

# Audit and Risk Committee

# Agenda 08 February 2022

## 10.00am

Yare House, 62-64 Thorpe Road, Norwich, NR1 1RY

John Packman, Chief Executive – Tuesday, 01 February 2022

Under the Openness of Local Government Bodies Regulations (2014), filming, photographing and making an audio recording of public meetings is permitted. These activities however, must not disrupt the meeting. Further details can be found on the <u>Filming, photography and</u> <u>recording of public meetings</u> page.

# Introduction

- 1. To receive apologies for absence
- 2. Introduction of members and declarations of interest
- 3. To note whether any items have been proposed as matters of urgent business
- 4. Public question time to note whether any questions have been raised by members of the public
- 5. To receive and confirm the minutes of the Audit and Risk Committee meeting held on **21 September 2021** (Pages 3-10)

# **Financial direction**

- Investment strategy and performance report 2021/22 and draft capital, treasury and investment strategy 2022/23 (Pages 11-32)
   Report by Director of Finance
- Consolidated income and expenditure 1 April to 31 December 2021 actual and 2021/22 forecast outturn (Pages 33-50) Report by Director of Finance

## Audit

- 8. Internal Audit Strategic and Annual Plans 2022/23 (Pages 51-61) Report by Internal Audit Manager
- 9. External Audit (Pages 62-87) Report by Director of Finance

# Items for consent

 10. Implementation of internal audit recommendations: summary of progress (Pages 88-101)
 Report by Director of Finance

# **Other Matters**

- 11. **Corporate Risk Register Review** (Pages 102-109) Report by Senior Governance Officer
- 12. **Risk Management and Policy Report** (Pages 110-117) Report by Senior Governance Officer
- Other items of business
   Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 1008 (4)(b) of the Local Government Act 1972
- 14. To answer any formal questions of which due notice has been given
- 15. To note the date of the next meeting Tuesday 26 July 2022 at 10.00am at Yare House, 62/64 Thorpe Road, Norwich



# Audit and Risk Committee

# Minutes of the meeting held on 21 September 2021

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## Present

Greg Munford – in the Chair, Matthew Bradbury, Bill Dickson (until item 14), Gail Harris, Paul Hayden, Simon Roberts, Michael Scott (from item 4), Matthew Shardlow, Nicky Talbot, Fran Whymark

### In attendance

Maria Conti – Head of Governance, Emma Krelle – Chief Financial Officer, Sarah Mullarney – Governance Officer, John Packman – Chief Executive

Jacob McHugh – Assistant Manager, Ernst & Young.

# 1. Apologies

Apologies were received from Tristram Hilborn.

### **Openness of Local Government Bodies Regulations 2014**

It was announced that the meeting would be recorded and that the copyright remained with the Authority, however, a copy of the recording could be requested from the Governance team.

# 2. Appointment of Chair

Nominations for the Chair had been invited in line with the procedure adopted following the 18 May 2018 Broads Authority meeting.

The outgoing Vice Chair (Nicky Talbot) reported that Greg Munford had been proposed by Bill Dickson, seconded by Matthew Bradbury. No other nominations had been received.

#### It was resolved that Greg Munford be appointed Chair of the Audit and Risk Committee.

#### Greg Munford in the Chair.

# 3. Appointment of Vice Chair

The Chair reported that nominations for Vice Chair had been received for Matthew Bradbury, proposed by Nicky Talbot, seconded by Gail Harris. No other nominations had been received.

# It was resolved that Matthew Bradbury be appointed Vice Chair of the Audit and Risk Committee.

# 4. Introductions and declarations of interest

Michael Scott joined the meeting.

No additional declarations of interest were declared.

# 5. Items of urgent business

There were no items of urgent business.

# 6. Public question time

No public questions had been received.

# 7. Minutes of last meeting

The minutes of the meeting held on 20 July 2021 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

Minute 5 (Minutes of last meeting), final paragraph to include additional wording:

"In subsequently discussing this course of action, the Chair and Chief Executive considered it would not be the most productive approach at this stage. The Chief Executive confirmed to members that he had instead raised the issue with the Minister in a 1-to-1 meeting in March and followed it up with a briefing note at the Minister's request. Civil servants were also in contact with the Ministry of Housing, Communities & Local Government (MHCLG) and the Public Sector Audit Appointments (PSAA). The Chief Executive added that the issue was unlikely to be a current priority for Defra, and suggested waiting for the detailed feedback from the Landscapes Review before pursuing it further. A member suggested that a joint letter from the Broads Authority and the National Park Authorities might be appropriate."

# 8. External audit

The Chief Financial Officer (CFO) reported that the external audit was mostly complete, a further update was provided by the Ernst & Young Assistant Manager at item 10.

Members discussed the escalating costs of the audit and the options for future audits. In response to a member question the CFO said that the auditors could request any information related to the Statement of Accounts and that the process of the audit also generated more requests. She said the final fee for the current audit was not yet determined. It was added that a report on the option to opt back in to the Public Sector Audit Appointments (PSAA) scheme would be reported to members at the November Broads Authority meeting.

It was clarified that the requirements of the audit were determined by the Ministry of Housing, Communities and Local Government (now known as the Department for Levelling Up, Housing & Communities), and not Defra. The CFO had responded to numerous consultations on these matters which raised the issue of small organisations such as the Broads Authority being subject to the same audit level as multi-million-pound Local Authorities.

Members agreed that the projected fees were disproportionate for the size of the Authority and discussed the impact the level of the audit had on the Authority and staff. They noted the increase to internal costs and limiting staff resources for other strategic tasks. The CFO explained that the audit regulations had changed since the tendering process for the current auditing agreement. She added that the Authority's working relationship with the auditors was a good one, however it was the change in the process that was causing difficulties. Members discussed how the 10 English National Park Authorities (NPAs) could work together to collectively put pressure on Ministers to address the audit standards; it was noted that this was a separate issue to the fees. The CFO reported that the scale of the fee increases differed across the NPAs as different auditors were used. However, she said she would report discussions with the other NPA financial officers on the issue to members.

#### The position on the external audit fees was noted by members.

# 9. Audit plan addendum – Value for Money Risk Assessment

Under the Code of Audit Practice 2020, a commentary was required against the specified reporting criteria for the Value for Money risk assessment. The Assistant Manager for Ernst & Young reported that there were no risks identified on the Broads Authority's arrangements for the specified reporting criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Value for Money risk assessment audit plan addendum was noted.

# 10. Annual audit results 2020/21

Members were provided with an update on the status of the audit. The Ernst & Young Assistant Manager reported that the audit was on track to conclude with an unqualified opinion and with no matters to report under the value for money arrangements. The 'other income and expenditure testing' was now complete with no issues identified. The pension liability valuation was still outstanding.

The new auditing standard for 2020/21 required auditors to challenge the method of measurement of accounting estimates. In order to complete the outstanding work, additional information was requested from the Norfolk Pension Fund which would be used to test this model.

It was also reported that the risks identified when the provisional audit plan was issued have remained unchanged. These related predominantly to the valuation of Property, Plant, and Equipment, and the pensions valuations.

Timing issues were attributed to the uncorrected material difference of £12,000 relating to the Heritage Lottery Fund, and the one material adjusted difference relating to the pension liability. The CFO explained that the adjustment relating to the Heritage Lottery Fund was highlighted in the letter of representation.

A member asked if the reserves and sustainability of the organisation in light of the pandemic had been reviewed as part of the value for money risk assessment. The Assistant Manager explained that the risk assessment commentary set out the arrangements for the Authority. He said an additional disclosure note had been requested in respect of going concern and concluded the Authority would be a going concern for 12 months post signing the statement of accounts. The auditors were content that the impacts of Covid had been included in the Authority's forward-looking budgets. In response to a member question about meeting the 30 September deadline, it was explained that there was no strict requirement for the audit opinion to be attached to the published report. The CFO added that if the pension model didn't provide the results within the auditor's range then approval of the accounts could be delegated outside of committee. Any significant changes would be reported back to the Audit and Risk Committee.

A member commented on the wording relating to misstatements due to fraud or error (page 11 of appendix 1): "The financial statements as a whole are not free of material misstatements whether caused by fraud or error." He said if read in isolation it implied there were material misstatements. The Assistant Manager for Ernst & Young responded that this was extracted from the audit plan. It was noted that the plan was presented to the Audit and Risk Committee as part of the audit process and so could be reviewed by members going forward.

The CFO concluded that the letter of representation highlighted the adjustment related to the Heritage Lottery Fund.

#### It was resolved:

- i. To note the annual audit results 2020/21
- ii. That the Letter of Representation in connection with the Audit of the Financial Statements for 2020/21 be signed by the Chief Financial Officer and the Chair of the Audit and Risk Committee.

# 11. Statement of Accounts 2020/21

The Chief Financial Officer reported further adjustments to the Statement of Accounts as a result of the review of the fixed asset revaluations. It was explained that a property with a decreased valuation was previously recognised as a loss through the income and expenditure statement in a prior year; however, this could be reversed if the property saw an increase in future years rather than using the valuation reserve.

This had been amended and resulted in a change in figures recoded in table 2 of the report, summary of adjustments. The amount of the comprehensive income and expenditure statement (CIES not reported to management) had reduced to £745,000, and the total cost of services had been amended to £3,579,000. There was also a change to table 3, detailed adjustments, the figure for depreciation, amortisation and revaluation was now £326,000. The total deficit of provision of services was now £368,000.

The CFO explained that the revaluation had affected the expenditure and funding analysis, the comprehensive income and expenditure statement (CIES), the movement of reserves, balance sheet and cash flow. The net liability remained the same. Supporting notes 7, 8A, 9, 19, 35 had also been impacted. Following discussions with the auditors, note 25, external audit costs was split between the scale fee and additional charges.

In response to a member question, the CFO explained that the legal fees formed part of the CIES expenditure figure, classified under the Chief Executive's directorate. She confirmed that

last year £108,830 was spent on legal fees of which £26,222 was from the navigation budget and the remainder from the National Park grant.

Another member discussed the long-term impacts of the pandemic on the navigation funds and how to plan for a repeat event or the potential for a longer lockdown period. He said the Authority needed to consider different scenarios and how the Authority would respond to these. The CFO responded that a strategic piece of work to review the recommended reserve minimum was due. This would involve reviewing the Authority's financial commitments to determine what level of reserves would be required in order to sustain the Authority in a period of lockdown. She added that if a higher reserve was needed this could impact a potential toll increase.

The CEO said the Authority needed to balance the level of risk it was willing to accept against the level of reserves. He added that the reserves had proven to be robust however the financial support from the government had helped. The Authority was in a good financial position with a higher number of private and hire boats than what had been budgeted for.

It was suggested that the Audit and Risk Committee support the CFO in reviewing the reserve policy, to ascertain if the pandemic had materially altered the policy. The Chair concluded that initial figures on the short-term risks and commitments were required and requested the initial findings be reported back to the committee for discussion.

It was clarified that the increased balance at the bank, reported in table 15 of the report, was a result of the ending of the fixed term deposits being returned to the current account. Investment options would be reported to members at a future meeting. The CFO also reported that the dilapidations provision for Whitlingham, reported in table 17, had been resolved and would be reported in the next years' accounts.

On behalf of the committee, the Chair requested the Assistant Manager put pressure on Ernst & Young to deliver the outstanding pension information in time for the 24 September Broads Authority meeting.

It was resolved to recommend to the Broads Authority the Statement of Accounts for 2020/21 for approval, and to delegate to the Broads Authority Chair and Chief Financial Officer if the outstanding pensions information was not provided in time for the next Broads Authority meeting.

# 12. Corporate Partnership Register - update

The Head of Governance (HG) provided an update on the Corporate Partnerships Register. The Farming in Protected Landscapes (FiPL) partnership was a new addition to the register, and the Broads Test and Trial ELM scheme had been removed.

A member questioned the effect of Brexit on the financial arrangements of the partnerships listed. The HG responded that those likely to be affected had guaranteed funding and it was new partnership opportunities that were likely to be affected by Brexit. It was noted that the pandemic had had an effect on the CANAPE partnership.

A member suggested that more information be included in the register to list the nature of the partnership and the status of the partner bodies. Another member commended the report for linking the outputs and benefits of the partnerships and said this was valuable information. The HG noted that Management Team also identified any potential risks with each partnership in the Authority's Risk Register.

Members discussed the frequency with which the Risk Register was reported to the Audit and Risk Committee and asked if an update could be provided at every meeting. It was acknowledged that there wouldn't always be substantial changes to the register. Officers agreed to report the Risk Register at every ARC meeting and would review the Officer workload required for this.

Gail Harris left the meeting.

The report was noted.

# 13. Implementation of Internal Audit recommendations – summary of progress

Members were informed that there was little change since the recommendations were last reported to the committee in July, however the planning recommendations were now complete.

Gail Harris returned to the meeting.

The CFO said an update on the current years' audit would be reported at the next meeting as they were yet to start.

In response to a member question about the finance vacancies and issue with IT resources mentioned in the report, the CFO explained that both teams were recruiting to fill vacancies. A member of the IT team had also been on long term sick leave which had impacted the small team. The CFO noted that the recruitment was a resource intensive process and so vacancies were being filled one at a time. A temporary member of staff had been recruited to the Finance team to relieve the pressure with workload.

Bill Dickson left the meeting.

Another member commented that the required procurement training listed in table 2 of the report would also impact staff availability.

The report was noted.

# 14. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

# 15. Formal questions

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

# 16. Date of next meeting

The next Audit and Risk Committee meeting would be on Tuesday 8 February 2022 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11.34 am

Signed by

Chairman



# Audit and Risk Committee

08 February 2022 Agenda item number 6

# Investment strategy and performance report 2021/22 and draft capital treasury and investment strategy 2022/23

Report by Director of Finance

#### Summary

This report contains two items:

- i. Details of the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the nine months to 31 December 2021.
- ii. The Draft Capital, Treasury and Investment Strategy 2022/23.

#### Recommendation

- i. To note the current arrangements regarding the investment of surplus cash.
- ii. To recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval.

# 1. Introduction

1.1. It was previously agreed that a report on the performance of the Broads Authority's investments would be presented to the Audit and Risk Committee, with a fuller year-end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

# 2. Investment principles and performance

- 2.1. The investment of surplus cash is governed by the Authority's Treasury and Annual Investment Strategy 2021/22. Details of this strategy renewal are in paragraph 3.1.
- 2.2. As detailed in the strategy, the Authority's primary concern is to safeguard its capital and the liquidity of its investments. Surplus cash sums are monitored on a weekly basis by the Authority's Finance staff, and transferred as and when required to appropriate institutions listed in the Strategy. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the nine months to 31 December 2021 were as shown in Table 1.

## Table 1

Investment Holdings 2021/22

Туре	Opening Balance £	Closing Balance £	Highest Sum £	Lowest Sum £
Instant Access	2,509	646	3,253	646
95 Day Notice Account	2,500	4,500	4,500	2,500
32 Day Notice Account	503	503	503	503

- 2.3. There has been one transfer in June 2021 to the 95-day notice account (£2 million). This was assessed as the best possible interest rate achievable at that date. The current portfolio means that interest income is forecast to be below budget predictions following the impact of COVID-19.
- 2.4. The figures for the previous year (2020/21) were as shown in Table 2.

#### Table 2

Investment Holdings 2020/21

Туре	Opening Balance £	Closing Balance £	Highest Sum £	Lowest Sum £
Instant Access	593	2,509	2,509	593
Fixed Term	2,000	0	2,000	0
95 Day Notice Account	1,500	2,500	2,500	1,500
32 Day Notice Account	502	503	503	502

- 2.5. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. This is particular important for the Heritage Lottery Fund and CANAPE projects, which are claimed either three or six months in arrears. Payment can then be a further three to six months after submission.
- 2.6. Interest earned to the end of December is £4,470.01 and is forecast to increase to £7,000 by the end of March. This is based on interest rates that range from 0.01% to 0.2%.
- 2.7. The amount of interest received during 2020/21 was £22,334.14 based on interest rates ranging from 0.01% to 1.1%. Forecast interest for 2020/21 was £22,000.

# 3. Draft Capital, Treasury and Annual Investment Strategy 2022/23

- 3.1. The Prudential Code requires local authorities to produce an Annual Investment and Capital Financing (borrowing) strategy. This must be approved before the start of each financial year, by the Broads Authority.
- 3.2. During December 2021 both the Prudential Code and Treasury Management in the public services guidance published by CIPFA was updated. When the guidance for public services was published it was intended to be supported by Treasury Management in the Public Services: Guidance Notes for Local Authorities, however the publication of this document has been delayed until the end of January. At this stage it is unclear if the guidance for smaller public service organisations published in 2014 will also be updated. The 2021 publication of the Prudential Code applies with immediate effect and introduces the requirement to report quarterly against the prudential indicators set out in the investment strategy, however authorities may defer the revised reporting requirements to 2023/24.
- 3.3. Any amendments required from the publication will be incorporated into the version presented to the Broads Authority in March. The draft strategy at Appendix 1 incorporates the latest CIPFA guidance from its Capital Finance in Local Authorities Guidance Notes (2021). The capital strategy is on pages 3-6.
- 3.4. The Treasury Strategy, which is on pages 7-13. Minor changes have been made to reflect the updated guidance on Treasury management practices and references to the Chief Financial Officer have been updated to the Director of Finance.
- 3.5. The 2021 Prudential Code requires investments to be analysed between investments for treasury management, service and commercial purposes. The Authority holds investments purely for Treasury management purposes. This is where investments arise from cashflows and will ultimately represent balances that need to be invested until the cash is required for use in the course of business. Investments for service purposes are generally linked to those authorities who provide housing, regeneration and local infrastructure. Investments for commercial purposes are held primarily for financial return such as commercial property.
- 3.6. The annual investment strategy has been updated to reflect current holdings in paragraph 3.1. Paragraph 4.2 sees the forecast of the Authority's Capital Financing Requirement (CFR) over the next three years. The CFR measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. Although historically reported as part of the Authority's Statement of Accounts the code introduces its inclusion here. Paragraph 4.3 highlights the impact the introduction of IFRS 16 Leases will have on the Authority. Where leases are included under the adoption of IFRS 16, it will increase the Authority's assets as well as its other long-term liabilities (borrowings). As a result, the authorised level of capital expenditure and debt may need to increase for 2022/23 and beyond. A

detailed analysis of the effect will be produced as part of the Statement of Accounts. Where amounts need to be revised as part of this analysis, these will be reported back to the Broads Authority at the earliest opportunity.

- 3.7. The Capital Receipts Reserve balance is set out in paragraph 4.4. The reserve can be used to fund capital expenditure or the repayment of debt. Significant improvements to existing (new facilities) or the purchase of new sites/assets may be funded from this reserve, subject to member approval.
- 3.8. Members' views are sought on the draft prior to the Broads Authority meeting on 18 March 2022.

Author: Emma Krelle

Date of report: 26 January 2022

Appendix 1 – Draft Capital Treasury and Investment Strategy 2022/23



# Draft Capital, treasury and investment strategy 2022/23

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# Capital Strategy

## 1. Introduction

- 1.1. The update of CIPFA's Prudential Code in December 2021 and Capital Finance guidance notes in September 2018 introduced the need for Local Authorities to have a Capital Strategy from 2019/20. It is intended to provide a high-level overview of how capital expenditure; capital financing and treasury management contribute to the provision of services and how the risks of these activities are managed and what impact it may have for future financial sustainability.
- 1.2. The Capital Strategy will be renewed annually. Monitoring and approval of the strategy will remain with the Authority.
- 1.3. The Capital Strategy provides a link between The Broads Plan, Strategic Priorities, the Asset Management Strategy and the Financial Strategy.
- 1.4. The current Broads Plan covers the period of 2017-2022. The plan is currently undergoing a review for the next period. It is a partnership strategy for the whole of the Broads and sets out guiding actions not just for the Authority but all partners. Its success very much depends on a common vision, strong partnership working and the best use of shared resources. The plan is available on the website including a sixmonthly newsletter which provides updates on progress.
- 1.5. The Authority's Strategic priorities are set annually by the members in line with objectives in the Broads Plan. Progress against the Strategic priorities is reported regularly to the Broads Authority and details can also be found on the website.
- 1.6. The Asset Management Strategy sets out the Authority's practices and procedures which have been established to ensure that the Authority's land, property and other assets are managed and maintained as effectively as possible. It also sets out a series of key principles which will be adhered to in the management of the asset base and guidance on the procurement and disposal of land and property. A copy is also available on the website.
- 1.7. The annual Budget and Financial Strategy includes capital expenditure for the forthcoming year and the following two financial years. The earmarked reserves appendix identifies what capital expenditure will be funded in each year. Although the later years are based on the replacement programmes the last two financial years should be seen as estimates. These estimates maybe updated as a result of refining the costings during budget setting for those years.

# 2. Core principles

- 2.1. All capital expenditure and investment decisions will be affordable, proportionate, prudent and sustainable.
- 2.2. Decisions to invest or dispose of capital items will comply with the Authority's delegated powers, standing orders and financial regulations.
- 2.3. Capital expenditure will reflect the aspirations set out in the Broads Plan, Strategic Priorities and the authority's environmental and carbon policies.
- 2.4. New areas of major capital expenditure (£250,000 plus) will be supported by a fully costed appraisal over the lifetime of the scheme and incorporated into the annual budget. Risks will be fully considered, not just during initiation but over the lifetime of the asset including its potential disposal.

# 3. Capital expenditure

- 3.1. Whilst other Local Authorities have large capital expenditure programmes to fund housing and regeneration projects the Authority's expenditure remains modest and focuses on operational need. Items of major capital expenditure are identified through the Asset Management Strategy replacement programme and as part of the budget setting process. Items of expenditure over £5,000 that have a useful economic life of more than one financial year are classified as capital expenditure.
- 3.2. Capital Expenditure can be funded via a number of methods. These include revenue budgets, earmarked reserves, finance leases, long term borrowing and capital receipts. All capital expenditure on physical assets is held on the Balance Sheet under Property, Plant and Equipment. At the end of 2020/10 the value of these items was £4.7m, of which £85k was funded by finance leases.
- 3.3. Traditionally revenue budgets tend to fund the smaller items such as tools and equipment. However larger Navigation items can be funded through revenue as a result of tolls setting. For 2018/19 the level of tolls was increased to facilitate the purchase of Tree Shears. In 2017/18 the moorings maintenance programme was rescheduled to enable the purchase of Acle Bridge moorings from revenue. The ongoing maintenance of assets is funded by revenue budgets and is not capitalised. Cost estimates are made on the basis of forecast maintenance required to keep assets in operational use.
- 3.4. Through identification of the Asset Management Strategy annual contributions are made from the revenue budget to the earmarked reserves to cover the cost of future replacements. Balances are built up and then drawn down in future years. Expenditure from the earmarked reserves is considered annually alongside the revenue budget, with a forecast for the following two financial years. Replacement

costs are regularly monitored to ensure that the contributions remain appropriate to the earmarked reserves. Where adjustments are required this will be forward to the Authority as part of the annual budget setting process.

- 3.5. Although long term borrowing remains an option to the Authority it is not regularly utilised for capital expenditure. At the end of 2020/21 the balance sheet contained one long term loan which had an outstanding balance of £109k. Further details can be found in the Treasury Management Policy Statement on borrowing principles (section 2.3).
- 3.6. The Authority currently holds one capital receipt following the disposal of Ludham Fieldbase in August 2018. Capital receipts can be used to fund new capital expenditure or the repayment of debt. It is currently being held on the balance sheet. New long-term capital projects will consider utilising this balance.

# 4. Short, medium and long term capital priorities

### Short and medium term priorities (1-3 Years)

- 4.1. The Authority's short to medium term priorities is delivering the asset replacements detailed within the Asset Management Strategy and Earmarked reserves. The focus is on continued operations but with the potential to remain flexible as new opportunities for efficient working arise or if urgent items arise. Replacement items to be funded over the next three years include vehicles, excavators, wherries and Ranger launches. All of which will be funded from the Earmarked reserves.
- 4.2. It is expected that during the short to medium term that the potential options around Visitor Services and facilities will be explored. As options for improvements at existing site or new sites are developed these will be brought back to members with a business case. The key issue for new sites remains initial funding which will be explored through potential funding bids and partnership. As this progresses papers highlighting risks will be taken to the Authority for members to make the final decision.
- 4.3. The use of reserves other than earmarked reserves will require approval from the Authority. The impact of loss of investment income will need to be offset by the benefits of such a capital project.

#### Long term priorities (4 years plus)

4.4. The Authority's long-term priorities will be shaped by future funding agreements received from DEFRA in the form of National Park Grant and potential toll increases. Reductions to either forms of income could impact the potential to replace assets as they near the end of their useful lives and ongoing maintenance programmes. Long

term priorities, will need to ensure that they will generate income to fund their upkeep and any reduction in investment income.

- 4.5. Larger items of equipment such as the wherries and launches can be operational anywhere between 20 and 50 years. It is essential that their ongoing maintenance is incorporated into the revenue budget and the contributions to the earmarked reserves continue.
- 4.6. The moorings refurbishment programme remains a key area of maintenance to ensure that moorings remain safe to use by the public. Where the Authority is responsible for future piling and upkeep it will seek to own sites or minimise rental payments in recognition for this ongoing responsibility.

## 5. Risk appetite

- 5.1. The Authority's risk appetite towards capital expenditure remains low and will be based around the core principles. Funding of capital items will continue mainly through existing resources but on occasion finance leases or other borrowing maybe appropriate. Borrowing principles are set out in the Treasury Strategy (section 2.2) and the forecast of capital expenditure and borrowing limits is in the Investment Strategy (section 4).
- 5.2. The Authority recognises the importance of ensuring that all staff involved in the capital strategy are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual Individual Performance Review (IPR).
- 5.3. It is recognised decisions surrounding land and buildings carry a higher degree of risk. Where opportunities arise of acquisition or disposal the Authority will make use of its property consultants and legal advisers to ensure these risks are fully understood.

# Treasury strategy

## 1. Introduction

1.1. Both CIPFA's Treasury Management Code of Practice (2021 Edition) and the Prudential Code requires the Authority to produce a strategy which explains the Authority's borrowing and investment activities and the effective management and control of those risks. This strategy seeks to incorporate the best practice recommendations from this guidance whilst also bearing in mind the Guidance for Smaller Public Service Organisations (2014 Edition).

# 2. Treasury management policy statement

- 2.1. The Authority defines its treasury management activities as:
  - The Management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those.
  - The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
  - The Authority acknowledges that effective treasury management will provide support towards the achievement of its strategic objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

#### Borrowing principles

- 2.2. The Authority intends to fund all of its capital expenditure from either its earmarked reserves, capital receipts or from its revenue accounts. However if any of those accounts hold insufficient funds borrowing maybe considered.
- 2.3. The Authority currently has one long term loan from the Public Works Loan Board (PWLB) that was utilised to purchase the dredging operation from May Gurney in November 2007 for £290,000. This is to be paid over a 20-year period at a fixed interest rate of 4.82%. Repayments are incorporated into the revenue budget. The Authority also has the option to enter into finance leases to purchase capital items. Typically this has included the purchase of large pieces of equipment such as the

JCB, the Doosan excavator and the concrete pump. International Financial Reporting Standards include these types of leases as borrowing due to the risk and reward of the asset transferring to the Authority. During 2020 the Authority took out a shortterm loan from the PWLB for £105,000 to fund the purchase of a new excavator. This is to be repaid over 5 years at a fixed interest rate of 2%. This was considered the most cost-effective form of borrowing when compared to a finance lease.

2.4. If additional borrowing was deemed necessary following committee consultation then the Authority would need to minimise the costs to the revenue budgets including future year repayments and undertake new borrowing at the cheapest cost.

#### Investment principles

2.5. The Authority's main objective is the prudent investment of its treasury balances. Investments are made purely for treasury management purposes, not to support service and commercial purposes. The main priorities are the security of capital and the liquidity of its investments. It will be only after these have been satisfied that it will aim to achieve optimum return on its investments. The Authority will not engage in borrowing purely to invest or to on-lend to make a return. Such activity is considered unlawful.

#### Treasury management practices

#### Risk management

- 2.6. The Authority adopts a low risk appetite to its treasury management but is not totally risk averse. It will invest with other institutions with appropriate credit ratings rather than just making use of government deposits. If additional borrowing should be required it will seek to borrow on a fixed rate basis to build in assurance for future year liabilities.
- 2.7. As part of the Authority's corporate and directorate risk registers risks are monitored and managed on a regular basis. This includes investment risks. Corporate risks are reported to every meeting of the Audit and Risk Committee. Responsible Officers review these throughout the year and are discussed at Directorate meetings.
- 2.8. Risks specific to treasury management include:
  - **Credit and Counterparty:** The main objective of the Authority is to secure the principal sum it invests and therefore takes a prudent approach as to whom it invests funds with. This is limited to organisations who meet minimum criteria and is covered in more detail within the investment strategy. The Authority also faces this risk through the default of its debtors. Payment terms are limited to 30

days or where appropriate payment is asked for in advance. Corrective action is taken as required to secure outstanding debts. Bad debts are kept to a minimum.

- Liquidity: The Authority will maintain adequate but not excessive cash balances and borrowing arrangements to enable it to achieve its strategic objectives. The Authority will only borrow in advance of need where there is a clear business case to do so and will only do so for the current capital programme. Debt repayments are included in the annual revenue budget.
- Interest rate: The Authority will manage its exposure to fluctuations to interest rate risks in line with its budgets. It will achieve this through the prudent use of its approved instruments, methods and techniques to create stability and certainty of costs and revenues, whilst remaining sufficient flexibility to take advantage of unexpected changes to interest rates. The Authority will limit fixed term deposits to a period of no longer than one year to limit risks to liquidity.
- Exchange rate: The Authority will manage its exposure to fluctuations in exchange rates to minimise any impact on its budgeted income/expenditure levels. External advice will be sought to manage this in the most appropriate way as it could have a significant impact; this is particularly important in regards to EU grants.
- Inflation: The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.
- **Re-financing:** If the Authority was in a position to re-finance its borrowing it will ensure that such arrangements are negotiated, structured and documented and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or re-financing. These will be competitive and as favourable to the organisation that can be reasonably achieved in the light of market conditions at the time. It will manage its relationships with its counterparties to secure this objective and will avoid the over reliance on any one source of funding if this might jeopardise achievement of the above.
- Legal and regulatory: The Authority will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonable to do so, will seek to minimise any adverse risks.

- Operational risk, including fraud, error and corruption: The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. It will employ suitable systems and procedures to ensure segregation of duties, and will maintain effective contingency management arrangements to do so. In addition, the Authority holds Fidelity Guarantee Insurance with Zurich Municipal as part of its overall insurance management arrangements.
- **Price:** The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from such fluctuations.

#### Performance measurement

2.9. Treasury management will be subject to regular review of its value for money and if other alternative methods of delivery will become more appropriate. The Audit and Risk Committee will receive reports twice a year detailing performance. It will also review the Treasury Strategy prior to the Authority meeting which remains responsible for its adoption. Further details of those performance measures are included within the Investment Strategy.

#### Decision making and analysis

2.10. The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account at that time.

#### Approved instruments, methods and techniques

2.11. The Authority will undertake its treasury management activities by only employing those instruments, methods and techniques as detailed in the Investment Strategy. The Authority does not intend to use derivative instruments to manage risk. However if it chose to do so in the future it would seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

Organisation, clarity & segregation of responsibilities, and dealing arrangements

2.12. In order for there to be effective control and risk management it is essential that there is clear segregation of duties for the reduction of the risk of fraud and error and for the pursuit of optimum performance. This will be subject to regular review by Internal Audit as part of its key control test. If at any time there is a lack of resources that does not allow this, it will be reported to the Audit and Risk

Committee. Such duties are detailed in the Finance department's job descriptions and are reviewed annually.

2.13. The Director of Finance is responsible for the development of the strategy, whilst cash flow monitoring is undertaken by the Senior Finance Assistant and reviewed by the Director of Finance. The Director of Finance will remain responsible for identifying appropriate counter parties in line with agreed criteria. Funds to be transferred will be carried out by the Senior Finance Assistant and Financial Accountant following approval by the Director of Finance. All funds will be automatically transferred back into the Authority's main bank account. The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

#### Reporting requirements and management information

- 2.14. The Director of Finance will prepare regular reports for consideration on the implementation of its policies, the effects of decisions taken and transactions executed. The reports will also consider the impact of any changes on the budget or other regulatory, economic and market factors.
- 2.15. The Broads Authority will receive an annual report on the strategy and the plan for the coming year. The Audit and Risk Committee will review this strategy and receive a mid-year review and an annual report on activity over the last year. Any impact on investment income will be reported throughout the year to the Broads Authority as part of its Finance Performance and Direction reports.

#### Budgeting, accounting and audit arrangements

2.16. The Director of Finance will prepare the annual budget which will include the costs of the treasury function as well as the investment income as deemed by statute and regulation. The Director of Finance will be responsible for exercising control over these items and will report any changes as required as detailed above.

This Authority will account for its treasury management activities, decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

#### Cash and cash flow management

2.17. The Director of Finance will be responsible for all monies in the hands of the Authority and will be reviewed for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis to ensure that liquidity risk is monitored. This will be undertaken on a weekly basis by the Senior Finance Assistant and reviewed by the Director of Finance. This weekly forecast will

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also look at predictions for the current month. Annual cash flow predictions will be prepared by the Director of Finance following preparation of the annual budget.

#### Money laundering

2.18. The Authority is aware that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Further details can be found in the Authority's Counter Fraud, Bribery and Corruption policy and its Financial Regulations. Copies are available to all staff on the Intranet.

#### Training and qualifications

- 2.19. The Authority recognises the importance of ensuring that all staff involved in the treasury management are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual Individual Performance Review (IPR).
- 2.20. The Director of Finance will ensure that the Audit and Risk Committee who have treasury management/scrutiny responsibilities have access to training relevant to their needs and responsibilities.
- 2.21. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

#### Use of external providers

2.22. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times. It recognises that there may be value in employing external providers in order to access specialist skills and resources. However the use of external providers is not currently used based on the Authority's limited amount of surplus funds and the costs associated. If this position changed it would ensure a full evaluation had been undertaken as to the costs and benefits through the Authority's Standing Orders.

#### Corporate Governance

2.23. Treasury Management activities will be undertaken with openness and transparency, honesty, integrity and accountability. This together with the other arrangements detailed in the Investment Strategy are considered vital to the achievement of proper corporate governance in treasury management. The Director of Finance will monitor and report upon the effectiveness of these arrangements.

#### Management practices for non-treasury investments

2.24. The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

2.25. The Authority will ensure that all investments are covered in the investment strategy, and will set out, where relevant, the Authority's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. Where the Authority holds non-treasury investments a schedule of these types of investments will be included.

# Annual Investment Strategy 2022/23

This strategy builds on those principles and practices as laid out in the Treasury Management Strategy. It continues to give priority to the security of capital and liquidity before returns are considered.

The Authority will continue to invest in Sterling and will consider the bodies environmental, social and governance (ESG) practices.

# 1. Specified investment

- 1.1. These investments are made in Sterling and have a duration of 1 year or less.Typically, these are low risk investments due to being made with high credit rating bodies, examples include:
  - UK government or local authorities;
  - UK/European banks and building societies
  - Money Market funds (AAA rated by credit rating agency)
  - Debt Management Agency deposit facility
- 1.2. This list is not exhaustive but highlights where the Authority is most likely to place its funds.
- 1.3. To mitigate against the risks of credit and counterparty the Authority will only seek investments with bodies that have at least a short-term rating of F-1 as stated by Fitch credit ratings.
- 1.4. The Authority will monitor these ratings monthly through online credit watches and use these to determine any new investments. This may mean those failing to meet the criteria will be removed from the list, whilst those new counterparties who do may be added. Other market information including the financial press will be monitored.

# 2. Non-specified investments

- 2.1. These investments tend to be any other type of permitted investment which have durations of more than a year. This also includes equity-type investments. At this point the Authority does not consider these types of investments as appropriate but may do so in the future if surplus funds permit.
- 2.2. Longer term investments will only be considered with those institutions that have a Fitch credit rating of A (+/-). In addition institutions ethical and environmental

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activities will also be taken into consideration to compliment the Authority's strategic objectives, including responding to climate change and sustainability.

2.3. The Authority will seek proper advice and will consider that advice when entering into arrangements on derivatives to ensure that it fully understands those products.

# 3. Liquidity

3.1. The Authority will seek to try and spread its investments to avoid over reliance on one institution. This is currently not being achieved and all surplus funds are being held at the Authority's current account provider (Barclays. The impact of COVID-19 has meant that interest rates have plummeted and funds are now held at Barclays to secure the best interest rates available. Funds held at Barclays are automatically swept each day into its Business Premium. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £5m and £7m.

Counterparty	Holding/ Investment	Interest rate	Investment date	Maturity date
Barclays Notice Account	4,500,000	Base rate + 0.2%	n/a	95 days' notice
Barclays Notice Account	503,000	Base rate – 0.05%	n/a	32 days' notice
Barclays Premium Account	646,000	0.01%	n/a	Instant access

#### Current Holdings as at 31/12/21

# 4. Capital financing (borrowing) principles

4.1. The following table shows the current forecast for capital expenditure for the next three years. Commentary is also provided below.

#### Prudential indicator 2022/23-2024/25

Prudential indicator	2022/23	2023/24	2024/25
Estimate of capital expenditure	£550,000	£550,000	£200,000
Authorised limit for external debt	£500,000	£500,000	£500,000
Operational Boundary	£400,000	£400,000	£400,000

4.2. The Capital Financing Requirement (CFR) is reported annually in the Authority's statement of accounts. It measures the amount of capital spending that has not yet

been financed by capital receipts, capital grants or contributions from revenue income. The table below sets out the estimate CFR for the next three years.

Movement	2022/23	2023/24	2024/25
Opening CFR 01/04	£190,710	£342,850	£284,200
Capital expenditure	£550,000	£550,000	£200,000
Capital expenditure funded from revenue	(£442,000)	(£550,000)	(£200,000)
Repayment of debt	(£63,860)	(£58,650)	(£56,600)
New debt (JCB)	£108,000	0	0
Closing CFR 31/03	£342,850	£284,200	£227,600

#### **Capital Financing Requirement**

- 4.3. Although the Authority's forecast level of debt is set to reduce over the next 3 years it is considered prudent to maintain the existing limits due to the introduction of IFRS 16. This new accounting standard will be adopted from 2022/23 and will impact on leases held by the Authority. The introduction will also increase the Capital Financing Requirement (CFR). Currently only Finance Lease liabilities (where the risk and reward are transferred to the Authority) are held on the balance sheet. Operating leases (where the risk and reward does not transfer to the Authority) are currently not included. The introduction of IFRS 16 removes the distinction between the two and is based on right of use. The most significant Operating Lease for the Authority is Yare House.
- 4.4. The use of reserves to finance capital expenditure will have an impact on level of investments. However budgeted contributions to earmarked reserves should mitigate this as well as the sale of assets. The table below shows estimates of year end balances for each resource.

Estimated Year-End reserves	2022/23	2023/24	2024/25
General and Navigation Reserves	£1,087,000	£833,000	£624,000
Earmarked Reserves	£2,570,000	£2,623,000	£2,959,000
Capital Receipts Reserve	£405,000	£405,000	£405,000
Total Investments 31 March	£4,062,000	£4,861,000	£3,988,000

#### Estimated year end reserves 2022/23-2024/25

#### Affordability

4.5. The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to net revenue stream. The Authority's current borrowing consists of the Public Works Loan Board (PWLB) loans and Finance leases. The first PWLB Loan was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid to contract out to May Gurney in the past. Finance lease repayments are also charged directly to the revenue budget. Whilst both of these remain less than 0.4% of National Park Grant and Navigation income it is felt that this indicator is not appropriate for use by the Authority in this instance. Any increases to debt will require this indicator to be reviewed.

#### External debt

- 4.6. Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.
- 4.7. Therefore, the Authority will at this time only borrow long term to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.
- 4.8. Actual debt as at 31 March 2021 was £271,530 which consists of the PWLB loans and finance leases.

#### Authorised limit

4.9. The Authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, separately identifying borrowing from other long-term liabilities (excluding pension liability and government grants deferred). It should be noted that the Authority does not have any other long-term liabilities at present or plans to have any in the future. This prudential indicator is referred to as the authorised limit and is shown in the table above.

#### **Operational Boundary**

4.10. The authority will set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt. This Prudential indicator is referred to as the operational boundary and is shown in the table above. The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario.

#### Capital expenditure

4.11. The Authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. This Prudential indicator will be referred to as estimate of capital expenditure and is included in the table above.

#### Treasury management

- 4.12. The Prudential Code requires authorities to set upper limits for its exposure to the effects of changes in interest rates. However, as explained above under paragraph 4.5, the current borrowing costs will be not be an additional cost to the Authority. The Authority has borrowed at a fixed interest rate, thus reducing its exposure to changes in interest rates. This Prudential indicator is therefore not considered necessary in this instance.
- 4.13. There remains a small risk to the Authority in using fixed term deposits that interest rates may increase in the short term. However, given the historic low interest rates on offer following the financial crisis any increase in rates is likely to be slow. By minimising fixed term deposits to a minimum of 1 year and staggering them it will allow the Authority to take advantage of any increase as funds become available for re-investment. Funds in instant access will be able to take advantage of any increase in rates.

#### Maturity structure of borrowing

4.14. The Prudential Code requires authorities to set upper and lower limits with respect to the maturity structure of its borrowing. However, as the Authority only has a single long-term loan this indicator is not considered relevant.

## 5. Non-treasury investments

5.1. Previously the Authority held one non-treasury investment in the form of an Investment Property (Ludham Fieldbase). This was disposed of in August 2018, the proceeds of which are currently held in the Capital Receipts Reserve. There are currently no plans for additional non-treasury investments.

# 6. End of year investment and capital financing report

6.1. The Authority will provide a report on its investments and capital financing activity at the end of the financial year, as part of its final accounts reporting procedure.

# Audit and Risk Committee

08 February 2022 Agenda item number 7

# Consolidated income and expenditure 1 April to 31 December 2021 actual and 2021/22 forecast

# outturn

Report by Director of Finance

#### Summary

This report provides details of actual income and expenditure for the nine-month period to 31 December 2021, and a forecast of the projected expenditure at the end of the financial year (31 March 2022).

#### Recommendation

To note the income and expenditure figures.

# Contents

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# 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 Income and Expenditure by Directorate to 31 December 2021

Source	Profiled latest Available Budget £	Actual Income and Expenditure £	Actual Variance £
Income	(6,889,673)	(7,089,442)	+ 199,769
Operations	3,384,142	3,080,402	+ 303,740
Strategic Services	1,150,950	1,017,629	+ 133,321
Finance and Support Services	1,304,229	1,160,730	+ 143,499
Projects, Corporate items and Contributions from earmarked reserves	(114,453)	6,562	- 121,015
Net (Surplus) / Deficit	(1,164,805)	(1,824,119)	+ 659,314

- 2.1. Core navigation income is above the profiled budget at the end of month nine. The overall position as at 31 December is a favourable variance of £659,314 or a 56.6% difference from the profiled LAB. This is principally due to:
  - An overall favourable variance of £199,769 within income:
    - Hire craft is £63,226 above the profiled budget.
    - Private Craft is £133,182 above the profiled budget.
    - Short Visit Tolls is £3,448 above the profiled budget.
    - Other Toll income is £5,568 above the profiled budget.
    - $\circ$  Investment income is £5,655 behind the profiled budget.
  - An underspend within Operations relating to:
    - Construction and Maintenance Salaries is £32,507 behind the profiled budget due to 2% pay rise that was budgeted not being agreed by the National Joint Council (NJC) and the Unions, as well as some vacancies within the team.
    - Equipment, Vehicle and Vessels is £89,685 behind the profiled budget due to the availability of purchasing new equipment and vehicle replacements. With order times being so long this is likely to be deferred to 2022/23.

- Water Management is £16,560 behind the profiled budget due to timing differences.
- Land Management is £21,772 behind the profiled budget due to timing differences in receipt of income from the Rural Payments Agency (RPA).
- Practical Maintenance is £30,345 behind the profiled budget due to costs exceeding the available budget for Commissioners Cut and Dilham Mooring. Alternative options including Neatishead moorings and timescales are being investigated.
- Ranger Services is £72,264 behind the profiled budget due to the 2% pay rise that was budgeted not being agreed by the National Joint Council (NJC) and the Unions, to timing differences on the launch repairs and maintenance.
- Safety is £22,525 behind the profiled budget due to the delays to vehicle replacements. This is where there is a shortage of electronic chips for new vehicles.
- Premises is £21,186 behind the profiled budget due to reprioritising reserve expenditure plans which has meant some works have been deferred to 2022/23. This is so that solar panels for the Dockyard can be investigated.
- An underspend within Strategic Services relating to:
  - Strategy and Projects (including salaries) is £167,910 behind the profiled budget mainly due to the receipt of the first two instalments of the Farming in Protected Landscapes grant of £187,061 and staff vacancies. The grant variance will reduce as grants are paid out before the end of this financial year.
  - Biodiversity Strategy is £14,495 behind the profiled budget due to timing differences.
  - Human Resources is £40,484 above the profiled budget due to staff cover.
  - Volunteers is £11,261 behind the profiled budget due to savings in volunteer training, room hire and advertising.
  - Visitor Centres and Yacht Station is £22,313 above the profiled budget due to reduced income as an impact of COVID-19.
- An underspend within Finance and Support Services relating to:
  - Governance is £19,176 behind the profiled budget due to vacancies and timing differences.
  - Asset Management is £26,672 behind the profiled budget due to delays on contracting works for How Hill Boatshed (this has been transferred to 2022/23) and timing differences on consultancy billing.

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- Finance and Insurance is £45,775 behind the profiled budget due to vacancies and savings on the insurance tender.
- ICT is £47,004 behind the profiled budget due to vacancies and timing differences.
- An adverse variance within corporate items and reserves relating to:
  - Corporate items are under the profiled budget due to timing differences,
  - Premises reserve is under the profiled budget due to the delays in the Dockyard expenditure which has been deferred to 2022/23.
  - Property reserve is above the profiled budget due to the purchase of Berney Mill moorings 2.
  - Plant, Vessels and Equipment reserve is under the profiled budget due to the delays in equipment and vehicle replacements.
  - Section 106 reserve is over the profiled budget due to the unpredictable nature of when section 106 monies will require payment.
  - UK Communications reserve is under the profiled budget due to the National Park recharges for the UK team and additional work being commissioned.
  - Catchment Partnership reserve is under the profiled budget due to savings from when the post was vacant.
- 2.2. The charts at Appendix 1 give 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 monitored against the Latest Available Budget (LAB) for 2021/22. 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. Full details of movements from the original budget are shown in Appendix 2.

#### Table 2

Item	Authorisation reference	Amount £
Original consolidated budget 2021/22 (deficit)	Broads Authority 29/01/21 Agenda item number 8	329,840
Approved carry-forwards	Broads Authority 30/04/21 Agenda item number 9	93,392
LAB as at 31 December 2021	n/a	423,232

#### Adjustments to Consolidated LAB

3.2. The LAB therefore provides for a consolidated deficit of £423,232 in 2021/22 as at 31 December 2021.

## 4. Overview of forecast outturn 2021/22

- 4.1. Budget holders have been asked to comment on the expected income and expenditure at the end of the financial year in respect of all budget lines for which they are responsible.
- 4.2. As at the end of December 2021, the forecast indicates that:
  - The total forecast income is £7,105,978.
  - Total expenditure is forecast to be £7,447,190.
  - The resulting deficit for the year is forecast to be £341,212.
- 4.3. The forecast outturn reflects the following changes from the LAB as shown in Table 3. The forecast deficit represents a favourable variance of £82,020 against the LAB.

#### Table 3

Adjustments to Forecast Outturn

Item	Amount £
Forecast outturn deficit per LAB	423,232
Increase in Hire and Private Craft income	(189,000)
Decrease to investment income to reflect rates	7,500
Increase to salary costs (vacancies offsetting staff cover for Human Resources)	22,920
Increase to Visitor Services expenditure for stock	13,500
Contribution to earmarked reserve to help fund new tolls system (agreed by BA 19/11/21)	88,000
Decrease to Insurance costs following tender savings	(20,530)
Decrease to Volunteer services following savings	(4,410)
Forecast outturn deficit as at 31 December 2021	341,212

## 5. Earmarked Reserves

#### Table 4

Consolidated earmarked reserves

Reserve name	Balance at 1 April 2021 £	In-year movements £	Current reserve balance £
Property	(731,379)	(52,509)	(783,888)
Plan, Vessels and Equipment	(345,886)	(120,980)	(466,866)
Premises	(212,245)	(80,980)	(293,225)
Planning Delivery Grant	(227,643)	0	(227,643)
Upper Thurne Enhancement	(164,637)	(21,000)	(185,637)
Section 106	(33,741)	33,620	(121)
HLF	(32,258)	76,983	44,725
Catchment Partnership	(74,677)	(16,285)	(90,962)
CANAPE	(391,323)	118,334	(272,989)
Computer Software	(31,006)	(10,000)	(41,006)
UK Communications	(47,659)	(15,839)	(63,498)
Match Funding (EXPERIENCE)	(46,016)	0	(46,016)
Total	(2,338,470)	(88,656)	(2,427,126)

5.1. £1,026,810 of the current reserve balance above relates to Navigation reserves.

## 6. Summary

6.1. The forecast outturn position suggests a deficit within both the National Park and Navigation budgets, which will be balanced through the use of reserves. This would result in a National Park Reserve balance of approximately £753,000 and a Navigation Reserve balance of approximately £689,000 at the end of 2021/22 (before any year-end adjustments). This would mean that both reserves would be above the recommended levels, with National Park at 21.2% and Navigation at 17.7%. Year-end transfers of interest to the earmarked reserves mean it will remain the same due to the very low rates of interest. This will be highly dependent on the level of interest received.

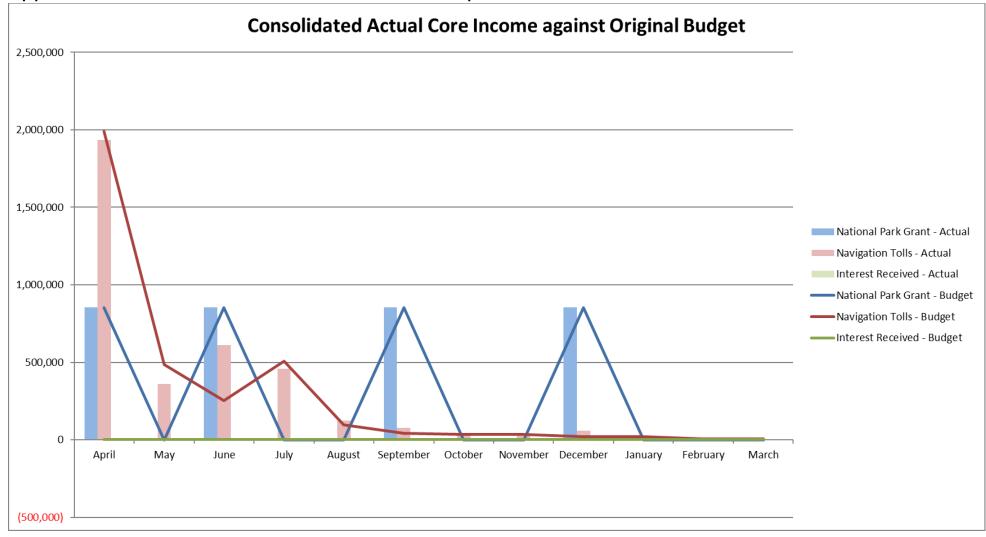
Author: Emma Krelle

Date of report: 26 January 2022

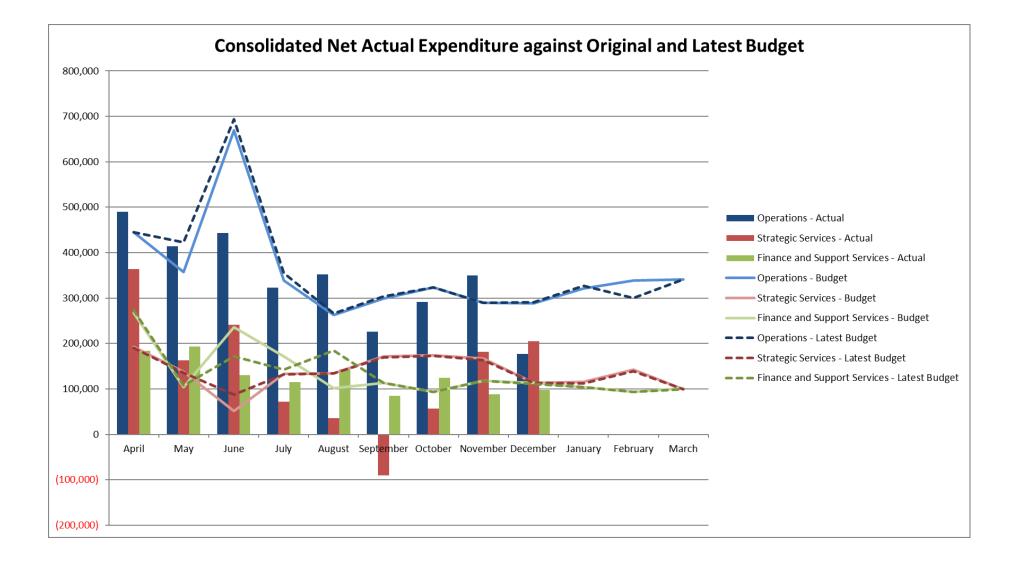
Appendix 1 – Consolidated actual income and expenditure charts to 31 December 2021

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Appendix 2 – Financial Monitor: consolidated income and expenditure 2021/22



## Appendix 1 – Consolidated actual income and expenditure charts to 31 December 2021



## Appendix 2 – Financial monitor: Consolidated income and expenditure 2021/22 Table 1

Income

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Income Total	(6,924,478)	0	(6,924,478)	(7,105,978)	181,500
National Park Grant	(3,414,078)	0	(3,414,078)	(3,414,078)	0
Income	(3,414,078)	0	(3,414,078)	(3,414,078)	0
Hire Craft Tolls	(1,131,000)	0	(1,131,000)	(1,193,100)	62,100
Income	(1,131,000)	0	(1,131,000)	(1,193,100)	62,100
Private Craft Tolls	(2,303,000)	0	(2,303,000)	(2,429,900)	126,900
Income	(2,303,000)	0	(2,303,000)	(2,429,900)	126,900
Short Visit Tolls	(45,000)	0	(45,000)	(45,000)	0
Income	(45,000)	0	(45,000)	(45,000)	0
Other Toll Income	(17,900)	0	(17,900)	(17,900)	0
Income	(17,900)	0	(17,900)	(17,900)	0
Interest	(13,500)	0	(13,500)	(6,000)	-7,500
Income	(13,500)	0	(13,500)	(6,000)	-7,500

Operations

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Operations Total	4,399,095	85 <i>,</i> 385	4,484,480	4,360,670	123,810
Construction and Maintenance Salaries	1,331,370	0	1,331,370	1,331,370	0
Salaries	1,331,370	0	1,331,370	1,331,370	0
Expenditure	0	0	0	0	0
Equipment, Vehicles & Vessels	528,400	0	528,400	528,400	0
Income	(8,700)	0	(8,700)	(8,700)	0
Expenditure	537,100	0	537,100	537,100	0
Water Management	98,635	0	98,635	98,635	0
Expenditure	98,635	0	98,635	98,635	0
Land Management	(29,856)	7,885	(21,971)	(21,971)	0
Income	(87,606)	0	(87,606)	(87,606)	0
Expenditure	57,750	7,885	65,635	65,635	0
Practical Maintenance	480,386	77,500	557,886	557,886	0
Income	(11,000)	0	(11,000)	(11,000)	0
Expenditure	491,386	77,500	568,886	568,886	0
Waterways and Recreation Strategy	47,580	0	47,580	47,580	0

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Income	0	0	0	0	0
Salaries	38,580	0	38,580	38,580	0
Expenditure	9,000	0	9,000	9,000	0
Ranger Services	1,113,430	0	1,113,430	1,013,430	100,000
Income	(7,000)	0	(7,000)	(7,000)	0
Salaries	840,040	0	840,040	840,040	0
Expenditure	280,140	0	280,140	180,140	100,000
Pension Payments	250	0	250	250	0
Safety	147,520	0	147,520	123,710	23,810
Income	(1,000)	0	(1,000)	(1,000)	0
Salaries	62,070	0	62,070	65,760	-3,690
Expenditure	86,450	0	86,450	58,950	27,500
Premises	223,160	0	223,160	223,160	0
Income	(3,500)	0	(3,500)	(3,500)	0
Expenditure	226,660	0	226,660	226,660	0
Premises - Head Office	258,880	0	258,880	258,880	0
Income	0	0	0	0	0
Expenditure	258,880	0	258,880	258,880	0

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Project Funding	62,100	0	62,100	62,100	0
Expenditure	50,000	0	50,000	50,000	0
Pension Payments	12,100	0	12,100	12,100	0
Operations Management and Administration	137,490	0	137,490	137,490	0
Salaries	128,990	0	128,990	128,990	0
Expenditure	8,500	0	8,500	8,500	0

Strategic Services

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Strategic Services Total	1,507,714	15,007	1,522,721	1,575,521	-52,800
Development Management	382,900	0	382,900	382,900	0
Income	(90,000)	0	(90,000)	(90,000)	0
Salaries	415,750	0	415,750	415,750	0
Expenditure	52,600	0	52,600	52,600	0
Pension Payments	4,550	0	4,550	4,550	0

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Strategy and Projects Salaries	218,295	0	218,295	201,445	16,850
Income	0	0	0	0	0
Salaries	151,120	0	151,120	134,270	16,850
Expenditure	67,175	0	67,175	67,175	0
Strategy and Projects	0	0	0	0	0
Income	0	0	0	(280,661)	280,661
Salaries	0	0	0	0	0
Expenditure	0	0	0	280,661	-280,661
Biodiversity Strategy	11,270	0	11,270	11,270	0
Income	(11,653)	0	(11,653)	(11,653)	0
Expenditure	22,923	0	22,923	22,923	0
Human Resources	139,714	8,150	147,864	208,424	-60,560
Income	0	0	0	0	0
Salaries	80,940	0	80,940	141,500	-60,560
Expenditure	58,774	8,150	66,924	66,924	0
Volunteers	74,190	0	74,190	69,780	4,410
Salaries	51,070	0	51,070	51,070	0
Expenditure	23,120	0	23,120	18,710	4,410

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Communications	328,105	6,857	334,962	334,962	0
Income	(115,022)	0	(115,022)	(115,022)	0
Salaries	347,750	0	347,750	347,750	0
Expenditure	95,377	6,857	102,234	102,234	0
Visitor Centres and Yacht Stations	240,030	0	240,030	253,530	-13,500
Income	(206,100)	0	(206,100)	(206,100)	0
Salaries	357,280	0	357,280	357,280	0
Expenditure	88,850	0	88,850	102,350	-13,500
Strategic Services Management and Administration	113,210	0	113,210	113,210	0
Salaries	109,860	0	109,860	109,860	0
Expenditure	3,350	0	3,350	3,350	0

Finance and Support Services

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Finance and Support Services Total	1,604,064	(7,000)	1,597,064	1,643,324	-46,260
Legal	77,500	0	77,500	77,500	0
Income	(2,500)	0	(2,500)	(2,500)	0
Expenditure	80,000	0	80,000	80,000	0
Governance	254,850	0	254,850	242,440	12,410
Salaries	169,760	0	169,760	157,350	12,410
Expenditure	85,090	0	85,090	85,090	0
Chief Executive	123,080	0	123,080	123,080	0
Salaries	120,730	0	120,730	120,730	0
Expenditure	2,350	0	2,350	2,350	0
Asset Management	147,033	0	147,033	167,153	-20,120
Income	(23,000)	0	(23,000)	(23,000)	0
Salaries	46,710	0	46,710	46,710	0
Expenditure	123,323	0	123,323	143,443	-20,120
Finance and Insurance	410,111	(7,000)	403,111	371,621	31,490
Salaries	170,460	0	170,460	159,500	10,960

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Expenditure	239,651	(7,000)	232,651	212,121	20,530
Collection of Tolls	152,530	0	152,530	152,530	0
Salaries	141,330	0	141,330	141,330	0
Expenditure	11,200	0	11,200	11,200	0
ІСТ	438,960	0	438,960	509,000	-70,040
Income	0	0	0	0	0
Salaries	201,460	0	201,460	183,500	17,960
Expenditure	237,500	0	237,500	325,500	-88,000

Projects and Corporate items

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Projects and Corporate Items Total	141,666	0	141,666	141,666	0
Partnerships / HLF	(734)	0	(734)	(734)	0
Income	(609,523)	0	(609,523)	(609,523)	0
Salaries	152,660	0	152,660	152,660	0

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Expenditure	456,129	0	456,129	456,129	0
Corporate Items	142,400	0	142,400	142,400	0
Expenditure	19,400	0	19,400	19,400	0
Pension Payments	123,000	0	123,000	123,000	0

Contributions from earmarked reserves

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Total contributions from Earmarked Reserves	(398,221)	0	(398,221)	(273,991)	-124,230
Earmarked Reserves	(398,221)	0	(398,221)	(273,991)	-124,230
Expenditure	(398,221)	0	(398,221)	(273,991)	-124,230

Net (Surplus) / Deficit

Row Labels	Original budget (Navigation) £	Budget adjustments (Navigation) £	Latest Available Budget (Navigation) £	Forecast outturn (Navigation) £	Forecast outturn variance (Navigation) £
Grand Total	329,840	93,392	423,232	341,212	82,020



# Audit and Risk Committee

08 February 2022 Agenda item number 8

# Internal Audit Strategic and Annual Plans 2022/23

Report by Internal Audit Manager

#### Summary

This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2022/23.

The Annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provides the basis upon which the Head of Internal Audit will subsequently give an Annual Audit Opinion for 2022/23.

#### Recommendation

The Committee is requested to approve:

- i. The Internal Audit Strategy for 2022/23;
- ii. The Annual Internal Audit Plan for 2022/23.

## 1. Introduction

- 1.1. The Authority is required by the Accounts and Audit Regulations 2015 to ensure "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 1.2. Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.3. The formulation of the Annual Internal Audit Plans for 2022/23 is described in the attached report, and the resulting plan contained therein.

Author: Faye Haywood

Date of report: 20 January 2022

Appendix 1 – Internal Audit Plans 2022/23

**Eastern Internal Audit Services** 



#### **BROADS AUTHORITY**

#### Internal Audit Plans 2022/23

#### Responsible Officer: Head of Internal Audit

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#### 1. INTRODUCTION

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

#### 2. AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 17 Officer, Senior Management and the Audit and Risk Committee every two years, or as required for review. The Charter was last approved by the Committee in 2021 and will therefore not need to be reviewed and approved by the Committee this year.
- 2.3 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit adhere to these, specifically with regard to; integrity, objectivity,

confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

#### 3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy (**see Appendix 1**) is to confirm:
  - How internal audit services will be delivered;
  - How internal audit services will be developed in accordance with the internal audit charter;
  - How internal audit services links to organisational objectives and priorities; and
  - How the internal audit resource requirements have been assessed.

#### 4. ANNUAL INTERNAL AUDIT PLAN

- 4.1 As agreed in prior years, the Broads Authority internal audit plan is revisited on an annual basis to ensure that this is both responsive and reflective of the developments, new risks, emerging issues and any other changes.
- 4.2 The annual internal audit plan is attached at **Appendix 2**, the first section highlights the areas being reviewed in the forthcoming financial year, with the number of days identified for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.
- 4.3 The second section of the plan confirms the audits that have been undertaken in previous years and the assurance opinion awarded on conclusion of the review, alongside areas for consideration in future financial years, thus ensuring that awareness is maintained of the services provided by the Authority. This approach will also continue to ensure that sufficient coverage is provided to enable the Head of Internal Audit to provide an opinion at financial year end.
- 4.4 It is also worth noting that IT audit coverage is reviewed every two years as due to the size of the audit plan this enables other service areas to be regularly reviewed. IT will be considered in 2023/24 internal audit coverage.
- 4.5 The key controls & assurance audit and the corporate governance & risk management audits will continue to be undertaken on an annual basis due to the importance of these areas in determining the adequacy and effectiveness of the Authority's framework of governance, risk management and control, which informs the Head of Internal Audit Annual Opinion.
- 4.6 The annual internal audit plan for 2022/23 totals 36 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Authority's internal control environment carried out at year end.
- 4.7 In addition the Head of Internal Audit role will continue to be provided by South Norfolk Council, the key role include; developing the annual internal audit plan, quality reviewing the outcomes of the work undertaken by the contractor (TIAA Ltd) & ensuring that this meets the contract requirements, providing an annual report and opinion to the Authority, ensuring that the Committee continues to follow best practice through the self-assessment exercise and providing training as requested to new members of the Committee.

#### **APPENDIX 1 – INTERNAL AUDIT STRATEGY**



#### EASTERN INTERNAL AUDIT SERVICES

#### **INTERNAL AUDIT STRATEGY FOR 2022/23**

#### 1. Introduction

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

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

- 1.2 The purpose of the strategy is to define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.3 Throughout this strategy the term 'The Authority' or 'Authority' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Authorities Audit Committee or equivalent.

#### 2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit at South Norfolk Council. The current contract is with TIAA Ltd, ending 31 March 2022. A procurement exercise is currently ongoing to determine the provider for the next contract term. The procurement exercise has taken the requirements of consortium members into account and has involved finance, legal and procurement professionals.
- 2.3 The above mentioned Procurement exercise represents an opportunity to build on an already well established delivery method, and enhance contract management processes.

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

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk-based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit and Risk Committee and the Section 17 Officer also receive:
  - The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
  - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

#### 3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering:
  - Stakeholder expectations, and feedback from senior and operational managers;
  - Objectives set in the strategic plan and business plans;
  - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
  - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
  - Legal and regulatory requirements;
  - The audit universe all the audits that could be performed; and
  - Previous Internal Audit plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.

- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 17 Officer and Senior Management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by senior management prior to these being approved by the Audit Committee. In addition, External Audit is also provided with details of the plans.

#### 3.3 Internal Audit Annual Opinion

- 3.3.1 The annual opinion provides Senior Management and the Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.3.2 The opinion is based upon:
  - The summary of the internal audit work carried out;
  - The follow up of management action taken to ensure implementation of agreed action as at financial year end;
  - Any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
  - The Annual Review of the Effectiveness of Internal Audit, which includes;
    - A statement on conformance with the Public Sector Internal Audit standards and the results of any quality assurance and improvement programme,
    - the outcomes of the performance indicators and
    - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 3.3.3 In order to achieve the above, Internal Audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

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

- 4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to each Authorities objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national issues and risks.
- 4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.
- 4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA

on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

4.4 Each Authorities risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will suggested for approval to ensure that Internal Audit coverage continues to focus on providing assurance over the Authorities key risks.

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

- 5.1 The in-house Internal Audit team at South Norfolk Council consists of the Head of Internal Audit who is a Chartered professional and an Internal Audit Trainee, currently training to become part qualified with the Chartered Institute of Internal Auditors.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The team also provides Internal Audit Management support to one other Council outside of the Consortium.
- 5.3 The Internal Audit Trainee has been appointed into the service to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 Through utilising a contractor, the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.
- 5.5 A core team of staff is provided by the contractor to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.6 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.
- 5.7 The above-mentioned arrangements ensure that the Internal Audit Service is able to respond effectively to the assurance needs of each Authority whilst ensuring that the core team used are sufficiently qualified and experienced.

#### APPENDIX 2 – ANNUAL INTENAL AUDIT PLAN 2022/23

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5				5	Our annual review of governance and risk management will be carried out to support the Head of Internal Audit Opinion. This audit will provide assurance that the systems in place to control and manage the Broads Authority are operating effectively and that significant risks are being identified and managed. During our review we will consider governance arrangements for decision making and the accountability and monitoring of performance during the Covid Pandemic. Our review will also provide assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities.
Key Controls and Assurance Framework	15			15		This audit looks at the fundamental systems that feed into the statement of accounts to provide assurance on the key financial controls. The areas reviewed as part of this audit are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Service Area audits						
Corporate Health and Safety	8	8				The strategic risk register contains two high scoring risks in relation to serious health and safety related incidents in operational works and boating. We will provide assurance over Health and Safety framework controls including a review of the Authorities policy, H&S reporting, and support provided by the Authority to Hire Boat operators.
Partnership Working	8			8		This area was last audited in 2009/10, and received Limited assurance. During this audit, the area will be reviewed to ensure that all recommendations are still in place and being followed. Additionally, compliance with terms of the Nature for Climate Peatland Grant Scheme NCPGS: Discovery Grant agreement will be reviewed. We will provide assurance that the requirements of the agreement are being met and the project is being managed in line with expectations.
Total number of days	36	8	0	23	5	

Audits Previously undertaken		
Service area audits		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Reasonable
Procurement	2019/20	Reasonable
Consultation Activities and partnership provisions	2014/15	Reasonable
Planning	2020/21	Reasonable
HR and Payroll	2021/22	Reasonable
External Funding - HLF Bid and National Parks	2019/20	Reasonable
Partnership		
Port Marine Safety Code*	2020/21	Reasonable
Asset Management	2017/18	Reasonable
Branding	2018/19	Reasonable
IT Audits		
Disaster Recovery	2018/19	Reasonable
IT Governance and Strategy	2010/11	Reasonable
Cyber Security	2021/22	Audit due
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Reasonable
Anti-Virus, Malware, Backups & Firewall	2016/17	Reasonable
Administration		

#### Future areas for consideration for audit review

Asset Management

IT Audit Area - To be determined.

Procurement

\* this is a 3 yearly review and is next due in 2023/24



# Audit and Risk Committee

08 February 2022 Agenda item number 9

# External audit

Report by Director of Finance

#### Summary

This report appends:

i. The Auditor's Annual Report for 2020/21.

#### Recommendation

i. That the Auditor's Annual Report for 2020/21 is noted.

## 1. Introduction

1.1. The Auditor's Annual Report for 2020/21 summarises the key issues arising from the audit. A representative from EY will be in attendance to introduce the item. The key conclusions are set out on pages 3 and 4 of Appendix 1 with the key findings and value for money is set out on pages 8 to 18. The Audit results were considered at 30 September 2021 Audit and Risk Committee.

## 2. Financial implications

2.1. Members will note from page 23 of the appendix that while the additional fee variations for 2019/20 has been concluded the fee variation relating to 2020/21 remains outstanding.

Author: Emma Krelle

Date of report: 18 January 2022

Appendix 1 – Auditor's Annual Report Year ended 31 March 2021

# **Broads Authority**

Auditor's Annual Report Year ended 31 March 2021

27 October 2021

Building a better working world

200 2-4 2

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**Broads Authority** 

Ref:EY-0

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/</u>)). 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 and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

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 Hywel Ball, 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.

Section 1

# **Executive Summary**

# Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Authority's:	
Financial statements	<b>Unqualified</b> – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on 30 September 2021.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Ref: EY-000092651-01

## Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 10 September 2021 to the Audit and Risk Committee.
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 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

#### Fees

Ref: EY-000092651-01

We carried out our audit of the Authority's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Going Concern, the valuation of property, plant and equipment and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

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

Mark Hodgson Associate Partner For and on behalf of Ernst & Young LLP Section 2

# Purpose and responsibilities

## Purpose and responsibilities

#### Purpose

This report summarises our audit work on the 2020/21 financial statements. The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

#### Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 23 June 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

#### **Responsibilities of the Authority**

The Authority is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

## **Financial Statement Audit**

We have issued an unqualified audit opinion on the Authority's 2020/21 financial statements.

#### Key issues

The Annual Report and 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.

On 30 September 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit & Risk Committee on the 21 September 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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 have not identified any material weakness in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We have not identified any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of expenditure Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing did not identify any revenue items that were incorrectly classified. Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Ref: EY-000092651-01

Broads Authority

## Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus and inherent risk.

Other area of audit focus	Conclusion
Valuation of Property, Plant and Equipment The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts. These balances 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.	<ul> <li>We have concluded our work in this area and have identified the following issues:</li> <li>The Authority had not updated the valuation of a Boathouse asset, this asset was therefore understated within the accounts by £0.043 million.</li> <li>The valuer had not provided the latest valuation for one mooring site, this asset had therefore been overstated within the accounts by £0.014 million</li> <li>Valuation movements had been incorrectly split between the Comprehensive Income &amp; Expenditure Statement and the Revaluation Reserve. The Revaluation Reserve was therefore understated by £0.027 million.</li> <li>Management have updated the financial statements in relation to these matters.</li> </ul>
Pension valuations and Disclosures The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet. Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body. 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.	We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated Actuarial (IAS 19) report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.301 million. Management have adjusted for this audit difference. The disclosures in the accounts have been amended to reflect the most recent valuation of the Pension Fund's assets as per the updated IAS 19 report from the actuaries.

Ref: EY-000092651-01

### Financial Statement Audit (continued)

There is a risk that the Authority's

disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the

going concern period

Ref:EY-0000 551-01

financial statements do not adequately

Other area of audit focus	Conclusion
Recoverability of Debtors As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Authority will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.	Our sample testing of debtors did not identify any balances that were deemed irrecoverable. Our assessment of the Authority's conclusion that no bad debt provision was required did not identify any issues.
<b>Going concern disclosures</b> The Authority is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future.	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce

going concern for the foreseeable future, Management have used the basis of their assessment to produce being at least 12 months after the date of the disclosures included within the draft financial statements. the approval of the financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.

#### Audit differences

Management have corrected misstatements amounting to £0.301 million in relation to an increase in the return on the Pension Fund's assets, as a result of a requesting a revised IAS 19 report from the Pension Fund Actuary. This is a result of a timing difference reported through the audit of Norfolk Pension Fund.

We identified a small number of misstatements in disclosures which management corrected.

One audit difference was identified in our debtors sample testing, relating to the valuation of grant funding from the Heritage Lottery Fund, which management have not corrected on the grounds of materiality. The receivable was overstated by £0.012 million.

#### 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.

ltem	Thresholds applied
Planning materiality	We determined planning materiality to be £0.168 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.008 million.

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: We audited all disclosures and undertook procedures to confirm material completeness
- Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

# **Value for Money**

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#### Scope and risks

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21. We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 21 September Audit and Risk Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with the Chief Financial Officer and evaluation of associated documentation through our regular engagement with management. We reported that we had not identified any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

#### Reporting

We completed our planned VFM arrangements work in September 2021 and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

We had no matters to report by exception in the audit report.

#### **VFM Commentary**

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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Our VFM commentary highlights relevant issues for the Authority and the wider public.

#### Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Authority has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

#### Financial sustainability

# 1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority produces an annual budget and an update to the financial strategy at the start of each financial year. Significant financial pressures to the Authority, based on the nature of income and expenditure, are salary increases and the number of boats within the system that will require a toll. The Authority include an element of prudency within the estimates in the annual budget setting for salary increases, and monitors boat numbers through discussion with boat yards and review of annual toll payments.

## 2. How the body plans to bridge its funding gaps and identifies achievable savings

Funding gaps are considered as part of the budget setting process. In the short term, funding gaps are balanced through the use of reserves whilst savings plans and further external funding opportunities are investigated. A review of the reserve policy is due to take place during 2021/22 to ensure that minimum levels are adequate to manage future uncertainty. The medium term financial plan does include ongoing receipt of DEFRA grant income at a flat rate, which is still subject to some uncertainty whilst the outcome of a new settlement is awaited.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

#### Financial sustainability (continued)

## 3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget is monitored with respect to minimum levels of reserves as set by the Chief Finance Officer, which is based on net expenditure totals. This ensures that delivery of services can be maintained into the future. The annual budget is produced on a zero base to ensure it is line with strategic priorities, assuming no rollover of previous budgets. Spending is split between essential and desirable expenditure in line with key priorities of the Authority.

#### 4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Workforce planning is considered by the Directors as part of the budget setting process. Capital expenditure is funded via revenue or the earmarked reserves in line with capital planning. This is considered at the same time as looking at the forecast future year replacements to consider the adequacy of earmarked reserves levels and contributions. The financial plan is taken to the Broads Authority at the same time as a strategic direction update which sets priorities for the financial year.

# 5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Income and expenditure is monitored on a monthly basis with budget holders providing updates on any variances. Tolls income is carefully monitored against profile so that drops in demand, such as that experienced during the start of the Covid-19 pandemic and national lockdown arrangements, can be quickly identified and expenditure plans can be reprioritised. Financial position updates are taken to the Audit and Risk Committee which provides members with the latest financial information to inform decision making.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

#### Governance

# 1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Risks are monitored on a six monthly basis through the corporate and directorate registers. New areas of work are reported to Committee with risk being identified as part of the report. Internal Audit's plan is carried out through a risk based approach to help determine which service areas should be reviewed. Key controls and corporate governance are always reviewed annually, with IT audits on specific areas every 2 years in line, with the Internal Audit strategy. The Head of Internal Audit provides an annual opinion on the effectiveness of controls and if any areas require improvement. For 2020/21, a 'reasonable assurance' opinion was issued by Internal Audit.

## 2. How the body approaches and carries out its annual budget setting process

The Authority produces an annual budget alongside an update to the financial strategy at the start of each financial year. The budget is produced by the Chief Finance Officer based on information from relevant budget holders, and taken to the full Authority meeting for approval.

#### 3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Monthly monitoring of income and expenditure is performed, with explanations for variances obtained from relevant budget holders. These are followed up at monthly meetings with the Chief Finance Officer to ensure corrective action has been taken where required, or where savings can be re-distributed elsewhere within the Authority to relieve financial pressures. Budget monitoring is lead through the finance system, and Internal Audit include Budgetary Control within their scope of work for the year.

#### 4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

Decisions are made in line with the delegated powers, budgetary provision, strategic priorities and the wider Broads Plan. Decisions made by the membership are supported by Committee reports and openly debated at Committee. Planning delegated decisions are published and expenditure is disclosed for transparency regulations. Audit and Risk Committee terms and reference are guided by CIPFA's guidelines. All members are provided annual training in relation to their responsibilities with the Statement of Accounts.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

**Broads Authority** 

#### **Governance (continued)**

#### 5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The 'Code of Conduct for Employees' and the 'Code of Conduct for Members and Complaints Procedure' sets out regulatory requirements and behaviour expectations. This also provides guidance on accepting gifts and hospitality. There are terms of reference for each Committee setting out responsibilities. Members interests are recorded and maintained within a formal register and any conflicts of interest must be declared at the start of each meeting so that the member does not participate in decision making for any item for which they have a conflict of interest. The Monitoring Officer is available to provide advice to members on meeting the appropriate requirements

#### Improving economy, efficiency and effectiveness

# 1. How financial and performance information has been used to assess performance to identify areas for improvement.

Financial outturn is compared against budget to identify areas of improvement and potential saving or service improvement. Directors are responsible for raising improvement areas where they are then investigated and discussed with the Chief Finance Officer. The Narrative Report sets out the review of performance for the year.

# 2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The 'Broads Plan' is the overarching management plan for the Broads executive area as a whole, produced by the Broads Authority as a partnership plan. Strategic priorities are aligned to the plan and this is reinforced through the Business Plan. The strategies developed reinforce the day to day delivery and these are reviewed on a regular basis by the Board and improvements identified.

#### 3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority maintains a partnership register which is reviewed annually to ensure it remains appropriate and up to date. The most significant partnerships are those in respect of external funding where partnership agreements are in place. Performance for these agreements is assessed against agreed expectations and modified where required.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Ref:EY-0

Improving economy, efficiency and effectiveness (continued)

4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority has 'Financial Regulations', 'Standing Orders Relating to Contracts' and a 'Procurement Strategy' that follow the relevant legislation and are updated regularly. All tenders are reviewed by the Chief Finance Officer to ensure the procurement meets the required standard. Contract templates build in monitoring throughout the contract against key performance indicators to ensure the contract is delivering as expected.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Ref:EY-00

### VFM Commentary

Recommendations

#### Recommendations

As a result of the VFM procedures we have not made any recommendations.

The Authority faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Ref: EY-000092651-01

#### Forward look

Looking forward to 2021 and beyond, the Authority continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.

Section 5

# Other Reporting Issues

### Other Reporting Issues

#### **Governance Statement**

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

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

#### Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Authority to complete this work as required.

#### **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.

#### 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

#### **Inspection Period**

Ref: EY-00

Under the Accounts and Audit Regulations (2015 as amended), the Authority are required to publish the notice for the inspection period, alongside the publication of the draft financial statements, with the inspection period commencing the day after the publication date. The Authority did not meet this requirement. The Authority published the draft financial statements on the 17 June 2021. The Authority commenced the inspection period from 12 July 2021.

**Recommendation:** We therefore recommend that the Accounts and Audit Regulations are understood and fully complied with in future accounting periods.

#### **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 Audit and Risk Committee.

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### Appendix A

## **Audit Fees**

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Ref: EY-000092651-01

Our fee for 2020/21 is in line with the audit fee reported in our Audit Results Report presented to the Audit & Risk Committee on 21 September 2021.

	Final Fee 2020/21	Scale Fee 2020/21	Final Fee 2019/20
Description	£'s	£'s	£'s
Initial Scale Fee – Code work	10,736	10,736	10,736
Fee Variation	TBC	-	12,802
	(Note 2)		(Note 1)
Revised Scale Fee	TBC	10,736	23,538

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

**Note 2 –** For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Authority and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

#### EY | Assurance | Tax | Transactions | Advisory

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# Audit and Risk Committee

08 February 2022 Agenda item number 10

# Implementation of internal audit recommendations: summary of progress

Report by Director of Finance

#### Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2018/19, 2019/20 and 2020/21.

#### Recommendation

To note the report.

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### 1. Introduction

- 1.1. This report gives an update on implementing the Authority's Internal Audit report recommendations, focusing on outstanding recommendations and timescales to complete outstanding work.
- 1.2. Appendices 1 and 2 give details of the audits carried out in 2018/19, 2019/20 and 2020/21, in particular:
  - recommendations not yet implemented;

- recommendations implemented since the last meeting; and
- new recommendations since the last meeting.

### 2. Summary of progress

2.1. Since the previous report to this committee in September, the final recommendation of the Key Controls audit from 2020/21 has been completed. Two of the recommendations relating to the Port Marine Safety Code audit have also been completed. The impact of COVID-19 and workloads has meant that some actions have been further delayed. These have been updated in the appendix. The rest remain as scheduled.

### 3. Internal Audit Programme 2021/22

3.1. At the committee in September it was reported that the Key Controls and Cyber Security audits were scheduled for quarter 3. While most of the testing has been completed, absences and the impact of COVID-19 have caused delays. The draft report for Key Controls is expected shortly. Corporate Governance and Risk Management audit is scheduled for March.

### 4. HR and Payroll

- 4.1. The objective of this audit was to review the systems and controls in place within HR and Payroll to manage staff absences through resilience plans and ensure key services continue of sickness increases. The review also examined the robustness of Payroll processes and the implementation of the new HR software. This resulted in a "reasonable" audit opinion with three "important" and one "needs attention" recommendation being raised.
- 4.2. Good practice was noted relating to sound controls that are in place and operating consistently. These are:
  - The introduction of the iTrent system has met the objectives and has reduced the administrative burden on the HR and Payroll team.
  - Detailed payroll checks, including differences from the previous month, are undertaken prior to payments being made, to ensure that all payments are correct.
  - All payroll payments are reviewed by the Head of HR and Financial Accountant, and authorised by the Chief Financial Officer, to ensure segregation of duties in the process.
  - All claims for additional payments are submitted and authorised through iTrent.
  - Loss of key staff knowledge and expertise' has been recorded as a risk in the Corporate Risk Register and mitigating actions put in place, to ensure that there is sufficient awareness and action in respect of this risk.

4.3. The recommendations remain on target for completion.

Author: Emma Krelle

Date of report: 19 January 2022

Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

Appendix 4 – Summary of actions and responses to Internal Audit 2021/22

### Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

#### Table 1

Branding - April 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
2. Broads Authority branding - strategies, guidelines / procedures The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding. This should be included within a separate branding section which the policy does not currently have. This should make the branding area more easily to locate within the policy and helps mitigate the risk that responsibilities for branding are unclear.	Needs Attention	Head of Communications	New communications strategy delayed by COVID comms activity but many elements completed and anticipate strategy will be in place by end Sept 2022 Update: New 'branding' area on intranet developed that incorporates updated and new documents, including: • Communications Team Guide • BA Brand guidelines • BA brand guidelines supplement • BA language style guide • Words commonly used in BA publications • BA signs guide	By 31/10/19 Updated to 30/09/22

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<ul> <li>Logos and templates for letterheads, reports and PowerPoint presentations.</li> <li>Instructions for email signatures Full strategy overview not yet written due to rescheduled priorities; due to be completed by Sept 2022.</li> </ul>	
5. Broads Authority branding - use of the Broads Authority logo A review and update of the communications page on the Authority's intranet be undertaken once the national parks' branding strategy and associated documents, including the local broads national park strategy and Broads Authority Communications Policy, are finalised. This should be re-launched with staff including the provision of staff and member training in relation to branding, incorporating the use of both the Broads Authority logo and Broads National Parks logo. The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.	Needs Attention	Head of Communications	Agreed. Intranet content to be produced in conjunction with strategy, guidelines and procedures. Awaiting completion of new communication strategy (see recommendation two above) Update: As per recommendation 2 above – all completed except overarching strategy document, now due Sept 2022.	By 31/10/19 Updated to 30/09/22

### Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

#### Table 2

Procurement – December 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
7. Procurement Procurement training is provided to all relevant members of staff, and Members, where applicable. Up to date procurement training ensures that staff are aware of and are adhering to the correct guidelines, thereby mitigating the risk of non-compliance with CSOs and OJEU requirements	Needs Attention	Chief Financial Officer	Agreed. Update: Delayed originally due to ongoing work on COVID-19 response, the Statement of Accounts and budget preparation for 2021/22. This has been further delayed by this year's audit, 2022/23 budget planning and a number of vacancies within the Finance Team. Vacancies within the team have continued since March 2021 but the last post should be filled by the end of January. Once all new members of the team are fully trained then the training will be prioritised and delivered.	By 30/06/20 Updated to 30/09/22

### Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

#### Table 3

Key Controls – May 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
5. Accounts Payable	Needs	Financial	Agreed. Annual review has been	Ву
New supplier procedures should be reviewed and updated annually, with the review recorded, to ensure	Attention	Accountant	scheduled.	30/09/2021
they remain reflective of current practise. Without annual review the procedures risk becoming outdated and not reflective of current practices.			Completed.	

#### Table 4

Governance and Risk Management – March 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<ul> <li>2. Changes to committee meetings</li> <li>In relation to the document management system</li> <li>(DMS), the following is undertaken: <ul> <li>Notes are added to deferred items to explain which committee date the item has been deferred to; and</li> <li>To review if there is a way to match up/link the items on the forward plan to the generated items area. This mitigates the risk of not having a completed audit trail</li> </ul></li></ul>	Needs Attention	Head of Governance	Agreed. Notes added to deferred items. Update: Governance team liaising with IT on whether more metadata can be added to improve the link between items in the Forward Plan and in the	By 31/12/2021 Updated to 31/12/2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
in place resulting in key items of business/decisions being missed if deferred matters are not assigned to the next convenient meeting.			confirmed (generated report) area - progress on hold as reliant on IT resource availability, which is currently focussed on more urgent work.	

#### Table 5

Port Marine Safety Code – June 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
2. Governance The three-yearly statement of compliance with the code be signed and retained on file for future reference. This assists in mitigating the risk that the authority dose not formally review compliance on a three-year basis as prescribed.	Important	Head of Safety Management	Statement being updated to reflect recent changes following audit. BA Chair to agree and sign completed statement. Update: Following (draft) recommendations within the MAIB report into aspects of the Safety Management System a fuller review of key aspects within the PMSC are now required. A new compliance date is given to reflect this additional work.	By 31/10/2021 Updated to 30/06/2022
<ul> <li>3. Pilotage</li> <li>The General Direction for larger vehicles and navigation on works Guidance be finalised.</li> <li>This helps mitigate the risk that sufficient navigation rules are not in place and navigation of the broads is not managed as effectively and safely as required, in relation to larger vehicles.</li> </ul>	Important	Head of Ranger Services	General Directions are rarely used by Broads Authority - most directions are 'Special'. This requirement will require legal inputs and cost benefit analysis to assess its viability. Current requirements are met using Special Directions.	By 31/10/2021 Updated to 28/02/2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			Update: Due to limited use of General Direction (due to lack of commercial traffic) and more pressing Ranger Team safety priorities, this recommendation had been deferred into 2022/23 financial year.	
<b>4. Governance</b> PMSC related documents and files, location and storage (both electronic and hardcopy) is reviewed to ensure these can be accessible to relevant members of staff on a timely basis. This helps mitigate the risk that key documents cannot be located in a timely manner leading to gaps in the safety management system.	Needs Attention	Head of Safety Management	Files and documents being migrated to DMS. New MARNIS (Port marine management software) being implemented will assist with data collection and reporting. Update: Trials of the MARNIS system (electronic PMSC filing and recording system) has identified software issues that have been slow to resolve due to Covid and the need to re-engage the manufacturer. More testing is taking place in the hope to resolve these glitches.	By 31/10/2021 Updated to 30/06/2022
5. Governance	Needs Attention	Head of Safety Management	New standing item added to Health & Safety Committee	By 31/07/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
The BA PMSC be updated to reflect the inclusion of consultation with employees' forum (or equivalent) and health and safety committee. To reduce the risk that key aspects of the PMSC are not communicated with the Authority's employees and contributes towards the Authority demonstrating its commitment to engaging with users.			agenda to capture and disseminate highlighted organisation-wide issues. Completed.	Updated to 31/10/2021
<ul> <li>6. Governance</li> <li>The documents, reference numbered within the Broads</li> <li>Authority (BA) PMSC, are reviewed to ascertain their</li> <li>location and to appraise whether they are still relevant</li> <li>to the up to date safety management system in place,</li> <li>taking into account the requirements of the national</li> <li>PMSC document and the Guide to Good Practice for</li> <li>Marine Operations.</li> <li>This helps mitigate the risk that the BA PMSC is out of</li> <li>date and refers to non-existent and/or obsolete</li> <li>supporting documents.</li> </ul>	Needs Attention	Head of Safety Management	Review to be undertaken. Update: With the Marine Accident Investigation Branch (MAIB) investigation into Diamond Emblem 1 being delayed (draft report only available in Jan 2022) and the recent changes to the Hire Boat Code and Boat Safety Certification, the review of PMSC documentation deadline has been deferred until June 2022 to allow any recommendation from the MAIB to be incorporated in our safety systems.	By 31/10/2021 Updated to 30/06/2022
7. Governance	Needs Attention	Head of Safety Management	Refresher training to be given at team meetings and attendance	By 31/10/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
All relevant employees to be required to read and sign a copy of the PMSC on an annual basis. This assists in reducing the risk that employees are not familiar with the PMSC, leading to non-compliance with it.			and signatures to be obtained. Update: PMSC training has been developed (and delivered to new Members) but due to Covid restrictions we have not delivered this to CM&E or Ranger Staff. As covid rules are relaxed we will re- timetable this into the 2023/24 year	Updated to 31/12/23
<ul> <li>8. Pilotage</li> <li>The Pilotage Policy be amended to reflect that it will be updated each time it is used, as opposed to annually and the PMSC is updated to reflect this.</li> <li>This reduces the risk that the policy is not updated in a practical and timely manner.</li> </ul>	Needs Attention	Head of Ranger Services	Review to be undertaken on Pilotage Policy to reflect current operations. Completed Pilotage policy amended.	By 31/10/2021

### Appendix 4 – Summary of actions and responses to Internal Audit 2021/22

Table 6

HR and Payroll

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<ul> <li>1. Staff Absences</li> <li>Staff resilience plans be reviewed to ensure that they are being used consistently across the organisation and that the activities are sufficient and effective when they have been used in practice.</li> <li>This reduces the risk of inconsistent or ineffective resilience plans increase the risk of service failure in the event of staff absence.</li> </ul>	Important	Directors	Agreed.	By 31/03/2022
<b>2. Staff Absences</b> The Business Continuity Plan be reviewed and updated. The review of the Business Continuity Plan is listed as an action on the risk register to mitigate the risk of loss of staff or expertise. Therefore, if the Business Continuity Plan is not updated, the staff loss risk remains higher.	Important	Directors	Agreed.	By 31/03/2022
<b>3. Staff Absences</b> Data on sickness absence rates be reported to senior management on a regular basis.	Important	Head of HR	Agreed.	By 31/03/2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
Without regular, consistent information, there is a risk that significant absence issues or trends will not be identified and addressed.				
<ul> <li>4. Policies and procedures</li> <li>All HR policies be reviewed and updated to ensure that they are reflective of current arrangements and working practices.</li> <li>If policies are out of date, there is a risk of staff being given incorrect information or following outdated practices.</li> </ul>	Needs Attention	Head of HR	Agreed. Initial review by 30/06/2022 and complete review by 31/12/2022.	By 31/12/2022



# Audit and Risk Committee

08 February 2022 Agenda item number 11

## **Corporate Risk Register- Review**

Report by Senior Governance Officer

#### Summary

The Broads Authority's Risk Register is presented for the Committee's information.

#### Recommendation

To note the updated Corporate Risk Register.

### 1. Background

- 1.1. The Audit and Risk Committee's responsibilities for risk are set out in its <u>Terms of</u> <u>Reference</u>.
- 1.2. The Corporate Risk Register (CRR) sets out the "across the board" risks that could threaten the Authority's core business and the way it operates. Below this are Directorate Risk Registers (DRR) which are managed by each Director and identify risk that could threaten day to day operational activities. Where a new risk identified within a directorate has a revised risk score above 16 (high risk) it is automatically referred to the CRR for monitoring by Management Team and this committee. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk is removed from the CRR but retained on the DRR.
- 1.3. The CRR was last seen by committee in July as part of a biannual review cycle. However, as part of its consideration of the Corporate Partnership Register at the meeting on 21 September 2021, the Committee requested that the Corporate Risk Register be presented at every Audit and Risk Committee meeting.
- 1.4. The Authority also has a Risk Management Policy, which sets out the rules and standards for managing strategic and operational risk and guides staff in assessing, monitoring and managing risk. This policy is reviewed every two years and as it was last reviewed in January 2020, it is on the agenda for today's meeting (as a separate agenda item).
- 1.5. The Management Team has overall responsibility for the risk registers and policy and risk owners are responsible for reviewing and updating their individual risk. Every risk is reviewed regularly or when there is a significant change in circumstances.

### 2. Review of risk registers

- 2.1. The CRR was reviewed by Management Team in January 2022, following a review of the DRRs, and the updated register is at Appendix 1.
- 2.2. As a consequence of the risk score for reputation (related to planning function) in the Strategic Services Directorate increasing to a high risk, this has been amended in the CRR (risk no. 2 reputation). In addition, the score for risk no. 10 (reputation disruption to key project partnerships) has been amended from medium to high risk to reflect issues in the partnership agreement for the Nature for Climate Peatland Grant Scheme. Risk no. 7 (performance) has been deleted as this is not considered to be a corporate risk, as it is held on Strategic Services DRR being related specifically to planning.

Author: Sara Utting

Date of report: 25 January 2022

Appendix 1 – Corporate Risk Register

# Broads Authority Corporate Risk Register (update January 2022)

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	<b>Tasks to mitigate risk</b> Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	<b>Revised risk</b> <b>score</b> Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
1	People, performance	Loss of key staff	Loss of working knowledge, expertise and/or close partnership associations due to key staff leaving Authority or being unavailable for long periods.	19/8/2019	4	4	High risk 16	<ul> <li>Resilience plan in place for handover period when key staff leave Authority or are unavailable for significant periods.</li> <li>HR policies and procedures in place to monitor absence and to support staff retention.</li> <li>Electronic data storage under review to allow access to any officer's files.</li> <li>Business Continuity Plan in place with systems back up. Plan reviewed annually (or following significant incident).</li> <li>Remote server enables office-based staff to work from home if required (e.g. period of quarantine).</li> </ul>	3	3	Medium risk 9	Implement MS Teams to share data across Authority more effectively. Implement hybrid working to increase flexible working options. Review Business Continuity Plan and report to ARC (July).	Chief Executive
2	Reputation	Harmful actions undermining public confidence in Broads Authority	Reputational damage caused by comments or actions by Authority members or officers, with consequent harm to relationships with stakeholders and/or undermining of public confidence in Authority.	19/8/2019	<del>2</del> 4	4	Medium- <u>High</u> risk <u>16</u> 8	Code of Conduct for Members in place containing Nolan Principles of Conduct, and training given to all Members. <u>Code of Practice for Members of the</u> <u>Planning Committee and officers (Sept</u> <u>21)</u> Code of Conduct for Officers included with HR policies. Director trained in Data Protection and GDPR; staff have specific data protection training, refreshed annually. Protocol on Member and Officer Relations in place. <u>(updated 2021)</u> . Proactive communication policies relating to local and social media in place. Monitoring Officer and Deputy Monitoring Officer in place (service agreement with East Suffolk Council), with specialisms in Local Authority governance.	24	34	Medium <u>High</u> risk <u>16</u> 6	Complete review and update of constitutional documents (incl. Code of Conduct <u>Complaints</u> <u>Process</u> ) and supporting guidance by end of <u>March</u> 202 <u>2</u> <del>1</del> . <u>Possible actions</u> <u>following</u> a review into the handling of <u>-the Haddiscoe</u> <u>planning</u> <u>applications</u>	Chief Executive
3	Assets	Loss of key physical assets	Damage to, loss of or malfunction to key assets, impacting on BA	19/8/2019	3	4	Medium risk 12	Asset Management Strategy in place.	3	2	Medium risk 6	Implement action plan to consolidate	Director of Operations

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	<b>Tasks to mitigate risk</b> Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
			operations/ duties and public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich).					Integrated Access Strategy and Moorings Strategy in place (updated 2019). Rail bridges: Legal undertaking in place with Network Rail regarding bridge maintenance and operations. BA in Working Group with Norfolk County Council, New Anglia and Network Rail. Insurance in place for equipment and buildings over £250 - cover includes business interruption for Yare House and Dockyard. Landowner negotiations processes in place. Programmed inspection regime in place and regular maintenance carried out.				network of mooring provision across system Review Integrated Access Strategy action plan.	
4	Finance	Reduction in income	Uncertainty about National Park and/or Navigation funding, as any reduction would affect our ability to deliver our duties, e.g. • Awaiting NPG funding confirmation from Defra • Loss of toll income due to changes to/ impacts on local tourism industry) Loss of money as a result of fraud incident against the BA, including cybercrime	19/8/2019	3	5	Medium risk 15	Regular contact with Government (DEFRA) regarding Comprehensive Spending Review. Consideration of external funding opportunities to plug any gaps. Regular input to Government consultations. Prudent budgeting for Navigation and National Park expenditure. Reserves in place to mitigate against sudden drop in income. Significant blocks of work delivered through external funds won by Authority. Training in cybercrime given to all budget holders.	2	3	Medium risk 6	Model expenditure options depending on proposed grant settlement and toll increases (Sept 2022). Review impact of Covid-19 restrictions on boat numbers and levels of Authority reserves (monthly and in advance of tolls setting process). Review minimum reserve levels in summer 2022 to mitigate any future pandemic impacts.	Chief Financial OfficerDirec tor of Finance

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	<b>Tasks to mitigate risk</b> Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
												Achieve cyber essentials accreditation.	
5	People, performance	Large-scale public health crisis	Significant public health crisis (e.g. pandemic), where Government imposed measures affect the continuity of the BA's operational services and prevent visitors accessing the Broads for prolonged periods. (also see risk no.4)	02/07/2020	5	5	High Risk 25	Strict adherence to Government guidance and mitigation measures in place for staff, volunteers and members. Yare House, TICs and remote offices and facilities risk assessed and WFH measures in place for staff (where role allows). Key services (Safety Management) maintained within executive area. Clear and concise internal and external communications in place. Business continuity/disaster recovery plan and incident reporting system in place and reviewed regularly. Incident response team meet as required to determine appropriate actions, services and measures to respond to crisis. Broads Authority convened to establish emergency powers and delegated powers needed to run the Authority. Communication links in place with relevant Government departments to assess measures, clarify advice and safeguard funding. Key services, budgets and reserves reviewed to safeguard delivery of Broads Plan priorities and externally funded projects.	5	4	High Risk 20	Review openingngoing use of of head office at Yare House and staff working patterns as COVID restrictionssituati on evolves. ease; keep measures in place to return to lockdown restrictions if required.	Chief Executive
6	Performance	Failure to meet statutory purposes or requirements of other relevant legislation	Underperformance in achieving, or conflict between, our statutory purposes resulting in legal issues or adverse impacts on the Broads and stakeholders (e.g. contravening Habitats Directive, loss of navigation access).	19/8/2019	3	5	Medium risk 15	Provision of external legal services and Monitoring Officer (MO) in place. Constitutional documents in place and regularly reviewed. Strategic plans (incl. Broads Plan) and Broads Local Plan subject to review and to Sustainability Appraisal/SEA and Habitats Regulations Assessment.	2	2	Low risk 4	Monitor external legal and MO services on a quarterly basis. <u>Launch</u> <u>consultation of</u> <u>the Draft Review</u> Broads Plan (timetable to BA <u>May July</u> 2021 <u>2</u> ). C <u>ontinueommenc</u>	Chief Executive

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
								Detailed environmental practices in place, including Environmental Standard Operating Procedures. Collaborative working in place with key stakeholders to understand and address issues and risks. Officer level project boards in place with Wildlife Trusts, Natural England and Environment Agency to monitor progress and ensure compliance with statutory regulations. Scientific research and monitoring ongoing to assess impacts, and mitigation measures developed if potential harm identified.				e <u>review</u> <del>review</del> of Broads <del>Local</del> Local Plan.	
7	Performance	Failure in role as local planning authority and in meeting national planning performance targets	Underperformance of planning function, resulting in legal issues/ negative impacts.	<del>19/8/2019</del>	3	4	Medium risk <del>12</del>	Statutory duties identified as part of appraisal process with key staff. Staff training in place. Planning delivery monitored formally (Planning Committee review performance quarterly and appeals annually).	2	4	Medium risk 8	Monitor planning delivery on a quarterly basis.	<del>Director of Strategic</del> <del>Services</del>
8	People	Safety-related incidents (operational works) resulting in death or serious injury	Death or serious injury to officer, volunteer or member of public in relation to the carrying out of operational works.	19/8/2019	5	5	High risk 25	<ul> <li>Health and safety policies in place and reviewed regularly by H&amp;S Committee and risk owners.</li> <li>H&amp;S Committee monitors and reviews incident reports; risk assessments reviewed and updated regularly.</li> <li>All staff and volunteers trained in key H&amp;S issues; regular tool box talks given before carrying out tasks.</li> <li>Safety observations ONS system in place to catch near misses and learn from incidents. All accidents investigated; regular audits used to check control measures.</li> <li>Insurance in place for legal expenses.</li> </ul>	2	5	Medium risk 10	Monitor changes in H&S legislation. Monitor industry best practice and implement changes where required. Review Codes of Practice to maintain operational suitability and safety (end 202 <u>2</u> 1). Carry out internal review of key H&S legislation to	Director of Operations

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	<b>Tasks to mitigate risk</b> Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
								Quarterly reports on H&S monitoring assessed by Management Team. Safety system externally audited to ensure fit for purpose and compliance.				ensure Authority processes are appropriate (end 202 <u>2</u> +). <u>Internal Audit on</u> <u>Health and Safety</u> <u>scheduled for</u> <u>2022.</u>	
9	Reputation	Safety-related incidents (boating) resulting in death or serious injury	Failure to exercise powers as a navigation authority and licencing authority, resulting in death and injury to boat hirers due to poor performance by hire boat operators.	18/06/2021	5	5	High risk 25	Safety videos provided to boat hirers in advance of holiday. Ranger services in place (additional Rangers recruited in 2021) providing advice to waterways users. Survey of HBO handover procedures carried out to assess efficacy. Broadcaster, pre-visit training videos and other safety information provided to boat hirers. Hire Boat licensing and audit of licensees in place. Boat Safety Scheme and inspections in place. Compulsory 3 <sup>rd</sup> party insurance in place for boats. Implement the new Hire Boat Code	4	5	High Risk 20	Review hire boat licensing scheme. Review and respond to findings of MAIB investigation into incident at Great Yarmouth. Implement findings of PMSC audit.	Director of Operations
10	Reputation, performance	Disruption to key project partnerships	Failure to deliver Defra and other funded schemes and partnership projects on time, with available resources and within budget, leading to potential financial issues, legal issues, lack of service delivery or adverse publicity.	19/8/2019	<u>34</u>	4	Medium <u>High</u> risk 12 <u>16</u>	Contractual arrangements in place for key partnerships (see Partnerships Register). Projects risk registers maintained for CANAPE and Water, Mills & Marshes <u>and</u> <u>Nature for Climate Peatland Grant</u> <u>Scheme (NPCGS)</u> projects. Regular project progress reported to Broads Authority. <u>For NPCGS, meetings with Palladium</u> to resolve the IPRs issues in the <u>partnership agreement.</u>	3	<del>3</del> 4	Medium risk 9 <u>12</u>	Review Partnerships Register (Nov 2022). <u>ImplementDevelo</u> <del>p</del> medium term funding model for UK National Park Comms Team <u>from 1 April 2022</u> . Set up internal project board and risk register for <u>NCPGS-Farming in</u>	Chief Executive

Risk no.	Primary impact areas People, assets, finance, performance, reputation	<b>Risk name</b> Risk that may affect the BA	<b>Risk description</b> Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	<b>Tasks to mitigate risk</b> Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	<b>Revised risk</b> <b>score</b> Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
								Proactive role maintained within formal and informal partnerships at officer and member level. Regular meetings held with funders to				Protected Landscapes (FiPL).	
								discuss progress and highlight issues in timing or delivery.					
11	Performance	Breach in data security or data protection, or loss of data.	Failure by staff to follow IT and/or GDPR processes or protocols, resulting in in-built security being bypassed	19/8/2019	4	4	High risk 16	Data/IT systems secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy. Bi-annual internal audit of IT systems and	2	4	Medium risk 8	Monitor and review case law and keep up to date with GDPR & data protection	Director of Operations
			and allowing data loss or data breach.					processes carried out. Certified GDPR Data Protection Officer(s)				information/best practice.	
								and GDPR Compliance Plan in place, and data protection training given to all staff.				Provide refresher GDPR & Data Protection online	
								ICT security protocols reviewed in light of staff working from home to ensure compliance.				training via ELMS to all staff (by end 202 <u>2</u> <del>1</del> ).	

Prepared by: Management Team, <del>Head of<u>Senior</u> Governance<u>Officer</u> Date updated: J<u>anuaryuly</u> 202<u>2</u>1 Next update due: J<u>ulyan</u> 2022</del>



# Audit and Risk Committee

08 February 2022 Agenda item number 12

## **Risk Management and Policy Report**

Report by Senior Governance Officer

#### Summary

The Authority's Risk Management Policy has been reviewed and updated.

#### Recommendation

To approve the Risk Management Policy and recommend its adoption by the Broads Authority.

### 1. Introduction

- 1.1. The Broads Authority has a Risk Management Policy setting out our rules and standards for corporate and operational risk management which is scheduled to be reviewed and updated every two years. The policy guides staff in monitoring and managing risk on a day to day basis when planning or implementing activities.
- 1.2. The policy was last reviewed and adopted by the Authority in January 2020.
- 1.3. Management Team recently reviewed the policy and made some minor changes: these reflect the committee's decision to review the Corporate Risk Register on a more frequent basis.
- 1.4. A copy of the updated policy (with tracked changes) is attached at Appendix 1.

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Date of report: 25 January 2022

Appendix 1 – Risk Management Policy



# **Risk management policy**

### 1. Introduction

1.1. This document sets out the Broads Authority's rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk on a day-to-day basis.

### 2. Defining risk

- 2.1. In this context, 'risk' refers to an uncertain event, or set of events, which may affect the Authority's ability to operate its business or achieve its aims and objectives. An 'uncertain event' is one that might happen, rather than one that will definitely happen or is happening already.
- 2.2. Each risk has the key dimensions of 'likelihood' and 'severity'. Likelihood is the probability the event will happen, while severity is the impact the event would have if it happened.

### 3. Managing risk

- 3.1. The Authority must be able to consider the risks that may threaten or affect the running of its business and delivery of its aims and objectives, and make sure it has controls and mitigation measures in place to minimise those risks.
- 3.2. The international standard for risk management (ISO 31000) sets out useful guidance on risk management, emphasising that it should be integral to all processes and for all staff. Good principles for managing risk are that:
  - It needs to be systematic, structured and timely.
  - It is based on the best available information, including historical data, stakeholder and customer feedback, forecasting and expert judgment. It should be tailored to the organisation's internal and external context and risk profile.
  - It takes human and cultural factors into account, recognising that people's capabilities, behaviours and intentions can either help or hinder the organisation's objectives.
  - It is transparent and inclusive, needing the timely and appropriate involvement of stakeholders and decision makers at each stage, and ensuring proper representation of all those affected.
  - It needs to be iterative, dynamic and responsive to change, taking account of changes in the internal and external environment.
  - It needs to demonstrate continuous improvement.

- 3.3. Not having risk management procedures in place could result in a failure to identify and monitor risks, or apply appropriate and proportionate mitigation measures. It is also important to bear in mind:
  - Our stakeholder and public expectations that we manage risk effectively;
  - the demands of legislation and external bodies, such as regulators and auditors;
  - the value of risk management in making informed decisions about the effective use of capital and resources, and in reducing costly mistakes or firefighting;
  - the desire to make the organisation a better and safer place to work, and for others to work with.

### 4. Roles and responsibilities

#### Audit and Risk Committee

4.1. The Audit and Risk Committee oversees the development and operation of risk management at a strategic level, and regularly reviews the Corporate Risk Register. <u>The Committee does not review the Directorate Risk Registers.</u>

#### Management Team

4.2. Management Team (MT) is responsible for monitoring and managing risk across the organisation and making sure we have effective policies and procedures in place. MT oversees the review of the Risk Management Policy and Corporate Risk Register, with support from the Head of Senior -Governance Officer. Any significant corporate issues relating to risk management are brought to the Audit and Risk Committee's attention.

#### Directors

4.3. Directors are responsible for making sure risk management is embedded into the work of their Directorates, that risk owners and all other staff are aware of its importance, and that appropriate mitigation measures are in place. Directors are also responsible for their Directorate Risk Registers, which focus on day-to-day operational activities. They will bring MT's attention to any concerns or instances where ineffective risk management is impacting on the Authority's business or the achievement of its key aims and objectives.

#### **Risk owners**

4.4. Risk owners are responsible for monitoring and managing their assigned risks on a day-to-day basis. They will review their risks on a regular basis (at least every six months, or <u>earlier where when circumstances change significantly</u>) and make sure the registers are updated accordingly. Risk owners will bring their Director's attention to any concerns or instances where ineffective risk management may be impacting on the Authority's business or the achievement of its key aims and objectives.

#### Other staff

4.5. Risk management is not a specialist activity or only for nominated 'risk owners'. It is a core part of everyone's job, and should be embedded throughout the organisation and its activities. A risk management assessment should be part of planning and implementing all activities, with risks identified and mitigation measures put in place.

### 5. Risk Registers

#### Types of register

- 5.1. The Authority maintains a strategic Corporate Risk Register. This is supported by operational Risk Registers for its Strategic Services Directorate, Operations Directorate and Chief Executive's Group.
- 5.2. The **Corporate Risk Register** sets out the 'across the board' risks that could threaten the Authority's core business and the way it operates. The Corporate Risk Register is maintained on the Authority's intranet.
- 5.3. **Directorate Risk Registers** identify risks that could threaten day-to-day operational activities. The Registers are maintained by each Director. Where a new risk identified within a Directorate has a revised risk score above 16 (high risk), it will automatically be referred to the Corporate Risk Register for monitoring by the Audit and Risk Committee and MT. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk will be removed from the Corporate Risk Register, but retained on the Directorate register.
- 5.4. MT has overall responsibility for the registers, and risk owners are responsible for reviewing and updating their individual risks. Every risk should be reviewed <u>before</u> <u>every Audit and Risk Committee meeting, at least six monthly</u>, or <u>earlier wherewhen</u> there is a significant change in circumstances, with a note in the register of the date the risk was last reviewed.

#### Format

- 5.5. All registers have the following information:
  - Area impacted by the risk (people, finance, performance, reputation or assets)
  - Risk name and description
  - Date entered on risk register
  - Initial risk scores (likelihood and severity)
  - Tasks to mitigate the risk (controls/safeguards/precautions)
  - Revised risk scores (likelihood and severity)
  - Additional actions required
  - Risk owner (by job title)

### 6. Assessing risk tolerance levels

6.1. The Authority assesses risk against the matrix and scoring descriptions in Tables 1 to 4. For each risk, the dimension scores of **likelihood** and **severity** are multiplied to produce an **initial risk score**. When mitigation measures are identified, the two dimensions are scored and multiplied again to produce a **revised risk score**. This score is categorised as being a low, medium or high **level of tolerance**.

#### Table 1

Risk scores matrix

	5	5	10	15	20	25
	4	4	8	12	16	20
ро	3	3	6	9	12	15
liho	2	2	4	6	8	10
Likelihood	1	1	2	3	4	5
_		1	2	3	4	5
			S	everity		

#### Table 2

Likelihood definitions

Rating	Definition	Value
Highly likely	The event is expected to occur	5
Probable	The event will probably occur	4
Possible	The event may occur at some time	3
Unlikely	The event is not expected to occur in normal circumstances	2
Rare	The event may occur only in exceptional circumstances	1

#### Table 3

Severity definitions

Schedule	Cost	Performance and quality	Value
<2 weeks delay	<1% of budget	Cosmetic impact only	1 Insignificant
2 weeks to 1 month's delay	1%-<2%	Some minor elements of objectives affected	2 Minor
1 month to <2 months delay	2%-<8%	Significant areas of some objectives affected	3 Moderate
2 months to <4 months delay	8%-<12%	Wide area impact on some objectives	4 Major

Schedule	Cost	Performance and quality	Value
>4 months delay	>12% of budget	Significant failure resulting in the project not meeting its objectives	5 Extreme

#### Table 4

**Risk level tolerance** 

Total score	Risk treatment
High 16-25 Red risk	Risks are so significant that risk treatment is mandatory
Medium 6-15 Amber risk	Risks require a cost benefit analysis to determine the most appropriate treatment
Low 1-5 Green risk	Risks can be regarded as negligible, or so small that no risk treatment is required

- 6.2. When a potential new action or objective is assessed for risk, MT will review the revised risk score suggested by the risk owner to make sure it is robust and reasonable.
- 6.3. Where a risk score is above the tolerance level of 16 (high risk), the Chief Executive will immediately bring the risk to the attention of the Chairman of the Authority and the Chairman of the Audit and Risk Committee.

### 7. Risk management tools

#### **Risk identification**

- 7.1. Identifying a new risk can happen at any time, but is most likely:
  - when the Authority takes on a new responsibility, scheme or project;
  - as a result of an unforeseen incident or event; or
  - as part of the annual review of risks by MT or Directorate teams.
- 7.2. A number of tools can help with risk identification, including those outlined below.

PESTLE looks at factors outside the organisation that can influence it, and stands for:

- Political government policy and stability
- Economic employment rates, material costs and interest/exchange rates
- Social demographics, cultural trends and changes in lifestyle
- Technology innovation and development
- Legal employment, health and safety legislation and regulations
- Environmental climate, carbon footprint, sustainability, recycling, waste disposal

APRICOT looks at factors within the organisation that may be affected, and stands for:

- Assets land, buildings, contents, materials and equipment
- People safe working systems, health and welfare
- Reputation poor media coverage, political embarrassment
- Information IT failures
- Continuity of Operations failure to deliver or poor service
- Targets failure to meet strategic objectives and achieve value for money

#### **Risk mitigation**

- 7.3. Once a risk is identified, mitigation measures need to be considered. Initially, this can be defined simply as 'tolerate, transfer, treat or terminate'.
- 7.4. A new risk should be reported to the appropriate Director as soon as possible by any officer so it can be entered in the relevant Directorate Risk Register. The Director will then assess whether the risk should be entered in the Corporate Risk Register.
- 7.5. When a new corporate risk is identified, MT will assess the mitigating measures in place or proposed, and whether these will manage the risk to 'as low as reasonably practicable'. This process looks at whether the likelihood and severity of the risk is addressed adequately, and whether the Authority needs to enter into the risk, assuming it is optional, bearing in mind how the activity itself will further the Authority's objectives and the level of risk associated with it.

### 8. Review timetable

- 8.1. In addition to the regular review by risk owners, MT will review the Corporate Risk Register every six monthsregularly to consider whether:
  - the identified risks are appropriate and up-to-date
  - the actions and controls in place are adequate and appropriate
  - the revised risk score is appropriate
  - any additional action is needed to help mitigate the risk
  - any new risks should be added to the Register, either for new activities or for existing activities where the risk level may have increased.
- 8.2. The Corporate Risk Register will be reviewed <u>regularlyat every meeting of by by</u> the Audit and Risk Committee twice a year. Where a risk score has increased, the reasons for the change will be set out.

Policy updated: January 202<u>2</u>9 Next update due: January 202<u>4</u>2 Contact officer: Head of Governance Director of Finance Senior Governance Officer