

Financial Scrutiny and Audit Committee

AGENDA

25 July 2017

2:00pm

Note: As the former Chairman is no longer a Member of the Authority the Vice-Chairman will Chair the meeting.

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1.	To receive apologies for absence	
2.	To note whether any items have been proposed as matters of urgent business	
3.	To receive declarations of interest	
4.	To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 7 February 2017 (herewith)	3 – 11
5.	Public Question Time To note whether any questions have been raised by members of the public	
	FINANCIAL SCRUTINY	
6.	Annual Governance Statement 2016/17 Report by Solicitor and Monitoring Officer (herewith)	12 – 27
7.	Internal Audit Annual Report and Opinion 2016/17 Report by Head of Internal Audit (herewith)	28 – 56
8.	Statement of Accounts 2016/17 Report by Chief Financial Officer (herewith)	57 – 138
9.	Annual Audit Results Report by Chief Financial Officer (herewith)	139 – 172
10.	Investment Strategy and Performance Annual Report 2016/17 Report by Chief Financial Officer (herewith)	173 – 174

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	AUDIT	
11.	External Quality Assessment of Internal Audit Report by Head of Internal Audit (herewith)	175 - 189
12.	External Audit Report by Chief Financial Officer (herewith)	190 - 206
13.	Implementation of Internal Audit Recommendations: Summary of Progress Report by Chief Financial Officer (herewith)	207 - 219
	OTHER MATTERS	
14.	Updated Financial Regulations Report by Chief Financial Officer (herewith)	220 - 248
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 14 November 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 7 February 2017

Present:

Mr Guy McGregor (Chairman) Mr Louis Baugh Prof Jacquie Burgess Sir Peter Dixon

In Attendance:

Ms Esmeralda Guds – Administrative Officer Mr David Harris – Solicitor & Monitoring Officer Miss Emma Krelle – Head of Finance Ms Andrea Long – Director of Planning & Resources Dr John Packman – Chief Executive

Also in Attendance:

Ms Emma Hodds - Head of Internal Audit Consortium Mr Kevin Sutor – Audit Director

Also Present:

Cllr Gail Harris, Norwich City Council Cllr Brian Iles, North Norfolk Council

2/1 Apologies for Absence

Apologies were received from Michael Whitaker. The Chairman welcomed Gail Harris and Brian Iles to the meeting. He clarified that they were welcome to comment on the topics they were interested in but wouldn't be able to vote.

The Chairman announced that at the last Broad Authority meeting it had been agreed that the Authority as from immediate effect would audio record all meetings to assist in the writing of the minutes and therefore this meeting would be recorded. At the moment there were no plans to make the recordings available online however on request could be made available at the office.

2/2 Appointment of Vice-Chair

The Chair invited nominations for the position of Vice-Chairman for the forthcoming year.

It was proposed by Jacquie Burgess and duly seconded by Sir Peter Dixon that Mr Baugh be appointed as Vice-Chairman.

There being no other nominations, it was

RESOLVED

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

2/3 Matters of Urgent Business

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

2/4 Declarations of Interests

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

2/5 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 27 September 2017 (herewith)

The minutes of the meeting held on 27 September 2017 were approved as a correct record and signed by the Chairman.

2/6 Public Question Time

No question had been raised by members of the public.

2/7 Investment Strategy and Performance Report 2016/17

This report sets out policy for the Authority's investment of surplus cash, including the investment principles adopted and the performance achieved in the eight months to 30 November 2016. The Committee was informed that as the Authority was waiting for Lloyds Bank to perform their background checks, no further updates were available.

A Member commented that now the services of Broadland District Council were no longer needed the Authority would need a clear statement outlining where it should invest. It was clarified that the Authority was covered by the Broadland Investment Policy until 31 March and that a new Draft Investment Strategy would be considered at the Broads Authority meeting in March 2017. It was agreed that a copy of the Draft Investment Strategy would be circulated to members of the Committee prior to the Broads Authority meeting.

Brian Iles enquired whether the Authority had considered using the investment services of Norfolk County Council. The Head of Finance explained that this had been considered but due to the Authority's low level of funds paying the County Council or other local authority for their services would outweigh what the Broads Authority could earn in interest. Therefore the Authority would be looking at managing it internally but with a low risk appetite.

Members noted the report.

2/8 Consolidated Income and Expenditure: 1 April to 31 December 2016 Actual and 2016/17 Forecast Outturn

Members received a report providing the Committee with details of the actual income and expenditure for the nine month period to 31 December 2016, and a forecast of the projected expenditure at the end of the financial year (31 March 2017). The second part of the report provided the draft valuation results for the Authority's pension liabilities from the triennial valuation.

The Head of Finance highlighted that the main variances within the budget were due to timing differences with major projects, for example the piling work at Cockshoot Dyke and the dredging work at Hickling Broad.

It was further highlighted that the Planning and Resources Directorate had been successful in securing extra funding from Tesco in supporting the Authority's work with farmers in the catchment. It was proposed to set up an earmarked reserve at year end for any unspent funds instead of applying for carry forwards. This income would be ring fenced and could not be spent on other areas.

The Members welcomed the news that the hire boat income had improved and it was confirmed that the Authority had been refunded for the faulty toll plaques.

With regard to pensions, the Committee welcomed the fact that the Authority results of the triennial valuation were in line with the Financial Strategy. It was explained that although the annual costs of employing staff were going to rise the lump sum contribution towards pension costs was going to fall. It was noted that the judgement by the Head of Finance on the level of provision in the Financial Strategy had been pretty accurate.

Members acknowledged and welcomed the fact that the annual lump sum pension deficit contribution had halved, however there was some concern as it was unclear why the contribution was anticipated to rise again. It was agreed that the Head of Finance would seek clarification from the Norfolk Pension Fund and provide feedback to the Committee.

2/9 Internal Audit Strategic and Annual Plans 2017/18

The Committee received a report providing an overview of the Internal Audit Plan for 2017/18. This served as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provided the basis upon which the Internal Audit Consortium Manager will subsequently give an Annual Audit Opinion for 2017/18. It was highlighted that the Internal Audit Charter which normally was brought to the Committee every two years, had been brought back to the meeting early to inform Members of recent updates. These included the new Internal Professional Practices Framework (IPPF) and PIAS but in particular the mission statement and core principles.

The Committee was reminded that there wouldn't be an IT audit next year as it was agreed that the IT audit coverage would be reviewed every other year. Instead the Internal Auditors were asked to carry out an audit on the Port Marine Safety Code. The scope and the focus of the audit, the first one carried out by Internal Auditors still needed to be determined and it was estimated would take about 8 days.

It was explained that when the Internal Auditors changed contractors, the assurance rating changed from 'reasonable' to 'adequate', however for the purpose of staying consistent the Head of Internal Audit Consortium agreed to move the assurance rating back to 'reasonable'.

The Committee noted and supported:

- the updated Internal Audit Charter
- the updated Internal Audit Strategy for 2017/18
- the Annual Internal Audit Plan for 2017/18

The Committee noted the Performance Management measures for the Internal Audit Contractor.

2/10 External Audit

The Members received the Annual Audit letter for 2015/16, which was a statutory requirement, providing the conclusion of the 2015/16 audit. They were further provided with the Audit Plan 2016/17 and it was pointed out that the two main responsibilities were the audit of the Financial Statements and the Value for Money Conclusions for 2016/17. They also received the Local Government Audit Committee Briefing by Ernst & Young.

The Audit Director thanked the Finance Team for producing a good Statement of Accounts and commented that the low level of risk was positive and remained consistent with the findings of last year. He highlighted that in terms of the Financial Statement the only significant risk was about Management Override which was a risk that needed to be recognised in every audit.

In regards to 'value for money', the area identified as risk was the ongoing stretch in terms of budgeting and financial pressures across the public sector. It was explained that although the Government had announced that there was some stability that the National Park Grant would be maintained, a large part of the Authority's budget came from navigation income where there were more pressures. It would need to be scrutinised whether the ring fencing was being upheld.

It was clarified that when talking about pressures for 'value for money' the auditors were not referring to the pressures on resources when members of staff had to bring forward the statement of accounts.

It was noted that the proposed audit fee would remain £13,943, and that provisions for this had been made in the 2016/17 budget.

Members noted the Annual Audit Letter for 2015/16; the Annual Audit Plan for 2016/17 and the Local Government Audit Committee briefing by Ernst & Young, including the key questions for Audit Committees.

2/11 Implementation of Internal Audit Recommendations: Summary of Progress

Members received a report updating them on progress in implementing Internal Audit recommendations arising out of audits carried out during 2015/16 and 2016/17.

The Committee was updated that the outstanding recommendation under Corporate Governance regarding Members Training Strategy was tied in with the Members Appraisals and the Solicitor and Monitoring Officer confirmed that this had now been completed.

It was noted that the first completed audit was on External Funding which covered the Broads Landscape Partnership and the National Park Partnership (NPP). Only one of the five recommendations remained outstanding. The second audit looked at Anti-Virus, Malware and Backups & Firewall Administrations and all of the recommendations had been completed.

Members were updated that the third audit on Key Controls had just been completed and that the Corporate Governance audit was due to be completed shortly. The results for both audits would be reported back to the next Committee meeting in July 2017.

The Committee was further updated that the NPP letter had not been received in time for the last NPP Board meeting, however it was ensured that the letter would go to the NPP Board meeting in February.

With permission from the Committee, Brian Iles, a Member of the Broads Authority, enquired in regards to paragraph 4.1 how the systems and controls in place would be recognised and monitored. It was explained that the Head of Finance would address the recommendations set by the internal auditors. Subsequently a report updating Members on the recommendations would be brought to the FSAC Committee meeting and finally the Internal Auditors would determine whether the evidence received in relation to the recommendations were satisfactory. The External Auditors would monitor the work carried out by the Internal Auditors.

Members noted the report.

2/12 Review of Strategic Risk Register

The Committee was provided with the Strategic Risk Register which had been reviewed and updated following consultation with risk owners in December 2016 and both Management Forum and Management Team in January 2017. The Register had also been reformatted in the layout approved by the Financial Scrutiny and Audit Committee on 27 September 2016.

The Solicitor and Monitoring Officer highlighted that two new risks, 19 and 20, had been added and informed the Members that as an outcome of the Corporate Governance audit 'failure of pay-roll' would be added as a further risk.

It was confirmed that the Strategic Risk Register would be brought to the Committee twice a year.

When looking at the Initial Risk within the Strategic Risk Register, one member queried whether the severity of a risk should be linked to the mitigations put in place. To provide more clarity it was agreed to be more explicit when describing the vulnerability and impact of a specific hazard.

The Members welcomed the new format of the register and agreed that it was easier to read. It was explained the same system was used for the organisation as a whole as for individual sites to stay consistent.

Members noted and supported the Strategic Risk Register.

2/13 Review of Code of Corporate Governance

A review of the Authority's Code of Corporate Governance had been initiated by the Solicitor and Monitoring Officer and Members received a report which set out the new guidance issued by The Chartered Institute of Public Finance for the financial year 2016/17 and which would need to be incorporated into the review of the Code.

The Committee noted the new guidance and supported the amendments of the Code of Corporation Governance which reflected this.

2/14 Peer Review

Members received a report which responded to the motion adopted by the Broads Authority at its meeting on 27 January 2017 which recommended that

"the Financial Scrutiny and Audit Committee considers the need, scope and terms of reference for a peer review involving the National Park Authorities and independent experts into the governance arrangements of the Broads Authority and how they can be modernised." At the meeting an additional paper was circulated (*please find attached*) which explained that whilst the Authority rejected an Local Government Association (LGA)-led Peer Challenge, some informal practical advice from the LGA had been sought on how the Broads Authority might begin to design a focused peer review process.

The Committee was in agreement that the Peer Review would need to be led by a team who understood National Parks, however they recognized that using LGA's experience in taking on an administrative role would be beneficial.

Members were mindful that the Peer Review would be expensive and time consuming but agreed that done correctly, the Review would produce a stronger and improved Authority which would benefit both Members and staff. In order to justify the cost of £25,000, funded from the National Park budget, it was stressed that the need and scope of a Peer Review were essential to get right.

Members were conscious of a difficult relationship between some Secretary of State appointed Members and some local authority appointed Members and aware that communication between the two would need to improve. It was believed that if a Peer Review could help the Authority improve communications, it would be worthwhile.

When it was proposed to encourage Members and Co-opted Members to provide feedback on the Peer Review through their annual review, the Chairman commented that the Performance Annual Review was a requirement for State of Secretary nominees only. He continued that some local councilors felt they were not answerable to the Authority's review but to the performance review of their local authorities and therefore preferred not to combine the Performance Appraisal Review with the Peer Review.

It was explained that to help to scope this review, proper feedback from the Members was essential. The Members were therefore offered the opportunity to respond to this motion through their annual review and comment on the governance challenges the Authority was facing.

Members accepted unanimously that a peer review on the lines set out in the paper would be useful. The Members further agreed that all Broads Authority Members should be encouraged to contribute to scoping the review through the Members Annual Review process, the interviews for which were due to be held in February and early March.

2/15 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

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 1972.

2/16 Formal Questions

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

2/17 Date of the next meeting

Members noted that date of the next Committee meeting would be held on Tuesday 25 July 2017 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

Chairman

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 7 February 2017

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 ✓
Guy McGregor		Member of SCC	
J A Burgess		Toll Payer	
Peter Dixon		Governance Review, Peer Review, General Interest	
Louis Baugh		None	

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 6

Annual Governance Statement 2016/17

Report by Solicitor and Monitoring Officer

Summary: This report explains the legal requirement, background and 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 draft Annual Governance Statement for 2016/17 is attached, for members' consideration.

Recommendations:

- (i) That the views and comments of the Committee are sought on the internal control systems and governance arrangements in place.
- (ii) That the Annual Governance Statement for 2016/17 and Action Plan for 2017/18 are approved.
- (iii) That the Committee notes, subject to implementation of the improvements identified in the Action Plan, that the Authority's internal control systems and governance arrangements are considered to be adequate and effective.

1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 ("the Regulations") contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved 'by the relevant authority' (in this case the Broads Authority) and must accompany the Statement of Accounts.
- 1.2 For this year the Regulations specify a new, earlier date for publication of an Annual Governance Statement, to be no later than 31st July of the financial year immediately following the end of the financial year to which the Statement relates.
- 1.3 The implementation of the Regulations is undertaken by the Authority following advice, guidance and recommendations of the Chartered Institute of Public Finance & Accountancy (CIPFA) in particular the CIPFA/SOLACE joint working group framework '*Delivering Good Governance in Local Government*'.
- 1.4 The Regulations require local authorities to conduct a review at least once a year of the effectiveness of their systems of internal control and risk management, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses. The

Regulations require an authority to ensure that it has a sound system of internal control which:-

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk
- 1.5 The Authority has received the Assurance Review of Corporate Governance by the Head of Internal Audit for 2016/17 as set out in the attached draft Annual Governance Statement at paragraph 8.7. The overall opinion was that:

"The overall opinion is that the framework of governance, risk management and control is deemed to be **reasonable**, indicating a continued stable environment."

- 1.6 A further annual report setting out the Opinion of the Head of Internal Audit will be available for the AGM of the Authority on 28th July 2017. The draft Annual Governance Statement sets out further details from the annual report and any recommendations and improvements are contained in the Action Plan for 2017/18 (a number of recommendations contained in the annual report had already been undertaken and completed at the time of this report and where that is the case, they have not been included on the Action Plan).
- 1.7 Once agreed, the Annual Governance Statement should be signed by the Chairman of the Authority and the Chief Executive.

2 Code of Corporate Governance

- 2.1 The Authority's systems for delivering good governance are set out in the Code of Corporate Governance which was adopted by the Broads Authority at its meeting in November 2009. This document was prepared in accordance with the guidance set out in the CIPFA/SOLACE framework '*Delivering Good Governance in Local Government*'. ("the Framework")
- 2.2 The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on Members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.
- 2.3 The Authority's Code of Corporate Governance is signed by the Chairman and Chief Executive. This is currently undergoing a comprehensive review in order to meet with the new 2016 CIPFA/Solace Framework, which itself has

been updated considerably to reflect the changes implemented by the Accounts and Audit Regulations 2015.

3 Role of the Chief Financial Officer

- 3.1 In 2010 CIPFA issued a document entitled *'The Role of the Chief Financial Officer in Local Government'*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services, and sets out five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer (CFO) in local government and the governance requirements needed to support them. These are set out in paragraphs 3.2 and 3.3 below.
- 3.2 The CFO in a local authority:
 - is a key Members of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
 - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the authority's financial strategy;
 - must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- 3.3 To deliver these responsibilities the CFO:
 - must lead and direct a finance function that is resourced to be fit for purpose;
 - must be professionally qualified and suitably experienced.
- 3.4 It is further recommended that, in their Annual Governance Statements, local authorities should 'include a specific statement on whether the authority's financial management arrangements conform with the guidance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact'. This statement is set out in paragraph 3.11 of the Annual Governance Statement.

4 Annual Review of Governance Arrangements

- 4.1 The production and publication of the Annual Governance Statement is the result of an on-going review of the adequacy of internal control systems and governance arrangements, and is not an activity which should be viewed in isolation.
- 4.2 The review has been informed by the work of officers of the Authority, who have responsibility for the maintenance and review of the internal control environment, internal audit reports and the recommendations made by

external auditors and inspectors. The review of Partnership arrangements and the review of the Strategic Risk Register also contributes towards the review.

- 4.3 Where significant weaknesses have been identified these are set out in the Action Plan (Appendix 1b). It should be noted that this Action Plan does not cover all the activities which will be undertaken during the year and which will contribute towards good governance, but focuses on those activities, and especially new initiatives and those issues identified by auditors, which will address weaknesses, ensure continuous improvement of the system and generally 'add value' to the arrangements.
- 4.4 A copy of the 2016/17 Action Plan is also appended (Appendix 2), with progress to date added. Where the appropriate action is still outstanding, it has been carried forward into the 2017/18 Action Plan.
- 4.5 The Financial Scrutiny and Audit Committee shall review the Annual Governance Statement and Action Plan at its meeting on 5th July 2016 and should there be any amendments proposed by the Committee, those amendments along with the Committees' recommendations shall be presented to the Authority for approval.

5 Summary

- 5.1 The Committee is asked:
 - to review and comment on the internal control systems and governance arrangements in place;
 - to approve the Annual Governance Statement and confirm that it represents a true reflection of the control environment present in the Authority; and
 - to note that, subject to implementation of the improvements identified in the Action Plan, these are adequate and effective.
- 5.2 The Action Plan will be implemented during 2017/18 in order that there is ongoing review and improvement of the systems of internal control and governance arrangements. Progress in implementing the Action Plan will be reported in the next Annual Governance Statement.

Background papers:

Author:	David Harris
Date of report:	7 July 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1a- draft Annual Governance Statement 2016/17 APPENDIX 1b - 2017/18 Action Plan APPENDIX 2 - 2016/17 Action Plan Summary of Progress

Broads Authority

Annual Governance Statement 2016/17

1 The requirement for an Annual Governance Statement

1.1 The Broads Authority, as a relevant authority, is required to produce an Annual Governance Statement. This requirement is found in Regulation 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015. It consists of a review of the effectiveness of internal control and the inclusion of a statement reporting on the review with any published Statement of Accounts.

2 The CIPFA/Solace Framework guidance

- 2.1 The Broads Authority acknowledges its responsibility for ensuring that there is a sound system of governance together with appropriate internal control systems to achieve this, including for the management of risk.
- 2.2 The Broads Authority implements the guidance contained in the CIPFA/Solace framework document "*Delivering Good Governance in Local Government*". This guidance was updated by CIPFA in 2016, following the introduction of the Accounts and Audit Regulations 2015.
- 2.3 The framework defines the principles that should underpin the governance of each authority. Authorities should test their governance structures and partnerships against the principles in the framework by:
 - Reviewing existing governance arrangements.
 - Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness.
 - Reporting publicly on compliance with their own code on an annual basis, and on how they have monitored their effectiveness of their governance arrangements in the year and on planned changes.
- 2.4 The framework sets out a number of core and sub-principles against which authorities should demonstrate the compliance of their governance structures. These core principles are:
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management

- Implementing good practices in transparency, reporting and audit to deliver effective accountability
- 2.5 The Authority has approved and adopted a Code of Corporate Governance in accordance with the previous CIPFA guidance. This Code is in the process of being updated and reviewed against the new 2016 guidance. A copy of the Code is available on the Authority's website at <u>www.broads-authority.gov.uk</u> or from the Monitoring Officer at Yare House, 62-64 Thorpe Road, Norwich NR1 1RY.

3 The governance framework of the Broads Authority

- 3.1 The Broads Authority is an independent body working within the framework of local government. It is constituted as a body corporate by the Norfolk and Suffolk Broads Act 1988 with three general duties:
 - To conserve and enhance the natural beauty, wildlife and cultural heritage of the Broads
 - To promote opportunities for the understanding enjoyment of the special qualities of the Broads by the public
 - To protect the interests of navigation

Section 2(4) sets out the matters the Authority must have regard to in carrying out these functions. These include the national importance of the area as an area of natural beauty, desirability of protecting it from damage and the needs of agriculture, forestry and the local economic and societal needs.

In relation to the interests of navigation, section 10 (a) and (b) sets out specific requirements to maintain the navigation area to such standard as appears to be reasonably required and to develop and improve it as it thinks fit.

The Broads Authority is also the local planning authority for the area and a harbour and navigation authority.

- 3.2 The Broads Authority has unique governance arrangements that combine elements of accountability to central government (via DEFRA) and to local communities. This reflects the needs and interests of both national and local stakeholders. In relation to the former, 10 Members are appointed by the Secretary of State. Local accountability is achieved by the appointment of nine Members who are also locally elected County and District Councillors. In addition, the Authority has a number of co-opted Members to its Navigation Committee to advise it in protecting the interests of navigation, and 2 of these Members are appointed to the Broads Authority. In total, the Broads Authority has 21 Members and meets six times a year.
- 3.3 All matters, other than the Planning Committee and those matters specifically delegated to the Chief Executive, are dealt with by the full Broads Authority as the prime decision maker. The framework consists of decision making carried out by Members of the Authority at its meetings, which are held every two months. Day-to-day routine decision making is delegated by Members to officers of the Authority through the Scheme of Delegated Powers. This scheme is available as one of many constitutional documents, from the Monitoring Officer.

- 3.4 The Financial Scrutiny and Audit Committee consists of up to 7 Members of the Authority and meets three times a year. It has responsibility for financial scrutiny, including a review of the Statement of Accounts and Annual Governance Statement, financial planning, audit and risk management. It takes a strategic view on whether the resources allocated to the Authority are used effectively. This is an advisory committee to the Authority and does not make decisions.
- 3.5 The Authority's functions as a local planning authority are carried out by its Planning Committee of 11 members, with powers delegated to officers in accordance with nationally established legislation. The Planning Committee is a decision-making committee and normally meets 4-weekly. Planning decisions, whether made at Committee or through delegated powers, are published on the Authority's website.
- 3.6 The Authority's Navigation Committee of 13 Members and co-opted Members advises on the navigation function of the Authority and meets six times a year. It is an advisory committee to the Broads Authority and does not make decisions. However, if the Broads Authority does not accept recommendations by the Navigation Committee it is required to give reasons.
- 3.7 The Broads Local Access Forum is a semi-independent body to advise the Authority on the improvement of public access to land within the Broads executive area.
- 3.8 The Broads Forum is a consultative body of 25 Members with membership being made up from around 50 key stakeholder groups. The Forum offers advice and comment on the Broads Authority's strategic aims and objectives.
- 3.9 The Authority has two Independent Persons, appointed in July 2016, who are regularly consulted to enable the Authority to achieve high ethical standards.
- 3.10 The Authority has three officers as required by statute, who carry out specific duties, namely the Head of Paid Service (the Chief Executive), the Monitoring Officer (the Solicitor and Monitoring Officer) and the Section 17 Officer (Chief Financial Officer). The last two posts were taken in-house during the last financial year, having previously been provided by other authorities. The Chief Financial Officer manages the financial arrangements and internal financial controls on a day-to-day basis. Along with the Director of Strategy and Sustainable Communities and the Director of Operations, these officers comprise the Authority's Management Team.
- 3.11 It is considered that the authority's financial management arrangements conform with the guidance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 3.12 There are a number of procedures to ensure that the Authority obtains best value for money in all that it does, including Financial Regulations, Standing Orders Relating to Contracts and a Procurement Strategy. These are all reviewed and updated on a regular basis. The Financial Regulations are currently undergoing a review to reflect that the Section 17 Officer and Treasury is now managed in-house. The Standing Orders Relating to Contracts were updated in May 2015 to reflect the transition to two Directorates. The Authority also adopted a Counter Fraud Bribery and Corruption Strategy, which was updated in February 2016.
- 3.13 The Authority monitors the effectiveness of internal control systems through the consideration of regular internal audits, performance management and budget monitoring reports, and through monitoring and receiving reports on the work of the Financial Scrutiny and Audit Committee.

4 Arrangements for decision making and openness

- 4.1 The Authority's arrangements for decision making were the subject of an internal audit in 2016/17 and are set out in publicly available documents. These include Standing Orders, Scheme of Delegated Powers, a description of the role of Members and of co-opted Members, and a Protocol on Members and Officer Relations.
- 4.2 The Authority and its committees have distinct terms of reference. Meetings of the Authority and its committees are in public (save for items which are exempt under legislative guidance). In January 2017 the Authority approved a trial recording of all its meetings, with a view to potentially greater public access to those recordings or live streaming of its meetings at a future date. Members of the public may ask questions at meetings.
- 4.3 Officer responsibilities are defined through their job descriptions and a clear set of policies and procedures, including core values, that officers are expected to follow. An Officer code of conduct and appraisal system underpins effective delivery of service and performance standards, as well as setting out areas of decision-making responsibility.
- 4.4 As a recommendation from internal audit, the Authority has, in relation to delegated decisions, implemented a Register of certain categories of delegated decisions. This register is available for inspection and will be published on the Authority's website. The Authority has also reviewed its implementation of the Local Government Transparency Code 2015 in the last 12 months. This includes the publication of specified categories of information on its website, such as information on procurement, assets, salaries and pay multiples, and is found on the 'Transparency' page of the Authority's website.
- 4.5 Standing Orders for Procurement of contracts set out arrangements governing the award of contracts, to ensure that procurement processes are fair, transparent and lawful and that value for money is being obtained.
- 4.6 The Protocol on Members and Officer Relations was due to be reviewed and updated by the Authority in May 2017 (This has been completed at the date of this report).
- 4.7 The Standing Orders for the regulation of Authority Business were due to be reviewed and updated in May 2017 (This has been completed at the date of this report).

5 Core values, ethics and behaving with integrity

- 5.1 The Localism Act 2011 transferred to local authorities the duty to promote and maintain high standards, previously exercised by Standards for England. Accordingly the Broads Authority seeks to achieve this throughout the spectrum of its governance documentation. For example, the Nolan Principles feature in the Members' code of conduct, reviewed in September 2016, and the Authority's Independent Persons provide external scrutiny of its standards processes.
- 5.2 In May 2017 the Solicitor and Monitoring Officer undertook a review of ethics within the Authority, which was considered by Members. His report considered the broad question of ethical standards at the Authority in the context of governance, reviewing available guidelines and making appropriate recommendations. A number of those recommendations are in the forthcoming year's action plan.

5.3 The Broads Authority has adopted the following set of core values as a local ethics code:

Sustainable – We consider the environmental and financial implications in everything we do
Exemplary – We strive for excellence in all we do
Commitment – We are committed to making a difference for the Broads for the benefit of everyone
Caring – We are considerate and respectful of each other
Open and Honest – We are open, honest and inclusive in all our decisions and communications

5.4 The Authority uses these core values in its codes of conduct for Officer and Members, recruitment, staff interviews and appraisals, in the Protocol on Members and Officer Relations, and in staff and Members development programmes.

6 Engaging with stakeholders and the Broads Plan

- 6.1 The Broads Plan is the management strategy for the Broads, drawing together and guiding a wide range of partnership plans and programmes relevant to the area. The Plan sets out the long-term vision for the area and short-term actions for the benefit of the natural and cultural environment, local communities and visitors. While the Authority is responsible for its production, many organisations and local interest, amenity and community groups are involved in its implementation and review. Broads Plan 2017-22 was adopted in March 2017, following an 18-month review and consultation process.
- 6.2 Progress on all actions in the Plan is reported to full Authority meetings, which are open to the public, and published on the Authority's website. Updates are also sent to Plan partners and to the Broads Forum, a quarterly committee representing around 50 local interest and user groups.
- 6.3 Monitoring indicators, including a 'State of the Park' report, help assess progress and changes in the Broads over time, and are updated and reported in line with the Broads Plan 5-year review cycle.
- 6.4 The views of users have been sought through a number of means, including the visitor centres annual survey, inviting comment and feedback at parish forums, an on-going survey of users of the corporate website and the annual Broads Outdoors Festival feedback forms.
- 6.5 A major stakeholder survey of hire boat operators, private boat owners, residents and visitors took place in 2014. Members support the view of repeating this exercise in 2019 as part of strategic approach in formulating the Broads Plan and its priorities for the following five year period. Public consultations were undertaken during February and April 2016 on the draft Broads Plan and on the Issues and Options of the Broads Local Plan. All comments received were made publicly available.
- 6.6 The Authority communicates the results of surveys, and other relevant information, through its website and social media, and through its regular publications including Broad Sheet (aimed at toll payers), Broadcaster (visitor newspaper) and the Annual Report. It also holds community and stakeholder events, such as parish forums and stakeholder workshops, which are open to the public and attended by Members and

officers of the Authority. Members and officers may also be invited to community and partner meetings and events, to provide information and respond to questions.

7 Managing risk and performance

- 7.1 The responsibility of the Financial Scrutiny and Audit Committee includes obtaining assurances from a range of measures and reports that value for money is obtained in the use of the Authority's resources and that risk and performance are actively managed to achieve best results. Specifically, this includes the effective development and operation of risk management, and reviews the Authority's Strategic Risk Register.
- 7.2 The Authority's Strategic Risk Register is reviewed six-monthly by risk owners so that the Management Team can provide assurance that key strategic and operational risks have been identified, monitored and reviewed during the year and that key controls to mitigate the identified risks have operated effectively throughout the year. It is also on the agenda of the Financial Scrutiny and Audit Committee for each meeting. In addition the Risk Management Strategy is reviewed annually.
- 7.3 The Strategic Risk Register was the subject of a comprehensive review in January 2017. New risks were identified and analysed and the Register was reformatted, with risks analysed in terms of numeric probability and severity both before and after the application of risk mitigation factors. The Strategic Risk register has had a further 6-monthly review in June 2017 by Risk Owners.
- 7.4 The Authority has a Business Continuity Plan, which is reviewed annually to mitigate the effects of a major incident affecting some or all of the Authority's operations. In February 2017, to test the Plan, Management Forum undertook a simulated incident of systems failures causing an evacuation in a table top exercise that also involved the representatives of the landlord. The Authority also has specific continuity plans for finance and IT.
- 7.5 A Partnerships Protocol and Register of Partnerships have been developed, and the Management Team has identified and reviewed the governance arrangements in respect of all significant partnerships. Identified weaknesses are being addressed through an Action Plan, with responsibility for action and timescales. It has also been agreed to provide an annual report on Partnerships to the Broads Authority. The next one will be provided in September 2017.
- 7.6 The Authority has in place a series of internal financial controls, including approved budgets, separation of duties and authorised signatures, to reflect good practice and ensure that its finances are managed securely to minimise risk.
- 7.7 The Authority has data of all its land and property assets on a consolidated Excel database and an Asset Management Strategy which includes a full asset disposal policy.
- 7.8 The Authority's performance across its operations is the subject of regular meetings of the Management Team, with financial reports and budgets considered fortnightly and reports provided to Members at each meeting.
- 7.9 The Authority has a whistleblowing policy for its staff, and its Monitoring Officer has a duty to write a report if the Authority or any of its committees proposes action that would be unlawful or amount to maladministration.

8 Sources of Assurance and Internal audit conclusions

- 8.1 The main independent sources of assurance on the operation of the governance framework are the work of the Authority's Internal and External Auditors, supported by other external organisations such as Investors in People. Independent scrutiny in relation to implementation of a number of procedures is provided by the Independent Persons.
- 8.2 Internal audit reports are considered by the Management Team and other officers as appropriate. A management response is submitted in respect of each recommendation, setting out whether the recommendation is accepted, what action will be taken, which Officer is responsible and the timetable for action. Each audit report contains an independent assurance of opinion on the adequacy and effectiveness of controls in place to mitigate risks. The agreed actions are followed up to ensure implementation, thus ensuring that the Authority's risks are properly managed. A summary of all internal audit work carried out during the year is received by the Financial Scrutiny and Audit Committee, together with regular reports setting out progress made in implementing internal audit recommendations. Any significant issues of concern are brought to the attention of the Broads Authority.
- 8.3 The Head of Internal Audit for the Authority develops annually a strategic audit plan, using a risk based approach.
- 8.4 The Accounts and Audit Regulations 2015 require that the Authority must undertake an annual review of the effectiveness of its internal audit function, and that this review must be carried out by the same body that reviews the effectiveness of the system of internal control. The aim is not only to make the Authority more aware of the work of Internal Audit and its key role in governance, but also to make those charged with governance more able to understand the connection between, and the Authority's responsibility for, risk management, internal control and the function of internal audit.
- 8.5 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.
- 8.6 Additionally, the Broads Authority is informed of the work of the appointed auditors and inspectors, including receipt of the Audit Results report and annual audit and inspection letter from the External Auditors. The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's internal control environment, including its corporate governance framework and risk management arrangements, identifying any weaknesses that qualify this opinion and highlighting significant issues.
- 8.7 The Authority has received the Annual Report and Opinion 2016/17 by the Head of Internal Audit. It contains the following statement:

"The overall opinion is that the framework of governance, risk management and control is deemed to be **reasonable**, indicating a continued stable environment."

- 8.8 A specific review of Corporate Governance was concluded within the year and it was found specifically "*that there are areas where sound controls are in place and operating consistently*". These were in the areas of executive and non-executive decision making and systems and processes in place for the preparation of reports requiring executive and non-executive decisions. There was one "Important" and "two "needs attention" matters raised, which have been included in the 2017/18 action plan, all of which should be complete by 31 July 2017.
- 8.9 The Authority is accredited by Investors in People (IIP), having met indicators at *Developed* level at an assessment in December 2016. As part of the reassessment under IIP6, the Authority is required to demonstrate evidence against seven indicators at *Established* by December 2017 to retain its current accreditation of "Silver".

9 Review and implementation of interventions

- 9.1 An Action Plan has been developed to address any governance issues identified as needing review or improvement, and to secure continuous improvement in the Authority's governance arrangements. This is set out at Appendix 1 in two parts.
- 9.2 This Action Plan has been informed by the results of audit and other reports, and by the results of a self-assessment assurance statement. The statement was circulated to all senior managers, inviting them to assess the Authority's performance across a range of governance issues to identify any gaps and weaknesses and add value to the Authority's governance arrangements.
- 9.3 The Authority proposes over the coming year to take steps to address the above matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements identified in the review of effectiveness, and will monitor their implementation and operation as part of its next annual review.

Signed		Signed		
Professor J Burgess, Chair		Dr J Packman, Chief Executive		
Date2	2017	Date20)17	

Appendix 1b

Annual Governance Statement 2016/17

2017/18 Action Plan

Action	Lead Officer(s)	Target Date	Priority
Implement the provisions required of the Authority by the new General Data Protection Regulation, which comes into effect on 25 May 2018. Nominate Data Protection Officer.	Head of IT and Collector of Tolls, Head of Communications and Solicitor and Monitoring Officer	31 March 2018	Η
Update Standing Orders on Committees specifically to address issue concerning terms of reference of FSAC raised by internal audit	Solicitor and Monitoring Officer	31 July 2017	H
Review and implement specific guidance on majority and casting vote to Standing Orders regulating Authority Business raised by internal audit	Solicitor and Monitoring Officer	31 July 2017	H
Produce Members Handbook on Induction to incorporate key Members documents	Solicitor and Monitoring Officer	30 September 2017	L
Produce Register of delegated decisions under Openness Regulations 2014 and place on web page as recommended by internal audit March 2017	Solicitor and Monitoring Officer	31 July 2017 (Register completed March 2017)	H
Implement requirement of ethical principles into procedures and standing orders for procuring contracts	Solicitor and Monitoring Officer	31 March 2018	L
Implement core values and continue to define a set of behaviours and embed them in recruitment, appraisal, 360 appraisal, survey and management training	Chief Executive to co-ordinate	30 November 2017	М

Action	Lead Officer(s)	Target Date	Priority
as recommended by IIP			
Management Team to introduce more transparency in monitoring of key Performance Indicators (KPIs) in terms of continuous improvement and innovation as recommended by IIP	Chief Executive to co-ordinate	30 November 2017	М
Completion of phase 2 of internal HR policies and procedures	Head of HR	31 December 2017	М
Equalities Working Group to report on an equality analysis of employment policies and practices	Head of HR, Volunteer Co- ordinator and Solicitor and Monitoring officer.	30 November 2017	L
Completion of updated procurement training to officers who have responsibilities for conducting procurements to include updated processes of procuring intermediaries under the IR35 legislation.	Chief Financial Officer	30 November 2017	Μ

Annual Governance Statement 2015/16

2016/17 Action Plan Summary of Progress

Action	Lead Officer(s)	Target Date	Priority	Status
Formulate a data quality policy	Solicitor and Monitoring	31 December 2016	L	This has been superseded by forthcoming legislative change requiring implementation of the new GDPR and this will be incorporated into that process
Completion of updated procurement training to officers who have responsibilities for conducting procurements.	Chief Financial Officer	31 October 2016	М	This has been carried forward to 2017/18 to include updated processes of procuring intermediaries under the IR35 legislation.
Review of Ethical standards and recommendations on any improvements	Solicitor and Monitoring officer	31 March 2017	L	Completed, report to BA in May 2017
Collect data about staff and volunteers to enable an to be carried out	Head of HR, Volunteer co- ordinator, both co-ordinated by Solicitor and Monitoring Officer	31 December 2016	L	This will form part of the Equalities Working Group remit in which the Volunteer Co-ordinator will be involved in 2017/18 work on which is scheduled to commence.
Completion of phase 2 of internal HR policies and procedures	Head of HR	31 March 2017	М	Incomplete due to the need to cover over several months a vacancy in the HR team. This will be carried forward to 31 st December 2017
Guidance to be introduced for informal treatment of complaints against Members and updating formal complaints process	Solicitor and Monitoring Officer	31 July 2016	М	Completed 8 July 2016, new policy adopted September 2016 and training provided January 2017.
Members Code of Conduct and complaints form to be updated	Solicitor and Monitoring Officer	31 July 2016	М	Completed 8 July 2016, new policy adopted September 2016
Members Training on new Code of Conduct and disclosable interests	Solicitor and Monitoring Officer	31 December 2016	М	Completed January 2017

Action	Lead Officer(s)	Target Date	Priority	Status
Produce Members	Solicitor and	31 March	L	Partially complete in draft
Handbook on	Monitoring Officer	2017		form; carry forward to
Induction	-			September 2017

Internal Audit Annual Report and Opinion 2016/17 Report by Head of Internal Audit

Summary:

This report provides the Authority with an Annual Report and Opinion for 2016/17, 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:

The Committee is requested to:

1) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.

2) 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 2017.

3) 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.

4) 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; and,
 - 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; and,
 - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 1.3 The Annual Report and Opinion 2016/17 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 2016/17, the Head of Internal Audit 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; and.
 - Is complaint 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 Head of Internal Audit, which can then be used to inform the Authority's Annual Governance Statement.

Background Papers: None

Author:	Emma Hodds, Head of Internal Audit
Date of Report:	15 June 2017

Appendices: Annual Report and Opinion 2016/17

Eastern Internal Audit Services



BROADS AUTHORITY

Annual Report and Opinion 2016/17

Responsible Officer: Emma Hodds – Head of Internal for Broads Authority

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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, carrying out the role of the Head of Internal Audit) 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 2016/17, 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 HEAD OF INTERNAL AUDIT

2.1 <u>Roles and responsibilities</u>

- 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 9 February 2016. 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 <u>The opinion itself</u>

- The overall opinion is that the framework of governance, risk management and control is deemed to be **reasonable**, indicating a continued stable control environment.
- 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 Chief Financial 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 individual assurances provided over recent 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 <u>Summary of internal audit work</u>

The Financial Scrutiny and Audit Committee approved the Annual Internal Audit Plan for 2016/17, which is summarised at **Appendix 1** to this report and totalled 35 days, encompassing:

- An annual opinion of Corporate Governance and Risk Management;
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- Service audit of external funding; and
- IT audit review.
- 3.4 The following is a summary of these audits, with **Appendix 3** to this report providing the detailed Executive Summaries.

External Funding – HLF Bid and National Parks Partnership

The objective of the audit is to review the systems and controls in place for the Heritage Lottery Fund (HLF) Bid and the National Parks Partnership.

The audit concluded with a **reasonable** assurance, with three important (priority two) and two needs attention (priority three) recommendations agreed with management. As at 31 March 2017 four of the recommendations have been addressed, with the remaining recommendation due to be implemented by the end of August 2017. This recommendation will ensure that procedural guidance for the Broads Landscape Partnership is in place, and management have confirmed that this will be will be developed following submission of the second-round application and will include management of payments, reporting structure and evaluation requirements. There will also be a contract specific to each project, which will include responsibilities related to CDM, insurance, safe-guarding etc.

Anti-Virus, Malware, Backups and Firewall Administration

The objective of this IT audit was to review the systems and controls in place for Anti-Virus/Malware protection, Backups and Firewall Management to help confirm that these are operating adequately, effectively and efficiently.

The audit concluded with a **reasonable** assurance, with one important and three needs attention recommendations agreed with management. All recommendations have been addressed within the financial year.

Corporate Governance

This key review area focused on the decision-making process, and in particular; executive and non-executive decision making in accordance with the Constitution and the systems and processes in place for the preparation of reports requiring executive and non-executive decisions.

The audit concluded with a **reasonable** assurance, with one important and four needs attention recommendations agreed with management. One needs attention recommendation has already been addressed with the other two recommendations due for implementation by the end of September.

The important recommendation will ensure that a clear record of the decisions made by the Broads Authority is maintained and that this is made available to the public on the website, in line with the Openness of Local Government Bodies Regulations 2014.

The needs attention recommendation involves review and update of the Constitution in respect of the standing orders, including specific reference to matters being decided by a majority vote and stipulating who has a casting vote and alongside this, review and update of the Broads Authority Terms of Reference of Committees, specifically the Financial, Scrutiny and Audit Committee to reflect that this is a consultative committee.

This regular review this year did not focus on risk management, the Head of Internal Audit has placed reliance on the regular reporting through to the Committee in this regard to be able to determine that sound controls are in place within this area.

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 four important and three needs attention recommendations were agreed with management on conclusion of the review, four of which have already been implemented.

The remaining recommendations are due for implementation by the end of August 2017. There are two important recommendations to be addressed which relate to; applying updates to the Financial Regulations to agree with actual process and to document procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the Finance Team perform.

The needs attention recommendation will ensure that the toll procedure manual is updated to reflect the changes that came into force on the 1 April 2017 and confirm the toll payment enforcement process.

3.5 Follow up of management action

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 19 recommendations raised by TIIA Ltd in 2016/17, 13 have been actioned by management, five are not yet due and one is outstanding, as referred to earlier in the report (external funding).

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

Number raised	19	
Complete	13	68%
Outstanding	1	5%
Not Yet Due	5	27%

The seven recommendations that required action from the 2015/16 financial year have also been addressed by management.

It is encouraging to note that recommendations relating to prior financial years have now been addressed, it is also extremely positive to note that prompt action is taken by management to address the recommendations that have been made within the financial year.

3.6 <u>Issues for inclusion in the Annual Governance Statement</u>

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 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2016/17. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

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).

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.

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.

The detailed internal assessment checklist has been forwarded to the Chief Financial Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that "the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework". Thus, confirming conformance to the required standards.

The external assessment report has been previously provided to the Chief Financial Officer and is also on the agenda for the Financial Scrutiny and Audit Committee.

5.2 **Performance Indicator outcomes**

5.2.1 The Internal Audit Service is benchmarked against a number of performance measures as agreed by the Committee.

	Indicator		Frequency	Target	Actual	Comments
1	Audit Satisfaction	Committee	Annual	Adequate	Good	Target exceeded

Actual performance against these targets is outlined in the following table:

2	Chief Finance Officer Satisfaction	Annual	Good	Good	Target achieved
3	Annual draft reports issued within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved, four reports issued
4	Quarterly assurance reports to the Contract Manager within 15 working days of the end of the quarter	Quarterly	100%	100%	All quarterly reports received with 15 working days of year end.
5	An audit file supporting each review and showing clear evidence of quality control	Quarterly	100%	100%	Achieved for all four audits
6	Compliance with PSIAS	Annual	Generally Conforms	Generally Conforms	Target Achieved
7	Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received	Quarterly	100%	100%	Target Achieved
8	Average feedback scores from key clients	Quarterly	Adequate	Excellent	Target Exceeded – feedback received for al audits
9	Percentage of recommendations accepted by management	Quarterly	90%	100%	Target Exceeded
10	Percentage of qualified/experienced staff working on the contract each quarter	Quarterly	60%	100%	Target Exceeded
11	Number of training hours per member of staff completed each quarter	Quarterly	1 day	1 day	Target Achieved

5.2.3 It is encouraging to note that all performance measures have been achieved, with four of these exceeding targets. Client feedback has been provided in response to all the audits completed and has been extremely positive recognising the professional service provided & also the value that internal audit has brought to the Authority. The contractor has also provided the Authority with a higher percentage of qualified / experienced staff to undertake the audit reviews.

It is also extremely encouraging to note that all four audit reviews were finalised by 7 March 2017, thus ensuring that audits are completed within financial year.

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. There are some minor action that are required as followed::
 - To review the Financial Regulations in light of the changes in the support from the Treasurer and Financial Advisor these are currently being reviewed by the Chief Finance Officer.
 - Regular meetings need to be scheduled between the Chief Finance Officer and the Head of Internal Audit (HIA) to ensure that the HIA is kept up to date over the course of the year this has happened as and when required informally over the last year and does need to be formally set up going forwards.
- 5.3.3 The detailed checklist has been forwarded to the Chief Financial Officer for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2016/17

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Corporate Governance	Reasonable	3	1				2
Fundamental Financial Syst	ems						
Key Controls and Assurance	Reasonable	7	4				3
Service area audits							
External Funding – HLF Bid and National Parks Partnership	Reasonable	5	4		1		
IT audits							
Anti-Virus, Malware, Backups & Firewall Administration	Reasonable	4	4				
Total		19	13	0	1	0	5

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.	0
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.	4
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	0

the process. Immediate action is required to improve the controls required to	
mitigate these risks.	

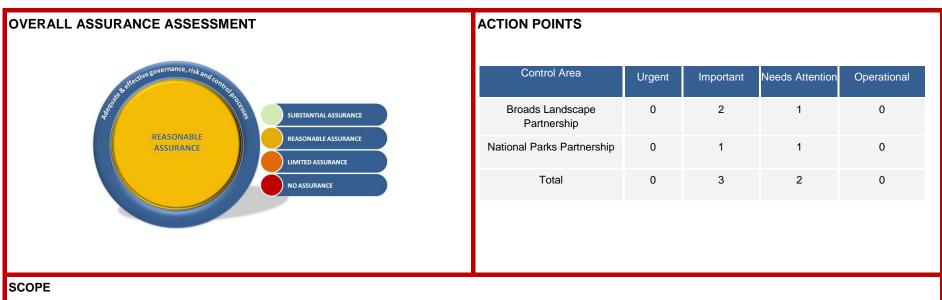
Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6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

APPENDIX 2 ASSURANCE CHART

	Previous	Contract	Current Contract			
	2013-14	2014-15	2015-16	2016-17	2017-18	
Annual Opinion Audits						
Corporate Governance and Risk	Substantial	Substantial	Substantial	Reasonable	х	
Management	Review relates	Review relates	Review relates			
	to 2012/13	to 2013/14	to 2014/15			
Governance			Reasonable			
Fundamental Financial Systems		-				
Key Controls and Assurance	Substantial	Substantial	Reasonable	Reasonable	х	
Work						
Procurement	Reasonable					
Services Area Reviews						
Consultation Activities and		Reasonable				
Partnerships Provisions						
External Funding - HLF Bid and				Reasonable		
National Parks Partnership						
Asset Management					х	
Port Marine Safety Code					х	
Planning			Reasonable			
IT Audits						
Toll Management Application						
Network Security	Limited					
End User Controls		Reasonable				
Virus Protection/Spyware, Data				Reasonable		
Backup and Data Centre controls						

Assurance Review of External Funding – Broads Landscape Partnership and National Parks Partnership

Executive Summary



The objective of the audit was to review the systems and controls in place within External Funding, 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 Broads Landscape Partnership and National Parks Partnership Audit. The assurance opinion has been derived as a result of three 'important' recommendations and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

We found that the Broads Authority has demonstrated the following points of good practice:

- The National Parks Partnership has been set up as a limited liability partnership (LLP), which is a joint venture made up of 15 national parks, including the Broads Authority, for the purpose of engaging with the private sector and gaining commercial sponsorship. This has already resulted in joint working between Tesco and the Broads Authority about potential funding, therefore meeting the Government's drive for the Broads Authority to find new sources of funding for their work.
- An online project management tool called Basecamp is used by the Broads Authority to assist in the project management of the Broads Landscape Partnership. This tool provides a central place to manage projects and includes message boards and comment threads; real-time chat/pings; automatic check-ins; to-do lists; document / file storage and; a centralized schedule.

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

- Grant conditions for the Heritage Lottery Fund (HLF) Bid (Broads Landscape Partnership) are being met in a timely manner.
- There is a clear governance framework in place for the Broads Landscape Partnership and the Broads Authority is a key member/part of this.
- Clear deliverable/outcomes are in place for the Broads Landscape Partnership, with progress reports presented to the Board each time it meets.
- The Broads Landscape Partnership is project managed using an on line project management tool, which includes a project plan with key dates and budget information involving cash flow/expenditure against budget.

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 three 'important' recommendations have been made.

Broads Landscape Partnership

- To develop procedural guidance for the Broads Landscape Partnership, thereby mitigating the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.
- The risk register and risk management strategy to be reported to the Broads Landscape Partnership Board as a standing agenda item. This should help reduce the risk that the Broads Landscape Partnership objectives are not achieved.

National Parks Partnership

• The Broads Authority to request that the following items are raised at the National Parks Partnership Management Board: 1) Production of a risk assessment/register; 2) Declarations of interest to be added as a standing agenda item and; 3) The agreement and documentation of standards of conduct for Management Board members. This mitigates the risks that the National Parks Partnership aims are not achieved and there is non-disclosure of interests.

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

Broads Landscape Partnership

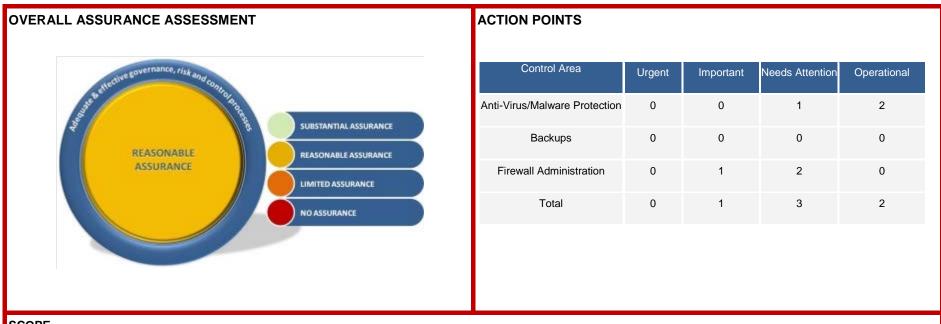
• To obtain signed copies of the Broads Landscape Partnership Project Board agreement from Easton & Otley College, Farm Conservation and River Waveney Trust, to help mitigate the risk that some partners do not deliver the scheme as intended.

National Parks Partnership

• To consider including the National Parks Partnership and Water Sensitive Farming Project with Tesco as separate risks within the next formal review of the Strategic Risk Register by the Management Forum. This would help highlight and subsequently reduce the key risks involved in these projects where, for example, there is significant potential for reputational risk.

Assurance Review of Anti-Virus, Malware, Backups & Firewall Administration

Executive Summary



SCOPE

The objective of the audit was to review the systems and controls in place for the administration of Anti-Virus, Malware, Backups and Firewalls, 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 administration of Anti-Virus, Malware, Backups and Firewall processes. The assurance opinion has been derived as a result of one 'important' recommendation and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'Operational Effectiveness Matters', 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:

- Sample testing indicates that Anti-Virus and Malware protection policies are being deployed to user machines and servers.
- Notification alerts for possible virus and malware infections are present and operating effectively.
- Firewall backups are taken whenever a change to the configuration changes regular basis. The backups are stored on the network and are backed up again by the corporate backup process.
- Onsite (Yare House) and Offsite (Dockyard) tape storage facilities are adequate.

Issues to be addressed

The audit has highlighted the following areas where one 'important' recommendation has been made.

Firewall Administration

• The Authority to either ensure that there is support for the current version of the firewall or to update the firmware if the current version is not supported or is nearing End of Life, thus ensuring continued vendor support.

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

Anti-Virus/Malware Protection

• The Authority's IT acceptable Use Policy, known as Human Resources note number 18needs to be updated to ensure that it contains adequate staff guidance on dealing with suspected virus infection and ensuring that hardware and software is only installed by IT staff. Thus ensuring that staff fully understand their responsibility in this area.

Firewall Administration

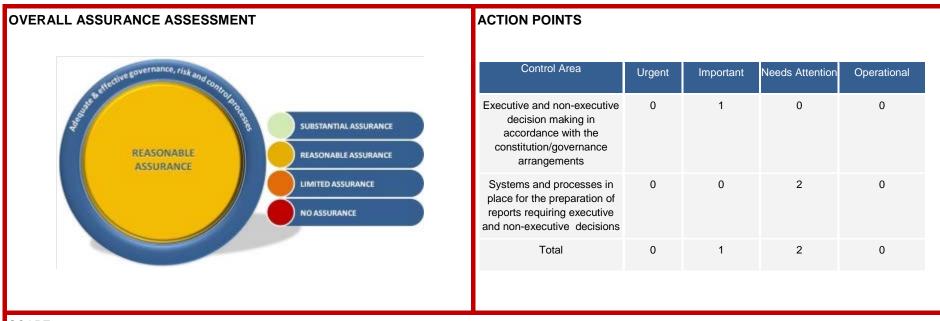
- The Authority to procure an appropriate log monitoring and reporting tool for reviewing internet activity to help ensure that internet bandwidth meets the Authority business needs and that network usage can be managed appropriately.
- The Authority to look into the feasibility of subscribing to internet block lists to help ensure that the internet is used appropriately by all staff.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the consistent application of Server Anti-Virus/Malware protection policies and liaising with the Anti-Virus application vendor to understand the nature of certain dashboard reporting not operating as expected.

Assurance Review of Corporate Governance

Executive Summary



SCOPE

The objective of the audit was to review the systems and controls in place within Corporate 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 the Corporate Governance. The assurance opinion has been derived as a result of one 'important' recommendation and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

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

Executive and non-executive decisions making in accordance with the Constitution/governance arrangements

- Powers reserved to the Broads Authority and those delegated to other authorities are detailed in the Broads Authority Terms of Reference of Committees document. The list of matters delegated to the Chief Executive and other officers are detailed in the Scheme of delegated powers.
- Key documents are in place that govern members and officers conduct, which are; the Code of Conduct for Members and Complaints Procedure (September 2016) and the Protocol on Member and Officer Relations in the Broads Authority. The Code of Conduct refers to decision making as part of members core values 'We are open, honest and inclusive in our communication and in making decisions' and also states that decision making should be made objectively and with integrity and propriety.
- Risks in respect of decision making processes have been included in the strategic risk register, and examples of these include "decisions which are not made in accordance with planning policy" and "shortcomings in decision making due to poor financial management'.

Systems and processes in place for the preparation of reports requiring executive and non-executive decisions

- The Broads Authority Member Development Strategy supports the development of staff, Members and co-opted Members to achieve continuous improvement of its services and was updated in January 2017. This includes details of member induction training, which incorporates governance and representation, including; the Broads Authority's Code of Conduct; the Planning Committee's Code of Conduct for Members and Officers (if applicable); Standing Orders; the Protocol on Member and Officer Relations in the Broads Authority; and the Broads Authority Communication Strategy.
- There are comprehensive systems and processes in place for the preparation of reports requiring decisions that include committee forward plan; committee agenda items discussion at management team (Chief Executive, Directors, Head of Finance and Monitoring Officer), circulation of committee deadlines, agendas and reports to members within a minimum of 6 working days and an Annual Governance Almanac which includes key governance milestones.

Issues to be addressed

The audit has highlighted the following areas where one 'important' recommendation has been made.

Systems and processes in place for the preparation of reports requiring executive and non-executive decisions

• A clear record of the decisions made by the Broads Authority is made available to the public in accordance with the Openness of Local Government Bodies Regulations 2014. This should include compiling a register of material decisions made since 2014; producing a set of guidance on what should be published and; production of a template document to record decisions. This assists in mitigating the risks that the Broads Authority commits an offence under this regulation and that there is incomplete transparency to the public.

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

Executive and non-executive decisions making in accordance with the constitution/governance arrangements

• The (current) review of standing orders to include specific reference to matters being decided by a majority vote, stipulating who has a casting vote and to review and update the Broads Authority Terms of Reference of Committees, specifically the Financial Scrutiny and Audit Committee to reflect that this is a consultative committee. This should help to mitigate the risks that the voting process is unclear and matters decided upon are undertaken improperly and that the practices applied are inconsistent with agreed governance leading to ambiguity over which practices should actually be applied.

Systems and processes in place for the preparation of reports requiring executive and non-executive decisions

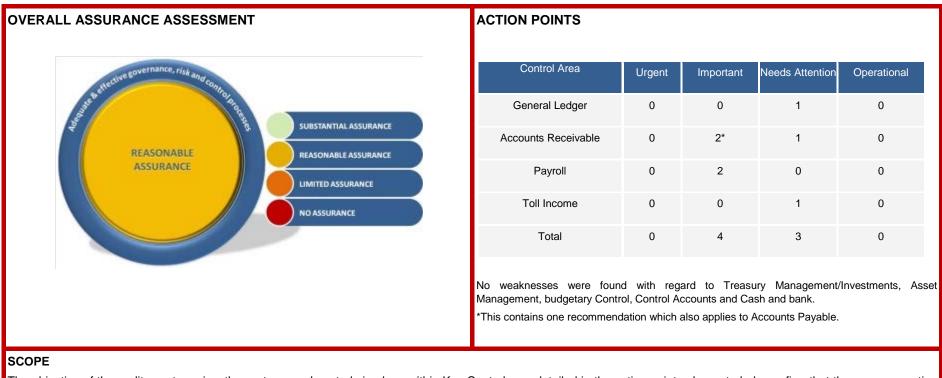
• To include items 6/9b (13/05/2016) – 'Berney arms, Halvergate marshes' and; 3/15 (18/11/2016) - 'that delegated authority be given to the Section 17 Officer to communicate the willingness of the Authority to join the scheme to PSAA' within the Summary of Progress/Actions Taken following Decisions of Previous Meetings. This helps to mitigate the risk that there is inadequate transparency on the progress of decisions made resulting in Members receiving an incomplete picture.

Previous audit recommendations

A previous audit of Corporate Governance and Risk Management was undertaken in May 2015, resulting in a 'Good' assurance opinion. Three low priority recommendations were raised which have since been implemented. An audit of Members Governance was also undertaken in April 2016, resulting in an 'Adequate' assurance opinion with two 'important' and three 'needs attention' recommendations being raised and subsequently implemented.

Assurance Review of Key Controls

Executive Summary



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 'important' recommendation and three 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

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

Treasury Management

- Investments tested were documented and authorised and there is evidence of segregation between approval and transfer of funds.
- Loans and investments are reconciled to the general ledger and bank statements.

General Ledger

• The general ledger suspense account is reviewed on a monthly basis and any long outstanding items are cleared.

Asset Management

- All capital additions and disposals reviewed were authorised in accordance with procedures.
- The asset register is reconciled to the ledger once a year and access to the register is restricted to appropriate staff.

Budgetary Control

- After year-end (from July onwards), budget monitor reports are shared with budget holders on a monthly basis which highlight any variances above £10,000. These are accompanied by the an email from the Financial Accountant requesting an explanation of variances and changes to forecast outturn (year-end positions); commentary to explain significant variances (+/- £10,000) within their budgets and; requests for budget virements (budget transfers).
- Budgetary information, both capital and revenue is reconciled to the general ledger on a monthly basis

Accounts Payable

- Invoices were approved and authorised in accordance with the authorised signatories list.
- BACs runs had been signed and dated, prior to the payment run, by an appropriate officer.

Toll Income

• Payments had sequentially numbered plaques raised and recorded as issued on the system.

• Payment batches balanced to the payments received, and batch totals balanced to the Tolls Management System (TMS) for hire tolls, private tolls, overpayments and other payments.

Control Accounts

• The purchase control account, sales control account and salary control account are reconciled to the general ledger system on a monthly basis.

Cash and Bank

• Bank reconciliations were completed, reconciling items resolved and the reconciliations signed and dated by the preparer and reviewer.

Issues to be addressed

The audit has highlighted the following areas where four 'important' recommendations have been made.

Account Receivable

- Broads Authority Financial Regulations be amended to include the formalisation of processes regarding debtor payments being received in advance of goods/services delivered and; expansion of exceptions to paper purchase orders or requisitions being raised, to incorporate services/goods supplied which are covered by a formal contract. This assists in mitigating the risk that debt is irrecoverable and the Financial Regulations not reflecting the current practices.
- Procedures are documented for the sales ledger processes including the system of debt recovery. This should help mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.

Payroll

- The payroll errors risk to be raised at Management Team for inclusion in the strategic risk register, which will help to mitigate possible future material errors that could result in the payroll being paid incorrectly
- To document procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the Finance Team perform. This should assist in reducing the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.

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

General Ledger

• Adequate supporting documentation to be retained on file or sufficient narrative contained therein for all journals to help reduce the risk that journals have been processed incorrectly.

Accounts Receivable

• To ensure explanatory notes for more complex debtor cases are put onto Dimensions to explain the latest situation regarding each debt, assisting to reduce the risk that debt is not actioned in a timely manner or action is taken incorrectly.

Toll Income

• To update the Toll procedure manual to reflect all changes to the system, including the changes in toll charges from 1st April 2017 and to include the toll payment enforcement process. This should help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.

Other points to note

It was identified that 1/25 sampled invoice requisition forms were not date stamped to verify the date finance received them. This has not been included as a recommendation due to the Head of Finance taking action to address this during the audit.

Previous audit recommendations

The previous audit of Key Controls and Assurance was undertaken in April 2016, resulting in a 'Reasonable' assurance opinion. Three low priority recommendations were raised regarding Budgetary Control and Accounts Payable, which have since been implemented.

APPENDIX 4 – AUDIT RECOMMENDATIONS

			Complete	ed bt 01/04	/2016 and	Previe	ously repo	rted to							
				31/03/2017		Committee as outstanding		Outstanding		Total Not yet du		lue 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
2015/16 In	ternal Audit Reviews														
BA1603	Members Governance	Reasonable		2	3							0			
	Key Controls &														
BA1604	Assurance	Reasonable			2							0			
2016/17 In	ternal Audit Reviews											0			
BA1701	External Funding	Reasonable		2	2					1		1			
	Anti -Virus, Malware,														
BA1702	BackUps & Firewall	Reasonable		1	3							0			
	Corporate Governance														
BA1703	& Risk Management	Reasonable			1							0		1	1
	Key Controls &														
BA1704	Assurance	Reasonable		2	2							0		2	1
TOTALS			0	7	13	0	0	0	0	1	0	1	0	3	2

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 Financial Scrutiny and Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2016/17 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 2017. 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, as the Head of Internal Audit, 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.

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 8

Statement of Accounts 2016/17

Report by Chief Financial Officer

Summary:	This report summarises the Broads Authority's Statement of Accounts for the year ended 31 March 2017.
Recommendation:	That the Statement of Accounts for 2016/17 be recommended to the Broads Authority for approval, subject to any amendments suggested by the Committee.

1 Introduction

- 1.1 Members will recall that the Financial Performance and Direction report to the Authority on 19 May 2017 provided the draft year end figures for 2016/17 which detailed a deficit of £2,341. These figures were then used to produce the Statement of Accounts.
- 1.2 There have been no subsequent changes to these figures and the draft Statement of Accounts was signed on 31 May 2017. Ernst and Young (external audit) then undertook their onsite work between 5 and 16 June 2017. Their Annual Audit Results Report is the next item on this agenda. Appended to this report is the Statement of Accounts for 2016/17 (excluding the Annual Governance Statement, under agenda item 6).

2 Changes to the 2016/17 Accounts

- 2.1 This year sees the introduction of the Expenditure and Funding Analysis under IAS 1, which can be found on page 13 of the Statement of Accounts. The introduction of this statement is to help users understand how the Authority is funded and how resources are allocated across the Directorates. In addition the Comprehensive Income and Expenditure Statement now reflects the internal reporting structure against Directorates; this is a change to previous years where this was reported against CIPFA SeRCOP (Service Reporting Code of Practice). As a result this has meant the 2015/16 Comprehensive Income and Expenditure Statement has been restated.
- 2.2 The departure from the SeRCOP will make future comparisions against other National Parks slightly more labour intensive, however the Authority has retained the ability to reproduce the Accounts in this format if required.
- 2.3 The introduction of the Expenditure and Funding analysis has meant that amounts reported for resource allocation decisions is no longer included

(previously note 22 in the 2015/16 Accounts). However this note has been reproduced below to help members understand the additional adjustments made at year end.

Income and Expenditure 2016/17	Operations £	Planning & Resources £	Chief Executive £	Corporate Amounts £	Total £
Fees charges and other service income	(228,441)	(779,160)	(8,706)	(3,111,791)	(4,128,097)
Contribution from reserves	0	0	0	(417,313)	(417,313)
Government Grants	0	0	0	(3,243,802)	(3,243,802)
Total Income	(228,441)	(779,160)	(8,706)	(6,772,906)	(7,789,212)
Employee expenses	1,920,661	1,771,709	272,127	150,203	4,114,700
Other service expenses	1,789,947	1,697,790	189,116	0	3,676,854
Total expenditure	3,710,608	3,469,499	461,243	150,203	7,791,553
Net expenditure	3,482,167	2,690,339	452,537	(6,622,703)	2,341

Cost o	of Services in the Comprehensive Income and Expenditure Statement	3,559,119
3.	Amounts included in analysis not in Comprehensive Income and Expenditure Statement	2,775,092
2.	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	781,685
1.	Net expenditure above	2,341

- 2.4 Items that are included in the amounts in the second line under Comprehensive Income and Expenditure Statement which are not reported to management include year end adjustments for the Pension scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation and movements on revaluations.
- 2.5 The main adjustments in the third line which is in the analysis above but not the Comprehensive Income and Expenditure Statement is the removal of the DEFRA grant, interest and investment income, interest payable and expenditure in relation to investment properties. These items are added back in the lines under the cost of services. Further adjustments relate to the

accounting treatment of capital expenditure, reserve expenditure and finance leases.

2.6 The table below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 14 in the Statement of Accounts.

	Service Analysis £	Not reported to Management £	Not included in CIES £	Cost of Services £	Other Operating Expenditure, Financing & Investment Income and Government grant £	Deficit on Provision of Services £
Fees, charges and other service income	(4,113,326)	0	0	(4,113,326)	0	(4,113,326)
Interest and Investment income	(14,771)	0	14,771	0	(14,771)	(14,771)
Contributions from reserves	(417,313)	0	(40,319)	(457,632)	0	(457,632)
Government Grants	(3,243,802)	0	3,243,802	0	(3,243,802)	(3,243,802)
Total Income	(7,789,212)	0	3,218,254	(4,570,958)	(3,258,573)	(7,829,531)
Employee expenses	4,114,700	159,193	0	4,273,893	187,000	4,460,893
Other service expenses	3,676,854	0	(443,161)	3,233,692	0	3,233,692
Depreciation, amortisation & impairment	0	622,492	0	622,492	0	622,492
Interest payments	0	0	0	0	36,039	36,039
Expenditure in relation to investment						
properties	0	0	0	0	(13,435)	(13,435)
Loss on disposal of Fixed Assets	0	0	0	0	1,041	1,041
Total Operating Expenditure	7,791,553	781,685	(443,161)	8,130,077	210,645	8,340,722
Deficit on Provision of						
Services	2,341	781,685	2,775,092	3,559,119	(3,047,928)	511,191

3 **Balance Sheet**

- 3.1 This year sees the Balance Sheet move to a net Liability position of £537,000. This is not the first time this has happened as the Broads Authority Balance Sheet had a net liability of £293,000 in 2015. The cause of this movement is due to the movement in the Pension Fund liability which has increased from £5.3m to £7.8m. These fluctuations are due to maintaining contributions at a consistant rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. The next valuation will take place on 31 March 2019. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 33.
- The bottom section of the Balance Sheet on page 17 splits the reserves 3.2 between useable and non useable reserves. The useable reserves can be used to fund future operating expenditure whilst the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3 The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as reported on 19 May 2017. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 37. The year end balances of the reserves are:

•	National Park	£1,041,796
-		~1,0+1,700

- Navigation
- •
- £325.955
- Earmarked
- £1,392,066 of which £589,915 relates to Navigation

4 **Other Significant Issues**

4.1 There are no other significant issues arising from the preparation of the accounts which it is considered need to be drawn to the attention of the Committee.

5 Annual Governance Statement

5.1 The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The draft Annual Governance Statement will be considered under agenda item number 6.

6 Audit of the Statement of Accounts

6.1 The Authority's external auditors, Ernst & Young, have completed the audit and their Audit results can be found under agenda item number 10. The audit timetable was set out in the Audit Plan presented at the last meeting of this Committee, 7 February 2017.

6.2 Upon completion of the outstanding items detailed in their report the audit report will be signed and incorporated into the Statement of Accounts.

7 Financial Implications

7.1 The Statement of Accounts for 2016/17 shows revenue reserves of £1,367,751 (general reserves £1,041,796, navigation reserves £325,955) that are considered to be adequate. The navigation reserve at the end of 2016/17 stands at 10.5% of net expenditure. This is marginally higher than the Financial Strategy forecast for the end of 2016/17. With these taken alongside the significant earmarked reserve balances, the Authority's reserves are therefore considered to be sound. The outturn figures for 2016/17, and their implication for the overall level of reserves, will be taken into account in future budgeting proposals, and when making decisions about income and expenditure in 2017/18.

Background Papers:	Nil
Author: Date of Report:	Emma Krelle 10 July 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1: Statement of Accounts 2016/17 (excluding the Audit Report and Annual Governance Statement)



BROADS AUTHORITY

STATEMENT OF ACCOUNTS 2016/17

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Narrative Report

Introduction

The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It contains a commentary on the major influences affecting the Authority's income and expenditure and cash flow, and information on the financial needs and resources of the Authority.

The Background to the Accounts 2016/17

The Statement of Accounts represents the financial transactions of The Broads Authority.

The Broads Authority was set up under the Norfolk and Suffolk Broads Act 1988.

Its duties, as subsequently amended by the Natural Environment and Rural Communities Act 2006, are to manage the Broads for the purpose of:

- conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- protecting the interests of navigation.

This brought the first two purposes into line with those of the English National Park Authorities, as recommended in the Department for Environment, Food and Rural Affairs (Defra) report 'Review of English Park Authorities' published in July 2002.

In discharging its function, the Authority should have regard to:

- the national importance of the Broads as an area of natural beauty and one which affords opportunities for open air recreation;
- the desirability of protecting the natural resources of the Broads from damage; and
- the needs of agriculture and forestry and the economic and social interests of those who live and work in the Broads.

In respect of its navigation area the Authority is required to:

- maintain the navigation area for the purposes of navigation to such a standard as appears to it to be reasonably required; and
- take such steps to improve and develop it as it thinks fit.

The Broads Authority Act 2009 amended the 1988 Act and is primarily concerned with augmenting the Authority's powers to ensure safety on the Broads, including the application of the Boat Safety Scheme and compulsory third party insurance. It also made provision for the transfer of responsibility for the navigation in Breydon Water to the Authority which was implemented in 2012. The 2009 Act removed the need for the Authority to maintain a separate navigation account and contained provisions which require the Authority to ensure that, taking one year with another, expenditure on navigation matters is equal to navigation income.

The Accounting Statements

The Broads Authority's accounts for the year 2016/17 are set out on pages 8 to 73. They consist of:

Statement of Responsibilities for the Statement of Accounts

Statement of Corporate Governance

Expenditure and Funding Analysis – This statement shows how annual expenditure is used and funded from resources (government grants and rents) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements, however its position next to the Comprehensive Income and Expenditure Statement is to provide a link from the figures reported in the Review of the Year within the Narrative Report.

Comprehensive Income & Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves and 'other' reserves. The 'surplus / deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. Reserves are reported in two categories. The first category of reserves are 'usable' reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of tolls and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

These accounts are supported by the Statement of Accounting Policies in Note 1, which follows the Accounting Statements, and various notes to the accounts.

The information included in these accounts incorporates spending relating to the Broads Navigation. The Navigation income and expenditure is separately accounted for in the records to ensure the proper control of income from toll payers and to ensure it is spent primarily to benefit the users of the navigation. Navigation income and expenditure is shown in full at note 37 on page 73.

Changes to the 2016/17 Accounts

This year sees the introduction of the Expenditure and Funding Analysis under IAS 1. The introduction of this statement is to help users understand how the Authority is funded and how resources are allocated across the Directorates. In addition the Comprehensive Income and Expenditure Statement now reflects the internal reporting structure against Directorates; this is a change to previous years where this was reported against CIPFA SeRCOP (Service Reporting Code of Practice). As a result this has meant the 2015/16 Comprehensive Income and Expenditure Statement has been restated.

Current Borrowing Facilities and Capital Borrowing

On 20 November 2007, the Authority took out a £290,000 loan from the Public Works Loan Board. The repayment period of the loan is 20 years at a fixed interest rate of 4.82%, repayable by equal instalments of principal. The Public Works Loan Board has advised that the fair value of the debt as at 31 March 2017 is £189,087.

The purpose of this loan was to finance the purchase of the Dockyard Operation from May Gurney to enable the Authority to continue to dredge the Broads in an economical and efficient manner.

Review of the Year

General Income and Expenditure

The Authority received National Park Grant of £3,244k from Defra (£3,189k in 2015/16). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £869k (£712k in 2015/16). Total income for 2016/17 was £4,113k (£3,901k in 2015/16).

The Authority set a budget for 2016/17 with a forecast deficit of £27k (£84k deficit for 2015/16). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for the year indicated an anticipated surplus of £50k. The actual outturn saw a deficit of £1k (an adverse variance of £51k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £22k (£26k for 2015/16) and will be added to the 2017/18 budget.

Navigation Income and Expenditure

Income from tolls was £3,075k (£2,986k in 2015/16), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £176k, (£159k in 2015/16) and interest was £7k (£11k in 2015/16). Total income for 2016/17 was £3,258k (£3,156k in 2015/16).

The Authority set a budget with a forecast surplus of £16k for 2016/17 (surplus of £56k for 2015/16). The Authority monitors its budget throughout the year against a forecast outturn

which is updated on a monthly basis. The final forecast outturn for 2016/17, which took account of approved budget changes, indicated an anticipated deficit of £26k. The actual outturn saw a deficit of £1k (a favourable variance of £25k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £9k (£181 for 2015/16) and will be added to the 2017/18 budget

Financial Outlook

The Authority received notification in January 2016 that its National Park Grant would be protected in real terms and received an increase of 1.72% per annum over the period 2016/17 to 2019/20. This is the first time since 2009/10 that the Authority has seen an increase to its National Park Grant. The settlement has meant that the Authority can now plan for this period with a higher degree of certainty.

Income from navigation tolls has continued to hold up reasonably well despite continued pressures on Hire Craft numbers. Despite the decline in Hire Craft, the Private Craft increase means that income is broadly in line with the projections made in the Authority's current Financial Strategy for the period up to 2020/21, which was adopted by the Broads Authority in January 2018.

The current Financial Strategy was drawn up having regard to the Authority's grant settlement and the priorities in the Broads Plan. It sets out a prudent strategy for managing the limited resources available in order to build on the work underway across the organisation and to continue to deliver the Authority's key priorities over the next three years. The focus in developing the Financial Strategy has been to deliver the maximum possible efficiencies and savings in order to minimise the impact on front-line activity. The Authority recognises that without its employees continued commitment and hard work this would not be possible. The Authority continues to focus on identifying opportunities to raise income, make efficiencies and find further savings.

2016/17 saw the continued focus on raising additional income through external funding. This was reflected in 3 of the 6 strategic priorities for the year (further details can be found at http://www.broads-authority.gov.uk/__data/assets/pdf_file/0007/912832/Strategic-Priorities-2016-17-Update.pdf).

Development phase work on Water Mills and Marshes – our Heritage Lottery funded Landscape Partnership Scheme is almost completed with submission of our second round application in May 2017. A successful second round application will unlock an additional £2.44 million of grant funding from the Heritage Lottery Fund, which along with cash and inkind contributions from partners creates a scheme worth £4.01 million over the 5 year delivery phase. The HLF decision is expected in November and if successful, we will start delivery of Water, Mills and Marshes in January 2018.

An additional bid was submitted in January 2017 to the EU for the project named CANAPE (Creating a New Approach to Peatland Ecosystems). This is a joint project with Hunze en Aa's Regionaal Water Authority in the Netherlands, Regional Landschap De Voorkempen, an organisation maintaining and enhancing the natural landscape in the Netherlands, Landkreis Diepholz, Northern Institute of Thinking and the Danish Nature Agency with the Authority acting as the Lead Partner.

The Authority's focus within the project will be the continuation of delivering the Hickling vision with the opportunity to explore the potential reuse of fen materials such as composting or biofuels. The total Broads Authority bid is for €1,165,000 of this €582,000 is the Authority's match contribution made up of staff time and existing budgets. The total partnership bid totals €5,858,471.

If the bid is successful it will bring additional income to the Authority of €582,000 over the 5 year project. Following the UK's decision to exit the EU it is likely to be the Authority's last bid from this funding stream. However if the Authority is successful CANAPE will be guaranteed over the life of the project regardless of the UK's progress in leaving the EU. The decision is expected in June 2017.

National Parks Partnership LLP continues to promote corporate partnerships for the UK National Parks with the aim to make a significant, sustainable and discernible contribution to the improved quality of UK National Parks and the benefits they offer for generations to come. For the Authority this has meant securing additional funding from Tesco to work in partnership on Water Sensitive Farming in the Broadland Catchment. Throughout the year NPP has also been working to secure the first major corporate sponsorship for all of the UK Parks to provide clothing for all front line staff over 5 years. This is the first major sponsorship deal and is with Columbia with the launch held on 23 May 2017.

In setting its Strategic Priorities and Financial Strategy the Authority is mindful of the risks its faces. These are monitored on a regular basis with actions being taken to mitigate any possible impacts. Reports to the Authority highlight risks on potential new areas of activity. The Financial Scrutiny and Audit Committee receive detailed reports on the current risks with details of the individual risks, risk owner and actions.

In developing the Financial Strategy, a number of assumptions have been made in respect of National Park Grant allocations, future boat numbers and the level of staff pay inflation. The Strategy follows the general principle that the Authority should seek to maintain the general reserve at a minimum of £100,000 plus 10% of net expenditure, and the navigation reserves at a minimum of 10% of net expenditure. It also expects that General and Navigation income and expenditure should be broadly in balance across the life of the Financial Strategy.

Navigation funding is currently projecting a small deficit of £8k in 2017/18 (after taking into account carry forward requests), with reserves at 9.9% of net expenditure at the end of the year. For General funding there is a projected deficit of £89k (after taking into account carry forwards requests) in 2017/18, with reserves at 28% of net expenditure.

The Strategy also covers capital expenditure with the majority being funded from Earmarked Reserves and the rest from National Park Grant and Navigation income.

There are a significant number of variables – and some unknown quantities, such as future inflation – which could impact on these figures. The Financial Strategy will therefore be reviewed and updated by the Authority, having regard to any changes in circumstances and the annual outturn figures, at its meeting in January 2018. The annual toll increase for 2017/18 was set at an overall 2.7%. A review of the new charging structure as implemented by the Tolls Working Group recommendations will need to be taken into account when setting the future strategy and will continue to be subject to consultation with the Navigation Committee and other stakeholders.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:-

- (a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- (b) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) Approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Broads Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Emma Krelle (Chief Financial Officer)

Certificate of Committee Resolution

I confirm that these accounts were approved by The Broads Authority at its meeting held 28 July 2017.

Signed on behalf of The Broads Authority:

Prof J A Burgess

(Chair of meeting approving the accounts)

28 July 2017

Independent Auditor's Report to the Members of the Broads Authority

Expenditure and Funding Analysis

This statement shows how funding available to the Authority for the year has been used in providing services in accordance with generally accepted accounting practices.

	2015/16				2016/17	
Net	Adjustments	Net Expenditure		Net	Adjustments	Net Expenditure
Expenditure	between the	in the		Expenditure	between the	in the
Chargeable to	Funding and	Comprehensive		Chargeable to	Funding and	Comprehensive
the General	Accounting	Income and		the General	Accounting	Income and
and Navigation	Basis *	Expenditure		and Navigation	Basis *	Expenditure
Fund Balances		Statement		Fund Balances		Statement
£000	£000	£000		£000	£000	£000
945	53	998	Operations	982	65	1,047
1,694	111	1,805	Planning and Resources	1,814	26	1,840
329	12	341	Chief Executive	284	6	290
67	0	67	Corporate Amounts	95	0	95
229	(61)	168	Broads Navigation Account	22	265	287
3,264	115	3,379	Net Cost of services	3,197	362	3,559
(3,161)	241	(2,920)	Other Income and Expenditure	(3,235)	187	(3,048)
103	356	459	Surplus or (Deficit)	(38)	549	511
(1,232)			Opening General and Navigation Fund Balance	(1,378)		
103			Less/Plus Surplus or (Deficit) on General and Navigation Balance in Year	(38)		
(249)			Transfer (to)/from Earmarked Reserves	48		
			Closing General and Navigation Fund			
(1,378)			Balance at 31 March	(1,368)		

* Further details on the adjustments between Funding and Accounting Basis can be found in Note 7.

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Review of the Year within the Narrative Report to the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2015	/16 Resta	ted				2016/17	
Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000		Note	Gross Expenditure £000	Income £000	Net Expenditure/ (Income) £000
1,147 2,336 359 67 3,310	(149) (531) (18) 0 (3,142)	998 1,805 341 67 168	Chief Executive Corporate Items Broads Navigation Account	37	1,177 2,568 294 95 3,525	(130) (728) (4) 0 (3,238)	1,047 1,840 290 95 287
7,219	(3,840)	3,379 15 254	Cost of services (Gains)/Losses on the disposal of non-current assets Financing and investment income and	11	7,659	(4,100)	3,559 1 195
		(3,189) 459	expenditure DEFRA National Park grant income (Surplus) or deficit on provision of services				(3,244) 511
		(21) (2,641)	(Surplus) or deficit on revaluation of fixed assets Actuarial (gains) / losses on pension assets /				(230) 2,166
		(2,662) (2,203)	liabilities Other comprehensive income and expenditure Total comprehensive income and expenditure				1,936 2,447

Broads Authority Statement of Accounts Movement in Reserves Statement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure) and 'other' reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2015/16	General Fund and Navigation Fund Balance	Earmarked Reserves	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2015 (A)	1,232	1,593	2,825	(3,118)	(293)
Total comprehensive income and expenditure	(459)	0	(459)	2,662	2,203
Adjustments between accounting basis and funding basis under regulations (Note 9)	356	0	356	(356)	0
Transfers to or from Earmarked Reserves (Note 10)	249	(249)	0	0	0
Increase or (decrease) in 2015/16 (B)	146	(249)	(103)	2,306	2,203
Balance at 31 March 2016 (=A+B)	1,378	1,344	2,722	(812)	1,910

2016/17	General Fund and Navigation Fund Balance £000	Earmarked Reserves £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 (A)	1,378	1,344	2,722	(812)	1,910
Total comprehensive income and expenditure	(511)	0	(511)	(1,936)	(2,447)
Adjustments between accounting basis and funding basis under regulations (Note 9)	549	0	549	(549)	0
Transfers to or from Earmarked Reserves (Note 10)	(48)	48	0	0	0
Increase or (decrease) in 2016/17 (B)	(10)	48	38	(2,485)	(2,447)
Balance at 31 March 2017 (=A+B)	1,368	1,392	2,760	(3,297)	(537)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

As at			As at
31 Mar 16		Note	31 Mar 17
£000			£000
4,453	Property, Plant & Equipment	12	4,439
340	Investment Property Held for Sale	13	275
0	Intangible Assets	14	43
10	Long term debtors		3
4,803	Long term assets		4,760
10	Short term investments		2,001
104	Inventories	15	88
494		16	549
4,137		17	1,981
4,745	Current assets		4,619
(15)	Short term borrowing		(15)
(1,944)	Short term creditors	18	(1,761)
(43)	Provisions	10	(1,701)
(2,002)	Current liabilities	10	(1,839)
(152)	Long term borrowing		(137)
(5,484)	Other long term liabilities		(7,940)
(5,636)	Long term liabilities		(8,077)
1,910	Net assets/(liabilities)		(537)
	Useable reserves		
1,045	General Account fund balance		1,042
333	Navigation Account fund balance		326
1,344	Earmarked Reserves	10	1,392
	Unusable reserves	21	
1,426	Revaluation Reserve		1,641
3,079	Capital Adjustment Account		2,892
(5,274)	Pension Reserve		(7,780)
(43)	Accumulated Absence Reserve		(50)
1,910	Total reserves		(537)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited statements certified by the Chief Financial Officer on 31 May 2017.

Emma Krelle (Chief Financial Officer)

28 July 2017

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2015/16 £000	Revenue Activities	Note	2016/17 £000
(459)	Net surplus or (deficit) on the provision of services		(511)
833	Adjustments to net surplus or deficit on the provision of services for non-cash movements		815
(5)	Adjust for items in the net surplus or deficit on the provision of services that are Investing and Financing Activities		(14)
369	Net cash flows from Operating Activities	22	290
(478)	Investing Activities	23	(2,383)
(66)	Financing Activities	24	(63)
(175)	Net increase or (decrease) in cash and cash equivalents		(2,156)
4,312	Cash and cash equivalents at the beginning of the reporting period		4,137
4,137	Cash and cash equivalents at the end of the reporting period	17	1,981

Notes to the Statement of Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amounts is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Specific bad debt provisions are reviewed annually.
- iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

vii. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Broads Authority are members of Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 quotes prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 unobservable inputs for the asset or liability.
- x. Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term financial instrument covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities such as trade receivables and trade payables and the complex ones such as derivatives.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Long term loans are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due within the current year and amounts due outside the year. Any interest paid is taken directly to the income and expenditure account. The 'fair value' of any loans is disclosed in the notes to the accounts with accompanying explanations.

Financial assets are classified into two types:

- Loans and Receivables assets that have fixed or determinable payments, but are not quoted on an active market.
- Available for Sale Assets assets that have a quoted market price and / or do not have fixed or determinable payments.

The Authority has not made any material loans.

xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the yearend, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive. Any gain

or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the general reserve balances. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general reserve balances. The gains and losses are therefore reversed out of the general reserve balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO (first-in, first-out) costing formula.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority

are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis limit of £5,000 is used to recognise fixed assets.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction depreciated historical cost.
- all other assets current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings straight-line allocation between 5 and 50 years, as advised by a professional valuer;
- vehicles, plant, furniture and equipment straight-line allocation between 5 and 10 years, as advised by a suitably qualified officer; and
- infrastructure straight-line allocation between 20 and 25 years, as advised by a suitably qualified officer.

Where an asset has been acquired under a finance lease arrangement, and the lease term is shorter than the asset's estimated useful life, the asset is depreciated over the lease term.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue. The Broads Authority has a policy of not depreciating assets in the first year of ownership.

Disposals and Non-current Assets

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the 27

Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note (note 34) to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

xx. Operating Segments

In accordance with IFRS 8 and the Code, the Broads Authority keeps the general fund and navigation fund separately. Under the Code, the Authority has prepared a single income and expenditure account for 2016/17, however in note 37 to the accounts the navigation income and expenditure is shown.

xxi. Allocation of Costs

Salary, vehicle and other revenue costs are reallocated within the general expenditure to major projects that are grant aided partially or wholly by sources other than Defra grant. The method of allocation is kept as simple as possible and is either made on usage, such as number of hours spent on a project, or estimated on a percentage basis.

Recharges between the general and navigation funds are based on staff time and usage.

xxii. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but have not yet been adopted

The 2017/18 Code of Practice on Local Authority Accounting adopts the following amendments to International Accounting Standards and International Financial Reporting Standards, which will be required from 1 April 2017:

• IAS 26 Accounting and Reporting by Retirement Benefit Plans requires the amendment to the reporting of pension fund scheme transactions costs and of the investment concentration. Both of these are minor and are not expected to have a material effect on the Authority's Statement of Accounts.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the remaining three years of the original four year settlement from DEFRA there remains a degree of uncertainty about the longer term levels of funding for National Parks. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is a member of Whitlingham Charitable Trust of which there are four members. The Authority can appoint up to four trustees and there shall be no more than nine in total. The Trust is limited by guarantee in which each member agrees to contribute £1 in the event of it being wound up. Whitlingham Charitable Trust was established to manage and maintain Whitlingham Country Park for public benefit. Whilst the Authority does have significant influence in the management of the Trust, it does not have a controlling influence, and it does not have any share equity, or any share in profits or losses. It is considered therefore that International Public Sector Accounting Standard (IPSAS) 7 – Accounting for Investments in Associates - does not apply as the charity has no formal equity structure, and the Authority does not derive any financial benefit from the Trust.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	reduced, depreciation increases and the carrying amount of the

Item	Uncertainties	Effect if actual results differ from assumptions				
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £3,319,000. Further details are set out in the sensitivity analysis in note 33.				

5. Material Items of Income and Expense

There are no material items of expense in relation to 2016/17 which are not disclosed elsewhere within the Statement of Accounts.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 28 July 2017. Events that occur after this date are not reflected in the financial statements or notes.

Subsequent to the approval of the draft accounts, the Authority has received further information regarding the contingent liabilities disclosed in note 34 on page 68.

Appeal against Adjacent tolls decision

The Defendant's application for Judicial Review was refused on 24 May 2017 which concluded the matter. The Authority did not receive notice of this decision until 13 June 2017. The High Court ordered the Defendant to pay a contribution towards the Authority's costs.

7. Note to the Expenditure and Funding Analysis

Adjustments from General and Navigation Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

	2015/	16				2016/	17	
Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments		Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
(9)	62	0	53	Operations	38	28	(1)	65
19	96	(4)	111	Planning and Resources	(29)	49	6	26
0	13	(1)	12	Chief Executive	0	7	(1)	6
0	0	0	0	Corporate Items	0	0	0	0
(193)	131	1	(61)	Broads Navigation Account	194	69	2	265
(183)	302	(4)	115	Net Cost of Services	203	153	6	362
0	241	0	241	Other income and expenditure from the Expenditure and Funding Analysis	0	187	0	187
				Difference between General and Navigation Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or				
(183)	543	(4)	356	Deficit on the Provision of Services	203	340	6	549

<u>Note</u>

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- 2. Net change for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.
- 3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statue including accumulated absences.

Income received on a segmental basis is analysed below:

	2015/16	2016/17
Service	Income from	Income from
	Services	Services
	£000	£000
Operations	(149)	(130)
Planning and Resources	(531)	(728)
Chief Executive	(18)	(4)
Corporate Items	0	0
Specialist Ringfenced Account (Navigation)	(3,142)	(3,238)
Total income analysed on a segmental		
basis	(3,840)	(4,100)

8. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits expenses Other services expenses Depreciation, amortisation, impairment Interest payments Expenditure in relation to investment properties Loss on the disposal of assets	4,425 2,974 329 40 (4) 16	4,310 3,384 623 36 (13) 1
Total expenditure	7,780	8,341
Income		
Fees, charges and other service income Interest and investment income Contributions from reserves Government grants and contributions	(3,845) (23) (264) (3,189)	(4,113) (15) (458) (3,244)
Total income	(7,321)	(7,830)
Surplus or Deficit on the Provision of Services	459	511

9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

General Fund & Navigation Fund 2015/16 £000	Movement in Unusable Reserves 2015/16 £000		General Fund & Navigation Fund 2016/17 £000	Movement in Unusable Reserves 2016/17 £000
		Adjustments primarily involving the Capital Adjustment Account:		
330	(330)	Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement: Charges for depreciation and impairment of non-current assets	315	(315)
0	0	Revaluation losses on property, plant and equipment	307	(307)
0 (1) 22	0 1 (22)	Amortisation of intangible assets Movements in the fair value of investment properties Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0 6 15	0 (6) (15)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
(67)	67	Statutory provision for the financing of capital investment	(63)	63
(467)	467	Capital expenditure charged against the General Fund	(378)	378

356	(356)	Total Adjustments	549	(549)
0	0	Adjustments involving the Capital Grant Unapplied Account: Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0
(4)	4	Adjustments involving the accumulated Absences Account: Adjustments in relation to short-term compensated absences	7	(7)
(574)	574	note 33) Employer's pension contributions and direct payments to pensioners payable in the year	(597)	597
1,117	(1,117)	Adjustments involving the Pensions Reserve: Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see	937	(937)
£000	£000		£000	£000
2015/16	2015/16		2016/17	2016/17
Navigation Fund	Unusable Reserves		Navigation Fund	Unusable Reserves
General Fund &	Movement in		General Fund &	Movement in

10. Transfers to / from earmarked reserves

This note presents details of the amounts set aside in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet expenditure in 2016/17. A description of each of the earmarked reserves follows in the table below.

	Balance at 31	Transfers in	Transfers out	Balance at 31	Transfers in	Transfers out	Balance at 31
	March 2015	2015/16	2015/16	March 2016	2016/17	2016/17	March 2017
	£000	£000	£000	£000	£000	£000	£000
Property	(587)	(30)	256	(361)	(75)	7	(429)
Plant, Vessels and Equipment	(240)	(320)	259	(301)	(175)	262	(214)
Premises	(170)	(32)	0	(202)	(31)	54	(179)
Planning Delivery Grant	(354)	(3)	65	(292)	(54)	151	(195)
Upper Thurne Enhancement Scheme	(53)	(3)	0	(56)	(22)	0	(78)
Section 106 Agreements	(16)	(64)	4	(76)	(33)	0	(109)
Heritage Lottery Fund	Ó	(77)	21	(56)	(217)	180	(93)
Catchment Partnership	0	0	0	0	(95)	0	(95)
Mobile Phone Upgrade/IT reserve	(1)	0	1	0	0	0	0
PRISMA	(172)	(1)	173	0	0	0	0
	, , , , , , , , , , , , , , , , , , ,						
Total	(1,593)	(530)	779	(1,344)	(702)	654	(1,392)

Earmarked reserves

Property

A reserve account set up to provide for the ongoing maintenance of the Authority's major assets, moorings and operational property assets, including Mutford Lock.

Plant, Vessels and Equipment

Reserve established to provide for the maintenance and replacement of the Authority's plant and equipment, including launches, construction and maintenance vessels and equipment, pool vehicles and fen management equipment.

Premises

A reserve account established to provide for the maintenance and development of the Authority's Dockyard facility and other buildings throughout the Broads.

Planning Delivery Grant

Balance of Defra and OPDM grants awarded to deliver the planning service.

Upper Thurne Enhancement Scheme

Reserve established to hold the balance of ring-fenced Environment Agency funding for enhancement works in the Upper Thurne.

Section 106 Agreements

A reserve account established to hold ring-fenced developers' contributions relating to planning application conditions.

Heritage Lottery Fund

A reserve account established for the Landscape Partnership project funded by the Heritage Lottery Fund.

Catchment Partnership

A reserve account set up to hold ring-fenced income from various partners within the Catchment Partnership.

Mobile Phone Upgrade / IT Reserve

A reserve set up for holding the balance of ring-fenced Defra "INSPIRE" grant funding provided to support the Authority in meeting regulatory requirements for publishing geospatial information related to the environment under the European INSPIRE Directive. At the end of 2015/16 this grant funded project was finished.

PRISMA

A reserve account set up for European grant part funded projects and trials relating to the development of sustainable techniques and methods for the dredging, treatment and reuse of sediment. At the end of 2015/16 this grant funded project was finished and transferred to the Plant, Vessels and Equipment Reserve which helped initially set up the reserve.

11. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
40 241	Interest payable and similar charges Net interest on the net defined benefit liability (asset)	36 187
(23) (4)	Interest receivable and similar income Income and expenditure in relation to investment properties and changes in their fair value	(15) (13)
254	Total	195

12. Property, Plant and Equipment

Movements on balances 2015/16

Cost or valuation	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2015	2,690	2,504	302	323	19	5,838
additions	123	194	0	0	150	467
revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	22	0	0	0	0	22
derecognition – disposals	0	(66)	0	0	0	(66)
At 31 March 2016	2,835	2,632	302	323	169	6,261

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2015	62	1,286	178	0	0	1,526
depreciation charge	17	298	15	0	0	330
derecognition – disposals	0	(48)	0	0	0	(48)
At 31 March 2016	79	1,536	193	0	0	1,808

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 31 March 2016	2,756	1,096	109	323	169	4,453
At 31 March 2015	2,628	1,218	124	323	19	4,312

Movements on balances 2016/17

Cost or valuation	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2016	2,835	2,632	302	323	169	6,261
additions	0	304	0	0	30	334
revaluation increases / (decreases) recognised in the Revaluation Reserve	213	(58)	0	0	0	155
revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(303)	(6)	0	0	0	(309)
derecognition – disposals	(13)	(99)	0	0	0	(112)
asset reclassification (to)/from Assets Under Construction	0	169	0	0	(169)	0
At 31 March 2017	2,732	2,942	302	323	30	6,329

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2016	79	1,536	193	0	0	1,808
depreciation charge	4	296	15	0	0	315
derecognition – disposals	(13)	(84)	0	0	0	(97)
depreciation written out to the Revaluation Reserve	(55)	(76)	0	0	0	(131)
depreciation written out to the Surplus/Deficit on the Provision of Services	(2)	(3)	0	0	0	(5)
At 31 March 2017	13	1,669	208	0	0	1,890

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 31 March 2017	2,719	1,273	94	323	30	4,439
At 31 March 2016	2,756	1,096	109	323	169	4,453

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Category of Asset	Depreciation method	Depreciation period
Operational Land and Buildings	Straight line. (20% assumed land value, where no split available)	Between 5 to 50 years as per professional advice
Community Land	Not depreciated	Not depreciated
Infrastructure Asset	Straight line	Between 20 to 25 years
Vehicles, Vessels and Equipment	Straight line	Between 5 to 10 Years
Computer and Office Equipment	Straight line	5 years

Capital Commitments

The Authority was committed to one significant capital contract as at the balance sheet date. Details of the amounts outstanding under this contract are set out in the table below.

Contract	Total contract value £000	Payments made to 31 March 2017 £000	Outstanding commitments £000
Linkflote Pontoons	223	112	111
Total	223	112	111

Impairments

In accordance with IAS 36 and the Code, Directors have undertaken an annual impairment review. No assets were considered to be impaired.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued every five years. Valuations were carried out internally and externally. Valuations of land and buildings were carried out externally by Concertus Design and Property Consultants, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Significant assumptions applied in estimating the current values are:

Property, Plant and Equipment of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear

and tear and obsolescence of the existing asset (Current Value less depreciated replacement cost).

Infrastructure Assets and Community Assets have been valued at historic cost rather than fair value.

Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Authority is lessor or lessee.

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	0	0	94	323	0	417
Valued at current value as at:						
31 March 2017	2,218	353	0	0	30	2,601
31 March 2016	336	265	0	0	0	601
31 March 2015	27	234	0	0	0	261
31 March 2014	138	190	0	0	0	328
31 March 2013	0	231	0	0	0	231
Total cost or valuation	2,719	1,273	94	323	30	4,439

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2015/16 £000		2016/17 £000
14 (10)	Rental income from investment property Direct operating expenses arising from investment property	20 (7)
4	Net gain / (loss)	13

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

2015/16 £000		2016/17 £000
339	Balance at start of the year	340
1	Net gains / losses from fair value adjustments	(65)
340	Balance at end of the year	275

Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2017 are as follows:

	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2016 £000s	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2017 £000s
Fieldbase (Held for Sale)	340	340	275	275
	340	340	275	275

Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that information for similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in valuation techniques used during the year for investment properties.

Highest and best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

Valuation Process for Investment Properties

The investment property has been valued by Concertus Design and Property Consultants in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

14. Intangible Assets

The Authority internally generated a website <u>www.visitthebroads.co.uk</u> which would be classified as an intangible asset as it meets strict IAS 38 requirements to be recognised on the balance sheet. The useful life of the website is 5 years and the carrying amount is amortised on a straight line basis.

The movement on Intangible Assets balances during the year is as follows:

			2016/17
	Internally Generated Assets	Other Assets	Total
	£000	£000	£000
Balance at start of year:			
Gross carrying amounts	0	0	0
Accumulated amortisation	0	0	0
Net carrying amount at start	0	0	0
of year			
Additions:			
Internal development	13	0	13
Purchases	30	0	30
Amortisation for the period	0	0	0
Net Carrying Amount at the end of the year	43	0	43
Comprising:			
Gross carrying amounts	43	0	43
Accumulated amortisation	0	0	0
	43	0	43

15. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance outstanding at start of year	44	34	68	70	112	104
Purchases	27	26	80	85	107	111
Recognised as an expense in year	(28)	(29)	(78)	(98)	(106)	(127)
Written off balances	(9)	0	0	0	(9)	0
Balance outstanding at year-end	34	31	70	57	104	88

16. Debtors

31 March		31 March
2016		2017
£000		£000
95	Central government bodies	134
0	Other local authorities	3
326	Prepayments	327
73	Other entities and individuals	85
494	Total	549

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2016		31 March 2017
£000		£000
2	Cash held by the Broads Authority	2
2,750	Investments with Broadland District Council	0
1,385	Bank current accounts	1,979
4,137	Total Cash and Cash Equivalents	1,981

18. Creditors

31 March		31 March
2016		2017
£000		£000
65	Central government bodies	69
6	Other local authorities	15
1	NHS bodies	1
1,586	Accruals	1,337
0	Public corporations and trading funds	0
286	Other entities and individuals	339
1,944	Total	1,761

19. Provisions

2015/	′16			2016/17	
Accumulated Absences Provision	Total		Accumulated Absences Provision	Redundancy Provision	Total
£000	£000		£000	£000	£000
47	47	Balance at 1 April	43	0	43
43	43	Additional provisions made in year	50	13	63
(47)	(47)	Settlements or cancellation of provision made at end of preceding year	(43)	0	(43)
43	43	Balance at 31 March	50	13	63

The redundancy provision made in 2016/17 was for the costs of organisational restructuring. The provision relates to a redundancy payment for a post leaving the Authority in April 2017. The post effected was notified in January 2017 and the payment was made during 2017/18.

For more information on the Accumulated Absence Account, see note 21.

20. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable reserves

(812)	Total unusable reserves	(3,297)
(43)	Accumulated Absences Account	(50)
(5,274)	Pensions Reserve	(7,780)
3,079	Capital Adjustment Account	2,892
1,426	Revaluation reserve	1,641
£000		£000
31 March 2016		31 March 2017

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000			2016/17 £000
1,426	Balance at 1 April		1,426
22	Upward revaluation of assets	234	
0	Downward revaluation of assets	(3)	
22	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services		231
(15)	Difference between current value depreciation and historical cost depreciation	(16)	
(7)	Asset disposed of 2014/15, balance still on reserve	0	
(22)	Amount written off to the Capital Adjustment Account		(16)
1,426	Balance at 31 March		1,641

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Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000			2016/17 £000
2,875	Balance at 1 April		3,079
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(330)	Charges for depreciation and impairment of non current assets	(315)	
0	Revaluation losses on Property Plant & Equipment	(307)	
1	Movements in the market value of investment properties	(6)	
0	Amortisation of intangible assets	0	
(22)	Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(15)	
(351)		(643)	
21	Adjusting amounts written out of the revaluation reserve	16	
(330)	Net written out amount of the cost of non-current assets consumed in the year Capital financing applied in the year:		(627)
67	Statutory provision for the financing of capital investment charged against the General Fund Removal of Finance Lease Liability for assets returned in year	63	
467	Capital expenditure charged against the General Fund	377	
534			440
3,079	Balance at 31 March		2,892

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16		2016/17
£000		£000
(7,372)	Balance at 1 April	(5,274)
2,641	Remeasurements of the net defined benefit liability / (asset)	(2,166)
(1,117)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(937)
574	Employer's pension contributions and direct payments to pensioners payable in the year	597
(5,274)	Balance at 31 March	(7,780)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2015/16 £000		2016/17 £000
(47)	Balance at 1 April	(43)
47	Settlement or cancellation of accrual made at the end of the preceding year	43
(43)	Amounts accrued at the end of the current year	(50)
4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)
(43)	Balance at 31 March	(50)

22. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2015/16 £000		2016/17 £000
(23)	Interest received	(24)
40	Interest paid	36
17	Net cash flows from operating activities	12

23. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
(467)	Purchase of property, plant and equipment, investment property and intangible assets	(378)
0	Purchase of short term investments	(2,000)
(6)	Other payments from investing activities	9
(5)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(14)
(478)	Net cash flows from investing activities	(2,383)

24. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(52)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(49)
(14)	Repayments of short and long term borrowing	(14)
(66)	Net cash flows from financing activities	(63)

25. Members' Allowances

The Authority paid the following amounts to Members of the Authority during the year:

2015/16 £000		2016/17 £000
40 5	Allowances Expenses	37 9
45	Total	46

26. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Pension Contribution £000	Total £000
Chief Executive	2015/16	83	0	0	13	96
	2016/17	84	0	0	13	97
Director of Planning &	2015/16	58	0	0	9	67
Resources	2016/17	59	0	0	9	68
Director of Operations	2015/16	58	0	0	9	67
	2016/17	51	0	0	7	58

The Director of Operations resigned with effect from 5 February 2017.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below:

2015/16 Number of Employees		2016/17 Number of Employees
0 2 0 0 0 0	£50,000 - £54,999 £55,000 - £59,999 £60,000 - £64,999 £65,000 - £69,999 £70,000 - £74,999 £75,000 - £79,999 £80,000 - £84,999	1 1 0 0 0 0

Exit Packages

The number and cost of exit packages agreed, analysed between compulsory redundancies and other departures, are disclosed in the table below:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed Total number of exit packages by cost band		y departures agreed			st of exit s in each nd
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
£0 -	0	1	0	0	0	1	0	13
£20,000								
£20,001 -	0	0	0	0	0	0	0	0
£40,000								
Total	0	1	0	0	0	1	0	13

The total cost in the table above for exit packages have been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

27. External Audit Costs

The Broads Authority has incurred the following fees relating to audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2015/16 £000		2016/17 £000
13	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	13
13	Total	13

28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2015/16 £000		2016/17 £000
3,189	Credited to taxation and non-specific grant income: Defra National Park Grant	3,244
19	Credited to services: Heritage Lottery Fund – Landscape Partnership Scheme	166
3,208	Total	3,410

29. Related Parties

The Broads Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

Members

Members of the Broads Authority have direct control over the Authority's financial and operating policies. Members of the Navigation Committee have a consultative role in respect of navigation matters. The Authority wrote to all Members requesting details of any related party transactions. Details of Members' expenses are included in note 25.

A number of members of the Broads Authority are appointed by Local Authorities within the Broads area. The Authority transacts with these other Local Authorities for items such as rates in the normal course of business. There were no material transactions with Local Authorities which are not disclosed elsewhere within the Statement of Accounts.

Mr Alan Goodchild is a member of the Navigation Committee and is a Director of 'Goodchild Marine' which was contracted by the Authority to build a new launch and complete refits along with supplying diesel fuel and mooring facilities. The Authority paid £55,851 for the new launch, £347 for refits and £5,653 for fuel and moorings during 2016/17 (£53,183 for the launch, £3,267 for dredging, £3,023 for refits, and £6,770 for fuel and moorings in 2015/16). £192 was outstanding at 31 March 2017. Goodchild Marine paid £565 in navigation tolls to the Broads Authority in 2016/17. Mr Goodchild took no part in the decision-making process associated with these contracts.

Mr James Knight is a member of the Navigation Committee and is a Director of 'Waveney River Centre (2003) Ltd' which paid £8,628 navigation tolls to the Broads Authority in 2016/17 (£6,643 in 2015/16). The Authority also made fuel purchases of £1,256 (£1,217 in 2015/16) and used mooring facilities of £2,300 (£2,250 in 2015/16) during 2016/17. £71 was outstanding at 31 March 2017. Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority and Navigation Committee and is Chief Executive of 'Richardson's Leisure Ltd' which also wholly owns 'Moonfleet Marine Ltd'. Richardson's Leisure paid £360,631 and Moonfleet Marine Ltd paid £4,315 navigation tolls to the Broads Authority in 2016/17. The Authority paid £432 to Richardson's Leisure Ltd for lifting a boat during the year 2016/17 and Richardson's Holiday Group provided £5,700 to the Authority for tourism event sponsorship. The Authority made purchases from Moonfleet Marine Ltd of £8,516 in respect of refits and £1,282 fuel. No amounts were outstanding at 31 March 2017. Mr Munford took no part in the decision-making process associated with these contracts.

Mr Michael Whitaker is a member of the Broads Authority and Navigation Committee and is a partner of 'Herbert Woods LLP' which paid £170,128 navigation tolls to the Broads Authority in 2016/17 (£172,446 in 2015/16). The Authority also made fuel purchases of 56

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 \pounds 1,661 (\pounds 1,488 in 2015/16) and paid \pounds 400 for a boat hire in 2016/17. No amounts were outstanding at 31 March 2017. Mr Whitaker took no part in the decision-making process associated with these contracts.

Mr Brian Wilkins is a member of the Navigation Committee and is a contractor via 'Windwood Solutions Ltd' to 'Canham Consulting Ltd', which was contracted for engineering design services. The Authority paid £3,144 during 2016/17 (£2,550 in 2015/16). No amounts were outstanding at 31 March 2017. Mr Wilkins took no part in the decision-making process associated with this contract.

Officers

The Chief Executive represents the Broads Authority on the board of the Whitlingham Charitable Trust. Officer remuneration is detailed in note 26.

Whitlingham Charitable Trust

During the year the Authority provided administration services for Whitlingham Charitable Trust of £43,294 (£41,549 in 2015/16). The balance outstanding at 31 March 2017 was \pounds 7,646 (£21,590 at 31 March 2016).

The Broads Authority also provides a recharge service for purchase invoices and salaries of £48,803 (£30,995 in 2015/16). The balance outstanding at 31 March 2017 was £4,466 (£4,196 at 31 March 2016).

The Whitlingham Charitable Trust also invoiced the Authority £15,264 (£15,264 in 2015/16) for rental income for the lease of the visitor centre and moorings. The balance outstanding at 31 March 2017 was £864 (£864 in 2015/16).

Other Public Bodies

Broadland District Council provided financial services for the Broads Authority until 31 March 2017. The Broads Authority was charged £3,062 in 2016/17 for the provision of this service (£3,546 in 2015/16). The balance outstanding at 31 March 2017 was £281 (£954 in 2015/16).

The Council also provided treasury management of the Authority's investments until 31 March 2017. No investments were placed with the Council as at 31 March 2017 (£2,750,000 as at 31 March 2016).

The Authority also recharged the Council for staff time of £10,797 during 2016/17 (£13,667 in 2015/16). The balance outstanding at 31 March 2017 was £2,541 (No amounts were outstanding at 31 March 2016).

The Head of Finance and Revenue Services for Broadland District Council served until 31 March 2017 as the Treasurer and Financial Adviser (Section 17 Officer) for the Broads Authority.

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £179,462 for legal services in 2016/17 (£83,968 in 2015/16). The Practice Director of NPLaw served as the Solicitor and Monitoring Officer to the Broads Authority until end of May 2016. The balance outstanding at 31 March 2017 was £3,378.

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid \pounds 7,168 for this in 2016/17 (\pounds 6,954 in 2015/16). The balance outstanding at 31 March 2017 was \pounds 2,411 (No amounts were outstanding at 31 March 2016).

30. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

(467)	Sums set aside from revenue: Direct revenue contributions	(377)
(467)	MRP	(63)
280	Closing Capital Finance Requirement	217
(67)	Explanation of movements in year Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance) Assets acquired under finance leases	(63) 0
(67)	Increase / (decrease) in Capital Financing Requirement	(63)

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31. Leases

Authority as Lessee

Finance Leases

The Authority has a number of vehicles, plant and office equipment acquired under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2015/16 £000		2016/17 £000
0 136	Other Land and Buildings Vehicles, Plant, Furniture and Equipment	0 85
136	Total	85

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2015/16 £000		2016/17 £000
	Finance lease liabilities (net present value of minimum lease payments):	
48	Current	37
74	Non-current	37
6	Finance costs payable in future years	3
128	Minimum lease payments	77

The minimum lease payments will be payable over the following periods:

	Minimum Lea	se Payments	Finance Lea	se Liabilities
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Not later than one year	51	39	48	37
Later than one year and not later than 5 years	77	38	74	37
Later than 5 years	0	0	0	0
	128	77	122	74

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, no (£nil) contingent rents were payable by the Authority (2015/16 £nil).

Broads Authority Statement of Accounts Notes to the Statement of Accounts

Operating Leases

The Authority has acquired vehicles by entering into operating leases, with typical lives of 7 years. The Authority has also established operating leases in relation to land and buildings with typical lives between 10 and 20 years. The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 £000		2016/17 £000
	Not later than one year Later than one year and not later than 5 years Later than 5 years	150 513 128
882	Total	791

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2015/16 £000		2016/17 £000
175	Minimum lease payments	175
	Total	175

Authority as Lessor

Finance Leases

The Authority has no leased out property on a finance lease.

Operating Leases

The Authority leases out land and property under operating leases for the following purposes:

- For the provision of community services, such as tourism services; and
- For an outdoor education and study centre.

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

2015/16 £000		2016/17 £000
	Not later than one year Later than one year and not later than 5 years Later than 5 years	53 191 8
253	Total	252

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

32. Termination Benefits

The Authority terminated the contract of one employee who was made redundant at the beginning of 2017/18 as part of the Broads Authority's organisational restructuring. In terminating these contracts the Authority incurred liabilities of £13,203, of which £nil related to enhanced pension benefits. This liability was recognised within the Provision Account in 2016/17. No liabilities relating to termination benefits were incurred during 2015/16 and no provision for any future redundancy payments was established in the year.

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Broads Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Authority participates in one pension scheme:

• The Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered locally by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against tolls and Defra grant is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

Broads Authority Statement of Accounts Notes to the Statement of Accounts

0045/40		0040/47
2015/16 £000		2016/17 £000
2000	Comprehensive Income and Expenditure Statement Cost of services:	
876	current service cost Financing and investment income and expenditure	750
241	net interest expense	187
1,117	Total post-employment benefits charged to the surplus or deficit on the provision of services	937
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
150	 return on plan assets (excluding the amount included in the net interest expense) 	(2,709)
0	 actuarial gains and losses arising on changes in demographic assumptions 	(223)
(2,687)	 actuarial gains and losses arising on changes in financial assumptions 	5,676
(104)	other experience	(578)
(2,641)	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2,166
	Movement in Reserves Statement	
1,117	 reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code 	937
	Actual amount charged against the General Fund balance for pensions in the year:	
(574)	 employers' contributions payable to scheme 	(597)

Broads Authority Statement of Accounts Notes to the Statement of Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

2015/16 £000		2016/17 £000
(25,845) 20,571	Present value of the defined benefit obligation Fair value of plan assets	(31,888) 24,108
(5,274)	Net liability arising from defined benefit obligation	(7,780)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2015/16 £000		2016/17 £000
20,011	Opening fair value of scheme assets	20,571
641	Interest income Remeasurement gain / (loss):	721
(150)	 The return on plan assets, excluding the amount included in the net interest expense 	2,709
574	Contributions from employer	597
204	Contributions from employees into the scheme	198
(709)	Benefits paid	(688)
20,571	Closing fair value of scheme assets	24,108

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2015/16 £000		2016/17 £000
27,383	Balance at 1 April	25,845
876	Current service cost	750
882	Interest cost	908
204	Contributions from scheme participants	198
	Remeasurement (gains) and losses:	
0	 Actuarial gains / losses from changes in demographic assumptions 	(223)
(2,687)	 Actuarial gains / losses arising from changes in financial assumptions 	5,676
(104)	• Other	(578)
(709)	Benefits paid	(688)
25,845	Balance at 31 March	31,888

Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2015/16 £000					Fair va	lue of sche	me assets 2016/17 £000
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
-	443.9	443.9	Cash and cash equivalents:All cash and cash equivalents	-	694.5	694.5	
1,476.2 1,072.0 462.0 1,346.0 657.0 618.7	- - - - -	1,476.2 1,072.0 462.0 1,346.0 657.0 618.7	Equity instruments: • Consumer • Manufacturing • Energy and utilities • Financial institutions • Health and care • Information technology • Other	1,795.4 1,401.0 669.7 1,549.5 728.9 689.1	- - - -	1,795.4 1,401.0 669.7 1,549.5 728.9 689.1	
-	-	-	 Bonds (Debt securities): Corporate bonds (investment grade) Corporate bonds (non-investment grade) 	-	-	-	
-	1,322.6	1,322.6	Private equity:All private equity	-	1,506.7	1,506.7	
	2,344.6 317.0	2,344.6 317.0	Property:UK propertyOverseas property	-	2,250.3 376.3	2,250.3 376.3	
5,282.4 5,292.2	-	5,282.4 5,292.2	Other investment funds and unit trusts: • Equities • Bonds	6,403.0 6,093.5	-	6,403.0 6,093.5	
- (63.6)	-	- (63.6)	Derivatives: • Other derivatives • Foreign exchange	- (49.9)	-	- (49.9)	
16,142.9	4,428.1	20,571.0		19,280.2	4,827.8	24,108.0	

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

31 March 2016		31 March 2017
3.5% 3.5% 3.5% 3.5%	Long term expected rate of return on assets in the scheme: • Equity investments* • Bonds* • Property* • Cash*	2.6% 2.6% 2.6% 2.6%
22.1 years 24.3 years	Mortality assumptions: Longevity at 65 for current pensioners: Men Women	22.1 years 24.4 years
24.5 26.9	Longevity at 65 for future pensioners: Men Women	24.1 26.4
	Rate of inflation Rate of increase in salaries Rate of increase in pensions Rate for discounting scheme liabilities	2.4% 2.7% 2.4% 2.6%
50% 75%	Take up of option to convert annual pension into retirement lump sum: Pre- April 2008 service Post- April 2008 service	50% 75%

*The expected rates of return are set equal to the discount rate (per the revised version of IAS19).

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions at the end of the reporting period and assumes for each other change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are consistent with those adopted in the previous period.

Broads Authority Statement of Accounts Notes to the Statement of Accounts

Change in assumptions at 31 March 2017	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate 1 year increase in member life expectancy	10% 3-5%	3,319 Dependent on revised assumption
0.5% increase in the salary increase rate	1%	429
0.5% increase in the pension increase rate	9%	2,848

Sensitivity analysis - impact on the defined benefit obligation in the scheme

Techniques used to manage risk

The Pensions Committee of Norfolk County Council considers long term liabilities when setting its investment strategy but does not follow a specific liability matching investment approach having taken appropriate professional advice. The Committee has agreed an asset allocation benchmark, a performance target and various controls on the Fund's investments. These reflect their views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. The Committee monitors and reviews the performance of investments and the overall strategy on a regular basis, supported by advice from professional advisers as required. A large proportion of the Fund's assets relate to equities (61% of scheme assets) and bonds (25%). These percentages are materially the same as the previous year. The scheme also invests in properties as part of the diversification of the scheme's investments.

Further details of the Fund's investment approach are outlined in the Statement of Investment Principles and Funding Strategy Statement that are published on the Fund's website <u>www.norfolkpensionfund.org</u>.

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates paying contributions of approximately £603,000 to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is as follows:

Broads Authority Statement of Accounts Notes to the Statement of Accounts

	Liability split	Weighted average duration
Active members Deferred members Pensioner members	47.1% 26.4% 26.5%	21.7 23.4 12.0
Total	100.0%	19.0

34. Contingent Liabilities

The Authority has identified two material contingent liabilities:

Postwick Tip

The Authority uses a site "Postwick Tip," which is included in the Authority's Fixed Asset Register, for the treatment of sediment material from dredging operations. This natural treatment process involves the drying of sediment so that mercury content is absorbed. As such there would be no clean-up costs at the end of the site's life. However, if the Authority were to stop using the site, there would be a cost of £33,000 to surrender the license. There is currently no expectation that the Authority will cease using the site. The Authority's use of the site is the subject of a bond / financial provision to the Environment Agency in the amount of £6.4m. This covers the estimated cost of restoration which could arise if there were to be a catastrophic event at the site. Defra are the guarantors for this bond and the Authority would not itself anticipate making any payment under the terms of this agreement.

Appeal against Adjacent tolls decision

In 2015/16 the Authority applied to the High Court to appeal against a Crown Court decision which overturned a conviction against an individual for failing to pay the appropriate toll for mooring. This was subsequently overturned by the High Court and referred back to the Crown Court to determine the reasonableness of the charge. The Defendant's appeal was heard by the Crown Court on 15 July 2016 who held that the Authority's toll was reasonable, thereby concluding the appeal in the Authority's favour. The Court ordered the Defendant to pay a contribution towards the Authority's costs. The Defendant is now seeking a Judicial Review of the Crown Court itself in relation to this decision. Currently the costs of such action cannot be determined.

	Long	-term	Curi	Current		
	31 March 2016	31 March 2017	31 March 2016	31 March 2017		
	£000	£000	£000	£000		
Investments						
Loans and receivables	0	0	2,760	2,001		
Total investments	0	0	2,760	2,001		
Debtors						
Loans and receivables	10	3	168	222		
Total debtors	10	3	168	222		
Borrowings Financial liabilities at amortised cost	152	138	15	15		
Total borrowings	152	138	15	15		
Other Long Term Liabilities Finance lease liabilities	74	37	48	37		
Total other long term liabilities	74	37	48	37		
Creditors Financial liabilities carried at contract amount	0	0	1,896	1,724		
Total Creditors	0	0	1,896	1,724		

35. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Income, Expense Gains and Losses

	2015/16				2016/17	
Financial Liabilities measured at amortised cost £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000		Financial Liabilities measured at amortised cost £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
40	0	40	Interest Expense	36	0	36
40	0	40	Total expense in Surplus or Deficit on the Provision of Services	36	0	36
0	(23)	(23)	Interest Income	0	(15)	(15)
0	(23)	(23)	Total Income in Surplus or Deficit on the Provision of Services	0	(15)	(15)
40	(23)	17	Net (gain) / loss for the year	36	(15)	21

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- Fixed interest rate of 4.82% over the 20 year PWLB loan;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be invoices or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	227	280	175	226

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Long term Debtors	10	10	3	3

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the balance sheet at their fair value. These fair values are based on public quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

36. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

Credit Risk	The possibility that other parties might fail to pay amounts due to the Authority.
Liquidity Risk	The possibility that the Authority might not have funds available to meet its commitments to make payments.
Market Risk	The possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market investments.

Broads Authority Statement of Accounts Notes to the Statement of Accounts

Foreign Exchange Risk

The possibility that financial loss might arise for the Authority as a result of changes in the exchange rate (GBP and Euro).

The Broads Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made in line with the Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore the Broads Authority does not consider there to be any quantifiable risk in relation to investments.

The Authority's standard terms and conditions for payment of invoices are 30 days from invoice date. The Authority does not allow credit for customers, and only a small proportion of invoices were overdue and outstanding as at 31 March 2017 for which a bad debt provision had not been put in place.

Liquidity Risk

The current three year agreement from DEFRA means the Broads Authority has some certainty over the next few years. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future three-year funding will be available. Given the significant cash balances there is no significant risk that it will be unable to meet its commitments under financial instruments. All financial liabilities are due to be repaid within one year with the exception of the 20 year PWLB loan. Therefore there is no risk of having to borrow at unfavourable rates in future to replenish borrowings.

Market Risk

With the exception of the PWLB loan, the Broads Authority is debt free. Excess cash is invested at variable or fixed money market rates depending on forecasts for interest rates under the period of review.

Foreign Exchange Risk

The Authority's Annual Investment and Capital Financing Strategy for 2016/17 states that if the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Chief Financial Officer will be sought on the advisability of hedging the exchange risk before entering into the contract.

37. Navigation Income and Expenditure Account

2015/16				2016/17		
Gross Expenditure	Income	Net Expenditure / (Income)		Gross Expenditure	Income	Net Expenditure / (Income)
£000	£000) £00Ó		£000	£000	`£00Ó
3,310	(3,142)	168	Navigation Fund	3,525	(3,238)	287
3,310	(3,142)	168	Net cost of services	3,525	(3,238)	287
		(1) 122 289	Other operating expenditure Financing and investment income and expenditure (Surplus) or deficit on the provision of services			(2) 101 386
		(22)	(Surplus) or deficit on revaluation of fixed assets			(242)
		(1,151)				981
		(884)	Total comprehensive income and expenditure			1,125

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long term asset.

AMORTISED COST

This is cost that has been adjusted for amortisation.

ASSET

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

BUDGET

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

CAPITAL INCOME AND EXPENDITURE

Expenditure on the acquisition of a long term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long term asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CASH EQUIVALENTS

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

COMMUNITY ASSETS

Community assets are assets that the Authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal.

CONTINGENT LIABILITIES

Potential costs that the Authority may incur in the future because of something that happened in the past.

CREDITORS

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

CURRENT VALUE

This is the cost of an asset if bought in the current year.

DEBTORS

Sums of money due to the Authority but not received at the end of the financial year.

DEFICIT

Arises when expenditure exceeds income or when expenditure exceeds available budget.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

FINANCIAL ASSET

A right to future economic benefits.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

FINANCIAL LIABILITY

An obligation to transfer economic benefits.

Broads Authority Statement of Accounts Glossary of Terms

FINANCE LEASE

A lease which transfers all of the risks and rewards of ownership of a long term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

LONG TERM ASSETS

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

HISTORIC COST

The cost of an asset when originally bought.

IAS19 RETIREMENT BENEFITS

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

IMPAIRMENT

A reduction in the value of a long term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Intangible assets are non-financial long term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial Reporting Standards (IFRS) are issued by the International Accounting Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

INVESTMENT PROPERTIES

Assets that the Authority owns but which are not used in the direct delivery of services.

LIABILITY

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

MARKET PRICE

This is the price at which another organisation is prepared to buy or sell an asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum sum charged to the Authority's revenue account each year to provide for the repayment of loans.

NET BOOK VALUE

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON DISTRIBUTED COSTS

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

OPERATING LEASE

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long term assets in the balance sheet (see also: finance lease).

OUTTURN

The actual amount spent in the financial year.

PENSION FUND

A fund which makes pension payments on retirement of its participants.

PROVISION

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

RESERVES

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

REVENUE INCOME AND EXPENDITURE

Expenditure which relates to day to day expenses, such as salaries and wages, general running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

SURPLUS

Arises when income exceeds expenditure or when expenditure is less than available budget.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

VARIANCE / VARIATION

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'.

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 9

Annual Audit Results

Report by Chief Financial Officer

Summary:	This report appends the Annual Audit Results for 2016/17 prepared by the External Auditors, Ernst & Young.				
Recommendation:					
	()	he Annual Audit Results 2016/17 be noted. he Letter of Representation in connection with the			
	Audit	of the Financial Statements for 2016/17 be signed Chief Financial Officer and the Chairman of the			

1. Annual Audit Results 2016/17

- 1.1. The External Audit of the Authority's 2016/17 Statement of Accounts was undertaken during June 2017 and the final Audit Results by Ernst & Young for 2016/17 is appended.
- 1.2. The External Auditors will be attending the meeting to present this item and answer any questions.
- 1.3. Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2016/17, which is presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Background papers:	Statement of Accounts 2016/17 Annual Governance Statement 2016/17
Author: Date of report:	Emma Krelle 10 July 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Annual Audit Results 2016/17 APPENDIX 2 – Draft Letter of Representation 2016/17

Broads Authority Audit results report

Year ended 31 March 2017





Private and Confidential

10 July 1017

Dear Financial Scrutiny and Audit Committee members

We have substantially completed our audit of the Broads Authority (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in section 3, before the statutory deadline of 30th September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Financial Scrutiny and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your officers for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

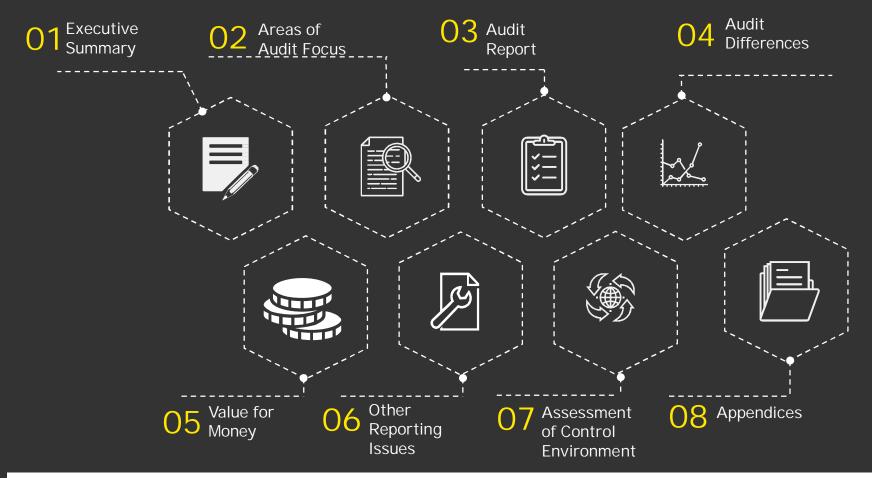
Yours faithfully

Kevin Suter Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

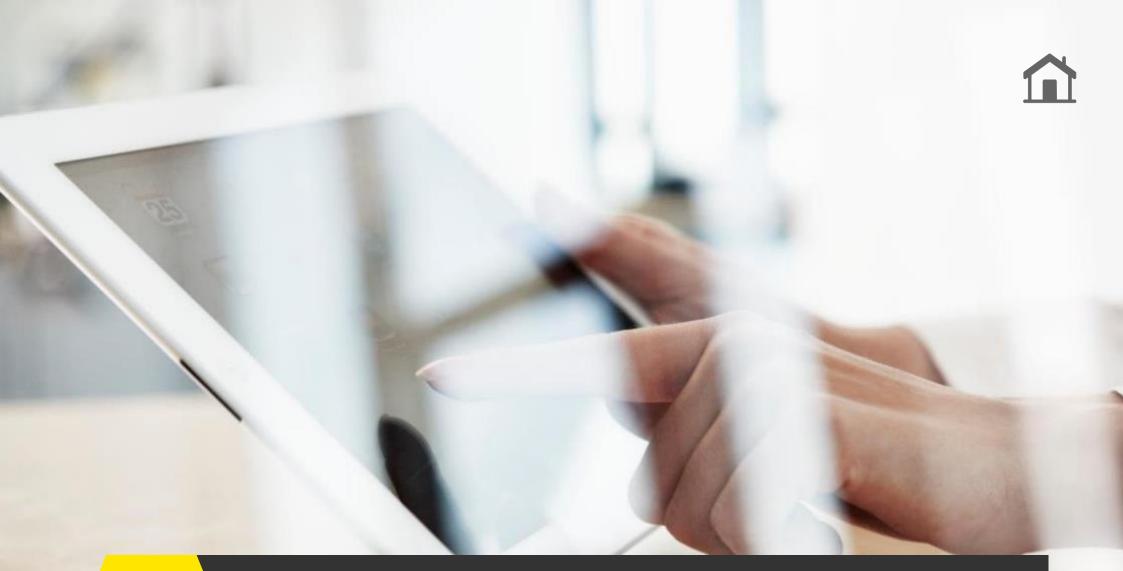


In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Financial Scrutiny and Audit Committee, other members of the Authority and management of the Broads Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Financial Scrutiny and Audit Committee, other members of the Authority and management of the Broads Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Financial Scrutiny and Audit Committee, other members of the Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary

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Overview of the audit

Scope and materiality

In our Audit Plan presented to the 7 February 2017 Financial Scrutiny and Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £150 thousand. We reassessed this using the actual year-end figures, which have increased this amount to £158 thousand. The threshold for reporting audit differences has remained the same at £8 thousand. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality that might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any senior officer's remunerations, exit packages and termination benefits.
- Related party transactions.
- Members' allowances.

Status of the audit

We have substantially completed our audit of the Broads Authority financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- receipt of bank confirmations;
- review of the final version of the financial statements;
- · completion of subsequent events review;
- · receipt of the signed management representation letter; and
- Final Director review and sign off procedures.

Subject to the satisfactory completion of the steps set out above, there are no unadjusted or adjusted audit differences arising from our audit.



Executive Summary

Executive summary (continued)

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Broads Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section, Section 2, of this report.

We ask you to review these and any other matters in this report to ensure:

- · There are no other considerations or matters that could have an impact on these issues
- · You agree with the resolution of the issue
- · There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Financial Scrutiny and Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

Sustainable resource deployment – Medium term financial planning.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no matters to report.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach and therefore have not tested the operation of controls.

Independence

Please refer to Appendix B for our update on Independence.

O2 Areas of Audit Focus

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Audit issues and approach:

Management override

What is the risk

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business. We identify and respond to this fraud risk on every audit engagement.

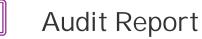
What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements (using our data analytics tool to search on specific phrases in the journal narrative and other criteria such as days of the week posted);
- We reviewed accounting estimates (e.g. property, plant and equipment valuation and pension liability valuations) for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.



O3 Audit Report

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Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BROADS AUTHORITY

Opinion on the Authority's financial statements

We have audited the financial statements of the Broads Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- · Balance Sheet;
- Cash Flow Statement; and
- the related notes 1 to 37 and the Expenditure and Funding Analysis

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Broads Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Broads Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on the Broads Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Draft audit report (continued)

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Broads Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Broads Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Broads Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Broads Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of the Broads Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor) for and on behalf of Ernst & Young LLP, Appointed Auditor Luton Date

The maintenance and integrity of the Broads Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements the were initially presented on the web site.

04 Audit Differences



Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

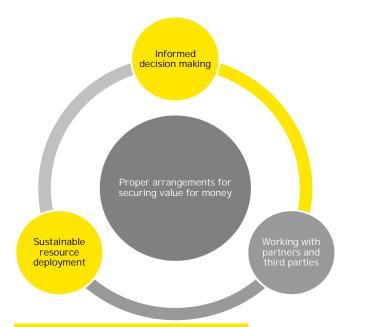
We have no adjusted misstatements greater than £118,000 or unadjusted misstatements greater than £8,000 to report. All misstatements identified have been corrected by management, there being no uncorrected misstatements.

05 Value for Money

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Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

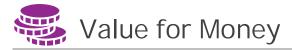
- take informed decisions;
- · deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risks in our Audit Plan.

We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work. The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
Medium term financial planning To date the Authority has responded well to financial pressures, continuing economic downturn and uncertainties of funding.	Deploying resources in a sustainable manner	Our review of the 2016/17 outturn, the medium term financial plan and the budget setting process has not identified any issues with the Authority's response to the changes in funding and assess the arrangements put in place to be
However, the Authority have forecast a cumulative budget gap of £100k by 2019/20, there remains significant financial pressure on the Authority's budget and Medium Term Financial Strategy (MTFS) during the current and the coming years.		adequate.
Management have taken the view that medium term financial planning will involve the use of reserves to support any budget shortfall.		





Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- · Related parties;
- External confirmations;
- · Going concern; and
- Consideration of laws and regulations.

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. Appendix C sets out our request for these representations.

We have no other exceptions to report.





Assessment of control environment

inancial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



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Appendix A

Required communications with the Financial Scrutiny and Audit Committee

There are certain communications that we must provide to the Financial Scrutiny and Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	🛗 文 When and where
Terms of engagement	Confirmation by the Financial Scrutiny and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	February 2017 Audit Plan
Significant findings from the audit	 Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Any significant difficulties encountered during the audit Any significant matters arising from the audit that were discussed with management Written representations we have requested Expected modifications to the audit report Any other matters significant to overseeing the financial reporting process 	July 2017 Audit Results Report
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: 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 	No conditions or events were identified, either individually or together to raise any doubt about the Broads Authority's ability to continue for the 12 months from the date of our report.



		Uur Reporting to you
Required communications	What is reported?	📅 💡 When and where
Misstatements	 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 Significant corrected misstatements, in writing 	July 2017 Audit Results Report
Fraud	 Asking the Financial Scrutiny and Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. A discussion of any other matters related to fraud, relevant to Financial Scrutiny and Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	 Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and/or regulations Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	 Where appropriate, asking the Financial Scrutiny and Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	 Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations	 Management's refusal for us to request confirmations We were unable to obtain relevant and reliable audit evidence from other procedures. 165 	We have received all requested confirmations.



		Our Reporting to you
Required communications	What is reported?	📅 💡 When and where
Consideration of laws and/or regulations	 Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" Asking the Financial Scrutiny and Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Financial Scrutiny and Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non- compliance with laws and regulations]
Significant deficiencies in internal controls identified during the audit	 Significant deficiencies in internal controls identified during the audit. 	July 17 Audit Results Report
Independence	 Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards, 	February 17 - Audit Plan July 17 - Audit Results Report
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	February 17 - Audit Plan July 17 - Audit Results Report

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Financial Scrutiny and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Financial Scrutiny and Audit Committee on 25 July 2017. As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

Description	Final Fee	Planned Fee	Scale Fee
	2016/17	2016/17	2015/16
	£	£	£
Total Audit Fee - Code work	13,943	13,943	13,943

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This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Kevin Suter Ernst & Young 400 Capability Green Luton Bedfordshire LU1 3LU

Date

Our ref

Your ref

28 July 2017

Dear Kevin,

Broads Authority Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of the Broads Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Broads Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 We have approved the financial statements.





Chairman: Professor Jacquie Burgess Chief Executive: Dr John Packman The significant accounting policies adopted in the preparation of the Authority's financial statements are appropriately described in the financial statements.

As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.

B. Fraud

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

We have provided you with:

Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have made available to you all minutes of the meetings of the Authority, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting of the Financial Scrutiny and Audit Committee on the following date: 25 July 2017.

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable

We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. Other than that described in Note 6 to the financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of the Annual Governance Statement and Narrative Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Accounting Estimates

Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

We confirm that the significant assumptions used in making the valuation of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Financial Scrutiny and Audit Committee)

4

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 10

Investment Strategy and Performance Annual Report 2016/17

Report by Chief Financial Officer

Summary:	This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the twelve months to 31 March 2017.
Recommendation:	That the current arrangements regarding the investment of surplus cash are noted.

1 Introduction

1.1 It has been agreed 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 was governed by a Service Level Agreement between the Broads Authority and Broadland District Council. In the past the agreement served the Authority well due to the previous limited treasury management knowledge and staff resources that existed.
- 2.2 Surplus cash sums were calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then included 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 year to 31 March 2017 were:
 - Opening balance £2.75 million.
 - Closing balance £0 million.
 - Highest sum £4.25 million.
 - Lowest sum £0 million.
- 2.3 Following the decision to bring the treasury function in-house along with the role of the Section 17 Officer, funds were returned in full from Broadland District Council on 25 November 2016. In order to maximise returns the decision was made to split these funds between instant access and fixed term deposits with A + rated institutions. Balances at the end of 31 March 2017 were:

Instant Access

• Fixed Term Deposits

£1.929 million. £2 million (£1 million to be repaid on 01/09/17 and 01/03/18).

- 2.4 The figures for the previous year (2015/16) were:
 - Opening balance £3.250 million.
 - Closing balance £2.750 million.
 - Highest sum £4.250 million.
 - Lowest sum £2.750 million.
- 2.5 A transaction charge was made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2015/16 and 2016/17 the actual interest receivable by the Broads Authority was based on the actual interest received on Broadland's internal investments.
- 2.6 The sum paid over in 2016/17 was £11,481.56 based on internal monthly returns that ranged from 0.31% to 0.47%. Interest earned from the fixed term deposits and instant access was £3,289.14 based on rates 0.15% (instant access) to 1% (12 month fixed term deposit). The sum paid over in 2015/16 from Broadland was £21,776.59 based on internal monthly returns that ranged from 0.39% to 0.6%. Forecast interest for 2016/17 was £15,000.
- 2.7 Since the 2016/17 year end (31 March 2017), the instant access account balance has increased to £2.550 million at the end of June. It should be noted that the automatic transfer between it and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. Cash flow is monitored on a weekly basis but the success of CANAPE and the Landscape Partnership scheme will limit the possibility to make additional fixed term deposits due to the timing differences between expenditure and claim repayment.
- 2.8 The interest income budget for 2017/18 is £15,000 based on the assumption that interest receivable will remain approximately the same. If there is a gradual improvement in interest rates and investment returns, the forecast will be reviewed and if necessary updated at the six month review (end September 2017) to inform year-end and budget planning.

Background papers:	Treasury and Investment Strategy 2017/18
Author: Date of report:	Emma Krelle 23 June 2017
Broads Plan Objectives:	None
Appendices:	Nil

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 11

External Quality Assessment of Internal Audit

Report by Head of Internal Audit

Summary: This report presents the results of an external review by the Institute of Internal Auditors of Eastern Internal Audit Services conformance with the Standards.

Recommendation: The Committee is requested to note the contents of the report.

1 Introduction

- 1.1 The objective of the review was to undertake an independent, objective external quality assessment of the Eastern Internal Audit Services against the International Professional Practices Framework (IPPF). This has included considering the team's conformance to the IPPF, benchmarking the function's activities against best practice and assessing the impact of the internal audit on the organisations.
- 1.2 The assessment was conducted as a full external quality assessment using the methods prescribed by the Chartered Institute of Internal Auditors. A wide range of documentary evidence was reviewed, a number of representative stakeholders were interviewed, as were the head of Internal Audit and the TIAA Audit Director. This report presents the outcome of that review to the Committee, and the full report is attached at **Appendix A** to this report.

2 Outcomes from the assessment

- 2.1 The report concluded that the internal audit service fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the IIA's IPPF, the globally recognised standard for quality in internal auditing. This is described as "Generally Conforms" and it means that the service may state in its audit reports that the work "has been performed in accordance with the IPPF".
- 2.2 In addition the IIA has benchmarked the service against others that have been assessed and has concluded against five key areas that:
- 2.3 The services is **excellent** in the efficiency of its operations this is a fantastic result which really emphasises how well the contract works and the IIA have confirmed that this is a conclusion rarely achieved in such a review.

- 2.4 The service is **good** in its Reflection of the Standards and the Quality Assurance and Improvement Programme.
- 2.5 In relation to focusing on performance, risk, and adding value the service is **satisfactory** this relates to more formally documenting the risks to the internal audit service itself and undertaking a more formal assessment of risks at each Authority and formally link this through to audit plans.
- 2.6 And finally, in relation to coordinating and maximising assurance we are considered to need improvement in this area this is not uncommon and a conclusion drawn on by the assessors in the majority of reviews they undertake. This is where we need to more formally recognise the relationships with other internal teams i.e. Business Improvement, Monitoring Officer, Fraud, Risk etc. and then consider undertaking a wider assurance mapping exercise.

3 Conclusion

3.1 That the Authority's internal audit service fully meet most of the globally recognised Standards, which is described as "Generally Conforms". The internal audit service can state in its reports and literature that the work "has been performed in accordance with eh Internal Professional Practices Framework".

Background papers:	Checklist completed by the IIA, copy retained by the Head of Internal Audit
Author:	Emma Hodds, Head of Internal Audit
Date of report:	15 June 2017
Broads Plan Objectives:	None
Appendices:	Appendix 1 – EQA Final Report for Eastern Internal Audit Services.



EXTERNAL QUALITY ASSESSMENT (EQA) FINAL REPORT FOR



Eastern Internal Audit Services (EIAS)

Prepared by John Chesshire and Jane Needham on behalf of the CIIA, 13 January 2017

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Report Caveat - This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of Chartered IIA.

EXECUTIVE SUMMARY

External Quality Assessment for Ordnance Survey

The internal audit team **fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics** which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as **"Generally Conforms"**. It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF".

We have benchmarked the performance of the internal audit team against a maturity model based on a wide range of UK and Irish internal audit functions and we believe that it is **Excellent** in:

• The efficiency of its operations

We consider that the internal audit team is **Good** in its:

- Reflection of the Standards
- Quality Assurance and Improvement Programme

We consider that the internal audit team is **Satisfactory** in its:

• Focus on performance, risk and adding value

We consider that the internal audit team **Needs Improvement** as regards:

• Coordinating and maximising assurance

We consider that a key factor in these achievements is that the Internal Audit Consortium Manager is competent, enthusiastic and well respected by key stakeholders.

We have provided the Internal Audit Consortium Manager with our comments in a detailed standardby-standard checklist as a separate document.

We also make a number of recommendations to achieve conformance with the Standards. These are included below.

Finally, as part of this External Quality Assessment we undertook an online survey of 36 senior managers across the authorities and the seven audit committee chairs. We received 19 and four responses. The majority of the results were either good or excellent, with a small number of fair assessments and very few lower ratings. Audit committee feedback was particularly positive. We have sent on a separate copy of the results to the Internal Audit Consortium Manager.

Conformance to the Standards: The International Professional Practice Framework (IPPF)

The objective of this External Quality Assurance (EQA) review was to undertake an independent, objective external quality assessment of the Eastern Internal Audit Service against the IPPF. This has included considering the team's conformance to the IPPF, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation.

The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Core Principles, Code of Ethics and *International Standards*. There are 56 fundamental principles to achieve with more than 150 points of recommended practice. Below is a summary of the Eastern Internal Audit Service's conformance to both the IPPF and the core principles. This is a good performance given the breadth of the IPPF and the diverse organisational contexts that the IA team operate in across the region.

Summary of IIA Conformance	Standards	N/A	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition of IA and	Rules of	0	0	1	4	5
Code of Ethics	conduct					
Purpose	1000 - 1130	1	0	2	5	8
People	1200 - 1230	0	0	1	3	4
Performance	1300 - 1322	1	0	1	5	7
Planning	2000 - 2130	0	0	1	10	11
Process	2200 - 2600	2	0	0	19	21
Total		4	0	6	46	56

The overall assessment resulting from the EQA is that Eastern Internal Audit Services "does generally conform to the IIA's professional standards" and by extension, the Public Sector Internal Audit Standards (PSIAS).

It is therefore appropriate for Eastern Internal Audit Services to say in reports and other literature that it "conforms to the IIA's professional standards" and that its work has been performed "in accordance with the IPPF."

This external quality assessment was conducted as a full external quality assessment using the methods prescribed by Chartered Institute of Internal Auditors. We reviewed a wide range of documentary evidence, interviewed a number of representative stakeholders, and interviewed the Internal Audit Consortium Manager and TIAA Audit Director.

In addition to our review of the self-assessment, we also used a "Survey Monkey" application to survey a total of 36 senior managers and the seven audit committee chairs. The surveys provided consistent results that supported our validation and interviews. Copies of the survey results have been shared with the Internal Audit Consortium Manager.

We have also provided the Internal Audit Consortium Manager with our comments in a detailed standardby-standard checklist as a separate document.

Key Achievements

Eastern Internal Audit Services deliver an effective independent and objective assurance and consulting service across the authorities it serves, covering the full range of activity that this organisation undertakes. Some challenges remain, of course, but overall we believe that stakeholders see the Internal Audit Consortium Manager and the core internal audit team as professional, approachable and competent in their work.

Senior managers also value the results of IA engagements.

The service is led by an experienced Internal Audit Consortium Manager who is a Chartered Internal Auditor and CMIIA qualified. She is supported by an experienced Audit Director and a core team of internal auditors from TIAA, the external partner.

Stakeholders were universally complimentary about the Internal Audit Consortium Manager's personal, communication, relationship and technical skills. Indeed, everyone we spoke to was full of praise for the Internal Audit Consortium Manager. Very well done – this is excellent!

Annual planning is comprehensive and is a very participative process involving clients and stakeholders at appropriate stages. Progress is documented and reported in quarterly sessions with respective audit committees. Eastern Internal Audit Services employ range of effective Key Performance Indicators to assess service performance, with a particular focus on quality and delivery.

Eastern Internal Audit Services have developed an appropriate methodology for auditing across the authorities. The operational internal audit processes are fit for purpose and documented in a professional audit manual and an associated set of templates and supporting guidance. Our file reviews showed appropriate compliance with the methodology and evidence of appropriate supervision and review. The internal audit process is efficient and economic.

Recommendations to achieve conformance to the Standards

Ref	IPPF section	Recommendations for the Internal Audit Consortium Manager	Internal Audit Consortium Manager
1.	Mission Statement & Definition of internal auditing	Amend the IA Charter to reflect the new IPPF and PSIAS – and in particular the mission statement and core principles – at its next formal review.	Agreed and already implemented.
2.	1010 - Recognising Mandatory Guidance in the Internal Audit Charter	More explicitly include reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards in the charters.	Agreed and already implemented.
3.	1100 - Independence and Objectivity	Formally document the role and relationship between internal audit and other assurance providers, across the authorities, with the aim of more formally sharing information, coordinating activities and potentially relying upon each other's work.	This is "known" informally for each authority and will be included in the Audit Charter update in 2018 following formal documentation and assessment of the other internal assurance providers such as Fraud, DP, H&S and Business Improvement Teams.
4.	1111 - Direct Interaction with the Board	Consider the benefits and opportunities associated with having an annual meeting with the audit committee chairs, without management present.	This is already considered and a process is already in place at each Authority. For example this is a standing item annually at Gt Yarmouth and six monthly at Breckland. As this is already considered I do not believe any further action is necessary.
5.	1230 - Continuing Professional Development	Formally develop and document a CPD plan to help ensure they stay up to date with new and emerging risk, governance and internal audit practices.	Agreed
6.	1311 – Internal Assessments	Formally review a sample of internal audit working files from time to time as part of their internal assessments.	The possibility to undertake such reviews is built into the contract and can be invoked as and when necessary. However the assure programmes (completed work programmes, including evaluation, population, sample selection, testing,

			reference to supporting evidence and outcomes) -are reviewed along with every draft report to ensure that I would come to the same conclusions – if I have any queries I do ask for further information from the auditor and can also look into the supporting evidence files if necessary. I believe the risks associated with the current approach are very low.
7.	1312 – External Assessments	Ensure that external assessments are undertaken at a minimum of five yearly intervals in the future.	Agreed but this is the first time that an external review has been necessary so it seems a bit harsh to have this as a formal recommendation.
8.	2000 - Managing the Internal Audit Activity	Undertake more formal risk management activity to increase the chance of Eastern Internal Audit Services achieving its objectives.	We are informally aware of risks that face us a service, therefore I do not believe that just because we do not have these formally documented it prevents us from achieving our objectives – we provide a professional audit service to all our clients and complete all work on time and to a high standard. I also have the opportunity to raise high level risks through the South Norfolk Council risk management process and have done so historically i.e. whilst we were retendering for the service.
9.	2010 - Planning	As risk management maturity improves across the authorities, undertake a more formal assessment of the risk maturity of each organisation and ensure that there is a defined link between the risk registers in place in each organisation and the internal audit RBIA annual plans.	At some authorities I am able to link through to risk registers as part of audit planning and as part of this process I review the risk registers. However some sites have a more informal risk process so this is not possible. This action is one for future consideration.
10.	2050 - Coordination and Reliance	As formal risk management maturity improves, consider developing a fit for purpose assurance map for each authority.	Assurance mapping is recognised as a relatively new concept and can be time consuming. Options for how to do this more formally will be explored, however I would argue that this is carried out informally through the discussions with senior management as part of the audit planning process.

Opportunities for Further Development and Continuous Improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice.

However, in our EQA reviews we also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives, summarised in an Internal Audit effectiveness matrix (page eight).

We then interpret our findings into a summary of strengths and weaknesses (page nine) to set the scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence.

Internal Audit Maturity Matrix: Eastern Internal Audit Services' Effectiveness highlighted

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as a 3 rd line of defence. The work of assurance providers is coordinated with IA reviewing reliability thereof.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	On-going efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
Good	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.	The 3 lines of defence is model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of non- conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards with significant levels of non- conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

What works well (Strengths)	What could be done better (Weaknesses)		
 The Internal Audit Consortium Manager is highly respected by key stakeholders. Stakeholders particularly praised the Internal Audit Consortium Manager's relationship, communication and engagement skills. When issues have occurred in particular internal audits, stakeholders have been impressed by the Internal Audit Consortium Manager's timely resolution. The Internal Audit Consortium Manager and internal audit service are responsive and flexible, and always try to be accommodating. They communicate effectively. A range of KPIs are actively monitored to assess delivery and performance. Stakeholders feel very engaged in the annual and engagement planning processes, and throughout the internal audit engagements. Stakeholders felt that the annual plans covered relevant, useful subjects. Stakeholders were very supportive of the revised internal audit engagement report format and structure. The operational effectiveness points were valued. The core internal audit team were generally viewed as competent, knowledgeable and approachable. 	 Formalise risk management in Eastern Internal Audit Services to help ensure relationship, continuity, delivery and assurance risks are effectively mitigated. More formal coordination and knowledge sharing with other internal and external assurance providers may help improve governance, risk and control across the authorities. The Internal Audit Consortium Manager could sample check working files to enhance elements of her own QAIP. 		
What could deliver further value (Opportunities)	What could stand in your way (Threats)		
 Some stakeholders want to see more insight, added value and a better idea of 'what good looks like' from TIAA's work with other organisations. More cross-functional internal audit engagements could help highlight good practices and help enhance consistent adoption of these. Benchmarking and knowledge sharing activities with other IA functions could be used to identify alternative strategies. SIAP could be a useful contact. A closer link between authorities' risk maturity and annual internal audit plans would be beneficial and may help drive risk management improvements. A greater focus on identifying any root causes of governance, risk and control weaknesses could add greater value. There may be governance, risk and control benefits in an internal audit presence on the steering groups of key change initiatives and systems implementations. 	 The Internal Audit Consortium Manager should be cautious about reducing internal audit engagement durations to ensure that sufficient, professional work can be done in the time available to provide meaningful assurance. Loss of the Internal Audit Consortium Manager would impact service. Small core TIAA team with risk of loss of continuity, local knowledge and expertise if staff move elsewhere. Cuts in authority budgets could reduce internal audit coverage below a minimum required to provide an annual opinion. Less management buy in to internal audit could impact delivery and overall effectiveness. Emerging risks could impact service quality unless ongoing CPD occurs. 		

SWOT analysis: Eastern Internal Audit Services' opportunities for development

IIA Grading definitions

The following rating scale has been used in this report.

Overall Audit	Overall Audit Grading				
Generally Conforms (GC)	The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.				
Partially Conforms (PC)	The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.				
Does Not Conform (DNC)	The assessor has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.				

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

List of Interviewees

Appendix 2

We greatly appreciate the time and assistance given by stakeholders and members of Eastern Internal Audit Services during the review.

Name	IA	Exec	Position / role
Emma Hodds	✓ ✓		Internal Audit Consortium Manager
Duncan Ellis		✓ ✓	Head of Finance and Assets &S151 at North Norfolk
Julie Cook			Head of HR at Great Yarmouth (Previous similar post at North Norfolk)
Karen Sly		1	Finance Director & S151 at Great Yarmouth (Previous Head of Finance at North Norfolk)
Hamish Melville		1	Head of Economic Development at Broadland DC
Jill Penn		1	Head of Finance and Revenues &S151 at Broadland (currently also S17 Officer for Broads Authority until 31/03/2017)
Emma Krelle		1	Head of Finance at Broads Authority
Fiona Dodimead	√		Director of Audit, TIAA
Debbie Lorimer			Director of Business Development and until recently S151 Officer at South Norfolk
Simon Bessey		1	Finance Manager at South Norfolk
Greg Pearson		1	Corporate Improvement and Performance Manager at Breckland and South Holland DC
Alison Chubbock		1	Chief Accountant, Breckland and Holland DC
Totals	2	9	

Online Survey

We issued an online survey to 36 senior managers on 4th January 2017 and to the seven audit committee chairs on 6th January 2017. We received 19 and four responses respectively.

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 12

External Audit

Report by Chief Financial Officer

Summary: This report appends:

- (i) the annual audit fee letter from Ernst & Young for undertaking the 2017/18 audit. The fee will be maintained at £13,943.
- (ii) the Local Government Audit Committee Briefing by Ernst & Young.

Recommendation:

- (i) That the details of the annual audit fee letter be noted.
- (ii) That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

1 External Audit fee 2017/18

- 1.1 This report appends Ernst & Young's 2017/18 audit fee letter (Appendix 1), setting out the audit fee which will be payable for undertaking the 2016/17 audit of the Authority's accounts and its financial, governance and value for money arrangements.
- 1.2 Members will note that the audit fee will be £13,943, which represents no change when compared with the audit fee charged for 2016/17 and 2015/16.

2 Financial implications

2.1 Provision for the annual audit fee was included in the 2015/16 budget and has been charged in the accounts for the year. The proposed External Audit fee for 2017/18 has similarly been provided for in the current year's budget.

3 Briefing Key Issues

- 3.1 This briefing is presented to Members "for information".
- 3.2 The items of relevance to the Authority are:
 - EY item club winter forecast (page 2);
 - PSAA Procurement Strategy (page 7); and
 - Results of auditors work on Local government bodies 2015/16 (page 7)

Background papers:	None
Author: Date of report:	Emma Krelle 7 July 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Ernst & Young audit fee letter 2017/18 APPENDIX 2 – Ernst & Young Local Government Audit Committee Briefing (February 2017)



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John Packman Chief Executive Broads Authority Yare House 62-64 Thorpe Road Norwich NR1 1RY

7th April 2017 Direct line: 023 8038 2159 Email: KSuter@uk.ey.com

Dear John,

Annual Audit Fees 2017/18

We are writing to confirm the audit work that we propose to undertake for the 2017/18 financial year at the Broads Authority.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

Audit of the financial statements



- Value for money conclusion
- Whole of Government accounts.

For Broads Authority our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Broads Authority;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

For authorities with highways network assets, a change in accounting requirements implemented by CIPFA/LASAAC in 2016/17 will require additional audit work in 2017/18. It is expected that the fee variation process will apply in 2017/18 for this additional work, as the amount of work will vary at each authority.

Summary of fees

	Indicative fee	Planned fee	Actual fee
	2017/18	2016/17	2015/16
	£	£	£
Total Code audit fee	13,943	13,943	13,943



Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments of £3,485.75

Audit plan

Our plan is expected to be/will be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Financial Scrutiny and Audit Committee.

Audit team

The key members of the audit team for the 2017/18 financial year are:

Kevin Suter Executive Director	KSuter@uk.ey.com	Tel: 023 8038 2159
Mark Russell Manager	mrussell1@uk.ey.com	Tel: 01223 394480

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours faithfully

Kevin Suter Executive Director For and on behalf of Ernst & Young LLP cc. Emma Krelle, Head of Finance Guy McGregor, Chair of the Financial Scrutiny and Audit Committee 3

Local government audit committee briefing

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Find out more

This sector briefing is one of the ways that we 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 briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business. The briefings bring 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.

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





EY item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy is taking the referendum in its stride, the impression could be deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

Social Care Precept and New Homes Bonus

The 'Provisional local government finance settlement 2017/18' announced that an additional £900mn would be used to fund the social care system over the next two years. This will be made up of two parts:

- ► £240mn transfer from the new homes bonus
- £652mn from increasing the social care precept (£208mn in 2017/18 and £444mn in 2018/19)

New Homes Bonus

The consultation for the new homes bonus ended and the Government made a number of revisions to the grant. The transfer from the new homes bonus represents a change that ensures that councils will only receive funding for housing built above the national housing growth baseline of 0.4%. There will also be a movement to five year payments from 2017/18 and four year payments from 2018/19.

There are no proposals to withhold grants for those authorities without a local plan in 2017/18 but this will be revisited for 2018/19. The bonus will continue to be unringfenced as in previous years.

Social Care Precept

Councils will have the flexibility to increase the dedicated social care precept by up to 3% in 2017/18 and 2018/19 (this was previously capped at 2% for each of the three years 2017/18 to 2019/20). If this is chosen it will be equivalent to an increase of £1 a month on an average Band D Council Tax bill. However the social care precept would need to remain at 6% over the next three years, therefore if the increased 3% was taken in 2017/18 and 2018/19 it could not be increased again in the following year.



Within the 'Provisional local government finance settlement 2017/18' It has been highlighted that increased funding is not the only way to improve social care but better integration of the health service and local government is needed. In Oxfordshire this has led to a 40% fall in delayed discharges in 6 months and in Northumberland increased work between the council and the health service has led to a 12% reduction in demand on residential care.

Local Government Funding Settlement

The four year funding settlement has been agreed to by 97% of councils. This will mean councils will have \pounds 7.6bn in total dedicated social care funding over the four years up to 2019/20. In return they will have to publish efficiency plans online.

It is expected that top-tier authorities are likely to benefit most from the settlement as they have high-demand critical services and will therefore receive more funding. However district councils will see a greater squeeze on their budgets due to the reduction in the new homes bonus.

This comes as a step towards devolution. The introduction of fully retained business rates will also bring about more power for councils to serve their local communities. However this does open councils up to more risk. For this to be beneficial the economy will need to grow and more houses will need to be built. Councils therefore need to think about how they will ensure that this does not leave them in a worse position than through central government funding.

Funding for new care model vanguards

In order to support and spread the work of new care model vanguard projects, NHS England has announced over £100mn of funding being made available. NHS England sees that the existing vanguards, partnerships of NHS, local government, voluntary, community and other organisations are improving the healthcare people receive, preventing ill health, and saving funds.

They are seen as key to the delivery of Sustainability and Transformation Plans (STPs) which are being developed across the country and, in addition to funding, the vanguards receive support to implement their plans from both NHS England and other national bodies. This includes how they harness new technology including apps and shared computer systems, and to develop their workforce so that it is focused around patients and their local populations. Vanguards are required to meet a number of conditions to obtain funding, including:

- Demonstrating clear improvements in quality and costs/ savings
- Spreading their new care models, both within their STP and sharing with others (including producing guidance and materials for others to use)

The announcement highlights examples of areas the latest funding will be used on, and examples of work done to date. These include:

- Fyide Coast Local Health Economy vanguard a new 'extensive care service' bringing together different health professionals offering targeted support for older patients with multiple conditions, this has contributed to significant reductions in areas such as non-elective admissions (25%) and A&E attendances (13%)
- Mid Nottinghamshire Better Together vanguard joined-up community teams are working with patients and their families/ carers, providing physical, mental and social care support to ensure people are wherever possible cared for at home. The vanguard has reported reductions in long term admissions to care homes and acute bed days, together with significant year-on-year reductions in avoidable patient attendances (20.5% for patients aged 80 years and above compared to 2015/16)



East and North Hertfordshire Clinical Commissioning

Group vanguard – employing pharmacists to work with GPs, care home staff and other healthcare professionals to provide detailed medicine reviews for residents. Working with the care homes, the vanguard has already reviewed over 900 patients and the use of 8,000 medicines. Of these over 1,000 medicines have been stopped, including nearly 200 which could have increased the risk of falls. The estimated direct cost savings are in excess of £160,000

Financial Sustainability of Schools

The Department of Education has predicted that mainstream schools will have to find savings of \pounds 3bn (8%) by 2019/20. This is expected to come from efficiencies from the following:

- ▶ £1.3bn from better procurement
- ► £1.7mn from using staff more efficiently

The Government has proposed to increase the schools budget over the next four years, and by 2019/20 the increase will be 7.7% compared to the 2015/16 level. However the increase in pupil number is expected to be 3.9% in the same period, once inflation is taken into account; this is a real time reduction in funding per pupil.

The Department continues to publish advice on financial management and efficiency savings.

The proportion of secondary schools overspending rose from 34% in 2010/11 to 59% in 2014/15. For academies this rose from 39% to 61%. The reasons for this are unclear, and the sustainability of this spending is unknown.

Highway Network Assets

The depreciated replacement cost accounting for Highway Network Assets is expected to come into effect from 1 April 2017, but is subject to confirmation from CIPFA. EY has run a number of workshops for clients and there are a range of levels of confidence over the accounting treatment for the asset. It can however be seen that the levels of confidence have increased from this time last year.

The key question for councils to consider will be how can we demonstrate that their Highways Asset Management System is complete and that all assets exist.

By following the DREAM approach set out below we believe the task will run smoother.

Document highways systems: Almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

Reports and reconciliations: Assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

Evidential based: The quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'topup' work is required.



Audit: Early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

Materiality: This is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the Highway Network Asset is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with your external audit team at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team

Sustainability and Transformation Plans

Sustainability and Transformation Plans (STP) have now been produced and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy. From April 2017, access to NHS transformation funding will be linked to effecting delivery of the STP. These include meeting control totals to reduce deficits and meeting certain performance requirements. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The Plans have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the Plans are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted Plans will need further development and engagement before they can be effectively implemented.



All parties to the STP will need to collaborate to ensure the plans take full account of the pressures faced by the individual parties. Whilst the process provides opportunities for areas with challenging finances to identify solutions, there will be difficult decisions to be made about the range, type and location of services that are delivered. Per the NHS Confederation, the important element of prevention requires a strong role from public health as well as wider Council services such as housing, leisure and recreation, planning and children's services.

The leadership of the STP is critical to the success of the plan. The role of the STP leaders needs to be clarified with many leads finding it difficult to manage their original responsibilities alongside their leadership role. There are plans for some leaders to share leading more formally in the future. However where there are a large number of organisations involved this may be more difficult to do.

Priorities for social care in 2017

The Kings Fund has set out what it believes the five priorities should be for social care in the current year as follows:

- Supporting new care models centred on the needs of patients – Giving greater priority to public health and prevention, through partnerships between local government, the NHS, and other organisations, focused on both supporting people to remain in good health for as long as possible and engaging the public in tackling the causes of ill health. Additionally, they emphasise the need for continued support for vanguards both in delivering in their areas and spreading that good practice across the system
- Strengthening and implementing sustainability and transformation plans – The Kings Fund suggests that, to ensure that the service changes and the financial plans that underpin them are credible, all STPs need to be stress

tested. It also highlights that STPs have 'no basis in statute' and suggests that their governance is formalised to align their work with the responsibilities of the boards running NHS organisations

- Improving productivity and delivering better value With the need for increasing productivity becoming more urgent as funding decreases and deficits amongst NHS providers increases, the fund suggests that the priority for every NHS organisation should be to support clinical teams to reduce unwarranted variations in care and to improve care. It sees the boards of NHS organisations as having a key role in leading this work, ensuring that developing the cultures in which improvement is supported and valued and making resources available to support implementation
- Developing and strengthening leadership at all levels It is clear that clinical leaders have a crucial role, working with operational managers, to deliver high-quality care. This is where many of the productivity opportunities arising from changes in clinical practice can be realised. They argue that this requires leaders who are (in their words) 'comfortable with chaos' because they can work within fluid and often rapidly changing organisational arrangements and that the NHS can learn from local government
- Securing adequate funding for health and social care They refer to the need for a debate about a new settlement for health and social care, building on the work of the Barker Commission, and going further than short-term interventions that have sought to shore up the system. They argue that an equitable and sustainable system would be one in which public funding is increased (paid for by increases in taxes and National Insurance and changes to some existing benefits), and a closer alignment between entitlements to social care and health care



Accounting, auditing and governance

PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

Report on the results of auditors work LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link http://www.ey.com/Publication/vwLUAssets/ EY_-_Accelerating_your_financial_close_arrangements/\$FILE/ EY-accelerating-your-financial-close-arrangements.pdf. The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19? Has the authority decided whether they will use the revised flexibility on the social care precept for 2017/18 and 2018/19?

How confident is the authority about its preparation for the introduction of Highway Network Assets? Have there been discussions with the external audit team on the key issues and plans for implementation?

Has the authority engaged positively with health and other partners in the development of Sustainability and Transformation Plans?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



Find out more

EY Item Club winter forecast

http://www.ey.com/uk/en/issues/business-environment/financialmarkets-and-economy/item---forecast-headlines-and-projections

Social Care, Precept and New Homes Bonus

http://www.publicfinance.co.uk/news/2016/12/council-taxprecept-and-new-homes-bonus-deployed-stem-social-carecrisis?utm_source=Adestra&utm_medium=email&utm_term

https://www.gov.uk/government/news/dedicated-adult-socialcare-funding-forms-key-part-of-continued-long-term-fundingcertainty-for-councils

https://www.gov.uk/government/consultations/new-homes-bonussharpening-the-incentive-technical-consultation

Four year funding settlement

http://www.publicfinance.co.uk/news/2015/12/local-government-settlement-offers-councils-four-year-funding-deals

Funding for new care model vanguards

https://www.england.nhs.uk/2016/12/vanguard-funding/

Financial Sustainability of Schools

https://www.nao.org.uk/report/financial-sustainability-in-schools/

Sustainability and Transformation Fund

https://www.kingsfund.org.uk/blog/2016/11/will-stps-deliverchanges-we-wish-see-our-health-and-care-services

https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf

https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans

Priorities for social care in 2017

https://www.kingsfund.org.uk/publications/priorities-nhs-socialcare-2017

PSAA Audit Services Procurement Strategy for the appointment of local auditors

http://www.psaa.co.uk/supporting-the-transition/appointingperson/procurement-strategy/

Report on the results of auditors work LG bodies 2015/16

http://www.psaa.co.uk/appointing-auditors/terms-ofappointment/reports-on-the-results-of-auditors-work/

http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_ your_financial_close_arrangements/\$FILE/EY-accelerating-yourfinancial-close-arrangements.pdf

Notes	

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ED None

EY-000021170.indd (UK) 02/17. Artwork by CSG London.

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Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 13

Implementation of Internal Audit Recommendations: Summary of Progress Report by Chief Financial Officer

 Summary: This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17.
 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 for 2016/17. 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 February the final recommendation relating to External Funding still remains outstanding but is due to be completed by the end of August.

3 Internal Audit Programme 2016/17

3.1 The third and fourth audit from the 2016/17 programme have now been completed, with further details below. At the date of this report the first audit from the 2017/18 programme on Asset Management is underway and the results from this audit will be reported to the next FSAC meeting on 14 November 2017.

3.2 Key Controls

- 3.2.1 The objective of the audit was to review the systems and controls in place within Key Controls, in particular for Treasury Management, Asset Management, Budgetary Control, Control Accounts, Cash and Bank, General Ledger, Accounts Receivable, Accounts Payable, Payroll and Toll Income, to help confirm that these are operating adequately, effectively and efficiently. This resulted in a "reasonable" audit opinion with four "important" and three "needs attention" recommendations.
- 3.2.2 The audit identified areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.
- 3.2.3 Good practice was noted relating to sound controls that are in place and operating consistently around:

Treasury Management

- Investments tested were documented and authorised and there is evidence of segregation between approval and transfer of funds.
- Loans and investments are reconciled to the general ledger and bank statements.

General Ledger

• The general ledger suspense account is reviewed on a monthly basis and any long outstanding items are cleared.

Asset Management

- All capital additions and disposals reviewed were authorised in accordance with procedures.
- The asset register is reconciled to the ledger once a year and access to the register is restricted to appropriate staff.

Budgetary Control

- After year-end (from July onwards), budget monitor reports are shared with budget holders on a monthly basis which highlight any variances above £10,000. These are accompanied by the an email from the Financial Accountant requesting an explanation of variances and changes to forecast outturn (year-end positions); commentary to explain significant variances (+/- £10,000) within their budgets and; requests for budget virements (budget transfers).
- Budgetary information, both capital and revenue is reconciled to the general ledger on a monthly basis.

Accounts Payable

- Invoices were approved and authorised in accordance with the authorised signatories list.
- BACs runs had been signed and dated, prior to the payment run, by an appropriate officer.

Toll Income

- Payments had sequentially numbered plaques raised and recorded as issued on the system.
- Payment batches balanced to the payments received, and batch totals balanced to the Tolls Management System (TMS) for hire tolls, private tolls, overpayments and other payments.

Control Accounts

 The purchase control account, sales control account and salary control account are reconciled to the general ledger system on a monthly basis.

Cash and Bank

- Bank reconciliations were completed, reconciling items resolved and the reconciliations signed and dated by the preparer and reviewer.
- 3.2.4 Five of the recommendations have been implemented (although only four were completed at 31 March), with two still outstanding.

3.3 Corporate Governance

- 3.3.1 The objective of the audit was to review the systems and controls within Corporate Governance for Executive and non-executive decision making in accordance with the constitution/governance arrangements and Systems and processes in place for the preparation of reports requiring executive and nonexecutive decisions. This resulted in a "reasonable" audit opinion with one "important" and two "needs attention" recommendations.
- 3.3.2 The audit identified areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.
- 3.3.3 Good practice was noted relating to sound controls that are in place and operating consistently around:

Executive and non-executive decisions making in accordance with the Constitution/governance arrangements

- Powers reserved to the Broads Authority and those delegated to other authorities are detailed in the Broads Authority Terms of Reference of Committees document. The list of matters delegated to the Chief Executive and other officers are detailed in the Scheme of delegated powers.
- Key documents are in place that govern members and officers conduct, which are; the Code of Conduct for Members and Complaints Procedure (September 2016) and the Protocol on Member and Officer Relations in the Broads Authority. The Code of Conduct refers to decision making as part of members core values - 'We are open, honest and inclusive in our communication and in making decisions' and also states that decision making should be made objectively and with integrity and propriety.

• Risks in respect of decision making processes have been included in the strategic risk register, and examples of these include "decisions which are not made in accordance with planning policy" and "shortcomings in decision making due to poor financial management'.

Systems and processes in place for the preparation of reports requiring executive and non-executive decisions

- The Broads Authority Member Development Strategy supports the development of staff, Members and co-opted Members to achieve continuous improvement of its services and was updated in January 2017. This includes details of member induction training, which incorporates governance and representation, including; the Broads Authority's Code of Conduct; the Planning Committee's Code of Conduct for Members and Officers (if applicable); Standing Orders; the Protocol on Member and Officer Relations in the Broads Authority; and the Broads Authority Communication Strategy.
- 3.3.4 One of the recommendations has been implemented, with two still outstanding but on target for completion.

Background papers:	None
Author: Date of report:	Emma Krelle 28 June 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2016/17

External Funding: October 2016

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	 Procedural guidance To develop procedural guidance for the Broads Landscape Partnership. This procedure should cover the administrative processes, including project management, governance, systems used such as base camp, and the staff involved. The procedures should be version controlled. The compilation of such procedural guidance would enable a consistent approach to be applied with the day to day management of the service. Procedures can also be used as a training tool and to highlight process improvements and efficiencies. This will help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.	Important	Broads Landscape Partnership Programme Manager	Agreed. Procedural guidelines will be produced in draft by the end of January to be presented to the next Board meeting (March) for approval. Update: Following the Board meeting it was agreed to develop procedural guidelines following the submission of the second round application. These guidelines will include management of payments, reporting structure and evaluation requirements. There will also be a contract specific to each project which will include responsibilities related to CDM, insurance, safe- guarding, etc. The board decided that we need to speak to all board members and gather a number of	By 31/01/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			organisations policies and procedures to allow us to create a bespoke set for the delivery phase of the Scheme.	
			The timescale has been extended to the end of August to allow our focus to be on the second round HLF submission.	

Key Controls & Assurance

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	 Accounts Receivable/Payable To amend the Broads Authority Financial Regulations as follows: Formalisation of processes regarding debtor payments being received in advance of goods/services being issued. Expansion of exceptions to paper purchase order or requisition being raised, to incorporate services/goods supplied which are covered by a formal contract. In these cases, the 	Important	Chief Financial Officer	Agreed Updated Finance Regulations are on this agenda.	By 31/07/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	contract should be referred to and checked to ensure invoices are in accordance with it.				
	Payment in advance of goods/services supplied by the Broads Authority will help to mitigate the risk that debt is unrecoverable. Updating the financial regulations document mitigates the risk that it does not reflect current working practices.				
2.	Accounts Receivable To document procedures for the sales ledger processes including the system of debt recovery.	Important	Chief Financial Officer	Completed.	By 31/03/17
	Documented procedures help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.				
3	Payroll The payroll errors risk to be raised at Management Team for inclusion within the strategic risk register. This should include the risk being scored, current mitigation assessed and if it falls within the Broads Authority risk	Important	Head of HR	Completed.	By 30/04/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	appetite. Currently the reduction in payroll errors has not been over a sustained period of time and monitoring this as a risk will help mitigate any future material errors which could result in the payroll being paid incorrectly.				
4.	 Payroll To document procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the Finance Team perform. This should include the documentation of all identified errors within the HR payroll checking spreadsheet. Documented procedures help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity. Documentation of all errors provides a clear audit trail to support the correction of errors mitigating the risk that the payroll has been calculated	Important	Head of HR	Agreed. Update: Due to a long standing vacancy within HR checklists have been produced but procedures remain outstanding. A new member of staff is due to join the team at the end of July with the focus on procedures being in place by the end of September. Finance procedures are complete.	By 30/04/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	incorrectly.				
5.	General Ledger Adequate supporting documentation or explanatory narrative to be retained on file for all journals.	Needs Attention	Chief Financial Officer	Completed.	Agreed and completed prior to final audit report publication.
	Supporting narrative provides a clear audit trail and helps reduce the risk that journals have been processed incorrectly.				
6.	Accounts Receivable To ensure explanatory notes for more complex debtor cases are put onto dimensions to explain the latest situation regarding each debt. Clear audit trails means there is not ambiguity as to which stage the debt is at which helps mitigate the risk that	Needs Attention	Chief Financial Officer	Completed.	Agreed and completed prior to final audit report publication.
	debt is not actioned in a timely manner or action is taken incorrectly.				
7.	Toll Income To update the Toll procedure manual to reflect all changes to the system, including the changes in toll charges from 1st April 2017 and to include the toll payment enforcement process. Rationale & Risk: Up to date procedures helps to mitigate the risks	Needs Attention	Head of IT and Collector of Tolls	Agreed.	By 31/08/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.				

Corporate Governance

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	 Systems and processes in place for the preparation of reports requiring executive and non- executive decisions To maintain a clear record of the decisions made by the Broads Authority, which is made available to the public on the website. This should include: Compiling a register of material decisions made since 2014. Producing a set of guidance on what should be published (to include a definition of contract and expenditure materiality and those decisions which affects the rights of an individual) and; Production of a template document to record decisions. The above documents are to be 	Important	Solicitor and Monitoring Officer	Agreed	By 30/09/017

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	drafted in accordance with the Openness of Local Government Bodies Regulations 2014, which came into effect from August 2014. To comply with the Openness of Local				
	Government Bodies Regulations 2014 and mitigate the risks that the Broads Authority commits an offence under this regulation and that there is incomplete transparency to the public.				
2.	Executive and non-executive decision making in accordance with the constitution/governance arrangements To review standing orders, including specific reference to matters being decided by a majority vote and stipulating who has a casting vote. Alongside this, to review and update the Broads Authority Terms of Reference of Committees, specifically the Financial, Scrutiny and Audit Committee to reflect that this is a consultative committee.	Needs Attention	Solicitor and Monitoring Officer	Agreed	By 31/07/17
	Currently, there appears to be a gap in relation to the majority and casting voting process and inclusion of this in				

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	the standing orders would mitigate the risk that the voting process is unclear and matters decided upon are undertaken improperly. Financial Scrutiny and Audit Committee decisions, in some instances, do not currently reflect the committee terms of reference and therefore amendment of these would mitigate the risk that the practices applied are inconsistent with agreed governance leading to ambiguity over which practices should actually be applied.				
3.	Systems and processes in place for the preparation of reports requiring executive and non- executive decisions To include the following items in the Summary of Progress/Actions Taken following Decisions of Previous Meetings: - 22/01/2016 - item 4/17: National Park Partnership (NPP), delegated decisions to the Chief Executive. - 13/05/2016 - item 6/9b - Berney arms, Halvergate marshes, that the CE in consultation with the chairman, vice-chairman & chairman of the	Needs Attention	Solicitor and Monitoring Officer	Agreed and completed.	By 31/03/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
FSAC be given delegated authority to take action and pursue the matter if considered appropriate'. - 18/11/2016 item 3/15 - 'that delegated authority be given to the Section 17 Officer to communicate the willingness of the authority to join the scheme to PSAA'				
Inclusion of all decisions delegated to officers in the 'Summary of Progress/Actions Taken' helps mitigate the risk that there is inadequate transparency on progress of decisions made resulting in members receiving an incomplete picture.				

Broads Authority Financial Scrutiny and Audit Committee 25 July 2017 Agenda Item No 14

Updated Financial Regulations

Report by Chief Financial Officer

Summary: This report appends the updated Financial Regulations following a recommendation from the Key Controls Audit.

Recommendation: (i) That the updated Financial Regulations are adopted.

1. Key Controls Audit February 2017

- 1.1. During the Key Controls Audit it was identified as one of the audit recommendations that the current process relating to where the Authority is required to make payment on a customer's behalf the Financial Regulations should be updated to reflect that advance payment is required prior to the goods/services being dispatched. Although this was already happening in practice it was not currently documented. This amendment is currently showing at paragraph 48.3 on page 26.
- 1.2. The recommendation also required that the regulations were updated to reflect all circumstances when a purchase order was not required. This specifically related to where a formal contract existed that committed us to the services/goods. This amendment is currently showing at paragraph 39.8 on page 21.
- 1.3. These amendments were reviewed by Management Team on 27 June 2017 where it was agreed the amended regulations would be put forward to the next committee. A copy of the updated regulations was also sent to the Head of Internal Audit for comment. All changes are shown in track changes.

2. Additional Amendments

- 2.1 Whilst updating the Financial Regulations for the audit recommendations it provided an opportunity to update the change to the Section 17 Officer from it being outsourced to now being provided in house. As part of this change there have been amendments made to the signing of cheques, this is detailed on page 23. Again changes are shown in track changes.
- 2.2 There have also been some additional adjustments to bring the legislation quoted up to date and the Authority's arrangements for external audit. Again adjustments can be found on pages 3 and 18.

3. Summary

3.1 Following Internal Audits recommendation to review the regulations it is recommended that members adopt the latest version.

None
Emma Krelle 7 July 2017
None
APPENDIX 1 – Financial Regulations

Broads Authority Financial Regulations

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Introduction

1 Why do we have Financial Regulations?

- 1.1 Section 17 of the Norfolk and Suffolk Broads Act 1988 states that the Authority shall "make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs".
- 1.2 The Local Government Act 1972 directs that authorities shall make arrangements for the proper administration of their financial affairs, and that some of their officers be responsible for the administration of those affairs.
- 1.3 Under powers contained in the Local <u>Audit and Accountability Act 2014Government</u> Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them<u>it</u> requires the Accounts to be audited by the <u>a local</u> auditor appointed by the Audit Commissionin accordance with the Act. The 'Accounts and Audit Regulations' require that the 'Responsible Financial Officer' must determine and be responsible for the accounting systems and the form of both the accounts and supporting records of the Authority. That officer must further ensure (by maintaining an effective and adequate audit) that rules so made are observed and that all records are maintained in a satisfactory manner. To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

2 Status of Financial Regulations

- 2.1 Financial Regulations provide a framework for managing the Authority's financial affairs. They apply to every member and officer of the Authority and anyone acting on its behalf.
- 2.2 These Regulations set out the financial responsibilities of the Broads Authority, Financial Scrutiny and Audit Committee, Chief Executive, Treasurer and Financial <u>AdviserChief Financial Officer</u>, Solicitor and Monitoring Officer, Director of Planning and Resources, Head of Finance and Directors.
- 2.3 All members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these assets is legal, properly authorised, provides value for money and achieves best value.
- 2.4 The Head of FinanceChief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes as necessary to the Authority for approval. He/she is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Authority.

- 2.5 Directors are responsible for ensuring that all members of staff in their Directorates are aware of the existence and content of the Authority's Financial Regulations, as appropriate.
- 2.6 These Regulations should be read in conjunction with:

Standing Orders; Standing Orders Relating to Contracts; Scheme of Powers Delegated to Officers; Procedure Manuals; Financial Grant Memorandum issued by the Department for the Environment, Food and Rural Affairs (Defra); <u>Treasury and</u> Annual Investment Strategy; Prudential Code; and Procurement Strategy.

3 Statement of Principles

- 3.1 The Authority expects high standards of conduct from its members and officers and those with whom it has dealings. Further to this the Authority expects honesty, openness and integrity to be the values which underpin its financial affairs and all those involved with the Authority's finances should work with these values in mind.
- 3.2 The principles below provide the basis for the detailed guidance in Financial Regulations.

4 The Principles

- 4.1 The Authority is responsible for the stewardship of public money and will make arrangements to safeguard it.
- 4.2 The Authority expects its members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a climate of frankness that it will support through policies and regulations, such as the Whistle Blowing Policy and the Counter Fraud, Corruption and Bribery Strategy.
- 4.3 The planning, monitoring and controlling of the use of resources is of vital importance to the Authority and it will make arrangements for these activities to be undertaken effectively.
- 4.4 Issues of probity will be dealt with effectively and the Authority will work to meet its duty to maintain proper accounts and related records.
- 4.5 Value for money is at the core of the Authority's financial activity and the way in which it administers its financial affairs.
- 4.6 Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Authority's arrangements for financial matters.
- 4.7 Allocation of responsibility and authority in relation to financial matters will be clearly identified.
- 4.8 The Authority is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place

guidance to be adhered to by all its Directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.

- 4.9 The assets and resources of the Authority must be protected from loss, damage and theft.
- 4.10 Identifying and quantifying risks to the Authority is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.
- 4.11 The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Authority and arrangements will be made for its proper administration.

5

Financial Management

5 Roles and Responsibilities

- 5.1 **The Broads Authority** is responsible for setting the overall policy and direction of the Authority. Its financial responsibilities include approving the annual consolidated budget and Statement of Accounts, fixing navigation tolls, appointing the Section 17 Officer and generally monitoring the resources of the Authority.
- 5.2 **The Financial Scrutiny and Audit Committee** reports to the Broads Authority. Its financial responsibilities include reviewing and recommending for approval the annual Statement of Accounts, approving Financial Regulations and Standing Orders Relating to Contracts, and oversight of internal audit and risk management processes.
- 5.3 **The Chief Executive** is responsible for the day to day management and control of the Authority, including its staff, premises and services, and is responsible for ensuring the implementation of strategies and policies as determined by the Broads Authority and its committees. <u>The Chief Executive is also responsible, in conjunction with, and on the advice of, the Chief Financial Officer, for the preparation of annual budgets and statements of accounts, and for the maintenance of all financial systems and procedures to ensure that the Authority operates within its financial limits and complies with all financial and statutory requirements and in accordance with good accounting practice.</u>
- 5.4 **The Treasurer and Financial AdviserChief Financial Officer** is responsible for the proper administration of the Authority's financial affairs, in accordance with section 17 of the Norfolk and Suffolk Broads Act 1988. The specific responsibilities include the regulation and control of finance, and the making of safe and efficient arrangements for the receipt of monies; external and internal audit matters, including the appointment of auditors: pension fund matters; insurances; investment; and the operation of the Authority's bank accounts. <u>The CFO is also responsible for the day to day management of the Authority's financial affairs, including the management of the Finance Section, preparation of the three year Financial Strategy, annual budgets and statements of accounts, monthly management statements, cash flow and the investment of surplus funds, and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.</u>

The Authority's Treasurer and Financial Adviser is the Head of Finance and Revenue Services at Broadland District Council.

5.5 **The Solicitor and Monitoring Officer** is responsible for promoting and maintaining high standards of financial and other conduct in the Authority and for reporting any breaches of the law or maladministration.

- 5.6 **The Director of Planning and Resources** is responsible, in conjunction with, and on the advice of, the Treasurer and Financial Adviser, for the preparation of annual budgets and statements of accounts, and for the maintenance of all financial systems and procedures to ensure that the Authority operates within its financial limits and complies with all financial and statutory requirements and in accordance with good accounting practice.
- 5.7 **The Head of Finance** is responsible for the day to day management of the Authority's financial affairs, including the management of the Finance Section, preparation of the three year Financial Strategy, annual budgets and statements of accounts, monthly management statements, cash flow and the investment of surplus funds, and ensuring that all internal systems and controls are maintained accurately and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.
- 5.8 **Directors** and **Section Heads** are responsible for ensuring that there is appropriate budgetary provision for all activities carried out within their Directorate or Section, that staff are aware of and comply with Financial Regulations and Standing Orders Relating to Contracts at all times, and that any matters which arise which have or are likely to have significant financial implications are reported to the <u>Director of Planning and Resources and/or Head of FinanceChief Financial Officer</u> in order that appropriate corrective action can be taken.

6 Accounting Arrangements

- 6.1 The Treasurer and Financial AdviserChief Financial Officer is responsible for ensuring that there are appropriate systems in force for keeping the accounts and financial records of the Authority and that the Authority's annual financial accounts and reports are prepared to meet statutory requirements. The Treasurer and Financial AdviserChief Financial Officer must also approve the accounting systems and accounting records in use, and any significant changes to these arrangements.
- 6.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles determined from time to time by the Head of FinanceChief <u>Financial Officer</u>, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) standards of practice, International Financial Reporting Standards (IFRS), the Financial Grant Memorandum issued by Defra under which grant funding is paid and instructions and advice received from Defra and the Authority's auditors.
- 6.3 Accounting procedures will be reviewed as necessary by the <u>Head of FinanceChief</u> <u>Financial Officer</u> in consultation with the <u>Director of Planning and Resources-Chief</u> <u>Executive</u> to ensure that they provide the information required without duplication of records.
- 6.4 The Chief Executive must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding.

6.5 The Chief Executive must examine and certify where required any financial return to a Government Department or other body.

7 Budgeting Process

7.1 The <u>Director of Planning and ResourcesChief Executive</u>, in conjunction with the <u>Head</u> <u>of FinanceChief Financial Officer</u>, will ensure that there is in place an appropriate process and timetable to ensure that budgets are prepared in a timely manner, that this is communicated to all senior managers and budget holders, and that progress in preparing the budgets is monitored.

8 In year Financial Reporting

- 8.1 It is the responsibility of the Head of FinanceChief Financial Officer to ensure that budget managers are provided with monthly management statements from month 3 (June) onwards.
- 8.2 The most current financial report highlighting major variance and areas of concern must be provided to the Broads Authority, Navigation Committee and Financial Scrutiny and Audit Committee at each meeting.

9 Year End Accounting

9.1 The Head of FinanceChief Financial Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the "Code of Practice on Local Authority Accounting in the UK" (CIPFA). The Broads Authority is responsible for approving the carrying forward above £1,000, from one year to another of any under spending on budget headings. The Authority's final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority once reviewed by the Financial Scrutiny and Audit Committee.

Financial Planning and Control of Expenditure

The importance of this area is in the need for sound financial planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Authority's resources.

10 Policy Framework

- 10.2 The Authority is responsible for agreeing the Authority's framework and budget. In terms of financial planning the key elements are:
 - the Authority's purposes as set out in the Norfolk and Suffolk Broads Act 1988, as amended by the Broads Authority Act 2009;
 - the Broads Plan;
 - the Authority's Business Plan;
 - the Financial Grant Memorandum;
 - the annual revenue budget and three year Financial Strategy;
 - the Capital Strategy and annual Capital Programme; and
 - the <u>Treasury and Annual Investment Strategy and Prudential Indicators (limits for</u> external borrowing, other long term liabilities and related matters).

11 Revenue Budget Preparation

- 11.1 The Chief Executive, in consultation with the <u>Director of Planning and</u> <u>ResourcesChief Financial Officer</u>, is responsible for ensuring that a revenue budget for the coming year and a three year Financial Strategy for at least the two subsequent financial years is prepared for consideration by the Broads Authority.
- 11.2 The Head of FinanceChief Financial Officer, in consultation with the Directors-of Planning and Resources, is responsible for providing guidance on the general format of the budget.
- 11.3 The Chief Executive will submit a Budget and Financial Strategy to the Broads Authority for approval by 31 March each year.
- 11.4 The Chief Executive, in consultation with the Director of Planning and ResourcesChief Financial Officer, is responsible for reporting to the Authority on the robustness of estimates contained within the budget and adequacy of reserves allowed for in the budget proposals.

12 Resource Allocation

- 12.1 The Chief Executive is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Authority's policy framework and changing priorities within that.
- 12.2 It is the responsibility of the Chief Executive and Directors to ensure that the revenue and capital budget estimates reflect the priorities and goals in the Broads Plan and

Business Plan, and that agreed service plans are in line with the Financial Strategy and capital strategy.

13 Maintenance of Reserves

- 13.1 The Broads Authority will determine the levels of reserves that are considered to be prudent and necessary. This decision will be taken having regard to the advice of the Treasurer and Financial AdviserChief Financial Officer and the Chief Executive, and will be based on an annual risk assessment.
- 13.2 The three year Financial Strategy should be drawn up having regard to the need to either reach or maintain the recommended level of reserves.

14 Revenue Budget Management and Control

- 14.1 It is the responsibility of the appropriate Director to manage and control each of the Directorate's budgets under their management.
- 14.2 The appropriate Director must ensure that there is a designated officer (the Budget Holder) accountable to them for the detailed management of each budget and notify the Head of FinanceChief Financial Officer of those so designated.
- 14.3 Directors will jointly carry out regular budget monitoring and reporting to identify financial problems and recommend to the Chief Executive action necessary to resolve them.
- 14.4 Monitoring reports setting out potential or actual service financial problems and key issues will be made to the Financial Scrutiny and Audit Committee, the Broads Authority and the Navigation Committee as appropriate at each of their meetings.
- 14.5 At the end of each financial year, where there is an underspend within a budget, the Head of FinanceChief Financial Officer will collate a list of carry-forward requests for consideration by the Management Team. Where these underspends are individually below £1,000 (under £5,000 in total) they will be agreed by Management Team. For those items above £1,000 they will presented to the Broads Authority for approval. After the appropriate level of approval these will be carried forward into the following year.
- 14.6 The Authority's final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority.
- 14.7 As required by the Broads Authority Act 2009, the <u>Head of FinanceChief Financial</u> <u>Officer</u> will produce, as soon as reasonably possible after the end of the financial year, a statement showing the navigation income received by the Authority and the navigation expenditure incurred during the year.

15 Monitoring and Control of Affordable Borrowing

15.1 It is the responsibility of the Head of FinanceChief Financial Officer, in consultation with the Treasurer and Financial Adviser, to develop and maintain systems to monitor performance against prudential indicators. Reports on performance against indicators including early warning of any possible breach of any prudential indicator should be made to the Financial Scrutiny and Audit Committee as appropriate.

16 Authority to Incur Revenue Expenditure

- 16.1 No expenditure shall be incurred nor any reduction in income authorised unless such expenditure or reduction in income is:
 - (a) covered by the annual or latest approved budgets agreed by the Authority;
 - (b) related to approved carried forward budget from the previous year; or
 - (c) covered by a virement.

17 Virements

- 17.1 A virement is a transfer of budget from one budget heading to another within a financial year, where a budget is to be used for a different purpose than originally approved.
- 17.2 Virements of up to £10,000 within any financial year may be approved by Directors between main budget headings under their responsibility. All such virement requests must be made on a virement approval form, duly signed by the appropriate Director and be forwarded to the Head of FinanceChief Financial Officer for the budget to be updated.
- 17.3 Virements between £10,001 and £19,999, may also be approved by Directors between main budget heads under their responsibility. Again this must be made on a virement approval form, duly signed by the appropriate Director and countersigned by the Chief Executive, and be forwarded to the Head of FinanceChief Financial Officer for the budget to be updated.
- 17.4 Virements in excess of £20,000, or between Directorates, must be reported the Broads Authority for approval.
- 17.5 It will not be a virement, and approval is not required, where a budget transfer relates to a movement for the purposes of budget restructuring (i.e. where there is no change to the use to which the budget is being put).

18 Preparation of the Capital Programme

18.1 All capital expenditure must be in accordance with the Authority's Annual Investment and Capital Financing Strategy and driven by its Asset Management Strategy.

19 Capital Receipts

- 19.1 The sale or disposal of any land, buildings, vehicles, vessels or equipment which was valued at the time of acquisition over £5,000 is considered to be a capital receipt. Particular rules must be observed in dealing with the proceeds and they must not be confused with revenue income such as fees and charges.
- 19.2 The Head of FinanceChief Financial Officer and the Authority's Asset Officer must be informed of all proposed or possible sales or disposals of land, buildings, vehicles, vessels or equipment so that the effect on financial and property management can be assessed.

20 Leasing

- 20.1 All acquisitions and disposals of land, property or other assets must be carried out in accordance with the Authority's Asset Management Strategy and be authorised by the Chief Executive.
- 20.2 Officers negotiating and committing the Authority to any leasing arrangement shall consult with the Head of FinanceChief Financial Officer and the Asset Officer prior to finalizing any lease arrangement. Once completed, they will furnish the Head of FinanceChief Financial Officer and the Asset Officer with details of the income to be received, the parties to the lease and the term of the lease, along with signed copies of the lease agreement.

21 Risk Management

- 21.1 The Financial Scrutiny and Audit Committee is responsible for monitoring the effective development and operation of risk management within the Authority, and for reviewing the Strategic Risk Register.
- 21.2 The arrangements for the day to day management of risk are set out in the Risk Management Strategy. The Solicitor and Monitoring Office is responsible for ensuring that this Strategy is regularly reviewed and updated, and that the arrangements set out in the Strategy are promoted throughout the Authority and implemented.
- 21.3 The general controls for risk management are:
 - Procedures are in place to identify, assess, prevent or contain material known risks and the procedures are operating effectively throughout the Authority.
 - A monitoring process is in place to review the effectiveness of risk reduction strategies and operation of these controls.
 - Managers know which risks they are responsible for managing and are provided with relevant information.
 - Provision is made for any losses that might result from the risks that remain.
 - Claims are investigated within a given time scale.
 - Acceptable levels of risk are determined and insured against where appropriate.
 - The Authority has identified business continuity plans in the event of a disaster that results in significant loss or damage to its resources.

22 Internal Control

22.1 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes the economic, efficient and effective use of resources and that the Authority's assets are safeguarded.

23 Systems of Internal Control

- 23.1 The <u>Director of Planning and ResourcesChief Executive</u> is responsible for advising on effective systems of internal control.
- 23.2 These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.
- 23.3 Directors are responsible for establishing sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and non-financial performance targets.

23.4 The Solicitor and Monitoring Officer shall prepare an annual statement of the effectiveness of the Authority's system of internal control incorporated into the Annual Governance Statement. This statement will be published as part of the Annual Statement of Accounts and will be approved by the Broads Authority.

24 Security

- 24.1 The Chief Executive is responsible for maintaining proper security at all times for all buildings, stocks, stores, vehicles, furniture, equipment, cash and any other assets for which the Authority is responsible.
- 24.2 Maximum limits for cash holding at Authority locations should be established by the Head of FinanceChief Financial Officer and adequate insurance should be put in place to cover any loss up to those values.
- 24.3 Employee responsibilities in respect of the use of all ICT equipment and accessories are set out in the ICT Usage and Security Policy (Human Resources Policy Note No. 18). All members of staff are required to indicate, either by signature or electronically, that they have read and understood the Policy and agree to be bound by its terms.

25 Separation of Duties

- 25.1 The following principles shall be observed in the allocation of accounting duties:
 - the duties of providing information regarding sums due to or from the Authority, and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
 - officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

26 Retention of Records

26.1 Accounting and other records must be retained for periods that comply with relevant legal requirements. Detailed standards are contained within the Authority's Document Management, Retention and Disposal Policy.

27 Investments and Treasury Management

- 27.1 All investments of money shall be made in accordance with the Authority's Annual Investment Strategy, which is prepared by the Head of FinanceChief Financial Officer in accordance with the Prudential Code and approved by the Broads Authority before the start of each financial year.
- 27.2 The Treasurer and Financial AdviserChief Financial Officer is responsible for the investment of surplus monies. All such investments shall be carried out on the Authority's behalf by Broadland District Council, under the overall direction of the Treasurer and Financial AdviserChief Financial Officer, unless separate arrangements are agreed by the Treasurer and Financial Adviser with the Head of Finance. The Treasurer and Financial AdviserChief Financial Officer will report on the performance of the investments to the Financial Scrutiny and Audit Committee on a six monthly basis.

28 Estates

- 28.1 The Asset Officer will ensure that a register of all land and buildings owned by the Authority is maintained which states, where appropriate, the location, extent, plan reference, purchase details, particulars of nature of interest and rent payable.
- 28.2 The Asset Officer will also ensure custody of all title deeds under secure arrangements.

29 Sale of Assets

- 29.1 The Treasurer and Financial AdviserChief Financial Officer is authorised, in consultation with the Chief Executive, to write off any obsolete stores or equipment, or loss of property not exceeding £25,000. The Chief Executive is authorised to write off any obsolete stores or equipment, or loss of property not exceeding £5,000.
- 29.2 The Chief Executive may make arrangements for the disposal of surplus items (excluding land, buildings and leased items) with an estimated market value of up to £10,000. For surplus items above £10,000 approval must be obtained from the Authority and the disposal must be via the method which is judged most likely to achieve the best consideration for the Authority. This includes public auction (including eBay or an alternative online auction method), disposal by way of a specialist broker or intermediary, or by sealed bid after public advertisement.
- 29.3 The Chief Executive is authorised to make arrangements for the disposal of land and property to a maximum value of £25,000, in accordance with advice from the Authority's Property Advisers.

30 Stocks and Stores

- 30.1 Directors shall be responsible for the care and custody of the stocks and stores within their Directorate.
- 30.2 Items that will be considered as stock are items purchased that can only be consumed once. Items such: salvaged as spares, part consumed liquids or off cuts of wood will not be included. Stocks shall not be in excess of normal requirements except in special circumstances.
- 30.3 The Head of FinanceChief Financial Officer shall arrange for independent periodical test examinations of stocks and shall ensure that stocks are checked at least once every year on 31 March.
- 30.4 The stocktaking must be attended by a member of the Finance Department and the person responsible for the stores nominated and both the person taking the stock and the person supervising must certify the stock sheets.
- 30.5 The Head of FinanceChief Financial Officer shall be entitled to receive such information as he/she requires in relation to stores for accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of by competitive tender or public auction unless the appropriate officer, in consultation with the Head of FinanceChief Financial Officer, decides otherwise in a particular case.

31 Inventories

- 31.1 An inventory shall be maintained by the Head of FinanceChief Financial Officer which shall record an adequate description of all furniture, fittings and equipment, plant and machinery belonging to the Authority.
- 31.2 The Chief Executive shall be responsible for maintaining a regular check of all items shown on the inventory and for taking action in relation to surplus or deficiencies and noting the inventory accordingly. Items with a value of £1,000 or more and those items which it is considered could be easily re-sold, shall be checked annually, with other items checked not less frequently than every other year.
- 31.3 The Authority's property shall not be removed otherwise than in accordance with the ordinary course of the Authority's business or used otherwise than for the Authority's purpose except in accordance with specific directions issued by the Chief Executive.

32 Insurance

- 32.1 The Authority faces many risks of different kinds in carrying out its functions.
- 32.2 Regulations here are designed to protect the interests of the Authority, its staff and the people it serves.
- 32.3 The Head of Finance<u>Chief Financial Officer</u> is responsible for managing the Authority's policy of insurance in accordance with overall guidelines specified by the Treasurer and Financial Adviser. Directors must notify the Head of Finance<u>Chief</u> <u>Financial Officer</u> promptly of all new risks or assets which may need to be insured, and of any alterations affecting existing risks or insurances indicating the amount of cover required.
- 32.4 Any event which gives rise to a claim under any policy of insurance must be notified immediately to the Head of FinanceChief Financial Officer, who will make arrangements to deal with all claims. Any loss, liability or damage or any event likely to lead to an insurance claim should be reported to the police.
- 32.5 Any officer who uses his/her own motor vehicle on Authority business is required to insure against third party risks in such form as to indemnify the Authority against claims arising, and the policy, including any necessary endorsements and renewal receipts, must be produced for inspection by the Director of Planning and Resources if so required. Directors are responsible for acquainting officers under their control of the foregoing requirement.
- 32.6 The Chief Executive shall consult the Treasurer and Financial AdviserChief Financial Officer in respect of the terms of any indemnity which the Authority is requested to give.

33 Ex Gratia and Other Payments

- 33.1 Ex-gratia payments are made in situations where no legal obligation exists.
- 33.2 The Chief Executive is authorised to:

- reimburse the costs of damage to an employee's personal property up to a maximum of £5,000 in any one case, provided he/she is satisfied that the damage was caused as a result of the employee pursuing Authority business;
- authorise the payment of any ex gratia payments or honoraria to employees up to a maximum of £5,000; and
- in consultation with the Solicitor, approve payments of up to £5,000 to complainants who have suffered a direct identifiable loss as a result of the Authority's actions.
- 33.3 The Chief Executive is authorised to agree the payment of any severance or settlement payments to former employees up to a maximum of £5,000.

34 Gifts and Hospitality

34.1 All members of staff must comply with the guidance on the receipt of gifts and hospitality as set out in the Code of Conduct for Employees (Human Resources Policy Note No. 2).

35 Irregularities

- 35.1 All Officers and Members are responsible for giving immediate notification to the Solicitor and Monitoring Officer, Directors of Planning and Resources or Head of FinanceChief Financial Officer where there are grounds to suggest any financial impropriety or irregularity concerning income, expenditure, cash, stores, or other property of the Authority or held by the Authority.
- 35.2 The same applies to any suspected irregularity in the exercise of the functions of the Authority (corruption). Further guidance can be found in the Authority's Counter Fraud, Corruption and Bribery Strategy, and in the Whistleblowing Policy (Human Resources Policy Note No. 15).
- 35.3 Where, upon investigation, it is believed that reasonable grounds exist for suspecting that a loss may have occurred as the result of misappropriation or fraud, the matter shall be reported to the Chief Executive, Solicitor and Monitoring Officer (if not already advised) and Treasurer and Financial AdviserChief Financial Officer for a decision on whether the circumstances warrant investigation by the police.
- 35.4 Where, upon investigation, it is believed that a loss has occurred as a result of waste, extravagance or maladministration, or that no loss has occurred, the matter shall be reported to the Chief Executive, Solicitor and Monitoring Officer (if not already advised) and Treasurer and Financial AdviserChief Financial Officer for a decision on whether any further action is required.

36 Audit Requirements

36.1 The Authority has a statutory responsibility to maintain an effective and adequate system of internal audit. Financial Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit team. There are also statutory requirements in respect of external audit and other inspection agencies.

Internal Audit

- 36.2 The Authority is required to maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 201±5 (as amended) and to comply with all significant aspects of the CIPFA Code of Practice for Internal Audit in Local Government (Public Sector Internal Audit Standards from 1 April 2013). Overall control of the internal audit function is the responsibility of the Head of Internal Audit, in consultation with the Treasurer and Financial AdviserChief Financial Officer, Chief Executive Director of Planning and Resources, Head of Finance and other officers as appropriate.
- 36.3 The Head of Internal Audit will provide an annual report and opinion, a summary of internal audit activity and the level of assurance it can give to the Financial Scrutiny and Audit Committee. The Financial Scrutiny and Audit Committee will review the effectiveness of the system of internal audit on an annual basis, in order to support the Annual Governance Statement.
- 36.4 The primary roles of internal audit are:
 - to objectively examine, evaluate and report on the adequacy of the control environment within the Authority; and
 - to assist managers in preventing and detecting fraud and abuse.
- 36.5 The Head of Internal Audit, or his/her authorised representatives may, for the purposes of audit:
 - enter, at all reasonable times, any premises or land and have access to all property in the keeping or ownership of the Authority;
 - have access at all times to all records, documents and correspondence relating to all financial and other transactions of the Authority or non-official funds operated by staff of the Authority;
 - require and must receive any explanations as are necessary;
 - require any employee of the Authority to produce cash, stores or any other property of the Authority or that of an unofficial fund under his control;
 - remove records, documents or assets required for further investigation.

External Audit

36.6 External Audit is currently provided by Ernst and Young LLP under transitional arrangements from the Audit Commission. The Local Audit and Accountability Act makes provision for Authorities to appoint their own local auditor from 2018/19. The Authority has joined the Public Sector Audit Appointments (PSAA) national scheme who will appoint auditors on behalf of those Authorities opted in. This currently stands at 98% of Local Authorities and contracts will be made for a period of 5 years. The outcome of this appointment will be made no later than 31 December 2017. Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. The Local Audit and Accountability Bill makes provision for Authorities to appoint External Auditors via an Independent Auditor Appointment Panel from the 2017/18 financial year.

37 Contracts for Building Construction or Engineering Works

- 37.1 All contracts must be awarded in accordance with the Authority's Standing Orders Relating to Contracts.
- 37.2 Where contracts provide for payment to be made by installments, the Head of FinanceChief Financial Officer shall arrange for the state of account to be recorded in the accounting computer system maintained in the Finance Department.
- 37.3 Payments to contractors on account of contracts shall be made only on a certificate issued by the supervising architect, engineer or consultant or other duly authorised officer as appropriate.
- 37.4 Subject to the provisions of the contract in each case, every extra or variation shall, unless otherwise evidenced to their satisfaction, be authorised in writing by the supervising architect, engineer or consultant, or other duly authorised officer.
- 37.5 Any such extra variation, the estimated additional cost of which exceeds by 10% the approved contract sum, shall be reported to the Broads Authority or appropriate committee as soon as practicable.
- 37.6 The final certificate of completion of any contract shall not be issued until the appropriate officer, private architect, engineer or consultant has produced to the Head of FinanceChief Financial Officer a detailed statement of account, and all relevant documents if required.
- 37.7 The Head of FinanceChief Financial Officer shall, to the extent considered necessary, examine final accounts of contracts and shall be entitled to make all such enquiries and receive such information and explanations as may be required as to the accuracy of the accounts.
- 37.8 Claims from contractors in respect of matters not clearly within the term of any existing contract shall be referred to the <u>Treasurer and Financial AdviserChief</u> <u>Financial Officer</u> for consideration of the Authority's legal liability and, where necessary, for financial consideration before a settlement is reached.
- 37.9 In any case, where the total cost of any work carried out under a contract exceeds by more than 10% the approved contract sum, a report of such cost shall, after agreement of the final account, be submitted to the Broads Authority or appropriate committee.

Systems and Procedures

This area forms much of the routine financial business of the Authority and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

38 Purchasing Arrangements

- 38.1 Directors must ensure and be able to demonstrate that the Authority obtains value for money in purchasing activity and that purchasing accords with corporate and service priorities, and that where possible purchasing is sustainable in nature.
- 38.2 Where any goods or a service involves tendering or contracts, these arrangements must conform to the requirements set out at in the Authority's Standing Orders Relating to Contracts.
- 38.3 The most effective and sustainable purchasing arrangements must be used and must always be in compliance with the Authority's Procurement Strategy. For example:
 - low cost items (less than £25) may be purchased through an imprest account (Petty Cash); and
 - low value, high-low volume purchases may be made via a Credit Card.
- 38.4 The Head of FinanceChief Financial Officer must ensure that e-business / purchasing processes maintain the security and integrity for transacting business electronically and must approve the introduction of such systems.
- 38.5 In accordance with the relevant codes of practice, every officer and member of the Authority who is involved in contractual or purchasing decisions and issuing payments on behalf of the Authority has a responsibility to formally declare any links or personal interests which they may have with purchasers, suppliers or contractors and in respect of partnership arrangements.
- 38.6 The Head of FinanceChief Financial Officer is responsible for ensuring that Related Party Transactions involving the award of contracts following a tender process to members of the Authority or the Navigation Committee are reported to the Authority in advance of any such contract being let. This will be via the regular reporting undertaken to the Authority within the Financial Performance and Direction report or, in cases of urgency, by email, as judged necessary by the Head of FinanceChief Financial Officer.

39 Orders for Goods and Services

39.1 Directors are responsible for the control and use of all orders and requisitions within their Directorates and for access to the systems that generate them in accordance with the detailed standards below.

- 39.2 Orders should only be raised using the official purchase order and requisition pads as supplied by the Finance Department.
- 39.3 Directors are responsible for:
 - The control and use of all purchase orders and requisitions.
 - Ensuring safe custody of unused orders.
 - Ensuring every order is dated and signed by an authorised officer.
 - Ensuring every order clearly specifies the standards, quality and quantity of goods and services required.
 - Ensuring every order states the agreed price or contract terms and times of delivery.
 - Ensuring every order is in compliance with the instructions relating to procurement.
 - An authorised second <u>level</u> signature is required in respect of payment for any order over the value of £5,000.
- 39.4 Directors and budget managers are responsible for ensuring that budget provision exists for all purchases and commitments created.
- 39.5 Yellow copies of purchase orders or requisitions will be forwarded to the Finance Department within two working days of being raised. Full details of the process for completing the forms are available on the Finance Intranet pages.
- 39.6 For orders placed by telephone, email, internet or verbally, the Director is responsible for ensuring systems are in place to ensure the person placing the order has the appropriate authority and that the Authority receives the goods that have been ordered.
- 39.7 A paper purchase order or requisition must still be raised for these transactions.
- 39.8 Orders are required for all purchases except:
 - rents;
 - rates and water charges;
 - gas and electricity;
 - telephone charges;
 - goods/services covered by a formal fixed term contract;
 - small items purchased from Petty Cash; and
 - items purchased via a Company Credit Card.
- 39.9 Members of staff are not permitted to purchase goods privately under the Authority's contract arrangements or solicit preferential treatment in a private capacity from the Authority's suppliers.
- 39.10 A copy of each order received by the Finance Department shall be scanned and retained as part of the electronic policy of the Authority.

40 Payment of Accounts

- 4<u>10</u>.1 The officer who issues the order shall be responsible for approving the invoice for payment (first approver). By approving the invoice that officer is certifying that:
 - the invoice relates to goods or services that the Authority has received;
 - the goods or services are of the quality and quantity ordered;
 - the invoice does not relate to goods or services that have previously been charged to the Authority;
 - the expenditure is allocated to the correct financial code; and
 - sufficient budget provision exists to meet the value of the invoice.
- 4 ± 0.2 A second approval will be required for each invoice.
- 4<u>10</u>.3 A full list of second approvers and the appropriate authorisation limits is available on the Finance Intranet pages. The second level approval process must always include the relevant budget holder for the budget to be charged. This may mean that there are multiple second level approvers for some transactions.
- 410.4 The Finance Department will hold the central authorised signatory list along with specimen signatures. Directors must ensure that they notify the Head of FinanceChief Financial Officer of any required additions or deletions to this list and in turn the Head of FinanceChief FinanceChief Financial Officer must ensure that these changes are approved by the Management Team and that an appropriate record is maintained of this decision.
- 401.5 In exceptional circumstances payment may be required in advance of the supply of goods or services, though this is not best practice. In such situations <u>either a pro-forma</u>, Cheque Request Form or BACS Request Form must be completed, signed by the appropriate budget manager and given to the Finance Department for processing.
- 4<u>40</u>.6 The budget manager must take extra care in such transactions and ensure that:
 - only reputable suppliers are used;
 - the amounts of such payments are appropriate to be paid in advance and do not present unnecessary risk;
 - all other reasonable steps are taken to protect the Authority from risk and potential loss; and
 - a VAT receipt or invoice is received from the supplier in order to comply with VAT regulations.
- 41<u>0</u>.7 Officers must ensure that valid payments are processed in sufficient time to meet payment deadlines and to avoid late payments and avoid potential penalties being incurred. Late payment legislation (Statutory Instrument 2013 No. 395 The Late Payment of Commercial Debts Regulations 2013) requires UK public authorities to pay valid invoices within 30 calendar days of receipt. Where these timescales are not met, the Authority is obliged to automatically pay:
 - the outstanding amount;

- daily interest for every day the payment is late based on an interest rate 8 percentage points above the Bank of England's reference rate; plus
- a fixed amount, depending on the size of the unpaid debt (up to £999.99: £40; between £1,000.00 and £9,999.99: £70; £10,000 or more: £100).
- 4<u>+0</u>.8 The use of Direct Debits and Standing Orders as payment methods requires the prior agreement of the Head of FinanceChief Financial Officer.
- 404.9 The Authority's preferred method of payment of accounts, grant-aid and other contributions is via the BACS payment system. Officers should therefore endeavour to obtain the required banking details from third parties in all instances. Forms are available from the Finance Department.
- 4<u>10</u>.10 All cheques shall be ordered only on the authority of the <u>Head of FinanceChief</u> <u>Financial Officer</u>, who shall make proper arrangement for their safe custody.
- 410.11 Cheques on the main bank account <u>require two authorised signatures</u>. Details of who these signatories are can be found within the List of Authorised Signatures located on the intranet.shall bear the electronic signature of the Treasurer and Financial Adviser or be signed by the Treasurer and Financial Adviser or other officer authorised to do so. Cheques for amounts over £5,000 bearing the electronic signature of the Treasurer and Financial Adviser will be countersigned by a second account signatory.
- 421 Company Credit Cards
- 42<u>1</u>.1 The Head of Finance Chief Financial Officer shall ensure that proper arrangements are made for the administration of Company Credit Card(s).
- 421.2 The Head of FinanceChief Financial Officer shall issue cards where circumstances require, once approval has been given by the appropriate Director and the Chief Executive.
- 421.3 Any orders raised and paid for using a Company Credit Card must be accompanied by a Credit Card Request form. It is the responsibility of the card holder to ensure that the person requesting the payment has completed the Credit Card Request form prior to payment being made.
- 421.4 All cards must be kept as securely as possible, not be left unattended and must be used by the card holder only. The card holder is responsible for any payments made with cards issued in their name.
- 421.5 The standard credit limit for any credit card will be set at £3,000 unless otherwise approved by the Chief Executive. The maximum limit for any credit card will be £5,000.

421.6 It is the responsibility of the person requesting payment to be made to ensure that a VAT receipt or invoice is received from the supplier. Failure to do this will mean that the Authority is unable to reclaim the VAT and the budget will be charged for the gross cost of the supply.

432 Fuel Cards

- 432.1 Fuel cards are issued in respect of all vehicles used for Authority purposes and must be stored securely with the vehicle keys when not in use.
- 4<u>32</u>.2 Users should ensure that these cards are kept in a safe location and should report any loss of cards immediately to the <u>Head of FinanceChief Financial Officer</u> who will ensure its cancellation.
- 4<u>32</u>.3 Fuel cards should only be used for the purchase of fuel for Authority vehicles.

44<u>3</u> Salaries, Wages and Pensions

- 44<u>3</u>.1 The payroll function of the Authority is performed by Norfolk County Council.
- 44<u>3</u>.2 The HR Department is responsible for ensuring that the payroll provider is provided with such information as is necessary to ensure that accurate payments are made, including details of all starters and leavers and of any relevant amendments to terms and conditions of employment.
- 44<u>3</u>.3 All timesheets must be completed using the appropriate forms supplied by the HR Department and once completed should be approved by the appropriate budget manager. Those staff authorised to sign timesheets are detailed on the Authorised Signatory List which can be found on the Finance Intranet pages.
- 44<u>3</u>.4 The Head of FinanceChief Financial Officer must ensure that only currently employed members of staff are paid in the monthly payroll and that any anomalies are first raised with the Head of Human Resources. If these cannot be resolved they should be escalated to the Director of Planning and ResourcesChief Executive.

454 Staff Travel, Subsistence and Expense Claims

- 454.1 General travel, subsistence and expense claims should be made using the Expenses Claim Form which can be found on the Human Resources Intranet pages.
- 454.2 Receipts for subsistence and expenses must be obtained and attached to the back of the claim form.
- 454.3 All claim forms must be signed by the claimant and authorised by their line manager.
- 454.4 All forms must be forwarded to the Human Resources Department by no later than 5.00pm on 23rd day of the month, to ensure payment within the following month's pay.
- 4<u>54</u>.5 Exceptional expense claims for direct payment by the Finance Department may be made using the separate Expenses Claim Form which can be found on the Finance Intranet pages.
- 454.6 Officers' claims submitted more than six months after expenses were incurred will be paid only with the express approval of the Chief Executive.

465 Members Allowances, Travelling, Subsistence and Expense Claims

- 465.1 Payments to members, including co-opted members of the Authority or its committees who are entitled to claim travelling or other allowances, will be made upon receipt of the completed prescribed form.
- 465.2 Claims should be submitted within six months of the expense being incurred.

4<u>6</u>7 Rail Travel and Hotel Accommodation

- 4<u>6</u>**7**.1 Where possible all rail travel should be booked using the Authority rail account to ensure cost effective ticket purchasing and assist with establishing the Authority's annual rail travel usage.
- 4<u>6</u>7.2 All rail travel bookings should be accompanied by a rail travel request form which should be given to the Finance Department after the booking is complete.
- 47<u>6</u>.3 The Authority holds a Premier Inn account which should be used to make accommodation bookings where appropriate.

487 Income

- 4<u>7</u>8.1 Scales of charges for services and any allowances and any subsequent variations (except where fixed by statute) must be reviewed at regular intervals by the appropriate Director and agreed with the Chief Executive before submission to the Authority for approval.
- 4<u>7</u>8.2 The Asset Officer (or other appropriate officer nominated by him/her) must maintain a detailed record of operational and non-operational land and buildings in respect of which rent is or may be receivable, together with sufficient details of the terms of tenancy/usage to enable the correct amount of rents to be recovered.
- 487.3 The Chief Executive is authorised to write off any sum not exceeding £5,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The Treasurer and Financial AdviserChief Financial Officer is authorised to write off, in consultation with the Chief Executive, any sum not exceeding £25,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The prior approval of the Authority must be obtained to write off any sum in excess of £25,000.
- 487.4 The Head of FinanceChief Financial Officer must be consulted by Directors on any proposal to acquire any cash till or accounting equipment.

498 Invoicing Arrangements (Charging for Goods/Services)

- 498.1 The raising of all invoices to outside organisations (referred to as customers) must only be performed by the Finance Department who have a full understanding of the VAT situation for each charge to be made.
- 498.2 Any officer wishing to raise an invoice must do so by completing an Invoice Requisition Form and then passing this to the Finance Department. The Finance Department has procedures that it should follow to ensure that all debts are paid. This consists of 'reminder' and 'warnings of legal action' letters.

- 48.3 For items where the Authority is required to make payment on a customer's behalf advance payment is required in to cover the cost of the purchase. This typically covers items such as memorial benches and external accreditation.
- **5049** Banking Arrangements
- 5049.1 The Head of FinanceChief Financial Officer is authorised to make arrangements regarding the Authority's bank accounts. All such bank accounts will be in the name of the Broads Authority.
- 5049.2 The Head of FinanceChief Financial Officer will ensure that monthly bank reconciliations are carried out in a timely manner for all of the Authority's bank accounts.
- 5049.3 Unless otherwise agreed by the Authority, officers authorised to collect Authority money must issue official receipts promptly and pay over all sums received to the Head of FinanceChief Financial Officer or by arrangement (for example in respect of the collection of Tolls income), to the Authority's bankers. All reasonable steps should be taken for the storage of cash, and should conform to the requirements imposed by the Authority's insurers.
- 5049.4 Each officer who receives money on behalf of the Authority must keep an accurate and chronological account of all receipts and deposits.
- 5049.5 Every transfer of Authority monies from one member of staff to another must be evidenced in the records of the Authority by the signature of the receiving officer.
- 5049.6 Receipts must only be issued on officially authorised receipt books, tickets and other documents of a similar nature which have been ordered and issued by, or under the direction of, the Head of FinanceChief Financial Officer. A record must be maintained of every issue of such documents.
- 5049.7 Any cheques or cash received at the Authority's Head Office must be logged into the cheque log as the post is opened. Once the Finance Department has received the cheques or cash they must initial the log to confirm that they have taken receipt of the cheques or cash.
- 5049.8 The Finance Department must ensure that they accurately record the details of any payments they receive and that they correctly establish whether the payment relates to a previously raised invoice.
- 5049.9 Money received or held on behalf of the Authority must be banked in full and not be used to cash personal or any other cheques whatsoever.

510 Controlled Stationery

- 5<u>10</u>.1 The <u>Head of FinanceChief Financial Officer</u> will be responsible for the order and issue of controlled financial stationery, these being:
 - Cheques;
 - Purchase Orders;
 - Requisitions;
 - Receipt Pads; and

• Boat Trip and Yacht Station Tickets.

A record of all new stock received and issues made (and to whom) will be made by the Head of FinanceChief Financial Officer.

521 Petty Cash Systems

- 521.1 The Head of FinanceChief Financial Officer will issue petty cash floats for the purpose of reimbursing expenses.
- 521.2 No income received should be paid into a petty cash system. Such income should be banked into the Authority bank account using paying in books issued by the Finance Department, or by being passed to Finance for banking.
- 521.3 Reimbursement of expenses should be limited to expenditure under £25 unless otherwise authorised by the relevant Budget Holder and the Head of FinanceChief <u>Financial Officer</u>.
- 521.4 Officers responsible for petty cash systems must ensure that cash and receipts total the original floats issued at all times.
- 52<u>1</u>.5 Such petty cash systems should be made available for inspection by the Head of FinanceChief Financial Officer as requested.

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