

Audit and Risk Committee

AGENDA

11 December 2018

2:00pm

- | | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 1. To receive apologies for absence | |
| 2. Appointment of Chair
<i>Nominations for Chair have been received for:</i>

<i>Louis Baugh proposed by Haydn Thirtle, seconded by Nicky Talbot</i> | |
| 3. Appointment of Vice Chair
<i>No nominations for Vice-Chair have been received</i> | |
| 4. To receive declarations of interest | |
| 5. To note whether any items have been proposed as matters of urgent business | |
| 6. To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 24 July 2018 (included) | 3 - 11 |
| 7. Public Question Time
To note whether any questions have been raised by members of the public | |

FINANCIAL SCRUTINY

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 8. Consolidated Income and Expenditure – 1 April to 31 October 2018 Actual and 2018/19 Forecast Outturn
Report by Chief Financial Officer | 12 – 22 |
| 9. Preparation for the 2019/20 Budget
Given that this meeting is taking place later than last year, Navigation and The Broads Authority have seen draft figures as part of the “Setting of Tolls”. Therefore this will no longer be an agenda item. | |

RISK MANAGEMENT

10. **Review of Strategic Risk Register**
Report by Solicitor & Monitoring Officer 23 - 60

AUDIT

11. **External Audit**
Report by Chief Financial Officer 61 - 100
12. **Implementation of Internal Audit Recommendations:
Summary of Progress**
Report by Chief Financial Officer 101 - 110

OTHER MATTERS

13. **Members Allowances**
Report by Chief Financial Officer (herewith) 111 - 120
14. **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**
15. **To answer any formal questions of which due notice has
been given**
16. **To note the date of the next meeting – Tuesday 5 March
2019 at 2.00pm at Yare House, 62-64 Thorpe Road,
Norwich**

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 24 July 2018

Present:

Mr Louis Baugh (Chairman)
Prof. Jacquie Burgess
Mr Bill Dickson
Ms Gail Harris
Mrs Nicky Talbot
Mr Haydn Thirtle
Mr Greg Munford

In Attendance:

Ms Esmeralda Guds - Administrative Officer
Miss Emma Krelle - Chief Financial Officer
Dr John Packman - Chief Executive

Also in Attendance:

Ms Emma Hodds – Head of Internal Audit
Ms Faye Haywood – Internal Audit Manager
Ms Sappho Powell – Audit Manager, External Audit Ernst & Young LLP

3/1 To receive apologies for absence

Apologies were received from Sarah Mukherjee. Further apologies were received from Kevin Sutter, Audit Director E&Y and David Harris, Solicitor & Monitoring Officer.

Recordings

The Chair announced that the meeting would be recorded and that the copyright remains with the Authority; however a copy of the recording could be requested.

Variation in the Order of the Agenda

The Chairman announced in accordance with Standing Order Item 5(1) (c) that he proposed to vary the order of the Agenda to take item 11 after agenda item 9 allowing Sappho Powell to leave in time for another appointment.

3/2 To note whether any items have been proposed as matters of urgent business

The Chair said he would like to raise an item of urgent business under agenda item 14.

3/3 Declarations of Interests

Nothing to declare

3/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 6 March 2018 (herewith)

The minutes of the meeting held on 6 March 2018 were approved as a correct record and signed by the Chairman.

When a member asked when the self-assessment mentioned on page 5 of the minutes would take place, the Committee was reminded that due to the influx of new Members they had agreed to postpone the self-assessment until the Committee had settled in.

3/5 Public Question Time

No questions were raised by members of the public.

3/6 Internal Audit Annual Report and Opinion 2017/18

The Head of Internal Audit gave members an overview of the report, explaining its contents as there were a number of new Members around the table, as well as a new Internal and a new External Audit Manager.

The Head of Internal Audit highlighted that the Opinion itself had a reasonable assurance and was not showing any cause of concern. She explained that a reasonable assurance was positive and a substantial assurance would be an unrealistic achievement for the size of the Authority.

It was confirmed that the majority of the recommendations raised by internal audit throughout the year had been completed. One outstanding recommendation was in relation to Corporate Governance / Data asset register which was nearly completed. It would need to take into account the ICO checklist for documentation of processing activity requirement and best practice. It also covered Occupational Health records.

It was explained that recommendation number 7, in regards to providing training on risk assessment and ALARP principles, had not been completed yet, because there had been no new appointees to the Navigation Committee in last four years.

3/7 Annual Governance Statement 2017/18

Members received the draft Annual Governance Statement for 2017/18 and a report explaining the legal requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements.

A Member highlighted the importance of the framework of core principles (para 2.4, page 43) and how this should be the framework the Authority would subscribe to.

The Members approved the Annual Governance Statement for 2017/18 and Action Plan for 2018/19.

The Committee noted that, subject to implementation of the improvements identified in the Action Plan, the Authority's internal control systems and governance arrangements were considered to be adequate and effective.

3/8 Statement of Accounts 2017/18

The Members received a report summarising the Broads Authority's Statement of Accounts for the year ended 31 March 2018. They were informed that as part of the update to the Narrative report it contained additional information regarding the Authority's strategic priorities, governance and risks. As documents already exist that contain this information links had been provided to avoid duplication.

The Chief Financial Officer thanked the Members who attended the training on the Authority's Finance and Statement of Accounts held on 19th July.

She highlighted that the movement in the pension fund had been beneficial to the balance sheet and that the draft statement originally showing a net liability position now showed a net asset position. It was explained that pensions could have a significant effect on the Authority. Assets could go up as well as down but a stabilisation mechanism in place assured this would balance out.

The Members were re-assured that there was a plan to minimise the pension deficit over the years.

The Chair asked about the mechanism for having to re-instate the pension position and the question on materiality. It was explained that the Auditors determine the materiality. Whether the accounts required to be adjusted depended on the size of the movement and as the movement was above the materiality level the level needed to be re-instated.

When queried it was clarified that the effect of the apprenticeship levy was less than £2,000 and therefore was included under "corporate items" within the Income and Expenditure Statement.

Members were informed that a provision had been created for the tax owed to HMRC in relation to the members' expenses. It was confirmed that the tax implications for Secretary of State Members were the same as for Local Authority Members whilst they were at the Broads Authority offices.

Members recommended the Statement of Accounts for 2017/18 to the Broads Authority for approval.

3/9 Annual Audit Results

The Committee received the Annual Audit Results for 2017/18 prepared by the External Auditors, Ernst & Young and was reminded that the Appendix letter would be signed together with the Statement of Account at the Broads Authority meeting on Friday 27 July 2018.

The Audit Manager thanked the Finance team for producing a very good set of accounts and confirmed there were no matters to report.

Members welcomed that the audit fee would be reduced in 2018/19.

The Committee was assured that Management Override was regularly reviewed as part of the audit. Management override is reviewed at every Local Authority due to influence management could have on the Statement of Accounts.

It was commented that apart from having an ongoing responsibility to operate well, there were particular areas where the Authority looked at improving matters, i.e assets. There was now a database in place, showing all its assets, lease terms and when they were due.

The Chair thanked the Audit Manager from EY for her first audit.

Members noted the Annual Audit Results 2017/18 and that the Letter of Representation in connection with the Audit of the Financial Statements for 2017/18 be signed by the Chief Financial Officer and the Chairman of the Finance Scrutiny and Audit Committee.

Agenda item 11 was dealt with at this point

3/10 Investment Strategy and Performance Annual Report 2017/18

Members received a report, which set out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2018.

The Chief Financial Officer highlighted that this was the first full year that the Authority had managed investments in-house and their target for interest had been achieved.

It was highlighted that since the end of March 2018, the notice account deposit had increased to £1 million. The Chief Financial Officer explained that there was a carefully monitored balance between holding funds in fixed terms deposit, benefiting of high interest rates, and sufficient funds in the current account, allowing purchases when needed and preventing getting into an overdraft.

The Committee was made aware that, depending on the interest rate, the investment coming out in September 2018 most likely would be re-invested for a further year.

Members noted the current arrangements regarding the investment of its unallocated cash.

3/11 External Audit

Members received the annual audit fee letter from Ernst & Young for undertaking the 2018/19 audit for a fee of £10,736 and the Local Government Audit Committee Briefing by Ernst & Young.

The Chief Financial Officer commented that the audit committee briefing in the papers was not the latest that the most recent briefing would be circulated to the members outside of the committee.

Members noted the report.

Sappho Powell left the meeting. 2.50 pm.

3/12 Implementation of Internal Audit Recommendations: Summary of Progress

The Members received a report which updated them on the progress in implementing Internal Audit recommendations arising out of the audits carried out during 2016/17 and 2017/18.

It was explained that the reason the report did not contain any audits from the 2018/19 program, was because the audits were scheduled for the third and fourth quarter of the year. Key controls and Corporate Governance were scheduled for October – December 2018.

It was confirmed that a long outstanding recommendation in regards to External Funding had been completed by the end of the financial year. It was also confirmed that an outstanding HR issues had now been resolved and that a new HR Assistant recently had been appointed.

The Chairman mentioned that this was the last meeting for Emma Hodds, Head of Internal Audit, and thanked her for her work and support.

Members noted the report.

3/13 Updated Terms of Reference of Committees

The Members received a revised draft of the Terms of Reference of Committees and the Chief Financial Officer confirmed that the Head of Internal Audit and the Internal Audit Manager had considered the report and that their opinions had been incorporated into the document.

When a Member queried the presence of the Compulsory Purchase Powers (p.226), the Committee was informed that although it was part of the original Terms of Reference this power had never been used.

A Member pointed out an inconsistency on page 44 para 3.3 where it was mentioned that Broads Authority meetings were held every two months appose to the new arrangements of 4 times a year plus two workshops.

A further amendment was suggested on page 230 para 2
...annual meeting, which will include the Chairman... change to *...annual meeting, together with the Chairman...*

Members approved the report subjects to those amendments being made.

3/14 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

The Chair raised a matter of urgent business when he stated his concerns regarding a vision documented which was circulated by one of the two nominated candidates for the upcoming elections for Chair and Vice Chair of the Broads Authority. As Haydn Thirtle was one of the nominated candidates, he was asked not to take part in the deliberations.

The Chairman said he wished to establish the accuracy of the document in regards to Tolls Income which stated as follows:

Navigation income was ring fenced as part of a side agreement to the 2009 Broads Act, and the accounting methodology showing the separation between national park and navigation income was abandoned some years ago. I am proposing that, in order to gain the trust of the NSBA and the BHBF, we restore the format as originally agreed, as the current arrangement gives the wrong impression and makes it difficult to compare the accounts year on year.

The Chief Executive was asked to comment and addressed the four different concerns within the statement.

1. Navigation Income were ring fenced as part of the side agreement to the 2009 Broads Act.

The Chief Executive clarified that the separation of National Park and Navigation expenditure was introduced in April 1989.

An agreement to have a single Income and Expenditure account was reached at the end of 2006 between the Broads Authority, the Royal Yachting Association and the British Marine Federation on the condition that a legal arrangement ensuring transparency was established. This made provision for changing the format of management statements with the agreement of the Navigation Committee.

2. The accounting methodology showing separation between National Park and Navigation income was abandoned some years ago.

It was explained that although an agreement was reached with the RYA and the BMF to have a single income and expenditure account, the Authority was unable to secure this agreement with the then Minister Barry Gardiner at Defra. The Minister's views were that management of the waterways needed to be funded entirely by the boat owners, as it was a private rather than a public benefit.

The Authority therefore ended up with an Act incorporating the Minister's views that navigation income would equal navigation expenditure ensuring that no National Park funds were spent on Navigation.

Consistently, as agreed with RYA and BMF, the Authority has continued to report in a transparent way so it was clear to Members, auditors and members of the public where funds came from and whether it was spend on National Park or Navigation.

3. To gain trust from the Norfolk Suffolk Boating Association and British Hire Boat Federation the original format was re-instated as the current arrangement gave the wrong impression.

It was explained that it was not appropriate to use the format for management reporting contained in the Appendix to the agreement with the RYA and BMF because many of the budget headings had changed, new ones added and other deleted – for example it was no longer necessary to have a budget line for the Ludham Fieldbase and new lines were necessary for Water Mills and Marshes and CANAPE.

4. Difficult Year on Year Comparison of the accounts

It was confirmed that the Budget had always included the current year's expenditure, last year's expenditure and expenditure for the next three years, allowing Members, auditors and members of the public to see how the Authority spent funds against a set of headings.

A Member commented that the Authority had received an extremely clean audit. Auditors confirmed that part of the audit was to look closely at transparency and accessibility of the accounts and that any concerns would have been reported.

A Member mentioned that some members of the NSBA believed that some clarification of the accounts would be useful. Another Member responded that more detailed information was available if requested and enquired whether the Authority had received representation directly or via the Navigation Committee from the NSBA and the BHBF, registering concern about financial accountability and transparency?

After careful deliberation, the Committee agreed that the statement contained factual inaccuracies and was therefore misleading. The Committee believed that as it indirectly was being accused of acting incorrectly, it was in capacity to respond to the statement.

It was therefore agreed that the Chairman would draft a response on behalf of the Committee and circulate to fellow Members of the Authority.

3/15 Formal Questions

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

3/16 Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 11 December 2018 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.50 pm.

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 24 July 2018

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 ✓
Louis Baugh			
Jacquie Burgess			
Bill Dickson			
Greg Munford			
Nicky Talbot			
Haydn Thirtle			
Gail Harris			

**Consolidated Income and Expenditure:
 1 April to 31 October 2018 Actual and 2018/19 Forecast Outturn**

Report by Chief Financial Officer

Summary: This report provides the Committee with details of the actual income and expenditure for the seven month period to 31 October 2018, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2019).

Recommendation: That the report be noted.

1. Introduction

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

2. Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 October 2018

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(5,799,993)	(5,809,088)	+ 9,095
Operations	2,190,315	2,153,942	+ 36,374
Strategic Services	1,327,813	1,213,708	+ 114,105
Chief Executive	769,970	752,203	+ 17,767
Projects, Corporate Items and Contributions from Earmarked Reserves	74,400	48,369	+ 26,031
Net (Surplus) / Deficit	(1,437,495)	(1,640,867)	+ 203,372

2.1. Core navigation income is above of the profiled budget at the end of month seven. The overall position as at 31 October 2018 is a favourable variance of £203,372 or 14.15% difference from the profiled LAB. This is principally due to:

- An overall favourable variance of £9,095 within toll income:
 - Hire Craft Tolls £9,929 above the profiled budget.
 - Private Craft Tolls £878 below the profiled budget.
- A favourable variance within Operations budgets relating to:

- Equipment, Vehicles and Vessels is over the profiled budget by £22,254 due to a number of repairs being completed ahead of profile.
- Ranger Services is under the profiled budget by £20,137 due to timing differences on the profile originally set.
- A favourable variance within Strategic Services budgets relating to:
 - Development Management is under profiled budget by £50,100 due to additional income from the increased fees and salary savings. The income forecast has been adjusted and the salary savings will decrease through the use of a contractor.
 - Strategy and Projects Salaries is over profiled budget by £10,028 due to a salary being funded from the Catchment reserve.
 - Human Resources is under profiled budget by £16,185 due to a reimbursement of staff training following an individual leaving the Authority and salary savings following a vacancy which has now been filled.
 - Project Funding is under profiled budget by £25,698 due to timing differences.
 - Communications is behind profiled budget by £15,473 due to the Discover England funding being received up front with the corresponding expenditure being invoiced in instalments.
- A favourable variance within Chief Executive budgets relating to:
 - Asset Management is under budget by £20,539 due to timing differences.
 - Finance and Insurance is over budget by £10,664 due to higher insurance premiums. The forecast has been adjusted to reflect this.
- A favourable variance within Reserves relating to the Catchment Partnership, this offsets the Strategies and Projects Salaries adverse variance above.

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

3. Latest Available Budget

3.1. The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2018/19. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original budget 2018/19 – deficit	Item 1 26/01/18 (BA)	72,430
Approved budget carry-forwards	Item 12 18/05/18 (BA)	1,558
LAB at 31 October 2018 – deficit		73,988

4. Overview of Forecast Outturn 2018/19

4.1. Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. A summary of these adjustments are given in the table below.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn deficit per LAB	73,988
Increase to Hire Craft Income	(9,929)
Decrease to Private Craft Income	2,369
Increase to Interest Income due to interest rate rise	(15,000)
Increase to Construction & Maintenance Salaries Income following insurance claim reimbursement for Horace	(2,930)
Increase to Planning Fees	(11,000)
Increase to Staff Training Income following employee reimbursement	(5,250)
Decrease to Collection of Tolls Salaries following a shorter seasonal contract	(9,280)
Decrease to Asset Management expenditure to reflect savings on land based leases	(2,025)
Increase to Finance and Insurance expenditure to reflect increased premiums	12,300
Forecast outturn deficit as at 31 October 2018	33,243

4.2. This represents a favourable variance of £40,745 between the forecast outturn and the LAB. This is a result of additional income and savings within expenditure.

5. Reserves

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2018	In-year movements	Current reserve balance
	£	£	£
Property	(479,194)	(68,462)	(547,656)
Plant, Vessels and Equipment	(202,154)	(79,166)	(281,320)
Premises	(148,424)	(49,744)	(198,168)
Planning Delivery Grant	(227,176)	0	(227,176)
Upper Thurne Enhancement	(100,175)	(19,000)	(119,175)
Section 106	(102,250)	0	(102,250)

Heritage Lottery Fund	(113,519)	138,698	25,179
Catchment Partnership	(99,481)	27,028	(72,452)
CANAPE	(72,259)	34,279	(37,979)
Computer Software	(40,307)	0	(40,307)
Total	(1,584,939)	(16,366)	(1,601,305)

5.1. £715,435 of the current reserve balance relates to navigation reserves.

6. Summary

6.1. The current forecast outturn position for the year suggests a deficit of £52,951 for the national park side and a surplus of £19,708 on navigation resulting in an overall deficit of £33,243 within the consolidated budget, which would indicate a general fund reserve balance of approximately £1,058,000 and a navigation reserve balance of approximately £387,000 at the end of 2018/19 before any transfers for interest. This will mean that the navigation reserve will be above the recommended level of 10% of net expenditure during 2018/19.

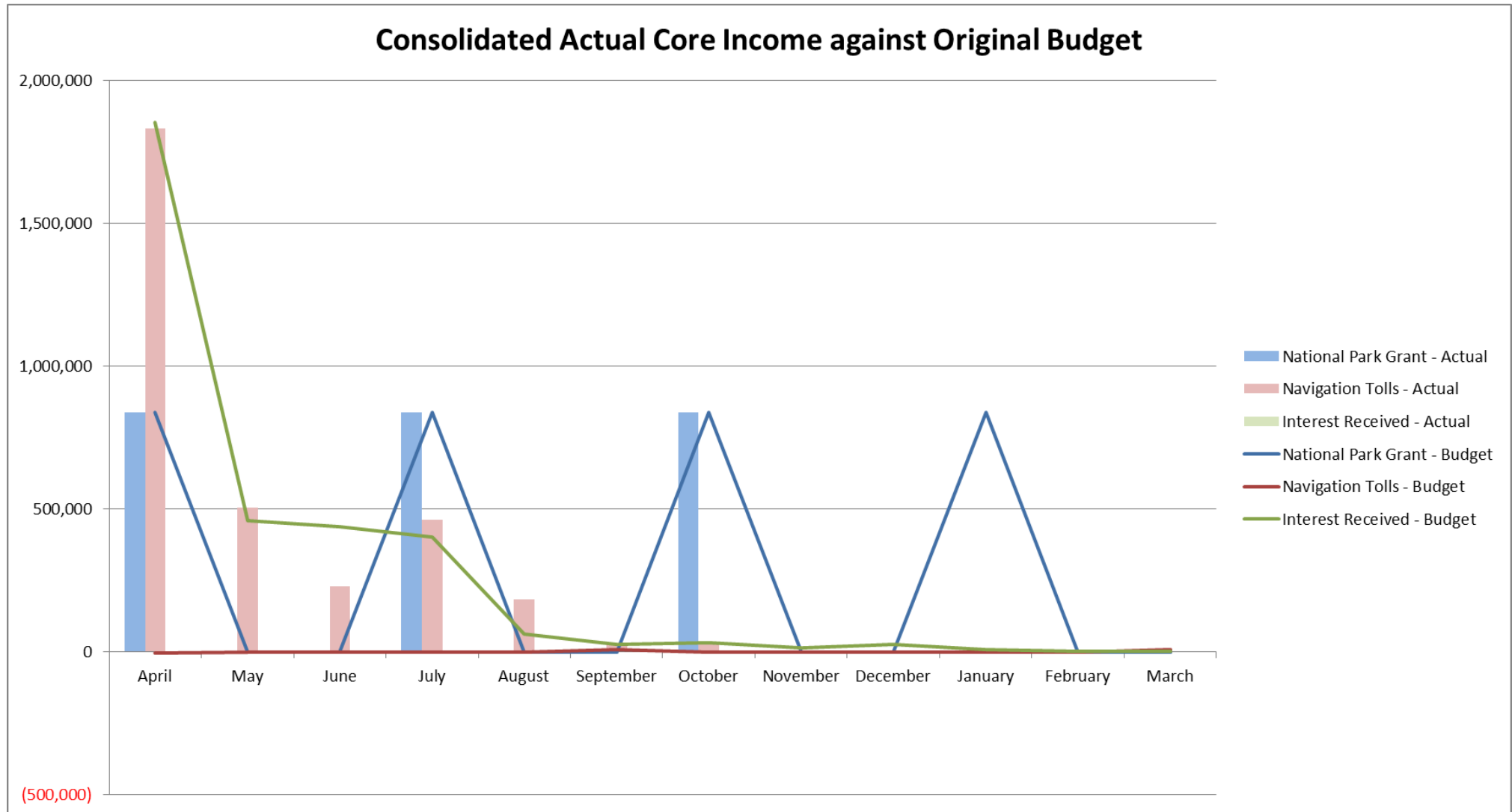
Background papers: None

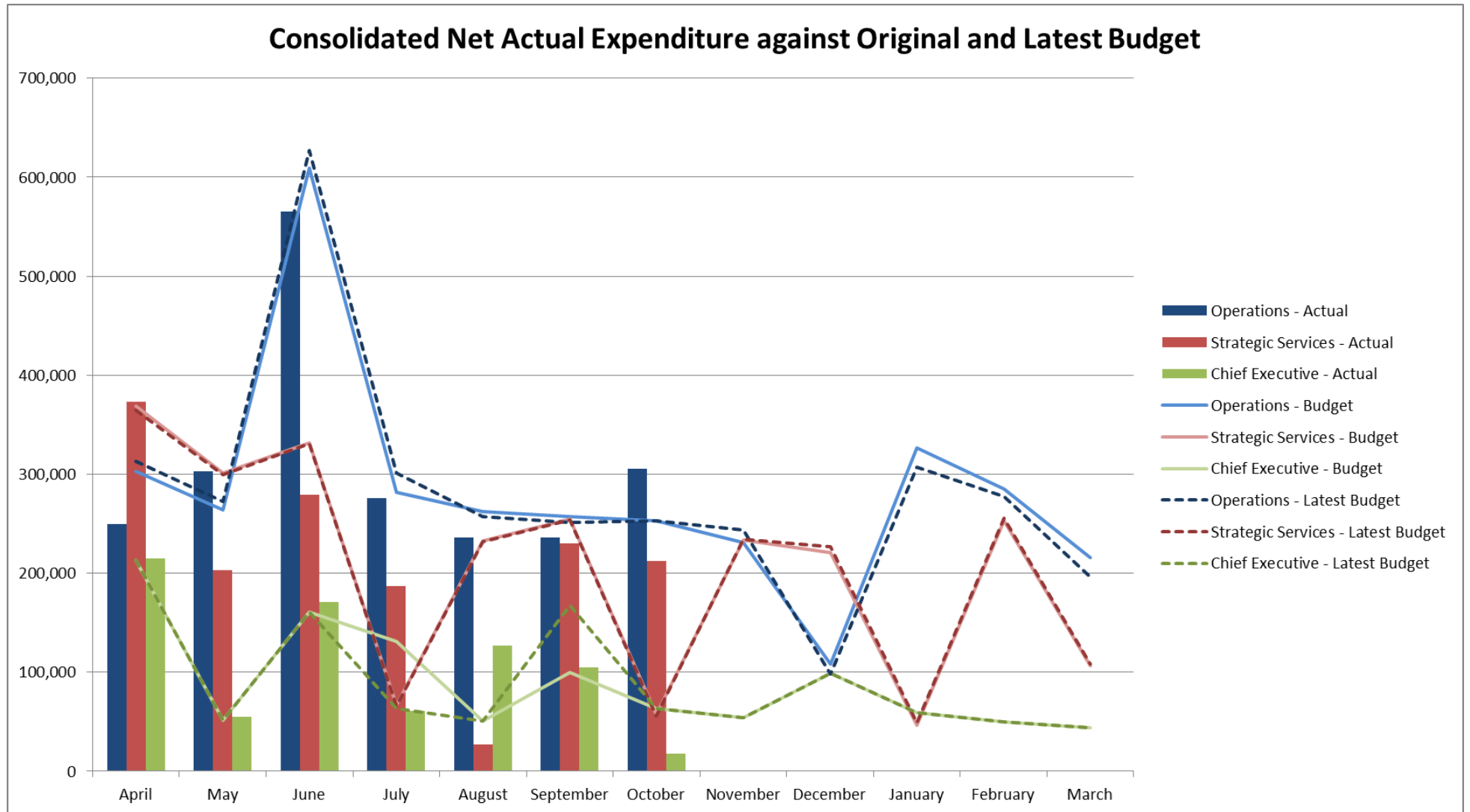
Author: Emma Krelle
Date of report: 21 November 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 October 2018

APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2018/19





To 31 October 2018

Budget Holder (All)

Values					
Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,702,148)		(6,702,148)	(6,724,708)	22,560
National Park Grant	(3,356,348)		(3,356,348)	(3,356,348)	0
Income	(3,356,348)		(3,356,348)	(3,356,348)	0
Hire Craft Tolls	(1,149,300)		(1,149,300)	(1,159,229)	9,929
Income	(1,149,300)		(1,149,300)	(1,159,229)	9,929
Private Craft Tolls	(2,121,800)		(2,121,800)	(2,119,431)	-2,369
Income	(2,121,800)		(2,121,800)	(2,119,431)	-2,369
Short Visit Tolls	(40,900)		(40,900)	(40,900)	0
Income	(40,900)		(40,900)	(40,900)	0
Other Toll Income	(18,800)		(18,800)	(18,800)	0
Income	(18,800)		(18,800)	(18,800)	0
Interest	(15,000)		(15,000)	(30,000)	15,000
Income	(15,000)		(15,000)	(30,000)	15,000
Operations	3,501,440	24,200	3,525,640	3,522,710	2,930
Construction and Maintenance Salaries	1,184,010	0	1,184,010	1,181,080	2,930
Income	(4,530)		(4,530)	(7,460)	2,930
Salaries	1,188,540	0	1,188,540	1,188,540	0
Expenditure			0		0
Equipment, Vehicles & Vessels	451,500	0	451,500	451,500	0
Income			0		0
Expenditure	451,500	0	451,500	451,500	0
Water Management	103,000		103,000	103,000	0
Income			0		0
Expenditure	103,000		103,000	103,000	0
Land Management	(36,000)		(36,000)	(36,000)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(90,000)		(90,000)	(90,000)	0
Expenditure	54,000		54,000	54,000	0
Practical Maintenance	493,700		493,700	493,700	0
Income	(10,500)		(10,500)	(10,500)	0
Expenditure	504,200		504,200	504,200	0
Ranger Services	739,060		739,060	739,060	0
Income	(131,020)		(131,020)	(131,020)	0
Salaries	674,180		674,180	674,180	0
Expenditure	195,900		195,900	195,900	0
Pension Payments			0		0
Safety	160,390		160,390	160,390	0
Income	(2,000)		(2,000)	(2,000)	0
Salaries	61,290		61,290	61,290	0
Expenditure	101,100		101,100	101,100	0
Volunteers	75,350		75,350	75,350	0
Income	(1,000)		(1,000)	(1,000)	0
Salaries	50,450		50,450	50,450	0
Expenditure	25,900		25,900	25,900	0
Premises	208,170	24,200	232,370	232,370	0
Income			0		0
Expenditure	208,170	24,200	232,370	232,370	0
Operations Management and Administration	122,260		122,260	122,260	0
Income	(2,360)		(2,360)	(2,360)	0
Salaries	112,120		112,120	112,120	0
Expenditure	12,500		12,500	12,500	0
Strategic Services	2,207,620	1,558	2,209,178	2,197,108	12,070
Development Management	402,805		402,805	391,805	11,000
Income	(80,000)		(80,000)	(91,000)	11,000
Salaries	368,880		368,880	368,880	0
Expenditure	113,925		113,925	113,925	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Pension Payments			0		0
Strategy and Projects Salaries	296,440		296,440	309,900	-13,460
Income	(31,460)		(31,460)	(31,460)	0
Salaries	259,400		259,400	259,400	0
Expenditure	68,500		68,500	81,960	-13,460
Biodiversity Strategy	10,000		10,000	10,000	0
Income			0		0
Expenditure	10,000		10,000	10,000	0
Human Resources	134,710	1,558	136,268	131,018	5,250
Income	0		0	(5,250)	5,250
Salaries	75,210		75,210	75,210	0
Expenditure	59,500	1,558	61,058	61,058	0
Waterways and Recreation Strategy	87,480		87,480	87,480	0
Salaries	77,980		77,980	77,980	0
Expenditure	9,500		9,500	9,500	0
Project Funding	105,500		105,500	105,500	0
Expenditure	105,500		105,500	105,500	0
Pension Payments			0		0
Communications	302,030		302,030	302,030	0
Income	(6,150)		(6,150)	(6,150)	0
Salaries	233,680		233,680	233,680	0
Expenditure	74,500		74,500	74,500	0
Visitor Centres and Yacht Stations	208,710		208,710	208,710	0
Income	(237,500)		(237,500)	(237,500)	0
Salaries	314,210		314,210	314,210	0
Expenditure	132,000		132,000	132,000	0
Collection of Tolls	134,180		134,180	124,900	9,280
Salaries	121,480		121,480	112,200	9,280
Expenditure	12,700		12,700	12,700	0
ICT	308,890		308,890	308,890	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	188,440		188,440	188,440	0
Expenditure	120,450		120,450	120,450	0
Strategic Services Management and Administration	216,875		216,875	216,875	0
Income	(730)		(730)	(730)	0
Salaries	142,740		142,740	142,740	0
Expenditure	74,865		74,865	74,865	0
Chief Executive	1,076,443		1,076,443	1,086,718	-10,275
Legal	108,670		108,670	108,670	0
Income	(510)		(510)	(510)	0
Salaries	49,180		49,180	49,180	0
Expenditure	60,000		60,000	60,000	0
Governance	124,750		124,750	124,750	0
Salaries	72,850		72,850	72,850	0
Expenditure	51,900		51,900	51,900	0
Chief Executive	112,090		112,090	112,090	0
Salaries	112,090		112,090	112,090	0
Expenditure			0		0
Asset Management	115,080		115,080	113,055	2,025
Income	(22,000)		(22,000)	(22,000)	0
Salaries	47,330		47,330	47,330	0
Expenditure	89,750		89,750	87,725	2,025
Finance and Insurance	362,160		362,160	374,460	-12,300
Income	(5,930)		(5,930)	(5,930)	0
Salaries	154,090		154,090	154,090	0
Expenditure	214,000		214,000	226,300	-12,300
Premises - Head Office	253,693		253,693	253,693	0
Income			0		0
Expenditure	253,693		253,693	253,693	0
Projects and Corporate Items	216,707		216,707	216,707	0
Partnerships / HLF	138,207		138,207	138,207	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(1,182,118)		(1,182,118)	(1,182,118)	0
Salaries	169,940		169,940	169,940	0
Expenditure	1,150,385		1,150,385	1,150,385	0
Corporate Items	78,500		78,500	78,500	0
Expenditure	2,500		2,500	2,500	0
Pension Payments	76,000		76,000	76,000	0
Contributions from Earmarked Reserves	(227,632)	(24,200)	(251,832)	(265,292)	13,460
Earmarked Reserves	(227,632)	(24,200)	(251,832)	(265,292)	13,460
Expenditure	(227,632)	(24,200)	(251,832)	(265,292)	13,460
Grand Total	72,430	1,558	73,988	33,243	40,745

Review of Strategic Risk Register
Report by Solicitor and Monitoring Officer

Summary:	The Strategic Risk Register has been reviewed and updated following consultation with risk owners in June 2018 and Management Forum in August and October 2018.
Recommendation:	(1) That the Committee reviews and approves the Strategic Risk Register (2) The Committee notes and considers the other matters raised within this report.

1 Background

- 1.1 The Authority's Strategic Risk Register is reviewed by Risk Owners 6-monthly in December and June each year. For June 2018 the Register was subject to its most recent review in conjunction with Risk Owners by the Solicitor and Monitoring Officer. The Register was then considered by Management Forum in both August and October 2018.
- 1.2 The Register contains a scoring system for both Initial Risks and Revised Risks, the latter re-scored after applying the mitigating factors of the safeguards and precautions listed. In each case the risks are scored by 0 to 3 for Severity (S) and Probability (P). The Risk (R) is then set out 1 to 9 by multiplying S by P. In some cases the assessment of the Revised Risk has not produced a lower figure than the Initial Risk.
- 1.3 The Revised Risk is the scoring which remains after all current mitigation.

2 The Committee's responsibilities for Risk

- 2.1 As with all functions of the Audit and Risk Committee, these are provided by the Authority's Terms of Reference of Committees, considered in more detail elsewhere on this Agenda.
- 2.2 In relation to the Strategic Risk Register, these provide:
 - "(10) To consider the authority's Strategic Risk Register to ensure that it adequately addresses the risks and priorities of the authority.*
 - (11) To monitor the effective development and operation of risk management in the authority.*

(12) *To monitor progress in addressing risk-related issues reported to the committee and to seek assurance that risks are being managed within the risk appetite of the authority.”*

3. Risk in context

- 3.1 The context of the Authority’s risk management function is relatively complex. Risk include factors arising from its statutory purposes, the policies and funding priorities of the government of the day, environmental aspects from local to global scale, UK and EU regulatory frameworks, the interests of stakeholders and the management of the Broads Authority’s executive area.
- 3.2 The CIPFA Framework for Delivering Good Governance in Local Government (2016 Edition) establishes seven Core Principles. One of these is *“Managing Risks and performance through robust internal controls and strong public financial management.”* The Authority’s new Code of Corporate Governance adopted in July 2018 addresses this Core Principle.
- 3.3 Previous advice from CIPFA was that the number of strategic business risks should be limited to those that are considered business-critical, typically up to 20 risks. At present the Strategic Risk Register has developed to include 22 risks. The Committee may wish to consider whether it wishes to reduce the number of risks in the Register.
- 3.4 The primary responsibility for identifying risk falls to the officers at Management Forum and risk owners as service managers have the best awareness of the risks in their areas of work.
- 3.5 Risk is not always a purely negative concept and some risks may reflect new opportunities such as a new commercial endeavour or expansion into a new service area. Accordingly, analysis of risks should be undertaken within project proposals. The Authority should then decide whether the level of residual or target risk is acceptable given the potential benefits inherent in the opportunity.

4. Treatment of risk

- 4.1 Risk can be treated in four ways: avoidance, transfer, reduction and acceptance. Sometimes these are referred to as the “4 T’s”: tolerate, treat, transfer or terminate.
- 4.2 Sometimes risks can be avoided altogether by not engaging in an activity at all. However, the most satisfactory manner is to weigh risk avoidance against the advantage of undertaking the activity with greater safeguards in place.
- 4.3 Risk transfer can be undertaken when a risk is insurable.

4.4 Risk reduction is where mitigation factors are applied against the risk concerned. The Strategic Risk Register has had mitigation considered by the risk owners and the steps taken feature widely within the Register.

5. Risk Appetite of the Authority

5.1 For the purpose of the latest review, the risk appetite has been scored as less than a score of 4 on the revised risk. Risks scoring higher than this have been highlighted in red. Risk appetite is a matter falling within the considerations of the Committee.

5.2 Due to its relatively small size and consequent vulnerability, the Authority operates to a relatively low level of risk appetite than compared with larger public bodies. This is especially true with regard to financial wellbeing. For example the Authority maintains a minimum level of reserves following the advice of the section 17 Officer and will not generally set a budget that incurs any deficit.

5.3 Whilst the Broads Authority's risk appetite can broadly be categorised as cautious, it may not be considered that risk appetite should formally be articulated across the Authority. The Authority's size and complexity of its operations mean that it has a large number of highly-qualified specialists and experienced officers at all levels. Therefore, it can respond quickly and effectively to changing circumstances.

5.4 The Committee may wish to set criteria by which individual risks are brought to it. One option may be those risks where they have a revised risk of 4 or more.

6 Conclusion and Recommendation

6.1 The Committee is asked to review the Strategic Risk register and to approve it. It is also asked to note and consider other matters raised. It may be appropriate for the outcome of those considerations to lead to the formation of a Risk Management Strategy in due course.

Background papers:	Nil
Author:	David Harris
Date of report:	26 November 2018
Broads Plan Objectives:	N/A
Appendices:	Strategic Risk Register

Strategic Risk Register

Version: June 2018 updates

Updates reviewed by Management Forum on 8 October 2018 with actions and amendments highlighted in yellow

Introduction and overview

This is the Broads Authority Strategic Risk Register

Presently there are 22 sections, or risk areas identified.

The Register is reviewed six-monthly by the risk owners identified in each section and this is organised by the Solicitor and Monitoring Officer.

The risks are assessed both before and after the application of the mitigating factors under the Controls/Safeguards/Precautions column.

New risks should be identified by risk owners and Management Forum

For the purpose of scoring each risk:

S = Severity of risk is scored by 1 to 3 (3 being highest)

P = Probability of the risk occurring is scored by 1 to 3

R = the Risk score which will be (S x P) and will produce R - a figure of between 1 and 9.

For Risk Appetite purposes, risks higher than 3 (highlighted in red) after mitigation are reviewed by Management Forum and Audit Risk Committee.

Strategic Risk Register

Description of Risk Vulnerability: Loss/Non-Availability of Key Staff												
No.1	Risk Owner/Assessor: CEO					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Key post or role-specific posts absent for a prolonged time causing loss of decision making ability.		2	2	4	Sickness absence reporting and monitoring procedures in place. Increased awareness through MT Agendas and ongoing consideration as to further specific steps to increase organisational resilience.			2	2	4	Organisational resilience to be increased through greater responsibility of Management Forum for their teams. This should: <ul style="list-style-type: none"> o Be prepared with plans in place to cover absence o Understand shortfalls o Identify work load priorities as to what is essential, 	MF to consider this with their teams and report back to a meeting by June 2019.

Strategic Risk Register

								<ul style="list-style-type: none"> o can be transferred or postponed o Identify deputies when relevant o Plan for succession 	
Sickness/outbreak of pandemic (eg Swine Flu) causing loss of knowledge and experience and associated costs.	2	2	4	<p>Hygiene-preventable infections addressed recently through MF.</p> <p>Anti-bacterial soaps available in the wash rooms, hand wash & telephone sanitizers available to help reduce infectious disease spreading.</p> <p>Guidance on handwashing re-issued in October 2018</p>	2	2	4	<p>Consideration of office-bound staff being dispersed in the case of a major pandemic.</p> <p>Solicitor and Monitoring Officer to include this in next review of Business Continuity plan in October 2018</p>	October 2018 (in progress)
Terminal Illness suffered by member of staff or close relation causing them anxiety and inability to perform their role.	1	2	2	<p>Use of welfare and well-being service.</p> <p>Flexible working arrangements, unpaid annual leave and other amended working duties available to help staff cope with private matters</p> <p>Line managers received training on the new HR policies in early 2017 and Head of HR regularly promotes the Authority's options to support employees</p>	1	1	1	Training of line managers to be able to counsel and support the employee concerned.	Completed (January 2017)
Inability to compete in terms of pay causing reduced quality/less efficient service.	1	3	3	Job evaluation scheme to ensure fair and appropriate remuneration of staff. Also steps to	1	3	3		Ongoing through MT

Strategic Risk Register

				<p>seek to add value to employment packages where possible. Uses of salary sacrifice scheme and vouchers and other packages.</p> <p>The ability to apply a Market Supplement is available in exceptional circumstances</p>					
Loss of key personnel through organisational review, including loss of financial expertise causing failure to meet Government and other deadlines. Loss of credibility/reputation with the public/stakeholders. Cost of taking on additional staff, including recruitment, agency costs and training.	1	3	3	<p>Use of secondment arrangements where appropriate. Staff Representatives Group established. Training and development of staff, to enable them to cover for/contribute skills in the absence of more senior staff. Ability to engage short term consultants in some areas to support the BA work as required. Emergency Management and Reporting System enabled.</p>	1	2	2	<p>Review as part of Business Continuity plan. NB: Areas at Risk are Payroll and HR function</p>	October 2018

Strategic Risk Register

Description of Risk Vulnerability: Loss of Offices including Field Bases									
No.2	Risk Owner/Assessor: Solicitor and Monitoring Officer					Assessment Date: June 2018			
						Review Date: December 2018			
Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Destruction through fire, explosion or release of hazardous substances causing temporary loss of communication with staff, public and stakeholders.	3	1	3	<p>Fire Safety Risk Assessment. Undertaken by landlord and BA. Appropriate fire prevention measures in place e.g fire alarms, fire extinguishers.</p> <p>Desktop Exercise successfully carried out in February 2017.</p>	3	1	3		
<p>Flooding of site or loss of access to site through flooding (especially Dockyard) could cause loss of information</p> <p>Access to the Dockyard can be cut off by rising flood water, this can lead to the Bridge Hole being coming impassable to pedestrians and vehicles</p>	2	3	6	<p>Yare house Emergency Fire Procedure and BA Supplementary Procedure (including bomb threat procedures).</p> <p>Dockyard has access to small boats so river access is possible, the site has an emergency evacuation plan and the high ground up and over the rail line is the route.</p> <p>Dockyard has built-in flood protection as part of the building design, office accommodation raised to first floor level, access placed on higher ground .</p> <p>A mains operated pump operates on the bridge hole keeping water levels down. Additional large bore pump on standby over pump if required.</p>	1	3	3	Review with Business Continuity Plan	October 2018 (ongoing)
Loss of use or access to premises causing postponement of work, potential failure to	1	2	2	Business Continuity Plans, including IT Disaster Recovery Plan and Finance Business	1	1	1		October 2018

Strategic Risk Register

<p>achieve objectives/meet deadlines and damage to reputation/credibility.</p>			<p>Continuity Plan. Emergency Management and Reporting System. Home working and hot desking facility at alternative field bases available for some members of staff. Insurance Policies. Annual Review as part of Business Continuity Plan each October.</p>					
--------------------------------------------------------------------------------	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--	--

Strategic Risk Register

Description of Risk Vulnerability: Loss of IT/Communications Systems												
No.3	Risk Owner/Assessor: Head of ICT and Collector of Tolls					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Destruction of or serious damage to head office; long term power outage (> 12 hrs) causing temporary loss of communication with staff, public and stakeholders. Potential loss of income (eg tolls); reduced service delivery; loss of credibility/reputation with the public/stakeholders; inability to calculate/pay monthly salaries; inability to pay suppliers. Potential failure to achieve objectives/deadlines		3	1	3	<ul style="list-style-type: none"> • Business Continuity Plan • Disaster Recovery Plan • Externally hosted website – allowing continued communication to staff, public and stakeholders • External email filtering with remote access facility • Insurance Policies • Payroll Contingency Plan • Finance Business Continuity Plan 			3	1	3	Reconfiguration of DR servers now located at the Dockyard Data Load and testing	December 2018
Short term power loss		3	2	6	<ul style="list-style-type: none"> • Uninterruptible power supply for short term power loss to maintain server farm and phone system. 			1	3	3		
Cyber-crime. Significant virus causing potential loss of data.					<ul style="list-style-type: none"> • Use of Firewalls • Anti-virus software • Password and other security policies • Electronic Communications Policy • Daily backups to disk with data migrated to tape and taken offsite 							

Strategic Risk Register

Description of Risk Vulnerability: Financial Overspend												
No.4	Risk Owner/Assessor: Chief Financial Officer					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Large overspend of budget causing reduction in services		3	1	3	Budgetary control system including monthly reports to budget Holders/Management Team/Members. Monthly meetings with directors and section heads likely to flag up any overspend at an early stage.			2	1	2		
Project overspend causing inability to meet expenses including payment of salaries without external support		3	1	3	Financial regulations and standing orders relating to contracts.			2	1	2	Both updated March 2018	Next update due 2021
Poor financial management and inadequate forecasting leading to flawed decision making causing inability to pay suppliers		3	1	3	Regular auditing of financial systems and controls, standing orders and budgetary controls.			2	1	2		
Underestimation of/failure to make provision for costs of maintaining the Authority's assets causing potential redundancies and loss of reserves.					<p>Three year Financial Strategy published January 2018.</p> <p>Counter Fraud, Corruption and Bribery Strategy.</p> <p>Budget Management Procedures training and ongoing support provided to Budget Holders.</p> <p>Asset management Strategy updated Nov 17 with regular reviews scheduled planned contributions to reserves set out in Financial Strategy.</p> <p>Turntide Jetty renewed, routine replacement of channel markers included in budget provision.</p> <p>Condition assessment of all BA buildings now completed in 2016.</p>						<p>Updated March 2018</p> <p>Review of Navigation furniture due in 2018</p>	Next update due 2021

Strategic Risk Register

Description of Risk Vulnerability: Significant Loss of Income												
No.5	Risk Owner/Assessor: Chief Financial Officer / Chief Executive					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Additional Actions Required		Timescale		
Describe the vulnerability & Impact		S	P	R				S	P	R		
Significant reduction in core government grant aid causing reduction in service		2	1	2	Budgetary control System including monthly reports to Budget Holders/Management Team/members. Work on securing National Park Grant which is settled for financial years until 2019/20.			1	1	1	Review at end of 2018/19 as part of government review	2 years
Non receipt of other significant budgeted income, including funding cuts in funding of partners and loss of tourism/tolls income causing shortfall in income to meet commitments arising out of EC/other projects.		3	1	3	The changes in tolls structures implemented in late 2016 allows greater flexibility for setting tolls ongoing.			2	1	2	Review at next review of tolls structure in 2019.	2 years
Low level of investment income as a result of low returns/low interest rates due to wider economic climate causing inability to meet expenses including payment of salaries; loss of credibility/reputation with the public/stakeholders; potential redundancies and loss of reserves.		2	2	4	Regular auditing of financial systems and controls. Three year financial strategy. Regular reports to members. Cash flow forecasting and placing of fixed term investments. Ongoing review to identify alternative investment options. BA is not reliant on significant returns from its investments as low returns on prudent investments and interest rates have become an established part of the wider economy.			2	1	2	Annual Review of Treasury and Investment Strategy completed March 2018.	Next due end March 2019.

Strategic Risk Register

Description of Risk Vulnerability: Loss of Invested Reserve Funds including inability to access fixed term deposits												
No.6	Risk Owner/Assessor: Chief Financial Officer					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Additional Actions Required	Timescale			
Describe the vulnerability & Impact		S	P	R				S	P	R		
Risk to investments due to wider economic uncertainty causing reduction in service		3	1	3	Investment managed in line with CIPFA Code of Practice on Treasury Management and the Authority's Treasury and Investment Strategy. The Authority's strategy continues to adopt a low risk appetite and will only invest in institutions with a high credit score. Regular reports to Members on performance.			2	1	2	Continuous review of cash flow requirements and credit ratings. Annual review of Strategy.	Ongoing
In order to achieve better interest rates the funds are placed in deposits on fixed terms (up to one year) which stops them being available on instant access.		3	2	6	Cashflow is monitored on a weekly basis against budget predictions to ensure adequate funds are available and notice for withdrawals can be made if required. How the deposits are structured means that the longest the authority would need to wait to access significant funds is 95 days. A proportion of funds remain in instant access to cover business needs.			2	1	2		Ongoing review

Strategic Risk Register

Description of Risk Vulnerability: Failure of major procurement activity												
No.7	Risk Owner/Assessor: Chief Financial Officer				Assessment Date: June 2018							
					Review Date: December 2018							
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Inadequate or incorrect procurement process applied causing reduction in service or failure to deliver service		2	1	2	Standing orders relating to contracts (updated). Procurement summary.			1	1	1	Training completed June 2018. Updated guidance on the intranet.	
Inappropriate supplier identified causing financial loss.		2	1	2	Procurement Strategy			1	1	1	Updated March 2018	Next review due 2021
Contract let incorrectly causing loss of credibility/reputation with the public/stakeholders.		1	1	1	Financial Regulations to be followed. Public Contracts Regulations 2015 to be followed.			1	1	1		Ongoing
Potential for activity to be challenged.		2	1	2	Standard Terms for Contracts. Internal Audit of Key Controls; Finance/Director oversight of procurement activity; Use of in-house Solicitor and Monitoring Officer for advice.			2	1	2	Finance support for Payroll service	Ongoing

Strategic Risk Register

Description of Risk Vulnerability: Loss resulting from fraud, corruption or misappropriation of resources												
No.8	Risk Owner/Assessor: Chief Financial Officer				Assessment Date: June 2018							
					Review Date: December 2018							
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Economic climate resulting in higher incidence of fraudulent and criminal activity causing financial loss and/ or loss of other resources		2	1	2	Financial Regulations. Segregation of financial duties and requirement to have additional signatories to bank account. Requirement for two levels of invoice approval. Increased awareness of phishing type e-mails/scams embedded throughout the organisation.			2	1	2	Barclays Fraud awareness training delivered to Finance/HR January 2018 Barclays fraud updates to be distributed as and when received.	Ongoing
Potential vulnerabilities in systems including those of external organisations (internet banking, payroll provider) causing loss of credibility/reputation with the public/stakeholders		2	1	2	Standing Orders Relating to Contracts Regular contract review including checking of third party business continuity plans.			2	1	2		
Fraudulent changes to supplier bank details causing higher insurance premiums		1	2	2	Weekly reports are run to verify changes to ensure validity following audit recommendations. Supplier bank checking procedures are in place.			1	1	1		
Loss or theft of significant items of equipment causing impact on ability to deliver services		1	2	2	Appropriate secured storage of equipment and insurance cover. Periodic verification of equipment.			1	1	1		
Fraudulent creation of fictitious employees		1	2	2	Internal payment processing and authorisation controls, budget monitoring and financial reconciliations			1	1	1		

Strategic Risk Register

			Separation of duties IT security and passwords Counter Fraud, Corruption and Bribery Strategy Insurance Physical security arrangements					
--	--	--	----------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--	--

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious injury to Member of Staff												
No.9	Risk Owner/Assessor: Head of Safety Management					Assessment Date: June 2018						
						Review Date: December 2018						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Loss or non-availability of expertise/skill		3	1	3	Health and Safety at Work Policy Ability to sub-contract or hire expertise on some subjects Most teams have more than one person trained for specific tasks			3	1	3	Workplace Development Plan in development	Will review progress December 2018
Death or serious injury resulting in HSE involvement / prosecution- unforeseen costs and fines		3	1	3	Health and Safety Policy, Safety committee, Risk Assessments, Training for all staff and regular tool box talks. Safety Observations system to catch near misses to identify and learn from incidents. All accidents are investigated for learning. Regular audits to check control measures are being used. Insurance for legal / HSE costs but fines cannot be insured against. BA reserves maintained Quarterly reports on Health and Safety Monitoring to Management Team All vehicles/plant maintained in accordance with manufacturers requirements Driver licence Checks carried out annually. MOT and Insurance checks on private vehicles introduced in 2018 Evacuation plans in place for fire			3	1	3		

Strategic Risk Register

				Workplace inspections carried out regularly				
Loss of credibility/reputation with the public/ stakeholders				Health and Safety Policy, Safety committee, Risk Assessments, Training for all staff and regular tool box talks. Safety Observations system to catch near misses to identify and learn from incidents. All accidents are investigated for learning points. Regular audits to check control measures are being used. Communications Strategy				
Negligence (by Authority/ manager/ individual) causing potential legal action against the Authority/ costs	2	1	2	Safety Committee and nominate Safety Reps Health and Safety/ Fire awareness specific skills Training for relevant staff First Aid trained staff and Defibrillator at Yare House Insurance Policies to mitigate costs Audits in accordance with a publicised Audit schedule Quarterly reports on Health and Safety Monitoring to Management Team Personal Risk Assessment Occupational health practitioners carry out health surveillance etc. Management Development Training programme Employee assistance facility in place	2	1	2	

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious injury to Member of the Public		
No.10	Risk Owner/Assessor: Head of Safety Management	Assessment Date: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Death or Serious injury causing civil or criminal action against the Authority/ costs	3	1	3	Port Marine Safety Code Safety Management System including regular Hazard Review Regular Audits of Control measures Advice and guidance issued via website, leaflets and Tics on safe use of facilities/recreation Rangers inspect sites regularly for condition and faults are rectified Tree Policy on management of Trees Insurance to cover legal fees /cost Risk Assessment process Ranger issue advice and guidance and have powers of direction.	2	1	3	Complete roll out of electronic asset monitoring system to whole Broads area for BA properties. Set timescale for ongoing development relating to condition checks on properties and trees	2018 for river assets.
Death or serious injury resulting in closure of a facility and potential loss of income	3	1	3	Port Marine Safety Code Safety Management System including regular Hazard Review Port Marine Safety Code Safety Management System including regular Hazard Review Regular Audits of Control measures Advice and guidance issued via website, leaflets and Tics on safe use of facilities/recreation Rangers inspect sites regularly for condition	3	1	3		

Strategic Risk Register

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
				and faults are rectified Tree Policy on management of Trees Insurance to cover legal fees /cost Risk Assessment process Ranger issue advice and guidance and have powers of direction. Broads Authority reserves					
Death or serious injury through the Authority's negligence causing HSE involvement and loss of credibility/ reputation with the public/ stakeholders	3	1	3	Port Marine Safety Code Safety Management System including regular Hazard Review Port Marine Safety Code Safety Management System including regular Hazard Review Regular Audits of Control measures Advice and guidance issued via website, leaflets and Tics on safe use of facilities/recreation Rangers inspect sites regularly for condition and faults are rectified Tree Policy on management of Trees Insurance to cover legal fees /cost Risk Assessment process Ranger issue advice and guidance and have powers of direction. Communication Strategy	3	1	3		

Strategic Risk Register

Description of Risk Vulnerability: Denial of Public Access to the Broads									
No.11	Risk Owner/Assessor: Director of Operations				Assessment Date: June 2018				
					Review Date: December 2018				
Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Major flooding incident/ failure or over topping of sea defences causing closure of sites, footpaths, other public areas	3	2	6	<p>Integrated method of reviewing hazards both land and water developed</p> <p>Short and medium term coastal and flood defence provisions in place.</p> <p>Weather warnings shared across social media platforms as well as information on specific site closures.</p> <p>Broads Authority is statutory consultees on coastal flood risk management plans. Close working relationship with key EA and NE Involvement in County Council emergency response procedures Emergency Communications Strategy.</p> <p>Weather warnings circulated to staff.</p> <p>Partnership links with farming community and statutory bodies will inform the Authority of the closures which will be shared via social media and other sharing platforms. Given the large geographic nature of the County the risk of a wholesale closure would be unlikely, meaning the impact could be limited to specific areas.</p>	3	1	3		
Outbreak of disease, e.g. Foot and Mouth, Avian Flu, Ash Dieback causing closure of visitor attractions, negative impact on tourism and the local economy	3	2	6		2	1	3		

Strategic Risk Register

Closure of bridges (by Network Rail) causing potential reduction in income for the Authority if vessels move away from the Broads	2	2	4	Legal undertaking with Network Rail regarding maintenance of the bridge network. Regular meetings between Network Rail & BA to discuss bridge issues.	2	1	2		
Occurrence of invasive species (e.g. Killer Shrimp) causing closure of navigation/ inability to navigate parts of Broads system, loss of credibility/ reputation with the public/ stakeholders; loss of or damage to property, loss of habitat, possible loss of life	3	1	3	Involvement in partnership invasive species response, including agreement on appropriate control and communication measures Urgent boating/ environment news published in website.	2	1	2		

Description of Risk Vulnerability: Failure to deliver a project on time or within budget		
No.12	Risk Owner/Assessor: Director of Strategic Services for Development and Director of Operations for Implementation	Assessment Date: June 2018 Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		

Strategic Risk Register

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Lack of adequately trained project management staff causing project not managed to time or within budget	2	1	2	Standing Orders Relating to Contracts PRINCE2/ PRINCE Lite training provided for staff Acquisition of PRINCE Lite programme	2	1	2		On going
Lack of effective project management arrangements causing failure to meet project objectives; failure to meet commitment to partners; additional costs; loss of credibility/ reputation with the public/ stakeholders	2	1	2	Approval/ Monitoring of key projects by Management Team Contract management training completed for selected staff PDG process includes regular meetings and the analysis of detailed evaluation form Use Induction Process and Probationary period to highlight any training needs for new starters Use Annual Appraisal to highlight any training needs for all employees	2	1	2	Formal process to capture lessons learned from each project funded by PDG Review the version and quantity of Microsoft Project licences	Ongoing

Strategic Risk Register

Description of Risk Vulnerability: Loss caused through poor management of assets		
No.13	Risk Owner/Assessor: Chief Financial Officer	Assessment Date: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Lack of Asset Management Plan causing ineffective control of costs/ application of resources	1	2	2	Specialist property advice available from Concertus Design & Property Consultants	1	2	2	Database to be developed to maintain related records for each site. Asset Management Audit recommendations to be implemented	By April 2018
Lack of Corporation Capital Strategy causing inappropriate utilisation of Assets; Asset devaluation; failure to properly maintain assets; loss of credibility/ regulation with the public/ stakeholders and potential negative impact on accounts and adverse audit opinion				All assets have been identified and recorded, with a record of all legal agreements maintained Schedule of inspection of all assets in place Detailed capital plan updated and endorsed by Broads Authority in November 2015				Property Services contract to be retendered every 3 years Condition assessment of all BA buildings carried out in 2016/17 to further inform Asset Management Strategy financial	By March 2019

Strategic Risk Register

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
				<p>Spreadsheet of assets has been enhanced to provide day to day management of assets</p> <p>Annual review of Asset Management Strategy and sites</p>				<p>requirements.</p> <p>Complete roll out of electronic Asset monitoring system to whole Broads area of BA properties</p>	<p>By November 2018</p>

Strategic Risk Register

Description of Risk Vulnerability: Loss caused by damage to relationships with key partners and stakeholders		
No.14	Risk Owner/Assessor: Head of Communications	Assessment Date: August 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Failure to identify key partners/ stakeholders causing failure to deliver objectives	2	2	4	Regular scheduled meetings with Broads Tourism (Visit the Broads), BLAF and other working groups. Broads Forum format changed in 2018 to increase engagement with wider audience. Consultations promoted on website	2	2	4		Ongoing
Failure to consult and engage with partners/ stakeholders on key issues causing lack of trust/ support from partners/ stakeholders				As above					Ongoing
Breakdown of relations with a key partner/ stakeholder causing loss of credibility/ reputation with the public/ stakeholders				Service Level Partnership Agreements, Climate Change Stakeholder Engagement through close working with relevant partners to allow Climate Change Adaptation Plan to be completed Regular Parish Forum meetings, HBO engagement meeting Consultations and communications of issues promoted through social media and traditional PR methods. Major Review of Stakeholder and Community Engagement undertaken by Authority; Development of Biodiversity and Water				Bulletin sent to parish councils Restructure of Communications team to provide more effective PR resilience. (now complete)	Ongoing Complete

Strategic Risk Register

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
				<p>Strategy enabled close engagement with all key partners in the area of biodiversity. Annual Forum being held with 100+ stakeholders</p> <p>Series of meetings held with RYA and BMF who are content for direct engagement with local groups</p> <p>Series of regular meetings set up between Chief Exec/ Chairman to engage with the NSBA/ BMBF</p>					
Change to partner organisations causing loss of income	2	1	2	Review of Partnerships in November 2016 by Solicitor and Monitoring Officer concluded there was low risk.	1	1	1		
Changes in policies of partner organisations causing loss of opportunities				<p>Register of Partnerships including operational risks for each partnership and Partnerships Governance Arrangements Action Plan</p> <p>Partnerships Protocol</p> <p>Annual review of partnerships by Management Forum/ BA</p>					

Strategic Risk Register

Description of Risk Vulnerability: Failure to comply with legal or regulatory changes causing consequential financial or regulatory issues.		
No.15	Risk Owner/Assessor: Solicitor and Monitoring Officer	Assessment Date: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Changes to legislation causing civil or criminal action against the Authority	3	1	3	On-going legal advice from in-house Solicitor and Monitoring Officer CPD training for post holder on key changes Internal audit reviews	2	1	2		
Failure to meet a key legislative requirement causing HSE involvement	3	2	6	Insurance Policies	1	2	2		
Lack of in-house expertise causing failure to deliver services	2	1	2	Solicitor and Monitoring Officer appointed June 2016. Ongoing arrangement with nplaw for external legal services.	1	1	1	Review of Legal Services currently in progress	
Failure of policies to comply with legislative requirements causing multiple complaints against the Authority; loss of credibility/ reputation with the public/ stakeholders; loss of political support	2	1	2	Additional specialist legal support available from NpLaw Annual review meeting held between Chief Executive/ Solicitor and Monitoring Officer Additional circulars provided via subscriptions on topics such as Safety Membership of National associations such as National Parks England and AINA highlight government policy initiatives and consultations	1	1	1		

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious Injury to Volunteer		
No.16	Risk Owner/Assessor: Volunteer Coordinator	Assessment Date: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions				Additional Actions Required	Timescale
	S	P	R		S	P	R		
Lone working causing civil or criminal action against the Authority/ costs	3	1	3	Health and Safety at Work Policy Volunteer H&S training every 3 years	3	1	3	BW to create a suitable, fit for purpose personal Risk Assessment form for volunteers	November 2018
Danger of drowning through water based activity causing HSE involvement	3	1	3	Generic, Site Specific and Public Risk Assessments, and method statements Life jacket policy Volunteer H&S training every 3 years	3	1	3		
Road traffic accident resulting in injury or death to a volunteer causing lowering of staff and volunteer morale	3	1	3	Code of Practice for using BA vehicles Annual DVLA licence check for all volunteers who plan to drive a BA vehicle Vehicle familiarisation process for all volunteers who drive BA vehicles	3	1	3		
Death or accident through the Authority's negligence causing loss of credibility/ reputation with the public/ stakeholders	3	1	3	Safety Recording System for Lone Workers First Aid & Manual handling and induction training for volunteers every 3 years and induction H&S training. Insurance Policies. Volunteer Strategy 2017-22. Volunteers are contacted every 6 months to	2	1	2		

Strategic Risk Register

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions				Additional Actions Required	Timescale
	S	P	R		S	P	R		
				reinforce/ remind them of correct process and procedures when lone working BA Volunteer Training Programme					

Strategic Risk Register

Description of Risk Vulnerability: Significant Loss of Volunteers		
No.17	Risk Owner/Assessor: Volunteer Coordinator	Assessment: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions				Additional Actions Required	Timescale
	S	P	R		S	P	R		
Over-reliance on being able consistently to attract and retain a sufficient number of volunteers in order to support the functions of the Authority and support of permanent staff.	2	1	2	Absence reporting and monitoring procedures in place.	2	1	2	BW to introduce satisfaction monitoring	September 2018
Reduced service delivery causing loss of satisfaction and credibility with the public.	2	1	2	Volunteer Strategy 2017-2022 Feedback opportunity on timesheet and on leaving the BA Volunteer Code of Conduct Volunteer training plan completed	2	1	2	Revision of volunteer training programme New Volunteer Training Plan to be rolled out	Completed Autumn 2018

Strategic Risk Register

Description of Risk Vulnerability: Planning Decisions not made in accordance with Development Plan and Regulations and Procedures													
No.18	Risk Owner/Assessor: Head of Planning					Assessment Date: December 2017							
						Review Date: December 2018							
Specific Hazards			Initial Risk			Controls / Safeguards / Precautions			Additional Actions Required		Timescale		
Describe the vulnerability & Impact			S	P	R	S	P	R					
Unattractive development causing legal challenges to decisions/ potential costs			2	1	2	National Guidance			2	1	2	Procedures Manual review on-going to reflect latest guidance	Ongoing as new guidance is issued
Decisions made which are not in accordance with policy. Development pressures due to society aspirations/ government legislation causing bad publicity/ loss of reputation. Complaints against the Authority			2	1	2	Local Development Framework (now moving to be replaced by Local Plan) LDF Development Management Policies Appointment of appropriately qualified staff Annual Training Programme provided for Planning Committee members – 2 sessions in March and October Annually plus Design Tour Specific Induction to Planning for all new Planning Committee Members Scheme of Delegated Powers in operation – but to be reviewed in 2017/18 Recourse to in-house and external specialist legal advice Continuing Professional Development (CPD) for Planning Guidance for Committee Site			2	1	2	Review Scheme of Delegation	2018-19

Strategic Risk Register

			<p>Visits reviewed</p> <p>PAS Peer Review of Planning Committee in 2014</p> <p>BA has signed up to the Anglia Ruskin Programme for all Norfolk Authorities for 2014-15.</p> <p>Code of Conduct for Members on Planning Committee and Officers in process of review completion.</p>					
--	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--	--

Strategic Risk Register

Description of Risk Vulnerability: Risks associated with major external funding programmes (HLF, EU, Commercial Sponsorship)												
No.19	Risk Owner/Assessor: Director of Strategic Services (EU – CANAPE); Director of Operations (HLF Landscape Partnership)					Assessment Date: November 2018 (Sol & M.O and CPM)						
						Review Date: June 2019						
Specific Hazards Describe the vulnerability & Impact		Initial Risk			Controls / Safeguards / Precautions			Mitigated Risk			Additional Actions Required	Timescale
		S	P	R				S	P	R		
Failure to deliver the project on time and within budget leading to potential repayment of funding and adverse publicity – HLF, CANAPE and commercial partnerships		2	2	4	Effective Project Management and financial controls Regular reports to the Broads Authority Regular reports to HLF and LPS Board Clearly documented processes in place (See audit report)			2	1	2	Set-up a Project Steering Group for CANAPE	On-going
Increased exposure to risk as Lead Partner for European project - CANAPE		3	2	6	Provision of dedicated resource (Harry Mach CANAPE Project Manager) to monitor progress not only of own project but of partners Partnership agreement/ contract required to set out responsibilities and commitments of each partner to secure position Specific risk register required for the CANAPE project The CANAPE Project Manager Job Description includes strong project management skills as essential			3	1	3	Recruitment of Project Manager with strong understanding of EU regulations Approval of key governance documents by the CANAPE Project Steering Group, including the risk register Need to better understand the steps to be	Done Governance Documents all approved Done and incorporated

Strategic Risk Register

							carried out in case “unduly” payments must be recovered from project beneficiaries.	in Partnership Agreement
Currency fluctuations between grant claim submission and payment for CANAPE.	3	1	3	<p>Difficult to mitigate due to Local Authorities not being able to hedge</p> <p>Take precautionary approach to estimates of income in £ sterling.</p> <p>The risk is currently regarded as lower than in the past due to stable exchange rates and with the £1 to €1 rate significantly lower than the original rate of €1.25 to the £1 (the budgeted rate)</p> <p>At the moment the greater likelihood is of a surplus (than deficit) on cash items which help guard against currency fluctuation risk.</p>	3	1	3	<p>Risk related to exchange rate to be included in the CANAPE risk register</p> <p>Done</p>
Failure to meet expectations of partners – both commercial, EU and UK	2	2	4	<p>Ensure good quality staff are appointed as programme managers and time is taken in good relationship building with partners.</p> <p>Investment in time and resources in the development of the project(s) and during implementation to ensure there is a good understanding of the project aims and objectives.</p> <p>Ensure that relationships with partners and funders remain strong and respond rapidly to any misunderstandings.</p>	2	1	2	<p>Contractual documents for WWM and CANAPE to be reviewed by the Solicitor and Monitoring Officer</p> <p>On-going</p>

Strategic Risk Register

Description of Risk Vulnerability: Risk associated with Member's actions causing damage to external relationships		
No.20	Risk Owner/Assessor: Solicitor and Monitoring Officer	Assessment Date: June 2018
		Review Date: December 2018

Specific Hazards Describe the vulnerability & Impact	Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
	S	P	R		S	P	R		
Damage caused by comments or actions of a Member, with consequent harm to relationships with key stakeholders or which undermines public confidence in the Authority.	2	2	4	<p>New Code of Conduct for Members containing Nolan Principles of conduct adopted by BA on 30/9/16</p> <p>Statutory undertakings given by Members to abide by Code of Conduct in relation to new Code of Conduct given by deadline of 30/11/16</p> <p>Training on new Code of Conduct provided to Members on 20/01/17</p> <p>Protocol on Member and Officer Relations which provides guidance to Members updated May 2017</p> <p>Members' induction</p> <p>Members Handbook produced</p> <p>Members' Guidance on Social media produced</p>	2	1	2		

Strategic Risk Register

Description of Risk Vulnerability: Risks Associated with Payroll – Internal (Risks associated with external provider covered under Risk 8)												
No.21	Risk Owner/Assessor: Head of HR				Assessment Date: October 2018 (by Management Forum)							
					Review Date: December 2018							
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Payroll errors leading to employees being incorrectly paid or not paid at all		2	2	4	Training given to staff and internal checks by Head of HR and Finance Team in place. Procedures for payroll review and checking and submission process in course of preparation in July 2017 in process of completion. Matter further reviewed by Management Forum collectively on 8 October 2018 when new risk scores substituted			2	1	3	Fully documented procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the Finance Team perform	Completed

Strategic Risk Register

Description of Risk Vulnerability: Serious notifiable loss of personal data resulting in fine from Information Commissioner												
No.22	Risk Owner/Assessor: Solicitor and Monitoring Officer (in role of Data Protection Officer).					Assessment Date: October 2018 (by Management Forum)				Review Date: December 2018		
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
The General Data Protection Regulation was implemented from 28 th May 2018 into UK law and provides for substantial fines for breach of data protection laws.		3	2	6	GDPR working group of officers set up to review and implement policies and procedures. Training provided to all staff groups. Designated Data Protection Officer (DPO) identified and has qualified as a Data Practitioner in GDPR Internal audit to review the Authority's preparation for GDPR undertaken in March 2018 found Reasonable Assurance. . Data Asset Register, Data Protection Policy, Privacy Notices, Data and Information Management and Retention Policy updated or produced GDPR Compliance Plan produced Head of HR and Volunteer Co-ordinator have undertaken GDPR Foundation course.			3	1	3	Review of all policies and procedures against ICO Guidance when the same is produced.	Currently ongoing

External Audit
Report by Chief Financial Officer

Summary: This report appends:

- (i) the Annual Audit Letter for 2017/18.
- (ii) the Local Government Audit Committee Briefing by Ernst & Young

Recommendation:

- (i) That the Annual Audit Letter for 2017/18 be noted.
- (ii) That the briefing, including the key questions for Audit Committees as set out on page 10 in Appendix 2, be noted.

1 Introduction

- 1.1 The Annual Audit letter for 2017/18 summarises the key issues arising from the audit. These key findings are set out on page 9 of Appendix 1. The Audit results were considered at 24 July FSAC committee.

2 Financial Implications

- 2.1 The final audit fee remained the same as detailed in the audit plan and was charged to the accounts for the year.

3 External Audit Briefing

- 3.1 This briefing is presented “for information”.
- 3.2 The items of relevance to the Authority are:
- EY Item Club Economic Briefing (page 2);
 - Brexit (page 3);
 - CIPFA consultation on proposed local authority financial resilience index (page 4);
 - CIPFA consultation on implementation of IFRS 16 and 9 (pages 5 and 6); and
 - The first year of faster close (page 6).

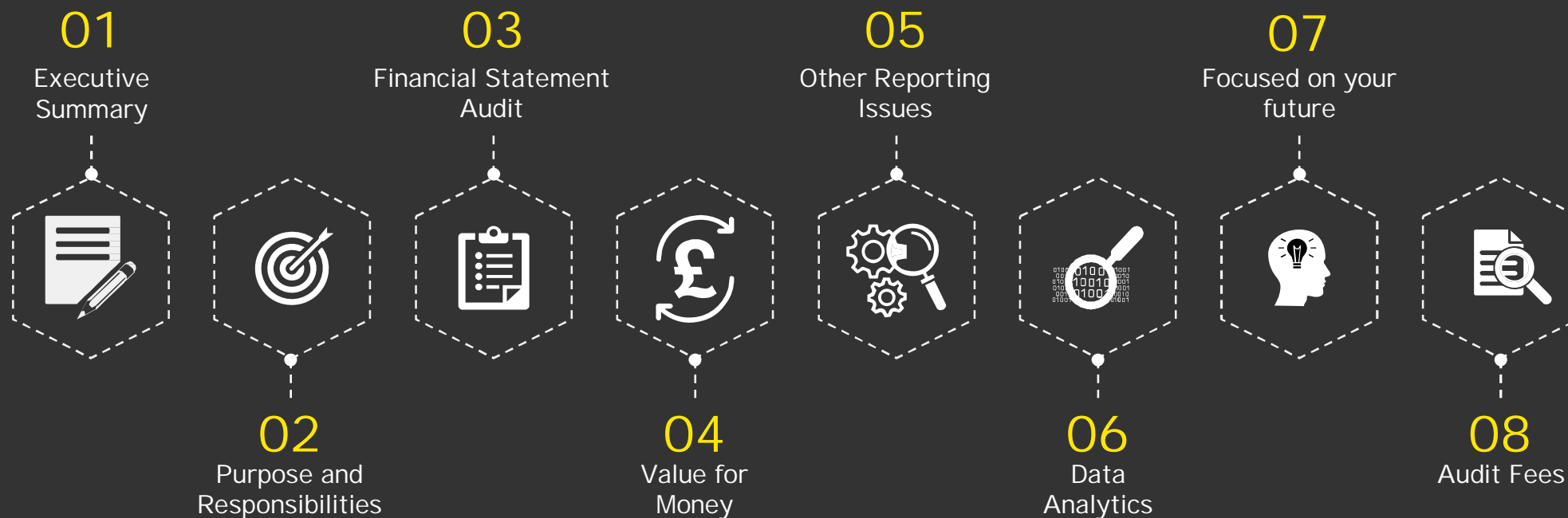
Background papers:	None
Author:	Emma Krelle
Date of report:	20 November 2018
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Ernst & Young Annual Audit Letter 2017/18 APPENDIX 2 – Local Government Audit Committee Briefing (Quarter 3 2018)

Broads Authority

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and 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 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to the Broads Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources .

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Broads Authority is below the threshold of £20 million and considered a minor body. Therefore, we did not perform any audit procedures on this area.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 10 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 27 July 2018.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 24 July 2018 Financial Scrutiny and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 12 February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is considered a minor body and therefore we do not perform any procedures on this area.

Responsibilities of the Authority

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

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



03

Financial Statement Audit

Key Issues

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

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 27 July 2018.

Our detailed findings were reported to the 24 July 2018 Financial Scrutiny and Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the accounting estimates most susceptible to bias and considered judgements made were reasonable.</p> <p>We evaluated the business rationale for any significant unusual transactions.</p> <p>We tested the capitalisation of revenue expenditure and did not identify any items inappropriately capitalised.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We did not identify any material misstatements from the work undertaken.</p> <p>The work performed by managements valuation expert was based on reasonable assumptions that we were able to corroborate through our sample testing.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>The audit work undertaken on the entries to the financial statements identified one minor disclosure misstatement. All other accounting entries had been appropriately made.</p>
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS 19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that the liability be disclosed on the Broads Authority balance sheet.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work specified.</p> <p>A movement on the total fund asset between the estimated year end balance and the actual was identified by the pension fund auditor. The impact of this was an understatement of the Authority's pension assets by £226k. This amount is material and has been adjusted in the accounts.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements.</p>

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

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £158k (2017: £158k), which is 2% of gross expenditure on provision of services reported in the accounts of £7.9mn adjusted for interest costs.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p>
Reporting threshold	<p>We agreed with the Financial Scrutiny and Audit Committee that we would report to the Committee all audit differences in excess of £7.8k (2017: £8k)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

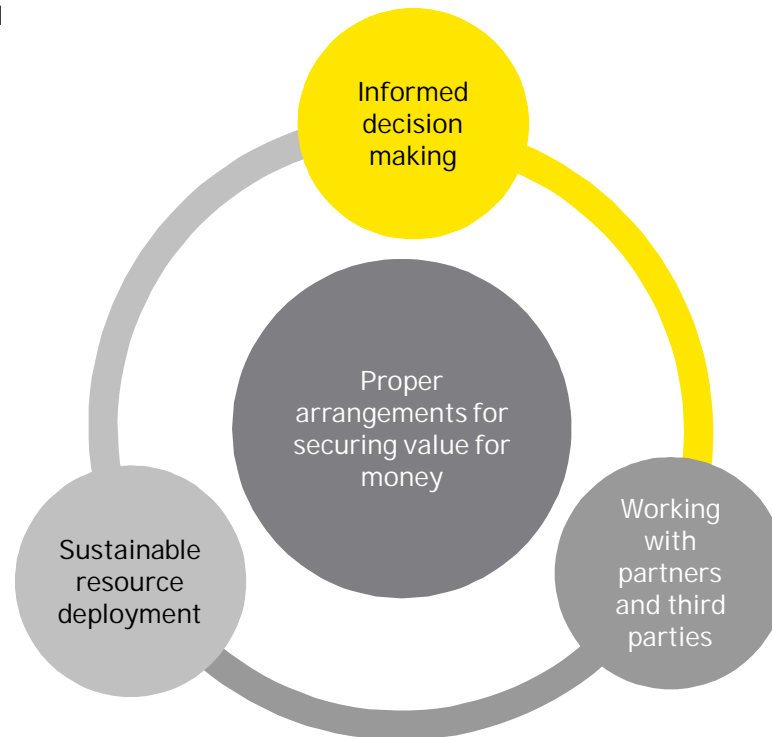


04 Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. 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.



We did not identify any significant risks in relation to these criteria.

We did not identify any significant weaknesses in the Authority's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 27 July 2018.



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Authority is below the specified audit threshold of £20 million and considered a minor entity. Therefore, we did not perform any audit procedures.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Financial Scrutiny and Audit Committee on 24 July 2018. 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 regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

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

Our audit did not identify any controls issues to bring to the attention of the Financial Scrutiny and Audit Committee.



06 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

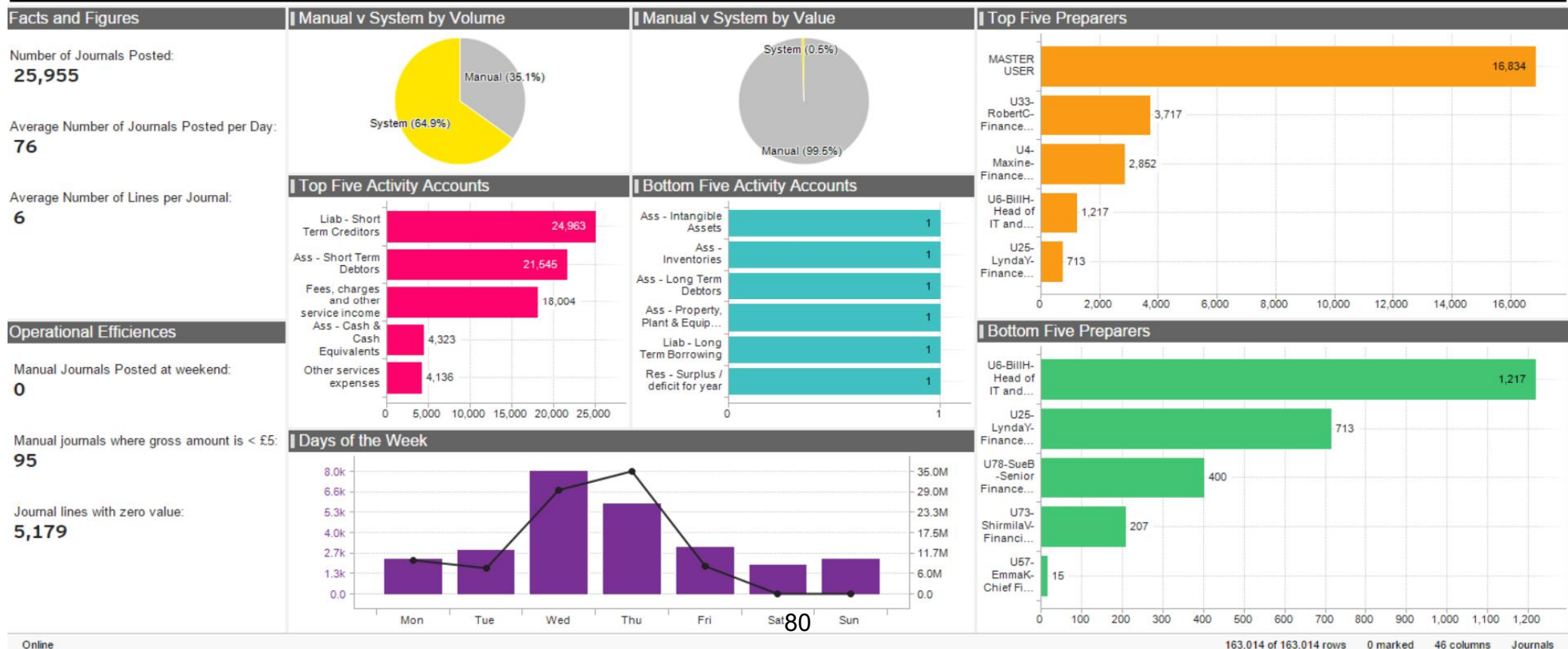
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Plan.

Journal Entry Data Insights

The graphic outlined below summarises the Authority's journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights - 18 Broads Authority - YE - 31/03/2018



Data Analytics (cont'd)

Journal Entry Testing

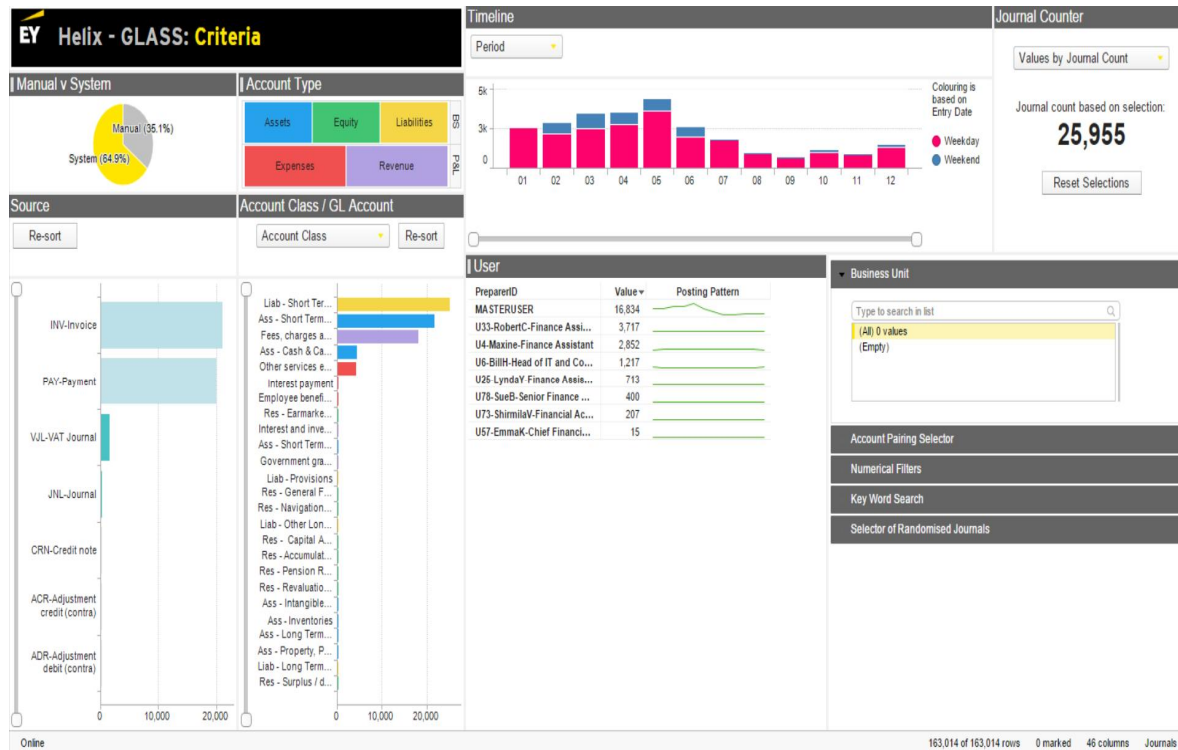
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – Broads Authority – 31 March 2018



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



07 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Authority Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>



08 Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 10 July 2018 Annual Results Report.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2017/18 £
Total Audit Fee – Code work	13,943	13,943	13,943	13,943

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

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.

ey.com

Local government audit committee briefing




Building a better
working world



Contents at a glance





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.



Government and economic news

EY ITEM Club – Local Government Economic Briefing Q3

The outlook for the UK economy appears to be worsening in 2018, as challenges continue for consumption, investment and trade. Local authorities are increasingly under pressure to deliver local economic growth and improved services within this uncertain environment.

A cloudier outlook for the UK economy may impact local authority MTFPs

The UK has witnessed a recovery in services output and consumer activity, partially in response to the sunny weather and the World Cup; however, weaker overseas growth (exacerbated by escalating fears of global trade disputes) has contributed to a slowing momentum in some sectors.

The ultimate impact is a continued slowdown in real GDP growth during 2018, with the EY ITEM Club revising its forecast for GDP growth to 1.4% in July 2018, down from the 1.6% expected in April 2018. The increasingly uncertain global outlook has led the EY ITEM Club to also renew its interest rate position, predicting that there will be only one rate rise in 2018 rather than the two

forecasted previously. Local authority short-term borrowing increased by 31% in 2017/18, meaning that such a delay in interest rate hikes will likely be positive news to many local authorities. On August 2018, the Bank of England has since raised the interest rate by a quarter of a percentage point, from 0.5% to 0.75% – the highest level since March 2009, which will be re-considered by the EY ITEM Club in our next forecast.

Whilst it is still early days as far as predicting 2018/19's fiscal performance, a downgraded forecast for GDP growth this year and next, compared to the expectation three months ago, implies a bigger fiscal deficit.

On the whole, a weaker outlook for the UK economy should signal caution for local authorities. Increased pressure on real incomes and affordability has dampened activity in the housing market, with house price inflation slowing to 2%. However the ratio of prices to average earnings is still stretched by historical standards. Despite a record high employment rate, annual pay growth has not responded in turn, falling to 2.5% in April. These dynamics suggest that pressure on social housing will continue in the medium-term.

Slower growth should be considered in the light of local authorities' proposed or existing commercial activity. Dampened economic activity may also impact local businesses, leading to an

increase in high street vacancies. Furthermore, local authorities should also factor a more negative economic outlook into its supply chain risk assessments, with the potential of it increasing the chances of firms collapsing.

How do local authorities respond to the struggling retail sector?

As the retail sector undergoes significant structural change, local authorities need to consider how they can respond to this and adapt both their regeneration and investment plans accordingly.

The increasing drive towards online shopping along with rising operating costs for retailers has led to decreasing footfall in shopping centres and high streets as well as record levels of shop closures. Noteworthy retailers, including House of Fraser, Poundworld, Maplin and Toys R Us as well as a number of chain restaurants, have proposed restructures or shop closures, or have fallen into administration. There are concerns that the number of shops is too high as sustained vacancy rates continue.

Over the past two years, local authorities in England have made debt funded investment of around £1.7bn in commercial property assets. This has included a number of investments in shopping centres and other retail focused assets. These investments are likely to see a period of underperformance, with estimations suggesting a potential 10% fall in shopping centre capital value, driven by higher vacancy rates. Yields are likely to be lower than anticipated, along with there being a requirement for an increase in active management of these units, further eating into returns.

Local authorities need to consider the changing retail sector in light of their regeneration plans. There is a consensus that too much high street and town centre space is dedicated to retail. The think tank Centre for Cities has stated that shops take up twice as much space as offices in struggling town centres, whilst successful town centres tend to have three times as much office space than retail. Local authorities need to ensure that regeneration plans have appropriately considered the medium and longer term outlook for the retail sector.

The structural changes evident in the retail sector shouldn't deter local authorities from maintaining an active role in driving town centre regeneration nor in retail investment. Rather, local authorities should be integral to undertaking active investment ensuring the aim is focused on socio-economic regeneration as opposed to merely revenue generation. It is vital that local authorities are at the helm of repurposing town centres, ensuring that the public realm centres on public spaces, homes and community assets, rather than retail. This will help to ensure the sustainability of our town centres, whilst at the same time helping local authorities to achieve their regeneration and financial goals.

Brexit

A CIPFA survey has found that three quarters of public service leaders feel that central government is not engaged or has not communicated sufficiently over Brexit. CIPFA's Brexit Advisory Commission has commented that in order for local authorities to plan effectively and identify opportunities, communication channels need to be open between the government and public service leaders. Anticipating an increase in cost, public service leaders are purchasing more from suppliers now to prevent potential higher costs in the future.

Public service leaders are also anticipated a staffing pressures. Nationally it is estimated that 7% of the social care sector's workforce are non-UK EU nationals. However, in some regions of the UK non-UK EU nationals make up a significantly larger proportion.

Another major concern is regarding replacement of EU funding which is currently worth £8.4bn. In a recent white paper the Government has proposed a UK Shared Prosperity Fund (UKSPF) to replace the existing EU regional funding. Details of how local authorities can bid to secure this funding has yet to be determined.



Accounting, auditing and governance

EY's response to CIPFA consultation on its proposed local authority financial resilience index

On 24 August CIPFA closed its consultation on its plans to launch an authoritative measure of local authority financial resilience through the creation of a new index. CIPFA's proposals include using a range of indicators for the index and a dashboard enabling comparison with similar authorities. CIPFA has reported that it has had an unprecedented number of responses- not a surprise given the current profile of local authority financial resilience and the noise in the sector over CIPFA's proposals. We summarise EY's response below.

Whilst we support CIPFA's ambition to support senior officers and members with an early warning system for financial resilience issues we are unconvinced that the proposed indicators provide sufficient depth and sophistication to reflect the complexities of local authorities. In particular it is unclear how the indicators take account of the different type of reserves (earmarked, un-earmarked, usable and unusable), general fund and housing balances, income generated from other sources and borrowing plans (including recognising the different types of borrowing). Reference should also be made to the scale of borrowing to

invest in commercial property, as well as exposure to material outsourcing contracts and associated supplier risk, noting that current focus on the risk that these issues are generating in the sector. There is no reference to how the culture of an organisation impacts its financial plans and its appetite for risk. In addition, many authorities work significantly in partnership with others. In our experience, whilst the proposed indicators may provide a crude indication of financial resilience, senior officers and members would value an output that takes into account these other major influencers of financial resilience.

We have suggested that the proposed index could be treated as the first step to developing a more sophisticated index, using some of the same principles but taking into account the complexities outlined above. While CIPFA have stated that the index is not designed to predict financial issues, we would welcome the development of forward looking indicators using information from an authority's medium term financial plan as well as taking into account historic performance in achieving planned savings, unplanned use of un-earmarked reserves as well as an assessment of forward looking demographic and economic forecasts for a locality. In addition, a developing index can incorporate important changes in the way local authorities operate, for example greater integration between health and social care and the impact of CQC reviews on local health systems.

We supported the proposal for a single dashboard showing the individual authority and the relevant comparator group performance. However, we questioned the use of the terms 'best' and 'worst' performers if the index is to avoid 'naming and shaming' authorities.

We look forward to seeing CIPFA's response to the consultation and will share our views of their next steps.

EY's response to CIPFA consultation on implementation of the new adoption of IFRS 16

On 7 September CIPFA closed its consultation on proposals for developing the new edition of the Local Authority Accounting Code for 2019/20 in relation to implementing the new leasing accounting standard, IFRS 16.

IFRS 16 aims to increase the transparency of financial reporting on leases. It removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset (i.e., a lessee's right to use an asset over the life of a lease) be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. This will be a significant change for local authorities and present practical challenges for processes, systems and data collection.

IFRS 16 will mean that current value depreciation and depreciation is charged to the Surplus or Deficit on the Provision of Services. It will also impact on the statutory reporting and capital finance requirements for leased assets which currently refer to finance leases. The recognition of right-to-use assets will bring leases into the scope of the Prudential Framework. The cost (on initial recognition) of the right-to-use asset will meet the definition of capital expenditure in contrast to the current revenue treatment of operating leases.

We generally support the CIPFA proposals with the following matters to highlight:

- ▶ **Clarification of what 'low value' is.** There are exemptions under IFRS 16 for 'low value' leases but there is no clear definition. The proposals do not make reference to assets that may be of low value, but are only used or used to maximum

effect by being part of a network e.g., photocopiers can be used off-line but are more usually used on-line; laptops could have a similar position. The Code needs to clarify what low value is and what being part of a network is as this would be a potential area of disagreement and inconsistency. A number of clients have suggested using their de minimis level for capitalisation as the 'low value'. The Code should emphasise that these are two different concepts.

- ▶ **Measurement of the lease liability.** The lease liability is calculated from the present value of the lease payments payable over the lease term. This is discounted at the interest rate implicit in the lease or the authority's incremental borrowing rate. In our experience many authorities do not have information on the rate implicit in their operating leases. For consistency and cost effectiveness mandating the use of the incremental borrowing rate for all leases would be a positive step.
- ▶ **Subsequent measurement.** To measure the right-of-use asset we support the approach of current value measurement with materiality based practical expedients. This would be consistent with the current approach for PPE assets. It would be unsupportable to have different valuation models for the same asset types based on whether they were controlled directly or controlled via lease.
- ▶ **Housing authorities and the Capital Financing Requirement (CFR).** The HRA CFR was effectively capped following HRA self-financing under Regulation. As many HRA authorities are at their HRA CFR limit the addition of right-of-use assets would lead to breaches of the HRA CFR cap. Given the categorisation of such assets as capital in nature this change will restrict the ability of HRA authorities to enter such leases which in some cases may severely impact on their 30 year HRA financial plan. Amending Regulations could be laid that allow the HRA CFR cap to be increased by the value of any right-of-use assets identified. This would maintain the integrity of the current system regarding capital expenditure but also maintain the current flexibility in respect of operating leases. We have suggested that CIPFA should seek discussions with the Ministry of Housing, Communities and Local Government to address this issue.

Consultation on proposed statutory overrides for IFRS 9

Local authorities will be required to implement the new IFRS 9 Financial Instruments standard for the 2018/19 financial year. The sector has made representations to government on the anticipated negative impacts of the new standard which could result in income statement volatility, earlier recognition of impairment losses on receivables and loans and significant new disclosure requirements. Ministry of Housing Communities and Local Government (MHCLG) has set a response date of 28 September 2018 for the following matters:

Time limited statutory override on fair value movements for pooled investment funds

One of the consequences of IFRS 9 is that fair value changes in pooled investments fund will be accounted for at fair value through profit and loss which will impact non-ringfenced revenue reserves, annual balanced budget calculations and ultimately mean there is less money available to fund services.

MHCLG is proposing a three year grace period to adapt to the accounting changes, requiring local authorities to reverse out fair value movements on pooled investments to unusable reserves until 1 April 2021. MHCLG believes this should give local authorities sufficient time to divest themselves of these types of funds or alternatively build up sufficient revenue reserves to mitigate the impact. To aid in transparency, fair value movements relating to IFRS 9 should be separately disclosed in the Unusable Reserves note.

Earlier recognition of impairments on loans and trade receivables

MHCLG does not intend to mitigate the impact of early impairment recognition of loans and receivables, owing any substantial impairment a direct result to the authorities risk appetite. Local authorities will need to keep a close eye on the budgetary position to accommodate this accounting change.

Disclosure Requirements

MHCLG does not intend to reduce any disclosure requirements, despite the administrative burden that may arise in first time implementation, as the new and enhanced disclosure requirements will benefit the users of the accounts.

The first year of local government faster close

After almost two years preparation, numerous discussions between auditors and finance teams, several reminders to audit committees and a significant amount of hard work, the end of July, the new deadline for local authorities to publish audited accounts, came and went. Across the 150 EY local authority audit portfolio, the new deadline was met at 132 authorities (88%). Nationally, we hear, and it's an unaudited figure, the outcome was 15% missed the earlier deadline, compared with 5% that missed the previous year's end of September deadline.

Auditors are already meeting with finance teams to de-brief and learn lessons for FY19. We outline below our immediate views on the key factors for both authorities and auditors that contributed to meeting the faster close deadlines.

- 1. Project management:** Authorities with a clear, well thought through, detailed and actively managed action plan, involving their auditors, were more likely to be successful in delivering closedown, accounts preparation and the audit to time. Project plans that made preparation of supporting working papers an integral part of the process resulted in better quality financial statements. When things were going off track, decisive action was taken to make a change and get progress moving in the right direction. Often project management resided with one or two key individuals in finance and audit teams who had the ability to influence others and make decisions on priorities and resource allocation.
- 2. Communication:** Early and honest communication on progress, key judgements and potential problems enabled officers and auditors to find solutions and agree on matters promptly and efficiently rather than having limited time to deal with late and unexpected issues.
- 3. Capacity and contingency:** The shorter period between accounts preparation and publication of audited accounts increased pressure on teams and squeezed the time to deal with late issues. Successful delivery was more likely where officers and auditors built capacity and contingency into their respective scheduling plans.

4. Dealing with accounting estimates: Authorities and auditors need to be clearer on their approach to preparing and auditing accounting estimates. Notably in respect of the two biggest estimates an authority makes relating to pensions and the valuation of property, plant and equipment. Both rely on the work of a specialist and are determined by an authority as part of closedown. Both are also estimates that auditors will always challenge and draw on the latest available information.

5. Streamlining the accounts: We were surprised that we didn't see much evidence of authorities using the opportunity to review their accounts and taking out non-material disclosures. This may be an area that authorities and auditors would find it helpful to discuss as part of planning for 2018/19.

We encourage audit committees to consider the five key factors in relation to their plans for preparing their 2018/19 statement of accounts and supporting the associated audit.

CIPFA Governance Guidance for LEPs

Over the years, the amount of public expenditure that Local Enterprise Schemes (LEPs) are responsible for has increased and the role of the section 151 officer has become of greater importance in the LEP assurance model. CIPFA, in collaboration with the Cities and Local Growth Unit, has developed five key principles for LEP section 151 officers which would result in more proportional financial governance for LEPs. The five key principles are as follows:

1. Enshrining a corporate position for the section 151 officer in LEP assurance.

- ▶ This will result in a shared responsibility arrangement between the chair, the chief executive, and the section 151 officer. Section 151 officers will also be required to provide an Annual Assurance Statement.

2. Creating a formal/structured mandate for the section 151 officer.

- ▶ This will allow the section 151 officer to attend board meetings and provide recommendations on financial administration.

3. Embedding good governance into decision making.

- ▶ This will result in section 151 officers taking an active role in the financial and risk-based decision making.

4. Ensuring effective review of governance.

- ▶ Internal audit will need to include a risk-based audit plan which will provide assurance to the board and the section 151 officer. Where there are serious concerns, such as non-compliance with legal requirements or fraud, the section 151 officer will be required to report these to the Cities and Local Growth Unit.

5. Appropriate skills and resourcing.

- ▶ This will ensure LEPs have the appropriate skills and resources, including audit, to enable the Section 151 officer to carry out their function.



Other

Social Care Spending

Age UK has published a report on a study conducted by health policy and communication specialists, Incisive Health, which shows that the social care system in the England 'lags behind' other countries. The report states that countries such as Germany and Japan have made sustainable social care policy changes in 1995 and 2000, respectively; whilst the social care system in England has remained largely unchanged despite several government consultations and green or white papers.

In response to this report, the Local Government Association (LGA) has attributed the delay in progression of adult social care system to underfunding, a rise in demand and increased cost for care and support. The LGA has estimated that there is a £3.5bn funding gap facing adult social care by 2025 to maintain the existing standards of care.

Research conducted by the Association of Directors of Adult Social Services has estimated that English councils in 2018/19 have cut social care spending by £700m which is equivalent to 5% of the total £14.5bn budget and that since 2010 social care spending has decreased by £7bn. The survey also found that half of councils in England overspent on adult social care budgets in 2017/18, half of which have drawn on council reserves to meet overspends. This is a concerning statistic given that the National Audit Office (NAO) has warned that 10% of councils will exhaust their reserves at the current rate of use.

To help bridge the funding gap, the LGA is currently consulting on its own proposals which includes an increase to national insurance by 1% on the basic rate and an additional social care premium for over-40s.

Social housing

There are 1.2 million people on waiting lists for social housing and for these people affordable housing is becoming more and more unaffordable as their incomes are squeezed. To address this issue the Government has released a consultation green paper which has proposed the building of new affordable housing by 'exploring flexibilities' on how local authorities spend the money from homes sold under the Right to Buy (RTB) scheme. Current funding allows for local authorities to keep one third of each RTB receipt to build a replacement RTB home; but does not allow authorities to borrow money to make up the shortfall for financing the replacement RTB home. The green papers also contains proposals to allow tenants to purchase as little as 1% of their property each year through shared ownership.

The LGA response to the Government's green paper was that the consultation showed positive signs, however the government could do much more for example allowing local authorities to keep all of the RTB receipts to allow councils to more easily finance replacement RTB homes and scraping the housing borrowing cap. The current proposals do not directly allocate funding to local authorities to build more social housing.

Organisational Transformation Guidance for Audit Committees

Transformation plans of any organisation can be highly complicated and risky, even more so for large organisations. Transformation plans can be broad in scope, evolve over time and it can be difficult to measure the impact of transformational change. The exercising of good governance by Audit Committees is essential for the success of major transformation projects. To aid Audit Committees, the NAO has issued guidance which sets out the initial questions that could be asked of officers in the 'set up' phase, 'delivery' phase and 'live running and benefit realisation' phase.

Further details of this guidance can be found through the link in the [Find out more](#) section below.

EY cybersecurity strategies

There's a new way of thinking about cybersecurity. New security approaches are moving from thinking about cybersecurity as a defensive approach, to thinking about it as a source of transformation. Here are some ways to position your cybersecurity strategies for a distinct advantage.

Make it a team sport that everyone is a part of

The number one cause of large security breaches remains phishing, according to the EY 2017/18 Global Information Security Survey of over 1,200 companies. On mobile devices, phishing attacks have increased by an average of 85% year on year for the last seven years, so you are still more likely to be made vulnerable by a member of staff opening a rogue email than anything else.

This is often the result of a lack of cybersecurity awareness – whether about generic malware, scams related to fake LinkedIn profiles, or hacks on public Wi-Fi.

Therefore, developing a culture where staff at all levels understand how to protect data and systems, including mobile devices, through up-to-date training, drills and regular communication, will help build and maintain a cybersecurity advantage.

Cyber policies are vital as a living, breathing reference to help manage a fraught and fast-moving situation, yet these aren't effective if staff outside of the cyber function don't know about them.

Embedding a cyber conscious culture that heightens awareness and behaviours amongst all employees can help you pull ahead of the competition, instead of scoring an own goal.

Keep to a small window for damage control

The UK's national cyber security centre recently described a need to act collaboratively and collectively against cyber threats, urging organisations to raise the bar.

Cyber threats don't respect borders, jurisdictions or organisational boundaries, and there is a small window in which to minimise the damage.

Under GDPR, the new mandatory 72-hour breach reporting could be too long a timeline in the court of public opinion, and focusing on the first 2 to 5 hours instead could provide a much needed advantage.

Outlining key stages of your breach response in the first few hours across functions from IT, security, PR to legal, and identifying at which points to get an external view, could make the difference between a forgiving public or not.

As we start to see more threats and regulations emerge across the world, how organisations come together, under extreme time pressures, will provide much needed collaborative gains.

Use different approaches for evolving risks

Cyber risks aren't constant. The nature of the risks are always changing – which means resources to fight them can't be allocated on a set basis.

Increasingly, cybersecurity requires bringing together a wide range of capabilities to deliver value.

Whether that be through enhancing cyber resources with new skillsets, leveraging emerging technology from hardware authentication, virtualised intrusion detection, or using AI and machine learning.

With cybersecurity increasingly becoming a competitive battleground, that's all the more reason to start thinking about how your organisation can build an effective cybersecurity advantage.

Key questions for the Audit Committee

Brexit

Has your authority considered the implications of Brexit? What plans does your authority have in plan to mitigate potential risks associated with Brexit?

CIPFA Financial Resilience Index

Does the proposed CIPFA financial resilience index provide your authority with the support needed to achieve a balanced budget?

Consultation on the adoption of IFRS 16

How prepared is your Fire Authority for the changes in processes, systems and data collection as a result of CIPFA implementation of IFRS 16?

Consultation on proposed statutory overrides for IFRS 9

Has your authority assessed the impact of the new accounting standard IFRS 9 Financial Instruments and the potential statutory overrides on your budgets?

LEP Governance

Is your local authority part of a LEP? If so, what arrangements are in place to ensure that the authority has sufficient assurance over the governance of the LEP?

Social Care

Given the spending pressures on social care and the sustainability of funding sources, what is the authority's strategy to ensure the sustainability of social care? How does the authority ensure that it maximises value for money from its social care services and ensures that the quality of care provided is appropriate?

Social Housing

What plans does your local authority have to ensure that there is sufficient social housing in the area? Has your authority responded to the Government's green paper consultation?

Transformation

Is your local authority considering or does your local authority have plans to transform its business? If so, how will the audit committee exercise good governance over these arrangements? Have you used the NAO transformational guidance?

EY cybersecurity strategies

Is your organisation still thinking about cybersecurity as a defensive approach or a source of transformation and distinct advantage?

Find out more

EY Item Club

<https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Brexit

<https://www.publicfinance.co.uk/news/2018/06/government-failing-engage-over-brexit>

<https://www.publicfinance.co.uk/news/2018/07/brexit-will-hit-public-finances-conference-hears>

<https://www.local.gov.uk/about/news/lga-responds-brexit-white-paper>

CIPFA consultation on its proposed local authority financial resilience index

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-consultation-on-new-index-to-measure-councils%E2%80%99-financial-resilience>

Consultation on the adoption of IFRS 16

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

Consultation on proposed statutory overrides for IFRS 9

<https://www.gov.uk/government/consultations/local-authority-budget-setting-mitigating-the-impact-of-fair-value-movements-on-pooled-investment-funds>

LEP Governance Guidance

<https://www.cipfa.org/policy-and-guidance/reports/principles-for-section-151-officers-working-with-leps>

Social care

<https://www.publicfinance.co.uk/news/2018/08/england-lags-behind-other-countries-social-care>

<https://www.local.gov.uk/about/news/lga-responds-age-uk-report-care-funding-comparison>

<https://economia.icaew.com/news/august-2018/lga-proposes-tax-increase-to-support-social-care>

<https://www.theguardian.com/society/2018/jun/12/adult-social-care-services-collapse-survey-england-council>

Social Housing

<https://www.local.gov.uk/about/news/lga-responds-social-housing-green-paper>

<https://www.publicfinance.co.uk/news/2018/08/social-housing-paper-fails-provide-cash-needed-homes1>

Transformation Guidance (from the NAO)

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

EY cybersecurity strategies

<https://www.ey.com/uk/en/services/advisory/cybersecurity/ey-four-cybersecurity-strategies>

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, More London Place, London, SE1 2AF.

© 2018 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

EY-000074815.indd (UK) 09/18. Artwork by Creative Services Group London.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk

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 2017/18.

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 summarises the current position regarding recommendations arising out of internal audit reports which have been produced for 2017/18. 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 July the final recommendation relating to Key Controls has been completed. One of the recommendations relating to the Asset Management, the Port Marine Safety Code and the final Corporate Governance have been completed. Commentary on the outstanding recommendations is provided in Appendix 1.

3 Internal Audit Programme 2018/19

- 3.1 The first audit from the 2018/19 programme on Key Control has just had its onsite testing completed with the final report due 4 January 2019. Corporate Governance is scheduled to be undertaken at the end of November. The outcome of both these audits will be reported to the March committee.

Background papers: None

Author: Emma Krelle
Date of report: 20 November 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Asset Management: August 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Maintenance and insurance A master record of building condition monitoring surveys is created, to provide assurance that all surveys are completed when required.</p> <p>An overall record of building surveys will provide management with assurance that condition of assets is being monitored and that necessary maintenance tasks are completed. If this kind of overview is not available, it is more difficult to determine whether surveys are being completed. Hence there is a risk that the condition of properties deteriorates, potentially leading to financial and reputational loss to the Authority.</p>	Important	Asset Officer	<p>Conditioning monitoring is dependent on the IT work plan and priorities. A meeting to scope project and timescale to be undertaken by end of September 2017.</p> <p>Update: Although reported complete at the last FSAC the system was taken down so that conditioning monitoring forms were stored against specific building sites. Responsible officers are now being informed and DMS will be available for use by the end of July.</p> <p>Completed.</p>	<p>Originally agreed by 30/09/17</p> <p>Updated to 31/07/18</p>
<p>3. Leases The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays.</p> <p>Agreeing a timescale with all parties</p>	Needs Attention	Solicitor & Monitoring Officer	Delayed responses from our current legal provider have been identified. This will be addressed when we go out to tender for Legal Services. The tender is due to go out	<p>Originally agreed by 01/04/18</p> <p>Updated to 1/02/19</p>

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>involved will help to ensure that key tasks are completed in a timely manner.</p> <p>If there is no agreed timescale, it is more difficult for the Authority to conclude lease agreements in advance.</p>			<p>by the end of September with the new contract to start 1 April 2018.</p> <p>New/extension leases are planned 12 months prior to expiry date. Control over the lessee legal services are difficult to influence due to the size and type of their organisations.</p> <p>Update: Following the previous delays with the procurement process and the Solicitor & Monitoring Officer moving to one day a week, legal services within the Authority needs to be re-scoped and this will include property issues. It is still the preferred option at this stage is to move to a standing list of property legal providers which will need to be agreed by the next Full Authority meeting in February.</p>	

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Port Marine Safety Code: September 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Governance To arrange for a peer review to be undertaken of the Broads Authority's Safety Management System (SMS) by the Canal and River Trust, or another suitable organisation, as a reciprocal arrangement in between external audit visits in addition to the 3 yearly external audit.</p> <p>The PMSC Guide to Good Practice advocates that the DP is independent of the SMS process and external / peer reviews would assist in mitigating the risks associated with this. This will also assist in assessing the performance of the SMS through benchmarking against other similar organisations.</p>	Important	Head of Safety Management	<p>Agreed. The Authority has considered the issue of independence of the external auditors and the appointed designated person. The Authority is assured that the recent change in external audit providers adequately provides the assurance that the process is independent and complies with the requirements of the Port Marine Safety Code. However the recommendation of using a peer review or a MCA health check will give further assurance of independence. The Authority will commence talks with possible providers, by September 2018, regarding this proposal with the aim of scheduling an interim peer review or Health check in 2019.</p>	By 31/01/19

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			Update: Initial contact made with both the MCA and an external independent consultant who offer PMSC health checks. Health check scheduled for mid 2019.	
<p>3. Governance The Authority's annual report should refer to the PMSC, including compliance with this and the standard of performance, cross referenced to the performance dashboard.</p> <p>Inclusion in the Authority's annual report would increase the awareness and prominence of the PMSC, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.</p>	Important	Head of Safety Management, Head of Communications.	<p>Agreed. The Annual report is prepared during the spring of each year and published in the Summer. A statement to reflect the recommendation will be included in the next annual report and will feature as a standing item in future reports.</p> <p>Completed Annual report published in the summer</p> <p>Please see link http://www.broads-authority.gov.uk/_data/assets/pdf_file/0006/1345875/Broads-Authority-Annual-Report-2017-18.pdf</p>	By 30/09/18
7. Governance	Needs	Solicitor and	Agreed. All members of	By 28/02/19

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes.</p> <p>Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG.</p> <p>A record of all training provides confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.</p>	Attention	Monitoring Officer, Head of Safety Management	<p>Boat safety management group, the stakeholder hazard review group, the navigation committee and the Broads Authority receive training on risk assessment and ALARP principles before dealing with the risk assessments process. This formal training will be recorded in the minutes of each of the groups/ committees at the next opportunity when hazards are reviewed/ assessed scheduled for Feb 2019</p> <p>Any new members to the group will be trained in this regard prior to any risk review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into.</p> <p>Update: Briefing pack now in preparation for the forthcoming hazard review in February 2019</p>	

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Key Controls: December 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>4. Accounts receivable The Scheme of Powers Delegated to Officers is updated to remove outdated references to the Treasurer and Financial Advisor to the Authority and to replace them with current references including the Chief Financial Officer (Section 17 Officer).</p> <p>Updating the Scheme of Powers Delegated to Officers will align governance arrangements to the Authority's current officer structure. If the document is not up to date, there is a risk of confusion over the decision making arrangements which could also lead to decisions being made by unauthorised members of staff.</p>	Needs Attention	Solicitor and Monitoring Officer	<p>Agreed. Scheme of Powers to be updated and adopted by the Authority.</p> <p>Update: Amended scheme of powers was considered and adopted by the Broads Authority on 27/07/18.</p> <p>Completed.</p>	<p>Originally agreed by 16/05/18</p> <p>Updated to 27/07/18</p>

Corporate Governance: March 2018

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
2. Compliance	Important	Solicitor and	Agreed.	Originally agreed by

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>The data asset register incomplete columns to be finalised and to take into account the ICO checklists for 'Documentation of processing activities – requirements' and 'Documentation of processing activities – best practice; and ICO documentation template for controllers.</p> <p>This should include, but not be limited to the following:</p> <ul style="list-style-type: none"> - The source of the personal data; - Legal basis for processing data; - Plan for return and destruction of the data once processing is complete (shared data); - Occupational health records; - The name and contact details of your organisation (and where applicable, of other controllers, your representative and your data protection officer); and - Description of technical and organisational security measures (including records, devices, emails, which are encrypted) <p>Adhering to ICO checklists and the documentation template should assist</p>		Monitoring Officer	Completed. The ICO currently available guidance has been reviewed and incorporated. The ICO guidance will be regularly reviewed to ensure it remains up to date.	30/04/18. Updated to 31/07/18.

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>in ensuring mandatory information is included, best practice is followed and terminology and approach is consistent with the ICO. This thereby mitigating the risk that there is non-compliance with the GDPR.</p>				

Members' Allowances
Report by Chief Financial Officer

Purpose: This report provides an overview of members' allowances and when they were last reviewed. Members' views are sought on the next steps and possible recommendations to the Broads Authority.

1 Introduction

- 1.1 This report has been produced on the request of the Broads Authority Chairman following concerns raised by some Members at an informal meeting.
- 1.2 Members' allowances were last reviewed in 2011/12 following a recommendation from the Resource Allocation Working Group (RAWG). The RAWG recommendation came at a time when the National Park Grant was set to reduce by 21.5%. At the meeting on 18 March 2011 members resolved by 11 votes to 2 with 2 abstentions to accept the RAWG proposal:
 - (i) that member allowances be reduced by 21.5%;
 - (ii) that member allowances be fixed for the rest of the spending review term; and
 - (iii) that an independent review panel to consider member allowances be convened in 2014/15.
- 1.3 Prior to this, members allowances had been reviewed and increased by an independent panel in March 2009. The panel consisted of the Chairman and two members of Broads Forum and made recommendations for the next three financial years.
- 1.4 What neither the review in 2009 nor 2011 expected was that the cuts to National Park grant would be sustained until 2015/16 with the total cut in cash terms being 25% (£1m), in real terms (taking account of RPI) 35%.

2 Regulations

- 2.1 The payment of Broads Authority Members allowances is covered by The Local Authorities (Members Allowances) (England) Regulations 2003. These regulations cover the setting and review of basic, special responsibility, dependents' carers'¹, travelling and subsistence and co-optees' allowances.
- 2.2 The regulations state that members allowances can be amended at any time, but may only be revoked from the beginning of a year. All allowances must be determined locally.

¹ There is currently no express power for the Broads Authority or National Parks to pay this allowance and would require a change to the legislation.

- 2.3 Part 4 of the regulations makes reference to the establishment of an independent remuneration panel. Whilst it is compulsory for a district or county council to set up an independent panel, other bodies listed in the regulations must have regard to an independent panel where a county or district council can nominate members.

3 Current Arrangements

- 3.1 The current scheme has been in place since 2011 and provides for the following payments:

Type of Allowance	£
Basic Allowance	1,046
Chair of Authority	3,925
Vice Chair of Authority/Chair of Planning Committee/Chair of Navigation Committee	1,963
Other special responsibility (planning committee and lead members)	523
Navigation Committee Co-opted Members (one third of basic)	349

- 3.2 Travel and subsistence is reimbursed on actual costs, with mileage being paid at 45p per mile, with an additional allowance of 5p per (member) passenger per mile.
- 3.3 A preliminary comparison of the other National Parks allowances has been undertaken and is set out in appendix 1. Appendix 2 contains the full current scheme of members' allowances.
- 3.4 Since 2010/11 the cost of members allowances and all associated expenses (travel and subsistence expenses, annual site visit and National Park conferences) has been as follows:

	Members allowances £	NPG £	NPG %	Net Expenditure £	Net expenditure %
2010/11	66,379	4,029,502	1.6	6,597,480	1.0
2011/12	45,940	4,002,149	1.1	6,431,205	0.7
2012/13	48,955	3,774,799	1.3	7,510,953	0.7
2013/14	52,275	3,547,447	1.5	6,304,262	0.8
2014/15	51,512	3,245,393	1.6	6,123,390	0.8
2015/16	48,677	3,188,952	1.5	6,058,810	0.8
2016/17	47,199	3,243,802	1.5	6,357,934	0.7
2017/18	46,942	3,299,595	1.4	6,501,305	0.7

4 Summary

- 4.1 Appendix 1 identifies that there is some disparity amongst what the other English National Parks pay. Upon initial investigations the Peak District has been through a similar process and members views are sought on the next steps. A similar approach to that of the Peak District could be followed and an

independent panel be set up. Part of the remit of the panel would be to investigate these variances, review the whole scheme of allowances, advise on frequency of review and make recommendations to the Authority. Whilst the use of the Broads Forum members was appropriate in 2009 to maintain its independence, it is recommended that the panel should consist of the independent person(s) and the potential use of a consultant.

- 4.2 Any increases to members' allowances are likely to have an impact on the budget. Currently members' allowances are funded 67% National Park and 33% Navigation. It is unlikely that an increase could be implemented before 2020/21 as a review panel would not be agreed by the Authority until 1 February 2019 where the 2019/20 budget is due to be agreed.

Background papers: BA 18/03/11 Review of scheme of members allowances
BA 27/03/09 Review of scheme of members allowances
<https://democracy.peakdistrict.gov.uk/mgAi.aspx?ID=9047>

Author:	Emma Krelle
Date of report:	22 November 2018
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Members Allowances, English National Park Comparison APPENDIX 2 – Scheme of Members Allowances 2018/19

Comparator NPA	Basic Allowance	Chair's SRA	Chair's total (BA+SRA)	Vice Chair	Chair Planning	Vice Chair Planning	Members Planning	Chair Audit Resources & Performance (inc other)	Vice Chair Audit	Chair Navigation	Vice Chair Navigation	Lead Members	Co-opted
The Broads	£1,046.00	£3,925.00	£4,971.00	£1,963.00	£1,963.00	£523.00	£523.00	£523.00	None	£1,963.00	£523.00	£523.00	£349 (Navigation)
Dartmoor	£1,677.00	£5,000.00	£6,677.00	£1,677.00	£1,677.00	£838.00		£1,677.00	£838.00				£196.00
Exmoor	£2,632.80	£5,265.60	£7,898.40	£3,949.20	£3,949.20								
Lake District	£3,000.00	£6,000.00	£9,000.00	£4,500.00									
New Forest	£1,824.96	£3,649.92	£5,474.88	£1,824.96	£1,824.96	£912.48		£1,824.96	£912.48				
Northumberland	£1,734.00	£5,202.00	£6,936.00	£1,734.00	£867.00								£306.00
N. Yorks Moors	£2,300.63	£4,601.26	£6,901.89	£1,725.47	£2,300.63			£759.25					
South Downs	£2,979.62	£5,960.28	£8,939.90	£4,516.83	£3,576.17	£713.99		£1,788.08	£357.61				
Yorkshire Dales	£3,119.00	£6,238.00	£9,357.00	£1,559.00	£2,339.00	£1,248.00							
Peak District	£2,300.00	£5,750.00	£8,050.00	£2,875.00	£2,875.00	£1,898.00		£2,300.00	£1,150.00				£575.00
Average	£2,261.40	£5,159.21	£7,420.61	£2,632.45	£2,374.66	£1,022.25	£523.00	£1,478.72	£814.52	£1,963.00	£523.00	£523.00	£359.00
Max	£3,119.00	£6,238.00	£9,357.00	£4,516.83	£3,949.20	£1,898.00	£523.00	£2,300.00	£1,150.00	£1,963.00	£523.00	£523.00	£575.00
Min	£1,046.00	£3,649.92	£4,971.00	£1,559.00	£867.00	£523.00	£523.00	£523.00	£357.61	£1,963.00	£523.00	£523.00	£196.00

The information for Northumberland was not available on their website. The figures included are from the Peak District Review report 06/07/18, item 30/18, appendix 1, page 37.

Scheme of Members Allowances 2018/19

1. Introduction

- 1.1. This scheme of allowances is made in accordance with the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003, as amended. It was adopted by the Broads Authority at its meeting on 18 March 2011 and has been updated since this with current allowance figures.
- 1.2. The scheme shall be cited as the Broads Authority Scheme of Members Allowances.
- 1.3. The allowances referred to herewith are payable from 1 April 2016.

2. Definitions

- 2.1. 'Member' or 'member of the Authority' means the 21 appointed members to the full Broads Authority.
- 2.2. 'Co-opted member' means the 6 co-opted members of the Navigation Committee who are not members of the full Broads Authority.
- 2.3. 'Year' means the financial year commencing on 1 April and ending on 31 March.
- 2.4. 'Approved duty' means any duty on behalf of the Authority as set out in paragraph 9.

3. Election Not to Claim Allowances

- 3.1. A member may choose to forego any part of his/her entitlement to any allowance payable under the scheme by giving written notice to the Solicitor and Monitoring Officer.

4. Basic Allowance

- 4.1. A basic allowance will be payable to all members of the Authority unless they choose not to receive the payment. This allowance is paid in recognition of the time and money devoted by members to Broads Authority duties, including attendance at meetings, site visits, training events, conferences and workshops, dealing with correspondence and incidental costs such as postages and the use of private telephone and computer.

- 4.2. This allowance will be £1,046 per annum for the year commencing 1 April 2014. This payment will be paid in arrears on a quarterly basis in June, September, December and March.
- 4.3. Members whose term of office starts or ends during a payment period will receive payment in proportion to the number of days during which they were a member of the Authority.
- 4.4. Members who are suspended from the Authority in accordance with Part 3 of the Local Government Act 2000, or regulations made under that part, will not be entitled to receive a basic allowance during the period in which they are suspended.

5. Special Responsibility Allowances

- 5.1. A special responsibility allowance will be paid to those members who perform significant additional responsibilities in relation to the Authority as set out below. This is in recognition of the additional time and money devoted by such members to attendance at meetings with officers, dealing with correspondence, meeting visitors and other promotional and public relations work on behalf of the Authority.
- 5.2. The special responsibility allowances are as follows:

	£
• Chair of the Authority	3,925.00
• Vice-Chair of the Authority	1,963.00
• Chair of Planning Committee	1,963.00
• Chair of Navigation Committee	1,963.00
• Chair of Audit and Risk Committee	523.00
• Vice-Chair of Planning Committee	523.00
• Vice-Chair of Navigation Committee	523.00

- 5.3. In addition a special responsibility allowance of £523 will be payable to all members of the Planning Committee and to the Authority's nominated lead members on specialist subjects.
- 5.4. Payments will be paid in arrears on a quarterly basis in June, September, December and March.
- 5.5. A member may claim only one special responsibility allowance at any one time.

6. Co-opted Members Allowance

- 6.1. Co-opted members of the Navigation Committee will be paid an annual allowance of £349 for the year commencing 1 April 2016.
- 6.2. This will be paid in arrears on a quarterly basis in June, September, December and March.

- 6.3. Co-opted members whose term of office starts or ends during a payment period will receive payment in proportion to the number of days during which they were a member of the appropriate committee.
- 6.4. Co-opted members who are suspended from the Authority in accordance with Part 3 of the Local Government Act 2000, or regulations made under that part, will not be entitled to receive a co-optees allowance during the period in which they are suspended.

7. Travel and Subsistence

- 7.1. Payment of travelling and subsistence allowances will be made to members and co-opted members where they have been reasonably and properly incurred in attending and undertaking approved duties on behalf of the Authority. This includes travel claims by the Authority's Independent Persons.
- 7.2. Any payments made to members for travel from their home to a permanent workplace are subject to tax and National Insurance in accordance with HMRC guidelines.
- 7.3. A members permanent workplace is considered the Broads Authority office base: Yare House, 62-64 Thorpe Road, Norwich, NR1 1RY.
- 7.4. On submission of a members expenses claim form, the separation of taxable and non taxable mileage claims will be checked by the Governance team and authorised by senior management.
- 7.5. VAT petrol receipts must be attached to all mileage claims as proof of purchase and are required by HMRC auditors at times of inspection.
- 7.6. Members will be reimbursed for their private mileage on Broads Authority business in accordance with approved HMRC mileage rates.
- 7.7. The rates which currently apply for are as follows:

	First 10,000 miles in the tax year	Each mile over 10,000 in the tax year
• Cars and vans	45p	25p
• Motor cycles	24p	24p
• Bicycle	20p	20p

- 7.8. Members are encouraged to share transport to meetings and other approved duties where possible, and may claim an additional allowance of 5p per (member) passenger per mile.
- 7.9. The subsistence allowances which are currently payable are as follows:
 - Breakfast allowance - £8.12
(payable for absences of more than 4 hours away from normal place of

residence, before 11.00 a.m.)

- Lunch allowance - £11.15
(payable for absences of more than 4 hours away from normal place of residence, including the period 12 noon to 2.00 p.m.)
- Tea allowance - £4.42
(payable for absences of more than 4 hours away from normal place of residence, including the period 3.00 p.m. to 6.00 p.m.)
- Evening meal allowance - £13.80
(payable for absences of more than 4 hours away from normal place of residence, ending after 7.00 p.m.)

7.10. These rates are equivalent to those paid to officers and will be increased in line with changes to the officer subsistence allowance.

7.11. Subsistence allowances are claimable for the actual cost of the meal up to the maximum allowed. Receipts should be submitted. Allowances are not claimable if a meal is provided free of charge.

7.12. Member claims for travel to destinations outside Norfolk and Suffolk are limited to the standard rail fare (or other appropriate method of public transport) unless otherwise agreed by the Chief Executive in consultation with Chairman or Vice-Chairman of the Authority. Tickets can be booked in advance from the Authority's offices. All air travel should be pre-booked and paid for by the Authority.

7.13. Likewise all overnight accommodation should be booked in advance and paid for by the Authority, unless otherwise agreed by the Chief Executive in consultation with the Chairman or Vice-Chairman of the Authority.

7.14. Members should take care to avoid duplication or overlap of claims when they may be attending events on behalf of more than one organisation, or when they attend two or more separate events on the same day (e.g. as a Broads Authority member and as a county/district councillor), both of which may take place at the same venue.

7.15. Members should not claim allowances during any period before or after an official duty where personal choice has dictated early arrival or late departure.

8. Incidental Expenses

8.1. The Authority will reimburse incidental expenses such as parking tickets (except as set out in paragraph 8.2 below), underground rail fares, taxi fares and toll charges which are reasonably and properly incurred by members in the discharge of approved duties. All such claims must be accompanied by appropriately detailed receipts where available.

8.2. In respect of meetings at Yare House the Authority will reimburse the cost of the mileage incurred and any Park and Ride costs, but not the cost of any city centre car parking, which must be met by members themselves.

9. Approved Duties

9.1. Attendance at any of the following meetings is specified as an approved duty for the purposes of claiming travelling and subsistence allowances:

- (i) any meeting of the Authority or any committee, working group or panel to which the member has been specifically appointed;
- (ii) any site visit or training event to which all members and co-opted members have been invited or, in the case of individual committees, any site visit or training event by the committee on which a member has been specifically appointed;
- (iii) a meeting of any outside body to which the member has been specifically appointed to represent the Authority;
- (iv) a conference or workshop to which the member has been specifically appointed as a delegate to represent the Authority;
- (v) new members may attend, in a non-voting capacity, one meeting of each of the Navigation Committee, Planning Committee and Broads Forum prior to their appointment to either committee (or alternatively one meeting of the committee to which they have not been appointed);
- (vi) attendance at any other duty approved by the Authority, or any of its committees, working groups or panels for the purpose of or in connection with the discharge of the functions of the Authority.

9.2. These arrangements do not preclude members from attending meetings of committees to which they are not appointed, in a non-voting capacity, and speaking at the discretion of the Chairman (although except in the case of new members under paragraph 9.1 (v) they cannot claim travelling and subsistence allowances for attending such meetings).

9.3. For the avoidance of doubt it should be noted that the following are not approved duties for the purposes of claiming travelling and subsistence allowances:

- (i) attendance at any committee, working group or panel to which the member is not appointed, unless he/she has been specifically invited in advance by the Chairman;
- (ii) any duty which attracts a payment from any other body;
- (iii) attendance by the member in another capacity (e.g. as a county or district councillor), other than as a member of the Broads Authority.

10. Income Tax and National Insurance

- 10.1. Basic, special responsibility and co-opted members allowances are subject to tax and national insurance.
- 10.2. Members should complete and return a New Starter form, with details of the bank account into which their allowances should be paid, and a new starter HMRC form for tax purposes.

11. Administrative Arrangements

- 11.1. Completed claim forms should be returned to the Governance team at the Authority's offices in Norwich. Claims should be submitted quarterly, by the 20th of the month for payment for the following month. Claims must be claimed no later than the month after the tax year that they relate to.
- 11.2. Basic and special responsibility allowances will be paid automatically and need not be claimed.
- 11.3. The Authority will keep a record of all payments made by it in accordance with this scheme, and at the end of each year will publicise details of the total sums paid to each member in respect of basic, special responsibility, travelling and subsistence and co-optees allowances. This record is available for inspection by any local government elector for the area and a copy will be made available to any person on request.

12. Review of Scheme

- 12.1. This scheme of allowances will be reviewed regularly and any changes will be notified to all members and co-opted members.

Updated June 2018