential closure of a facility		Port Marine Safety Code Safety Management System including regular Hazard Review					
Death or accident through the Authority's negligence	S/M/L	HSE involvement Loss of credibility/reputation with the public/stakeholders		Boat Safety Management Group Safety leaflets and ongoing programme of education, including through Broad Sheet and the Broadcaster Regular site inspections and surveying of trees on BA managed sites Annual Site Specific and Public Risk Assessments Tree Mangement Policy published end 2013 and rolled out to all sites 2015 Site safety system developed CDM Regs					Dec-15
Denial of Public Access to the Broads									
Major flooding incident/failure of sea defences	S/M/L	Closure of sites, footpaths, other public areas	3 (P1xS3)	Integrated method of reviewing hazards both land and water developed	Publicise weather warnings on new website	Ongoing	3 (P1xS3)	Director of Operations	Sep-15

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
	Outbreak of disease, eg Foot and Mouth, Avian Flu, Ash Dieback	S/M/L	Closure of visitor attractions, negative impact on tourism and the local economy		Short to medium term coastal and flood defence provisions in place					
	Closure of bridges (by Network Rail)	S/M	Potential reduction in income for the Authority		Close working relationship with key EA and NE staff					
	Occurance of invasive species (eg killer shrimp)	S/M/L	Closure of navigation/inability to navigate parts of Broads system Loss of credibility/reputation with the public/stakeholders Loss of or damage to property Loss of habitat Possible loss of life		Involvement in County Council emergency response procedures Emergency Communications Strategy Participation in major oil spill/pollution events and exercises Legal undertaking with Network Rail regarding maintenance of the bridge network Involvement in partnership invasive species response, including agreement on appropriate control and communication measures Urgent boating/ environment news published on website Weather warnings circulated to operational staff					
Ineffective Project Management	Lack of adequately trained project management staff	S/M/L	Project not managed to time or within budget	2 (P1xS2)				2 (P1xS2)	Director of Planning & Resources for Development and Director of Operations for Implementation	Sep-15
	Lack of effective project management arrangements	S/M/L	Failure to meet project objectives Failure to meet commitment to partners Additional costs Loss of credibility/reputation with the public/stakeholders		Standing Orders Relating to Contracts PRINCE2/PRINCE Lite training provided for staff Acquisition of PRINCE Lite programme Approval/monitoring of key projects by Management Team Contract management training completed for selected staff Improvements made to PDG process including introduction of regular Project Teams for specific projects		Ongoing			
						Database to be developed to maintain related records for each site	Ongoing following development of condition monitoring system			
Ineffective Management of Assets	Lack of Asset Management Plan	S/M/L	Ineffective control of costs/application of resources	2 (P2xS1)	Specialist property advice available from NPS Property Consultants			2 (P2xS1)	Head of Safety Management	Sep-15
	Lack of Corporate Capital Strategy	S/M/L	Inappropriate utilisation of Assets Asset devaluation Failure to properly maintain assets Loss of credibility/reputation with the public/stakeholders Potential negative impact on accounts and adverse audit opinion		All assets have been identified and recorded, with a record of all legal agreements maintained Schedule of inspection of all assets in place Detailed capital plan developed and reported to navigation Committee in November and updated and endorsed by Broads Authority in November 2015 Spreadsheet of assets has been enhanced to provide day to day management of assets Annual review of Asset Management Strategy and sites	Property Services contract to be retendered Condition assessment of all BA buildings to be carried out in 2016/17 to further inform Asset Management Strategy financial requirements Complete roll out of electronic Asset monitoring system to whole Broads area for BA properties	31/03/2016 Nov-16 31/03/2016			

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Ineffective Engagement with Key Partners/Stakeholders	Failure to identify key partners/stakeholders	S/M/L	Failure to deliver objectives	4 (P2xS2)	Spreadsheet of assets has been enhanced to provide day to day management of assets whilst IT develop a database			4 (P2xS2)	Head of Communications	Sep-15
	Failure to consult and engage with partners/stakeholders on key issues	S/M/L	Lack of trust/support from partners/stakeholders		Broads Forum, Broads Tourism Forum, BLAF and other working groups					
	Breakdown of relations with a key partner/stakeholder	S/M/L	Loss of credibility/reputation with the public/stakeholders		Service Level and Partnership Agreements. Climate Change Stakeholder Engagement through close working with relevant partners to allow Climate Change Adaptation Plan to be completed Parish Forums. HBO engagement meeting	Bulletin should be sent to parish councils. Residents' newsletter to be created	Oct-15 Mar-16			
	Changes to partner organisations	S/M/L	Loss of income							
	Changes in policies of partner organisations	S/M/L	Loss of opportunities		Register of partnerships including operational risks for each partnership and Partnerships Governance Arrangements Action Plan Partnerships Protocol Annual review of partnerships by Management Forum/BA Major Review of Stakeholder and Community Engagement undertaken by Authority Development of Biodiversity and Water Strategy enabled close engagement with all key partners in the area of biodiversity. Annual Forum being held with 100+ stakeholders Series of meetings held with RYA and BMF who are content for direct engagement with local groups. Series of regular meetings set up between Chief Exec/Chairman to engage with the NSBA/BHBF.	Review of Effectiveness of the regional review to be undertaken by Jan 16 Parish Forum and Broads Forum Review completed	Jan-16			
Failure to comply with Legal Requirements	Changes to legislation	S/M/L	Civil or criminal action against the Authority	3 (P1xS3)				3 (P1xS3)	Solicitor and Monitoring Officer	Sep-15
	Failure to meet a key legislative requirement	S/M/L	HSE involvement		Insurance Policies					
	Lack of in-house expertise	S/M/L	Failure to deliver services		Solicitor and Monitoring Officer (Head of NpLaw) until March 2016 . Internal Solicitor and Monitoring Officer appointed for April 2016					
	Failure of policies to comply with legislative requirements	S/M/L	Multiple complaints against the Authority Loss of credibility/reputation with the public/stakeholders Loss of political support		Additional specialist legal support available from npLaw Annual review meeting held between Chief Executive/Solicitor and Monitoring Officer Additional circulars provided via subscriptions on topics such as Safety Membership of National associations such as National Parks England and AINA highlight government policy initiatives and consultations					

Description of Risk Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed	
Death or Serious Injury to Volunteer	Lone working	S/M/L	Civil or criminal action against the Authority/costs	3 (P1xS3)	Health and Safety at Work Policy	BW to create a suitable, fit for purpose personal Risk Assessment form	Mar-16	3 (P1xS3)	Volunteer Coordinator	Jan-16
	Danger of drowning through water based activity	S/M/L	HSE involvement		Generic, Site Specific and Public Risk Assessments, and method statements					
	Road traffic accident	S/M/L	Lowering of staff and volunteer morale		Codes of Practice eg for use of Lifejackets					
	Death or accident through the Authority's negligence	S/M/L	Loss of credibility/reputation with the public/stakeholders		Safety Recording System for Lone Workers First Aid, manual handling and induction training for volunteers Insurance Policies Volunteer Strategy Policy and Strategy updated Volunteers are contacted every 6 months to reinforce/remind them of correct process and procedures when lone working Volunteer training plan completed					
Significant Loss of Volunteers	Loss of labour	S/M/L	Postponement of work	2 (P1xS2)	Absence reporting and monitoring procedures in place	BW to introduce satisfaction monitoring	01-Mar-16	2 (P1xS2)	Volunteer Coordinator	Jan-16
	Loss of knowledge and expertise	S/M/L	Potential failure to achieve objectives/meet deadlines Reduced service delivery Loss of credibility/reputation with the public/stakeholders		Volunteer Strategy Feedback opportunity on timesheets, and on leaving the BA Volunteer Code of Conduct Communication Policy updated to more actively include volunteers Policy and Strategy updated Expansion to enable contact with staff through volunteer online database. Volunteer training plan completed	Volunteer Strategy to be updated by April 2017				
Planning Decisions not made in accordance with Development Plan or Regulations and Procedures	Unattractive development	S/M/L	Legal challenges to decisions/potential costs	2 (P1xS2)	National Guidance	Procedure Manual review on going to reflect latest guidance (-	Continuous process to reflect latest guidance	2 (P1xS2)	Director of Planning and Resources	Sep-15
	Decisions made which are not in accordance with policy Development pressures due to society aspirations/government legislation	S/M/L L	Bad publicity/loss of reputation Complaints against the Authority		Local Development Framework LDF Development Management Policies Appointment of appropriately qualified staff Ecology and Navigation Sessions Completed February 2015; Policy session completed in October 2015 Training provided for Planning Committee members Scheme of Delegated Powers in operation Recourse to specialist legal advice Continuing Professional Development (CPD) for Planning		Oct-15			

Description of Risk Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
				Guidance for Committee Site Visits reviewed Training programme for members approved by Planning Committee on 21 June 2013; Design Tour held in June 2015 PAS Peer Review of Planning Committee BA has signed up to the Anglia Ruskin Programme for all Norfolk Authorities for 2014-15					

**Financial Scrutiny and Audit
Committee**

9 February 2016
Agenda Item No 14

Counter Fraud, Corruption and Bribery Strategy
Report by Head of Finance

Summary: This report provides a revised Counter Fraud, Corruption and Bribery Strategy for consideration by the committee.

Recommendation: That the strategy be adopted.

1 Introduction

- 1.1 The Authority's existing Counter Fraud, Corruption and Bribery Strategy was last updated in July 2012 and is now due an update. The draft strategy is attached with track changes so members can easily identify the amendments.
- 1.2 A review has been undertaken of CIPFA's guidance and best practice among National Parks. This has resulted in a few changes to the existing strategy with the update to the definitions, reference to Money Laundering under the Proceeds of Crime Act 2002, as amended by the Serious Organised Crime and Police Act 2005 and the update of job titles. These amendments have been considered by Management Team.
- 1.3 Once the strategy has been adopted the next step will involve consultation with other departments who handle cash with a view to updating the finance regulations. This will involve implementing procedures to ensure that the Authority is compliant with legislation but not being over cumbersome in its approach.

Background papers: CIPFA Code of Practice Guidance Managing the Risk of Fraud and Corruption

Author: Emma Krelle
Date of report: 13 January 2016

Broads Plan Objectives: None

Appendices: APPENDIX A – Counter Fraud, Corruption and Bribery Strategy

Broads Authority**Counter Fraud, Corruption and Bribery Strategy****INTRODUCTION TO THE STRATEGY****Statement of Intent**

- 1.1 The Broads Authority is committed to carry out its business in a fair, honest and transparent manner. As such, the Authority has a zero tolerance approach to those who seek to commit an act of fraud, corruption, [money laundering](#) or bribery towards, or against it.
- 1.2 To safeguard itself against such activities, the Authority has developed a counter fraud culture, supported by a framework designed to encourage the prevention and detection of fraud, corruption and bribery in the event of allegations being received, and to establish appropriate arrangements for their investigation. All such provisions seek to minimise potential losses to the Authority in the event of it being subject to fraudulent or corrupt practices.
- 1.3 The Authority is committed to maintain, and to regularly monitor, review and update, appropriate processes and procedures which will minimise the risk of losses from fraud, corruption or bribery, and to ensure that all members and members of staff are aware of their responsibilities to comply with these procedures at all times.

2. Objectives of the Strategy

- 2.1 The key objectives of this Strategy are to:
 - increase staff and member awareness of the corporate counter fraud culture which the Authority actively supports and encourage individuals to promptly report suspicions of fraudulent and corrupt behaviour;
 - communicate to partners, suppliers, contractors and other organisations that interact with the Authority that it expects them to maintain high standards aimed at minimising fraud and corruption in their dealings with the Authority;
 - further embed and support the management of fraud risk within the Authority;
 - demonstrate the arrangements that the Authority has in place to counter fraud, corruption, [money laundering](#) and bribery; and
 - minimise the likelihood and extent of losses through fraud and corruption.

3. Why is the Strategy Needed?

- 3.1 The Broads Authority is reliant on its various funding sources in order to carry out its duties and deliver its key aims and objectives in the Broads Plan ~~2014~~. As a public body it has a duty to promote effective stewardship and value for money in the use of its funds, to be accountable to its stakeholders in the use of that money and to ensure that procedures are put in place to minimise the risk of losses through fraud, corruption, [money laundering](#) or bribery.

- 3.2 As well as resulting in lost income, and reducing the funds available to be spent on key service delivery, instances of fraud, corruption, [money laundering](#) and bribery are likely to impact on the reputation of the Authority, and result in a loss of confidence that can be placed in the Authority and its procedures.
- 3.3 Historically, the Broads Authority has had relatively low levels of detected fraud activity in relation to its business operations. Where such activity has been identified, prompt action has been taken and sanctions imposed, as appropriate. However, even though fraud may not previously have been prevalent, it is important to remain vigilant, and to maintain, and regularly monitor, review and update, appropriate processes and procedures to ensure that any potential opportunities for fraud and corruption are minimised, in order that resources can be used for their intended purpose.
- 3.4 The Bribery Act 2010 places an expectation on organisations that they will have appropriate and adequate procedures in place to minimise the risk of bribery taking place. This Strategy seeks to reduce this risk, and to outline the Authority's anti-bribery approach

4. Definition of Fraud, Corruption, [Money Laundering](#) and Bribery

- 4.1 The ~~Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud Act 2006~~ defines fraud ~~by three classes as: false representation, failure to disclose information or by abuse of “the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain” position. In all three classes of fraud, it requires that for an offence to have occurred, the person must have acted dishonestly, and that they had to have acted with the intent of making a gain for themselves or anyone else, or inflicting a loss (or a risk of loss) on another.~~
- 4.2 Examples of fraud committed against the Authority might include the creation and submission of fake invoices for goods or services never received, [false or inflated expense claims, under recording of cash receipts, misappropriation of stock](#) or an application for a job falsely claiming to hold certain qualifications. As these examples demonstrate, fraud can occur in a number of ways, need not always be related to loss of money, and can involve staff, members or even people outside of the organisation.
- 4.3 ~~CIPFA defines “Corruption has a number of definitions but can simply be defined as the abuse of entrusted power for private gain. It is often linked to Bribery, as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”. This might usually be described as bribery—for example, if a member of the public attempted to offer an incentive to ensure that a planning application was approved, or conversely if a member of staff accepted or asked for something of material value from contractors, suppliers or other persons, in return for the award of a contract to provide services/goods to the Authority.~~
- 4.4 ~~The legal framework for fraud and corruption is defined by a number of acts. Primarily, the Fraud Act 2006 establishes a criminal liability for fraud through either false representation, failing to disclose information or abuse of position.~~

~~Section 17 of the Theft Act 1968 creates an offence of destroying, defacing, concealing or falsifying any account, record or document made, or required, for any accounting purposes.~~

4.3 CIPFA describes Money Laundering as disguising criminally sourced cash or property in order to give the appearance of legitimacy. This is done by mixing the criminal transactions with the legitimate transactions of businesses.

4.45 The Bribery Act 2010: Quick start guide defines bribery as 'giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so. makes it an offence to attempt to bribe someone, or receive a bribe where that may result in improper discharge of a public function. It The Act includes two general offences covering the offering, promising or giving of an advantage, and the requesting, agreeing to receive or accepting of an advantage.

5. The Corporate Framework to Counter Fraud, Corruption and Bribery

5.1 The Authority has in place a number of policies, procedures and practices that are designed to support this Strategy in countering and preventing fraud occurring. These take account of legislation and expected standards in respect of public life. A summary of the key arrangements in place is set out at Appendix 1, together with a list of the officers responsible for these arrangements.

5.2 In addition to these there are a number of officers who have direct and overarching responsibilities and roles in respect of countering fraud, corruption and bribery. These roles and responsibilities are set out at Appendix 2.

5.3 The Authority also has in place a Risk Management Policy and a Strategic Risk Register. Overall responsibility for risk management lies with the Director of Change Management and Resources (Head of Governance and Executive Assistant from April 2013) Solicitor and Monitoring Officer who is charged with ensuring that the risk of fraud and corruption is appropriately recognised within the risk framework, and managed accordingly. The Risk Management Policy is reviewed and where appropriate updated at least annually, whilst the Strategic Risk Register is reviewed annually by the Management Forum and the Financial Scrutiny and Audit Committee. Nominated risk owners are responsible for individual risks, and these should be reviewed not less frequently than every six months.

THE AUTHORITY'S ANTI-FRAUD, CORRUPTION AND BRIBERY CULTURE

6. The Cultural Framework

6.1 The Authority is determined to promote a culture of honesty, integrity and opposition to fraud, corruption and bribery. The prevention and detection of fraud, corruption and bribery is the responsibility of all members and members of staff.

6.2 To this end, the Authority has adopted a Code of Conduct for its members and a Code of Conduct for Employees which promote standards of conduct and behaviour expected when representing the Authority. Both of these documents are available on the Authority intranet, which is intended to promote and maintain behaviour consistent with the Seven Principles of Public Life (the Nolan Principles) – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Comment [A1]: Duplication of 7.1

6.3 The Authority has ~~also introduced a Code of Conduct for Employees, which sets out the standards of conduct and behaviour required by its staff when carrying out their duties and responsibilities, and~~ a Whistle Blowing Policy, which encourages employees, members and other parties to raise concerns, in the knowledge that they will not suffer victimisation or harassment as a result.

6.4 The Authority seeks to be as open and transparent as possible in the way it conducts its business and makes decisions. The Terms of Reference of Committees, and Scheme of Powers Delegated to Officers, set out the decision-making framework within the Authority, and demonstrate where functions may be delegated. The Authority publishes details of all expenditure over ~~£2500~~ on its website, and will endeavour to meet all the requirements of Government as set out in the Code of Recommended Practice for Local Authorities on Data Transparency.

7. Members

7.1 The Localism Act 2011 places a duty on the Authority to promote and maintain high standards of conduct by its members and co-opted members. Members are required to observe the Authority's Code of Conduct, which is intended to promote and maintain behaviour consistent with the Nolan Principles. They are also required to register and disclose certain interests, including pecuniary interests, both in a Register of Interests and, where appropriate, verbally at the commencement of all meetings.

7.2 The Authority has also developed arrangements for dealing with complaints that a member has failed to comply with the Code of Conduct, and has appointed two Independent Members, one of whom will be consulted before any standards complaints are determined.

7.3 Details of the Register of Interests, Code of Conduct and arrangements for dealing with standards allegations are all on the Authority's website and available for inspection by members of the public.

7.4 The Financial Scrutiny and Audit Committee is responsible to the Broads Authority for the Counter Fraud, Corruption and Bribery Strategy, including the adequacy and effectiveness of the arrangements for counter-fraud and whistle blowing, and maintaining an oversight of the systems for corporate governance and internal control.

8. Employees

8.1 A successful anti-fraud culture is one where acts of fraud and corruption are widely recognised as unacceptable behaviour and whistle blowing is perceived as a public-spirited action. The Authority has put in place a number

of policies, procedures and other actions to promote an anti-fraud culture to the Authority's officers, as detailed in Appendix 1.

- 8.2 All officers must abide by the Code of Conduct for Employees, which sets out the standards of behaviour and conduct expected of them. Professionally qualified officers are also expected to follow any Code of Conduct or Ethics as required by their professional institute.
- 8.3 The Authority has disciplinary procedures which are designed to ensure consistent and fair treatment of all staff in dealing with any breaches of conduct. Any breach of conduct will be dealt with under these procedures and may result in dismissal.
- 8.4 The Code of Conduct includes guidelines for the receipt of gifts and hospitality, and requires senior officers to declare certain personal interests which could be perceived to conflict with their professional impartiality.

9. Partners, Suppliers, Contractors and Other Organisations that interact with the Authority

- 9.1 The Authority expects the highest standards of conduct from all organisations that have dealings with it. Any partners, suppliers, contractors and other third parties funded by or in receipt of payments from the Authority are required to adopt or abide by the Authority's policies, procedures, protocols and codes of practice, where appropriate, in order to prevent and detect fraud, corruption, [money laundering](#) and bribery.
- 9.2 All transactions with suppliers and other organisations will be entered into in line with the Authority's Standing Orders Relating to Contracts. These make appropriate provisions for declaring interests and the circumstances where such regulations may not apply, and rules regarding entering into contracts and varying contract conditions. In addition, prior to entering into significant, ongoing transactions, due diligence checks are undertaken to ensure that suppliers have an appropriate financial and risk profile before transactions are entered into.

COUNTER FRAUD PREVENTION AND DETERRENCE

10. The Internal Control Environment

- 10.1 The Authority's internal control environment plays a key role in ensuring that fraud can be prevented. Soundly designed systems, with adequate checks built into them, minimise the opportunities for untoward activities. This can be through automated controls, or through management oversight of transaction activity.
- 10.2 Managing the risk of fraud, corruption and bribery is the responsibility of Directors and Section Heads within individual Directorates and service areas, working within the overall framework developed by the Authority and the Management Team. Whilst managers retain responsibility for the oversight of the internal control environment within their specific service areas, internal and external inspections play an important role in ensuring that operational arrangements are working effectively. An Annual Audit Plan is developed by the Head of Internal Audit each year, in consultation with the Management

Team, based on a risk based approach and having regard to those areas where there is the greatest potential for fraud, corruption and bribery, which provides a check on those services and systems (financial and non financial) that are subject to the highest level of inherent risk. Furthermore, in the course of completing audit assignments, recommendations will be put forward aimed at strengthening systems of internal control which are designed to remove potential opportunities for fraud and corruption in the future.

11. Recruitment and Induction

- 11.1 A key preventative measure against the possibility of fraud, corruption and bribery is to have in place a robust recruitment process which establishes, as far as reasonably possible, the propriety and integrity of potential employees. This includes temporary and contract staff. Agencies providing temporary staff should be required to confirm references have been obtained and validated.
- 11.2 All recruitment should be in accordance with the Authority's standard recruitment procedures. Written references should be obtained for all potential employees and any relevant qualifications should be confirmed prior to appointment.

12. Promotion

- 12.1 The Authority undertakes to promote successful outcomes from counter fraud activities, particularly where this may deter others from undertaking dishonest activities.
- 12.2 In addition the Authority commits to promoting an anti-fraud culture through encouraging staff and members, as [part](#) of their induction programmes, to familiarise themselves with the relevant Code of Conduct, the Whistle Blowing Policy and this Strategy, to make them aware that the Authority will not tolerate improper behaviour.

DETECTING AND INVESTIGATING FRAUD, CORRUPTION, [MONEY LAUNDERING](#) AND BRIBERY

13. Detecting Fraud that has Occurred

- 13.1 The Authority has in place a number of measures designed to detect fraudulent activity.
- 13.2 ~~Managing the risk of fraud, corruption and bribery is the responsibility of Directors and Heads of Service within their area of activity.~~ The Authority therefore expects its senior managers to be vigilant regarding the possibility of fraud, corruption, [money laundering](#) or bribery and to report any suspicious activities.
- 13.3 Despite best efforts, fraudulent or corrupt activity can sometimes be discovered by chance or through a 'tip off' or whistle blowing incident. The Authority has developed appropriate arrangements to enable such matters to be handled through the Whistle Blowing Policy.

Comment [A2]: Duplication of point 10.2

- 13.4 The Code of Conduct for Employees also requires employees to report to their immediate line manager, Head of Section or other officer any suspicions of impropriety, dishonesty or failure to follow legislation or policies and procedures by another employee.
- 13.5 In addition the work of Internal Audit and the Authority's External Auditors may lead to the detection of fraud.

14. Investigation of Fraud that has Occurred

- 14.1 The Head of Internal Audit has overall responsibility for the progression of all fraud investigations, in consultation with the [Director of Change Management and Resources](#) (Director of Planning and Resources [from April 2013](#)). There are provisions in the Internal Audit Services contract to engage Counter Fraud trained auditors from [Deloitte Public Sector Internal Audit-TIAA](#) Ltd, to work under the direction of the Head of Internal Audit, and in consultation with the [Director of Change Management and Resources](#) (Director of Planning and Resources [from April 2013](#)).
- 14.2 Appendix 3 sets out a Fraud, Corruption and Bribery Response Plan, detailing how the Authority will respond when a concern or an event has been raised, leading to a suspicion of fraud or corruption. In all cases the Head of Internal Audit should be consulted regarding potential cases of fraud and corruption, in order to maintain a corporate overview of incidents arising and ensure that investigations are carried out by the appropriate personnel (e.g. [Deloitte-TIAA](#) Auditors, the [Head of Internal Audit](#)[Audit Management Team](#), the relevant Director ~~or~~ Head of Human Resources, depending on the nature of the case reported).
- 14.3 The Solicitor and Monitoring Officer is responsible for monitoring and ensuring the investigation of whistle blowing concerns received. Where such cases involve an instance of fraud and corruption, these will be jointly overseen by the Solicitor and Monitoring Officer and the Head of Internal Audit.
- 14.4 The Head of Internal Audit will notify External Audit promptly of all frauds occurring at the Authority which exceed £5,000, and any cases of corruption and any fraud cases of particular interest or complexity. Any such instances of fraud or suspected fraud will be discussed with external Audit at the annual Audit Planning Meeting.

SANCTIONS AND REDRESS IN RESPECT OF FRAUD, CORRUPTION, [MONEY LAUNDERING](#) AND BRIBERY

15. Taking Action where Required

- 15.1 Where it has been identified that fraud or corruption has occurred, the Authority is committed to ensuring that all appropriate sanctions and courses of redress are undertaken.
- 15.2 Although the Authority's primary means of sanction of employees is through its Disciplinary Procedures, this does not preclude the Authority from taking additional action should it consider this to be necessary.

- 15.3 The Authority will seek to work closely with other parties, in particular the Police, where appropriate. It also has a public duty to seek financial redress, where feasible.

REVIEW

16. Review

- 16.1 This Strategy has been approved by the Management Team and by ~~the~~ [Financial](#) ~~Scrutiny and Audit Committee~~. It will be reviewed and if necessary ~~updated~~ on a regular basis, at least annually, and any significant changes will be brought to the attention of the Management Team for their approval. Responsibility for ensuring that regular reviews are carried out lies with the ~~Director of Change Management and Resources~~ (Director of Planning and Resources ~~from April 2013~~).

~~June 2012~~ [January 2016](#)

APPENDIX 1

Policy / Strategy	Purpose	Responsible Officer
Code of Conduct for Members	Under the provisions of the Localism Act 2011, the Broads Authority is required to adopt a code of conduct setting out the standards of behaviour expected of its members. The Authority has adopted the model code prepared by the Department for Communities and Local Government (DCLG). All new members to the Authority receive guidance and training on the implementation of the Code.	Head of Governance and Executive Assistant Solicitor and Monitoring Officer
Registration and Declaration of Interests	Members of the Authority are required to enter onto a Register of Interests any pecuniary or non-pecuniary interests which might relate to their public duty, and to declare these interests at all meetings of the Authority and its committees. The Register of Interests may be viewed by members of the public on request.	Head of Governance and Executive Assistant Solicitor and Monitoring Officer
Terms of Reference of Committees	These set out the powers reserved to the Broads Authority and to its various committees.	Director of Change Management and Resources (Head of Governance and Executive Assistant from April 2013) Solicitor and Monitoring Officer
Scheme of Delegated Powers	These set out the powers which are delegated to the Chief Executive, and the conditions under which these powers can be discharged. They are supplemented by Arrangements for the Exercise of Powers by Other Officers, setting out those officers who are authorised to exercise powers in the absence of the Chief Executive.	Director of Change Management and Resources (Head of Governance and Executive Assistant from April 2013) Solicitor and Monitoring Officer
Code of Conduct for Employees	All members of staff are required to comply with the Code of Conduct for Employees, and Planning Officers with the Code of Conduct for Planning Committee Members and Officers. The Code of Conduct includes guidelines for the receipt of gifts and hospitality, and requires senior officers to declare certain personal interests which could be perceived to conflict with their professional impartiality.	Head of Human Resources

Whistle Blowing Policy	The Whistle Blowing Policy sets out how employees can raise concerns within the organisation without fear of victimisation or harassment.	Director of Change Management and Resources (Head of Human Resources from April 2013)
Financial Regulations	Financial Regulations set the framework for the administration of the Authority's financial affairs, including all systems and transactions.	Head of Finance
Standing Orders Relating to Contracts	These Standing Orders set out the rules and procedures which must be complied with when letting contracts for goods and services on behalf of the Authority. They endeavour to ensure fair competition between competing organisations.	Head of Finance
Internal Financial Controls	Internal control systems are in place to ensure that the Authority's finances are managed in a safe and efficient manner. These include physical controls to ensure security of assets and restrict access, clear lines of accountability, supervisory controls, segregation of duties and authorisation/approval controls.	Head of Finance
Internal Audit	The Authority is a member of a consortium of local authorities who jointly procure an internal audit service. The service is administered by the Head of Internal Audit, who is based at the offices of South Norfolk Council, and is currently contracted out to TIAADeloitte . An annual programme of audits is drawn up in conjunction with the Head of Internal Audit using a risk based approach.	Director of Change Management and Resources (Head of Finance from April 2013)
Recruitment and Selection of Staff	A number of controls are in place relating to the recruitment and selection of staff, including completion of an application form, interviews, references and obtaining a 'defined document' to confirm that the employee is eligible to be employed in this country. Under certain circumstances other checks are made, for example relating to the prospective employee's medical condition and suitability to work with children and vulnerable adults.	Head of Human Resources

APPENDIX 2

Roles and Responsibilities for Countering Fraud, Corruption, [Money Laundering](#) and Bribery

Stakeholder	Roles and Responsibilities
Broads Authority	The Authority is ultimately responsible for the Authority's Counter Fraud, Corruption, Money Laundering and Bribery Strategy and other arrangements.
Individual Members	Members support and help to promote a strong counter fraud culture through: <ul style="list-style-type: none"> • promoting the Authority's lack of tolerance towards acts of fraud and corruption; • ensuring that they comply with the Authority's Code of Conduct for Members, thus setting a strong public example; and • raising matters of concern that they may have through the appropriate means.
Financial Scrutiny and Audit Committee	Responsible to the Authority for the Counter Fraud, Corruption and Bribery Strategy, including the adequacy and effectiveness of the counter fraud and whistle blowing arrangements.
Chief Executive	The Chief Executive is ultimately responsible for the day to day arrangements to counter fraud, corruption and bribery.
Director of Change Management and Resources (Head of Governance and Executive Assistant from April 2013)	Responsible for the Authority's arrangements to manage risk, including the Risk Management Policy and Strategic Risk Register.
Solicitor and Monitoring Officer	Responsible for the Authority's arrangements to manage risk, including the Risk Management Policy and Strategic Risk Register. The Monitoring Officer also provides support to members as required on matters of ethical and governance issues, and may receive concerns raised from members, the public and other stakeholders.
Treasurer and Financial Adviser/ Section 17 Officer	The Section 17 Officer is responsible for ensuring that the Authority has in place arrangements for the proper administration of its financial affairs.

External Audit	The external auditors have a statutory duty to ensure that the Authority has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.
Internal Audit	Internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption to occur and seek to strengthen systems of internal control to safeguard the Authority against such activities and minimise losses arising from such actions.
Head of Internal Audit	The Head of Internal Audit is responsible for managing the Internal Audit service, including developing an Annual Audit Plan which includes counter fraud and corruption work. There is also a requirement to assist with special investigations (where cases of fraud and/or corruption are suspected) and provide reports to management, the Financial Scrutiny and Audit Committee and External Audit regarding work carried out in this area.
Directors and Heads of Service	These officers are responsible for the management and prevention of theft, fraud, corruption and other irregularities within their area of responsibility. Each officer is expected to: <ul style="list-style-type: none"> • identify, be familiar with and assess the types and risks of fraud or corruption that might occur within their area of responsibility; • promote and monitor sound working practices which minimise the likelihood of fraud and corruption occurring; • promote the Strategy where appropriate with any external organisations they may do business with; • be alert for any indication of fraud or corruption; and • be ready to take appropriate action in a timely way, should there be any suspicion of theft, fraud or corruption.
Members of Staff	Staff should undertake their duties at all times in line with the Authority's Code of Conduct for Employees. They have a responsibility to raise any concerns, should they become aware of any potential fraud, corruption or other wrongdoing, with an appropriate officer (who could be their line manager, Head of Section or Director, the Monitoring Officer, the Head of Internal Audit or any other senior officer).
Partners, Contractors, Suppliers and other organisations that interact with the Authority	These organisations should be aware of the need to uphold anti-fraud principles and be aware of the possibility of malpractice against the Authority, reporting any genuine concerns or suspicions promptly.

Members of the Public	To notify the Authority of any genuine concerns or suspicions involving fraudulent or corrupt activities being committed against the Authority.
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Fraud, Corruption and Bribery Response Plan

1. Introduction

- 1.1 The purpose of this Response Plan is to set out the action to be taken when a fraud is suspected or discovered. This Plan forms part of the Authority's overall approach to countering fraud, corruption and bribery.
- 1.2 Adhering to the Plan will enable the Authority to ensure that all incidents of fraud and corruption are handled in a consistent and responsible manner and that the relevant responsibilities when responding to an incident are clear.

2. Reporting Concerns of Fraud, Corruption and Bribery

- 2.1 Anyone who has a concern that a potential incident of fraud, corruption, [money laundering](#) or bribery has arisen should always seek to raise these concerns at the earliest opportunity. The Authority acknowledges that this can be a difficult and challenging action to take in some cases, and the Whistle Blowing Policy has been established to provide those raising concerns with a safe avenue with which to do so without fear of victimisation or bullying. It also offers sources of advice and guidance that they may turn to.
- 2.2 The Whistle Blowing Policy makes clear that the Authority will always respect the confidentiality of those who raise a concern. Wherever possible, it encourages the whistle blower not to remain anonymous, to ensure that concerns can be set out in writing to ensure that the facts of the situation are clarified.
- 2.3 Wherever the concern raised or identified relates to a matter of fraud, corruption, [money laundering](#) or bribery, the Head of Internal Audit should be notified in order that they can ensure appropriate investigatory measures are undertaken. Wherever possible, and whilst respecting confidentiality, the Head of Internal Audit will work with other officers to ensure that appropriate members of staff and others are kept informed of developments. In particular it may be necessary to notify the Section 17 Officer and Management Team. The Head of Internal Audit and Solicitor and Monitoring Officer should liaise to ensure that cases raised in respect of whistle blowing are appropriately addressed, and to ensure that the Head of Internal Audit is aware of all issues that may impact upon delivery of the Annual Audit Plan.

3. Reacting to Reports of Fraud, Corruption and Bribery

- 3.1 All reported cases will be handled in a fair and consistent manner. The Authority will remain mindful of the legislative framework governing the investigation of concerns, and in particular the :
- Freedom of Information Act 2000;
 - Data Protection Act 1998;
 - Human Rights Act 1998;

- [Criminal Procedures and Investigations Act 1996](#) [Proceeds of Crime Act 2002 as amended by the Serious Organised Crime and Police Act 2005](#); and
- Police and Criminal Evidence Act 1984.

3.2 As the Whistle Blowing Policy identifies, if an individual raises a malicious allegation they know to be untrue, then the Authority will not investigate the case further. The Authority will also endeavour to be sensitive to the alleged wrongdoers, to ensure minimisation of damage if, subsequently, the allegations are found to be incorrect or cannot be substantiated.

4. Conducting Investigations

4.1 The Head of Internal Audit is responsible for overseeing the progress of fraud, corruption and bribery investigations to ensure they are undertaken in a consistent and appropriate manner, in accordance with legislative requirements and agreed procedures. If the concern directly affects the Head of Internal Audit, this role will be adopted by the Solicitor and Monitoring Officer.

4.2 The Head of Internal Audit will also remain responsible for liaising with the Chief Executive and other senior managers as appropriate regarding the incident raised and the progression of the investigation. In such cases the liaison officer will be the ~~Director of Change Management and Resources~~ (Director of Planning and Resources ~~from April 2013~~), unless this officer is the subject of or is otherwise linked to the investigation, in which case the Chief Executive will nominate an alternative liaison officer. Should disputes arise during the course of an investigation, these will be referred to the appropriate liaison officer (and, if necessary, the Chief Executive) to assist resolution.

4.3 In the event that the Chief Executive is the subject of or otherwise linked to the allegation, the Head of Internal Audit will liaise with the Chairman of the Authority.

4.4 A number of options will usually be considered when determining who will be responsible for undertaking investigative work, but for the most part the Head of Internal Audit, in conjunction with the ~~Director of Change Management and Resources~~ (Director of Planning and Resources ~~from April 2013~~) will agree the method and terms of reference for the investigation. Although it is acknowledged that flexibility will be required depending on the nature of the case, it is expected that the following will need to be considered:

- who will conduct the investigation;
- the arrangements for collecting and documenting evidence;
- the estimated time span for the investigation;
- the need for direct referral to/liaison with other authorities (e.g. the Police);
- the mechanism for reporting progress and the final outcomes; and
- liaison with the Head of Human Resources regarding the need for potential suspension / transfer /disciplinary action relating to the alleged wrongdoers.

- 4.5 Where it is deemed necessary to refer cases to the Police, careful consideration will be given as to whether to proceed with an internal investigation. However it is expected that all staff, members and third parties will comply with both internal and Police investigations as appropriate, and wherever possible Authority and Police enquiries will be co-ordinated to maximise their effectiveness.
- 4.6 Upon completion of any investigation, a report will be produced highlighting the main findings. The report will be reviewed by the Head of Internal Audit, who will be responsible for identifying any further action which may be needed in consultation with other appropriate officers (e.g. the Head of Human Resources if disciplinary action may be required). Where it has been found that fraud, corruption or bribery has occurred, a summary of the findings will be presented to the Management Team, and in due course a summary report will be prepared for the Financial Scrutiny and Audit Committee, setting out what mitigating actions will be taken to avoid or minimise the possibility of a recurrence of the incident. Where fraud, corruption or bribery could not be proven, the findings will only be shared with those who have a genuine and legitimate need to know.
- 4.7 The Head of Internal Audit will keep the person raising the concern informed of the progress of the investigation, but will not necessarily be able to share either the report or the conclusions of the investigation with that person or persons. Where this relates to a whistle blowing case, the Head of Internal Audit will continue to work with the Solicitor and Monitoring Officer in this regard.
- 4.8 It is the responsibility of management to ensure that any losses arising from an investigation are recovered, provided that there are reasonable grounds for doing so. There are various methods of recovery the Authority can utilise, for example directly from the perpetrator, through the Authority's insurers, or through legal proceedings. The appropriate method of recovery will be considered on a case-by-case basis by the Management Team, where appropriate on the advice of the Head of Internal Audit and/or Solicitor and Monitoring Officer.

5. General Processes

- 5.1 This Fraud, Corruption and Bribery Response Plan will be displayed on the Authority's Intranet, in order that it is available to all members of staff. It is acknowledged that circumstances will differ from case to case, and the Authority reserves the right, where it is in the best interests to do so, to carry out investigations in ways which are not entirely in accordance with this Plan. However notwithstanding that, the Authority will seek to ensure that, where possible, all investigations are carried out in a consistent manner.
- 5.2 The Head of Internal Audit will remain responsible for ensuring that records in respect of fraud cases are appropriately maintained, and, in line with guidance issued by The National Archive, records relating to proven frauds will be maintained for at least six years.