Implementation of Internal Audit Recommendations: Summary of Progress
Report by Chief Financial Officer

Summary:	This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17.
Recommendation:	That the report be noted.

1 Introduction

1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.

1.2 This report summarizes the current position regarding recommendations arising out of internal audit reports which have been produced for 2016/17. It sets out in the appendix details of:

- recommendations not yet implemented;
- recommendations not implemented at the time of the last meeting which have since been implemented: and
- New recommendations since the last meeting.

2 Summary of Progress

2.1 In the previous report to this Committee in February the final recommendation relating to External Funding still remains outstanding but is due to be completed by the end of August.

3 Internal Audit Programme 2016/17

3.1 The third and fourth audit from the 2016/17 programme have now been completed, with further details below. At the date of this report the first audit from the 2017/18 programme on Asset Management is underway and the results from this audit will be reported to the next FSAC meeting on 14 November 2017.

3.2   Key Controls

3.2.1   The objective of the audit was to review the systems and controls in place within Key Controls, in particular for Treasury Management, Asset Management, Budgetary Control, Control Accounts, Cash and Bank, General Ledger, Accounts Receivable, Accounts Payable, Payroll and Toll Income, to help confirm that these are operating adequately, effectively and efficiently. This resulted in a "reasonable" audit opinion with four "important" and three "needs attention" recommendations.

3.2.2   The audit identified areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.

3.2.3   Good practice was noted relating to sound controls that are in place and operating consistently around:

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

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

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

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

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

Toll Income
- Payments had sequentially numbered plaques raised and recorded as issued on the system.
- Payment batches balanced to the payments received, and batch totals balanced to the Tolls Management System (TMS) for hire tolls, private tolls, overpayments and other payments.

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

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

3.2.4 Five of the recommendations have been implemented (although only four were completed at 31 March), with two still outstanding.

3.3 Corporate Governance

3.3.1 The objective of the audit was to review the systems and controls within Corporate Governance for Executive and non-executive decision making in accordance with the constitution/governance arrangements and Systems and processes in place for the preparation of reports requiring executive and non-executive decisions. This resulted in a "reasonable" audit opinion with one "important" and two "needs attention" recommendations.

3.3.2 The audit identified areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.

3.3.3 Good practice was noted relating to sound controls that are in place and operating consistently around:

Executive and non-executive decisions making in accordance with the Constitution/governance arrangements
- Powers reserved to the Broads Authority and those delegated to other authorities are detailed in the Broads Authority Terms of Reference of Committees document. The list of matters delegated to the Chief Executive and other officers are detailed in the Scheme of delegated powers.
- Key documents are in place that govern members and officers conduct, which are; the Code of Conduct for Members and Complaints Procedure (September 2016) and the Protocol on Member and Officer Relations in the Broads Authority. The Code of Conduct refers to decision making as part of members core values - 'We are open, honest and inclusive in our communication and in making decisions' and also states that decision making should be made objectively and with integrity and propriety.

- Risks in respect of decision making processes have been included in the strategic risk register, and examples of these include "decisions which are not made in accordance with planning policy" and "shortcomings in decision making due to poor financial management'.

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

- The Broads Authority Member Development Strategy supports the development of staff, Members and co-opted Members to achieve continuous improvement of its services and was updated in January 2017. This includes details of member induction training, which incorporates governance and representation, including; the Broads Authority's Code of Conduct; the Planning Committee's Code of Conduct for Members and Officers (if applicable); Standing Orders; the Protocol on Member and Officer Relations in the Broads Authority; and the Broads Authority Communication Strategy.

3.3.4 One of the recommendations has been implemented, with two still outstanding but on target for completion.

Background papers:	None
Author:	Emma Krelle
Date of report:	28 June 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

External Funding: October 2016

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Procedural guidance** To develop procedural guidance for the Broads Landscape Partnership. This procedure should cover the administrative processes, including project management, governance, systems used such as base camp, and the staff involved. The procedures should be version controlled. The compilation of such procedural guidance would enable a consistent approach to be applied with the day to day management of the service. Procedures can also be used as a training tool and to highlight process improvements and efficiencies. This will help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.	Important	Broads Landscape Partnership Programme Manager	Agreed. Procedural guidelines will be produced in draft by the end of January to be presented to the next Board meeting (March) for approval. Update: Following the Board meeting it was agreed to develop procedural guidelines following the submission of the second round application. These guidelines will include management of payments, reporting structure and evaluation requirements. There will also be a contract specific to each project which will include responsibilities related to CDM, insurance, safe-guarding, etc. The board decided that we need to speak to all board members and gather a number of	By 31/01/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			organisations policies and procedures to allow us to create a bespoke set for the delivery phase of the Scheme. The timescale has been extended to the end of August to allow our focus to be on the second round HLF submission.	

Key Controls & Assurance

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Accounts Receivable/Payable** To amend the Broads Authority Financial Regulations as follows: - Formalisation of processes regarding debtor payments being received in advance of goods/services being issued. - Expansion of exceptions to paper purchase order or requisition being raised, to incorporate services/goods supplied which are covered by a formal contract. In these cases, the	Important	Chief Financial Officer	Agreed Updated Finance Regulations are on this agenda.	By 31/07/17

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	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	contract should be referred to and checked to ensure invoices are in accordance with it. Payment in advance of goods/services supplied by the Broads Authority will help to mitigate the risk that debt is unrecoverable. Updating the financial regulations document mitigates the risk that it does not reflect current working practices.				
2.	**Accounts Receivable** To document procedures for the sales ledger processes including the system of debt recovery. Documented procedures help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.	Important	Chief Financial Officer	Completed.	By 31/03/17
3	**Payroll** The payroll errors risk to be raised at Management Team for inclusion within the strategic risk register. This should include the risk being scored, current mitigation assessed and if it falls within the Broads Authority risk	Important	Head of HR	Completed.	By 30/04/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	appetite. Currently the reduction in payroll errors has not been over a sustained period of time and monitoring this as a risk will help mitigate any future material errors which could result in the payroll being paid incorrectly.				
4.	**Payroll** To document procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the Finance Team perform. This should include the documentation of all identified errors within the HR payroll checking spreadsheet. Documented procedures help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity. Documentation of all errors provides a clear audit trail to support the correction of errors mitigating the risk that the payroll has been calculated	Important	Head of HR	Agreed. Update: Due to a long standing vacancy within HR checklists have been produced but procedures remain outstanding. A new member of staff is due to join the team at the end of July with the focus on procedures being in place by the end of September. Finance procedures are complete.	By 30/04/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	incorrectly.				
5.	**General Ledger** Adequate supporting documentation or explanatory narrative to be retained on file for all journals. Supporting narrative provides a clear audit trail and helps reduce the risk that journals have been processed incorrectly.	Needs Attention	Chief Financial Officer	Completed.	Agreed and completed prior to final audit report publication.
6.	**Accounts Receivable** To ensure explanatory notes for more complex debtor cases are put onto dimensions to explain the latest situation regarding each debt. Clear audit trails means there is not ambiguity as to which stage the debt is at which helps mitigate the risk that debt is not actioned in a timely manner or action is taken incorrectly.	Needs Attention	Chief Financial Officer	Completed.	Agreed and completed prior to final audit report publication.
7.	**Toll Income** To update the Toll procedure manual to reflect all changes to the system, including the changes in toll charges from 1st April 2017 and to include the toll payment enforcement process. Rationale & Risk: Up to date procedures helps to mitigate the risks	Needs Attention	Head of IT and Collector of Tolls	Agreed.	By 31/08/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.				

Corporate Governance

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Systems and processes in place for the preparation of reports requiring executive and non-executive decisions** To maintain a clear record of the decisions made by the Broads Authority, which is made available to the public on the website. This should include: - Compiling a register of material decisions made since 2014. - Producing a set of guidance on what should be published (to include a definition of contract and expenditure materiality and those decisions which affects the rights of an individual) and; - Production of a template document to record decisions. The above documents are to be	Important	Solicitor and Monitoring Officer	Agreed	By 30/09/017

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	drafted in accordance with the Openness of Local Government Bodies Regulations 2014, which came into effect from August 2014. To comply with the Openness of Local Government Bodies Regulations 2014 and mitigate the risks that the Broads Authority commits an offence under this regulation and that there is incomplete transparency to the public.				
2.	**Executive and non-executive decision making in accordance with the constitution/governance arrangements** To review standing orders, including specific reference to matters being decided by a majority vote and stipulating who has a casting vote. Alongside this, to review and update the Broads Authority Terms of Reference of Committees, specifically the Financial, Scrutiny and Audit Committee to reflect that this is a consultative committee. Currently, there appears to be a gap in relation to the majority and casting voting process and inclusion of this in	Needs Attention	Solicitor and Monitoring Officer	Agreed	By 31/07/17

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	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	the standing orders would mitigate the risk that the voting process is unclear and matters decided upon are undertaken improperly. Financial Scrutiny and Audit Committee decisions, in some instances, do not currently reflect the committee terms of reference and therefore amendment of these would mitigate the risk that the practices applied are inconsistent with agreed governance leading to ambiguity over which practices should actually be applied.				
3.	**Systems and processes in place for the preparation of reports requiring executive and non-executive decisions** To include the following items in the Summary of Progress/Actions Taken following Decisions of Previous Meetings: - 22/01/2016 - item 4/17: National Park Partnership (NPP), delegated decisions to the Chief Executive. - 13/05/2016 - item 6/9b - Berney arms, Halvergate marshes, that the CE in consultation with the chairman, vice-chairman & chairman of the	Needs Attention	Solicitor and Monitoring Officer	Agreed and completed.	By 31/03/17

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FSAC be given delegated authority to take action and pursue the matter if considered appropriate'. - 18/11/2016 item 3/15 - 'that delegated authority be given to the Section 17 Officer to communicate the willingness of the authority to join the scheme to PSAA' Inclusion of all decisions delegated to officers in the 'Summary of Progress/Actions Taken' helps mitigate the risk that there is inadequate transparency on progress of decisions made resulting in members receiving an incomplete picture.				