

Internal Audit Annual Report and Opinion 2015/16

Report by Head of Internal Audit

Summary: This report provides the Authority with an Annual Report and Opinion for 2015/16, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

Recommendation: That the Committee is requested to:

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

1 Introduction / Background

1.1 In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013, an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control:

- A summary of the work that supports the opinion should be submitted
- Reliance placed on other assurance providers should be recognised
- Any qualifications to that opinion, together with the reason for qualification must be provided
- There should be disclosure of any impairments or restriction to the scope of the opinion
- There should be a comparison of actual audit work undertaken with planned work
- The performance of internal audit against its performance measures and targets should be summarised
- Any other issues considered relevant to the Annual Governance Statement should be recorded

- 1.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes:
- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme
 - The outcomes of the performance indicators
 - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit
- 1.3 The Annual Report and Opinion 2015/16 and the Review of the Effectiveness of Internal Audit are shown in the report attached.
- 1.4 On the basis of Internal Audit work performed during 2015/16, the Internal Audit Consortium Manager is able to give a **reasonable** opinion (positive) on the framework of governance, risk management and control at the Broads Authority.
- 1.5 The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards
 - Is continually monitoring performance and looking for ways to improve
 - Is compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations

These findings therefore indicate that reliance can be placed on the opinions expressed by the Internal Audit Consortium Manager, which can then be used to inform the Authority's Annual Governance Statement.

Background Papers:	None
Author:	Emma Hodds, Internal Audit Consortium Manager
Date of Report:	20 June 2016
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Annual Report and Opinion 2015/16

Eastern Internal Audit Services



BROADS AUTHORITY

Annual Report and Opinion 2015/16

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 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager - IACM) to provide a written report to those charged with governance (known in this context as the Financial Scrutiny and Audit Committee) to support the Annual Governance Statement (AGS). This report must set out:-
- The opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control during 2015/16, 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);
 - 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.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Financial Scrutiny and Audit Committee and statutory officers of the Authority should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 5**.

2. ANNUAL OPINION OF THE IACM

2.1 Roles and responsibilities

- The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Chairman of the Authority and the Chief Executive that records and publishes the Authority’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Senior Management Team and key stakeholders and then approved by the Financial Scrutiny and Audit Committee at its meeting on 10 February 2015. Any justifiable amendments that are requested during the year are discussed and agreed with

senior management. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Financial Scrutiny and Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Authority and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

- The overall opinion is that the framework of governance, risk management and control is deemed to be **reasonable**, indicating a continued stable control environment, with some improvements needed to enhance the controls to mitigate associated risks.
- In providing the opinion the Authority's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.
- The opinion has been discussed with the Section 17 Officer prior to publication.

3. AUDIT WORK UNDERTAKEN DURING THE YEAR

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Authority's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Authority's main activities.

3.3 The Financial Scrutiny and Audit Committee approved the Annual Internal Audit Plan for 2015/16, which totalled 35 days and encompassed:

- An annual opinion of Corporate Governance and Risk Management (relating to 2014/15);
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- Service audit of planning ; and
- IT audit review (scope was to be confirmed).

Some amendments were made and agreed within year to the audit plan, as follows;

Audit description	Nature of change
IT audit review	Due to resourcing issues this audit has been deferred to 2016/17 and it has also been agreed to review this area every two years instead of

Replaced by Governance	<p>annually.</p> <p>In its place it was agreed that the opportunity would be taken to bring the Governance review within year, instead of looking back at the previous financial year. The scope for the audit covered Member Governance.</p> <p>The audit budget (IT) was reduced by two days.</p>
Planning	<p>The two days made available from the above was utilised in the Planning audit to enable the scope to meet the requirements of the review.</p>

3.4 As Committee are aware the audit of Corporate Governance and Risk Management was a retrospective conclusion for 2014/15 and was included in the 2014/15 annual report and opinion and has previously been reported upon.

3.5 The remaining three audit reviews concluded within 2015/16 are summarised as follows:

Planning

The objective of the audit is to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently, in particular the audit covered; Local Plan Preparation, Planning Applications, Enforcement and Appeals.

The audit concluded with a **reasonable** assurance, with two priority two (important) and one priority three (needs attention) recommendations agreed with management. All recommendations have been addressed.

Member Governance

This governance review specifically focused on Member Governance in particular; Members Duties and Responsibilities, Members Training and Support and Members Conduct.

The audit concluded with a **reasonable** assurance and five recommendations (two priority two and three priority three) were agreed with management, all of which fall due after the end of the 2015/16 financial year. The priority two recommendations relate to; adding declarations of interest as a standing agenda item on all Broads Local Access Forum meeting agendas, and guidance to be produced for informal treatment of complaints against Members which should include a set of criteria to determine if the incident is to be treated informally or whether it should follow the formal process and in conjunction with this, the formal complaints process should be reviewed and updated.

Key Controls and Assurance

This audit is undertaken annually and reviews the key controls within the fundamental financial systems that inform the Statement of Accounts for year end. The areas covered within this review are; treasury management/investment, general ledger, asset management, budgetary control, accounts receivable, accounts payable, payroll, toll income, control accounts, and follow up of internal audit recommendations.

The audit concluded with a **reasonable** assurance and three priority three recommendations were agreed with management on conclusion of the review. All recommendations fall due for completion after the end of the 2015/16 financial year.

Appendix 3 to this report provides the Executive Summaries relating to the above three reports. **Appendix 1** to this report provides the assurance and priority level definitions.

- 3.6 In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that all recommendations due to be implemented have been, with all recommendations relating to prior financial years having now been addressed.

With specific regard to the 2015/16 financial year, 14 recommendations were raised; seven have been implemented by management, and seven are not yet due.

The following table is the overall summarised year end position, with further detail provided at **Appendix 4**.

Status of Recommendations as at 31 March 2016					
	P1	P2	P3	Total	%
Complete	0	9	12	21	100%
Outstanding	0	0	0	0	0%
Total	0	9	12	21	

It is encouraging to note that recommendations relating to prior financial years have now been addressed, it is also extremely positive to note that no recommendations are outstanding at financial year end.

- 3.7 Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

4. THIRD PARTY ASSURANCES

- 4.1 In arriving at the overall opinion reliance has not been placed on any third party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Degree of compliance with Public Sector Internal Audit Standards (PSIAS)

- 5.1.1 A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2015/16. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

- 5.1.2 The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme (which includes both internal and external assessment).

- 5.1.3 The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning,

Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

- 5.1.4 On conclusion of completion of the checklist full conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.
- 5.1.5 In relation to the Attribute Standards it is recognised that in order to achieve full conformance an external assessment is required. This must be done within 5 years of the PSIAS coming into force, i.e. 31 March 2018. The IACM is in the process of obtaining quotes for this review, with the aim for this to be completed in 2016/17.
- 5.1.6 In relation to the Quality Assurance and Improvement Programme, internal assessments are undertaken on a regular basis and performance is regularly assessed and reported upon, in relation to the contractor.
- 5.1.7 The detailed checklist has been forwarded to the Section 17 Officer and the Head of Finance for independent scrutiny and verification.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance measures as agreed by the Audit Committee. The annual report (and supporting quarterly updates) provided by the Audit Director (TIAA Ltd) are quality reviewed by the Internal Audit Consortium Manager.

5.2.2 The detail for each of the performance measures is as follows:

	Indicator	Frequency	Target	Actual	Comments
1	Audit Committee Satisfaction	Annual	Adequate	N/A	Above target
2	Chief Finance Officer Satisfaction	Annual	Good	Adequate	Not achieved
3	Annual draft reports issued within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved
4	Quarterly assurance reports to the Contract Manager within 15 working days of the end of the quarter	Quarterly	100%	100%	Achieved
5	An audit file supporting each review and showing clear evidence of quality	Quarterly	100%	100%	Achieved & all 4 QA by IACM

	control				
6	Compliance with PSIAS	Annual	Fully Conforms	Fully conforms	Achieved*
7	Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received	Quarterly	100%	100%	No unsatisfactory feedback received
8	Average feedback scores from key clients	Quarterly	Adequate	N/A	No responses received
9	Percentage of recommendations accepted by management	Quarterly	90%	100%	Above target
10	Percentage of qualified/experienced staff working on the contract each quarter	Quarterly	60%	86%	Above target
11	Number of training hours per member of staff completed each quarter	Quarterly	1 day	1 day	Achieved

5.2.3 In relation to performance measure 6 (*) above the conformance with the Public Sector Internal Audit Standards, this has been confirmed for TIAA Ltd as a company and confirms that they conform to all standards and requirements of the PSIAS. The outcomes of this review have been shared with the IACM.

As noted above the IACM is in the process of obtaining quotes for a review against the Standards with particular regard to the work undertaken for Eastern Internal Audit Services (EIAS). The aim is for this to be completed in 2016/17. The process of which, and the outcomes of, will be discussed and agreed with Section 151 Officers across EIAS and the Audit Committee's (or their equivalent).

5.2.4 The following performance measures are explored further for the Committee's attention:

Audit Committee Satisfaction; a questionnaire will be provided to the Chair of the Financial Scrutiny and Audit Committee following the meeting in June to enable feedback to be received on the reports received at this meeting, alongside those received in February in relation to the Audit Plans.

Chief Finance Officer Satisfaction; there were a few issues with the key controls audit which is reflected in the overall score received from the Head of Finance in relation to performance with the contractor and the knock on effect of this. This has since been resolved and appropriate action was taken in this regard.

Average feedback scores from key clients; unfortunately formal individual feedback was not received on the audits completed within year. However it was encouraging to note that the Chief Executive thanked the auditor for the thorough and useful piece of work in relation to Members Governance.

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

5.3.2 Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

5.3.3 The detailed checklist has been forwarded to the Section 17 Officer and Head of Finance for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2015/16

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Corporate Governance and Risk Management (2014/15)	Good (Substantial)	3	3				
Member Governance	Reasonable	5					5
Fundamental Financial Systems							
Key Controls and Assurance	Reasonable	3	1				2
Service area audits							
Planning	Reasonable	3	3				
Total		14	7				7

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	1
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	3
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
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Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 ASSURANCE CHART

	Previous Contract		Current Contract	
	2013-14	2014-15	2015-16	2016-17
Annual Opinion Audits				
Corporate Governance and Risk Management	Good Review relates to 2012/13	Good Review relates to 2013/14	Good Review relates to 2014/15	x
Governance			Reasonable	
Fundamental Financial Systems				
Key Controls and Assurance Work	Good	Good	Reasonable	x
Procurement	Adequate			
Services Area Reviews				
Consultation Activities and Partnerships Provisions		Adequate		
External Funding - HLF Bid and National Parks Partnership				x
Planning			Reasonable	
IT Audits				
Toll Management Application				
Network Security	Limited			
End User Controls		Adequate		
Virus Protection/Spyware, Data Backup and Data Centre controls				x

* Note - Assurance definition - comparison	Previous Contract	Current Contract
	Good	Substantial
	Adequate	Reasonable
	Limited	Limited
	Unsatisfactory	No

Assurance Review of Planning

Executive Summary

OVERALL ASSURANCE ASSESSMENT



SCOPE

The audit covered a review of the systems and controls in place in relation to Planning, in particular:

- Local Plan Preparation
- Planning Applications
- Enforcements
- Appeals

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	1	0

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the Planning. The assurance opinion has been derived as a result of two 'important' recommendations and one 'needs attention' recommendation being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

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 system.
- The Planning Committee are provided with quarterly statistics of the number of enforcement notices that have been issued.

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 it.
- Monthly and annual appeals reports listing the appeals received are presented to the Planning Committee.

Management Information

- The Planning Committee are provided with a quarterly report incorporating the number of decisions granted, refused and enforcement notices issued. This includes a comparison with national targets in terms of the speed of decisions over planning applications.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings two important recommendations have been made.

Publication of Delegated Decisions

- On a monthly basis a search is undertaken on the CAPs system to identify a list of delegated decisions, which are then posted to the Broads Authority web-site. Internal Audit sample testing identified that the system does not correctly identify all decisions for inclusion in monthly reports and as such decisions were not present on the website. The public may not be aware of planning decisions and therefore unable to take any action, should they wish to. This could result in further challenge against decisions at a later stage.

Receipt of appropriate planning fee

- If an application is received in the post it may not be accompanied by the appropriate fee. The application is then held aside and the applicant written to so that the appropriate fee can be obtained. The financial system produces a report that identifies all fees received along with application reference number, although no checks are being undertaken to ensure that all applications have resulted in the correct fee being received. This could result in applications being processed without a check that the fee has been received and banked

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Policy and Procedures

- The procedure manual was produced in January 2014, covering planning applications and was due for review after one year (January 2015). The procedure manual does not incorporate other aspects of the planning process e.g. appeals, enforcements and administration arrangements. This could result in processes being inconsistent and they may not adhere to Authority requirements.

Assurance Review of Members Governance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Members Training and Support	0	0	1	1
Members Conduct	0	2	2	1
Total	0	2	3	2

No weaknesses were found with regard to Member Duties and Responsibilities.

SCOPE

The objective of the audit was to review the systems and controls in place within Members Governance, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed Reasonable in managing the risks associated with Members Governance. The assurance opinion has been derived as a result of two 'important' recommendations and three 'needs attention' recommendations being raised upon the conclusion of the work.
- The audit has also raised two operational effectiveness matter, 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.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A member training plan is produced every year, this is informed by the member performance appraisals and the member training strategy.
- Annual performance appraisals are undertaken of Members appointed to the Authority by the Secretary of State to Defra. These appraisals are also offered to other Members and the take up of these has been good.
- There is a guidance/policy in place that clearly states which course of action will be undertaken if Members do not adhere to the Code of Conduct.
- Members receive induction training and other mandatory training, including the Code of Conduct, and attendance records for these are recorded.
- Job descriptions are in place for Members of the Broads Authority and the Navigation Committee.
- A register of Members interests is kept and declarations are signed by Members on an annual basis and all sampled declarations reviewed during the audit were available.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings two 'important' recommendations have been made.

Members Conduct

- Declarations of interest to be added as a standing agenda item on all Broads Local Access Forum meeting agendas to comply with the Broads Local Access Forum Constitution and mitigate the risk that conflicts of interest are not handled adequately.
- Guidance to be produced for informal treatment of complaints against Members which should include a set of criteria to determine if the incident is to be treated informally or whether it should follow the formal process. In conjunction with this, the formal complaints process should be reviewed and updated to also incorporate the process for dealing with Broads Authority Members and staff, if they are the complainant. This should also refer to the Protocol on Member and Officer Relations. This should contribute to the transparency of the process and help mitigate the risk that complaints/misconduct are treated inconsistently, unfairly and not in accordance with policy.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Members Training and Support

- The Members Training Strategy to be reviewed and on an ongoing basis thereafter in order to reduce the risk of the strategy becoming inappropriate for the Authority's requirements.

Members Conduct

- The Members Code of Conduct Complaints Guidance Notes and Complaints Form to be reviewed and updated, including appropriate reference to officer's job titles and the Hearings Committee terms of reference. Appropriate updating should reduce the risk that out of date guidance is applied and processes are not carried out correctly and in an untimely manner.
- To incorporate a number of changes/updates to the Code of Conduct and associated documentation as a result of other authorities' policies and practices reviewed within this audit. These updates include applying an assessment criteria in the initial assessment of the complaints process, including a section on 'Disclosable Pecuniary Interests' and 'non pecuniary interests' and, adoption of timeframes for certain parts of the process including initial assessment of the complaint, notification of no action taken and, time taken for the actual decision to be made. This should help ensure Code of Conduct documents are more comprehensive and robust therefore mitigating the risk that they are not fit for purpose.

Operational Effectiveness Matters

The two operational effectiveness matters, for management to consider, relate to reviewing best practice guidance documents produced by the Committee on Standards of Public Life and producing a Members handbook to encapsulate all the key documents given to new Members on induction.

Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Budgetary Control	0	0	1	0
Accounts Receivable	0	0	1	1
Accounts Payable	0	0	2	0
Follow Up of Internal audit Recommendations	0	0	0	0
Total	0	0	3	1

No weaknesses were found with regard to Treasury Management/Investments, General Ledger, Asset Management, Payroll, Toll Income and Control Accounts.

SCOPE

The objective of the audit was to review the systems and controls in place within Key Controls, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed Reasonable in managing the risks associated with the Key Controls. The assurance opinion has been derived as a result of four needs attention recommendations being raised upon the conclusion of our work.
- The audit has also raised one operational effectiveness matter, 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.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Controls tested were found to be adequate, effective and efficient in the following areas: Treasury Management/Investments, General Ledger, Asset Management, Payroll, Toll Income and Control Accounts.

Issues to be addressed

The audit has highlighted the following areas where four needs attention recommendations have been made.

Budgetary Control

- The current system of approving virements should be reviewed and either brought in line with the current Broads Authority Financial Regulations or the regulations changed to modify the approval requirement to reduce the risk of budgets being used for inappropriate purposes.

Accounts Receivable

- Sales invoices and invoice requests should be raised in a timely manner to reduce the risk of customers paying late or not at all. Subsequent audit testing has noted that this finding has been implemented and has been removed from the action plan.

Accounts Payable

- A system 'fix' should be identified to ensure that it is not possible for a Level 1 Approver and Level 2 Approver to be the same person, to reduce the risk of inappropriate or fraudulent payments to suppliers being approved.
- When changes (including new supplier set up) are made to supplier's bank account information, a system generated report should be periodically produced and checked back to original documentation supporting the change made. This will reduce the risk of incorrect or fraudulent changes being made to supplier's accounts.

Operational Effectiveness Matters

Till problems at Whittingham Tourist Information Centre to be resolved, to rectify the issue of credit notes being required when refunds are made.

In addition as part of the internal audit review, the auditor confirmed the process in place for reviewing the payroll data. There was initial over control as there were two reviews of the payroll data being undertaken by the payroll department itself, with a third review being done by Finance. The finance review is a threshold check and needs to remain.

The second payroll review was originally put in place when the payroll moved from Broadland District Council to Norfolk County Council in order to gain confidence over the service provision. Now confidence is in place with the service provision it has been suggested that this second review is removed. The decision has now been made to remove this control, following confirmation by internal audit that the process remains well controlled.

APPENDIX 4 – AUDIT RECOMMENDATIONS

			Completed bt 01/04/2015 and 31/03/2016			Previously reported to Committee as outstanding			Outstanding			Total	Not yet due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Outstanding	Priority 1	Priority 2	Priority 3
2008/09 Internal Audit Reviews															
BA0903	Toll Income	Adequate		1								0			
2014/15 Internal Audit Reviews															
BA1502	Consultation Activities and Partnership Provisions	Adequate		3	1							0			
BA1503	Key Controls	Good			1							0			
BA1504	End User Controls	Adequate		3	5							0			
2015/16 Internal Audit Reviews															
BA1601	Corporate Governance and Risk Management	Good			3							0			
BA1602	Planning	Reasonable		2	1							0			
BA1603	Members Governance	Reasonable										0		2	3
BA1604	Key Controls & Assurance	Reasonable			1							0			2
TOTALS			0	9	12	0	0	0	0	0	0	0	0	2	5

APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2014/15 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit briefs and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to the Broads Authority is for the year ended 31 March 2016x. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Internal Audit Consortium Manager has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA Ltd examinations as the Authority's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.