

Audit and Risk Committee

14 March 2023

Agenda item number 12

Implementation of internal audit recommendations- summary of progress

Report by Senior Accountant

Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2020/21, 2021/22 and 2022/23.

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, 2 and 3 give details of the audits carried out in 2020/21, 2021/22 and 2022/23, 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 November, the recommendations from the Maturity Assessment of Cyber Security in 2021/22 have been completed. The impact of workloads have meant that some of the other actions have been further delayed. These have been updated in the appendix. The rest remain as scheduled.

3. Internal Audit Programme 2022/23

- 3.1. Since this report to committee in November the draft report from the Key Controls Audit in 2022/23 has been received and management responses provided. At the time of writing it is anticipated that the final version will be received shortly and details of the draft report can be found below. The majority of the testing on the audit for Corporate Governance has been completed and the draft report is due to be received shortly. An update on the results of this will be provided at the next meeting in July.

4. Key Controls and Assurance

- 4.1. The objective of this audit was to review 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, Tolls Income, Control Accounts, Payroll and Cash and Bank. This resulted in a “substantial” audit opinion with two “needs attention” recommendations being raised (see Appendix 3).
- 4.2. Good practice was noted relating to sound controls that are in place and operating consistently. The report stated that the Authority has started to diversify its investment portfolio with the long-term aim to have 50% invested with the Debt Management Office (DMO).
- 4.3. The two recommendations highlighted in the report are on target for completion.

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Date of report: 28 February 2023

Appendix 1 – Summary of actions and responses to Internal Audit 2020/21

Appendix 2 – Summary of actions and responses to Internal Audit 2021/22

Appendix 3 – Summary of actions and responses to Internal Audit 2022/23

Appendix 1 – Summary of actions and responses to Internal Audit 2020/21

Table 1

Governance and Risk Management – March 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>2. Changes to committee meetings In relation to the document management system (DMS), the following is undertaken: - Notes are added to deferred items to explain which committee date the item has been deferred to; and - 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 in place resulting in key items of business/decisions being missed if deferred matters are not assigned to the next convenient meeting.</p>	Needs Attention	Senior Governance Officer	<p>Agreed. Notes added to deferred items.</p> <p>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 confirmed (generated report) area - progress on hold as reliant on IT resource availability, which is currently focussed on more urgent work.</p> <p>Update: Due to IT resource availability, this recommendation has been delayed to 31/12/2023.</p>	<p>By 31/12/2021 Updated to 31/12/2022 Updated to 31/12/2023</p>

Table 2

Port Marine Safety Code – June 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Governance</p> <p>The PMSC Performance Indicators (PIs) published within the authority's PMSC and those published on the authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns.</p> <p>This helps reduce the risk that performance of the PMSC is not reported in a consistent and timely manner leading to ambiguity over whether the PMSC is performing well and meeting targets as planned.</p>	Important	Head of Safety Management	<p>Agreed.</p> <p>Update: Please note that this recommendation was previously marked as complete in July 2021, but a further review of documents highlighted it was out of date. The PI's on the website are dated 2017/2018 – The PI's reflect the Broads Plan and needs to be incorporated into the new version of the SMS. This action is a work in progress, a meeting has been arranged on 21/06/22 with Director of Operations, Head of Operations & Head of Navigation to discuss the action plan in drafting new SMS version to reflect recent changes to our SMS.</p> <p>Update: The Broads Plan (2022-2027) has changed and the PI's</p>	<p>By 31/10/2021</p> <p>Updated to 31/01/2022</p> <p>Updated to 31/05/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			need to change to meet the new numbers with the Broads Plan.	
<p>3. Pilotage Finalise the arrangements for General Directions for larger vessels. 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 vessels.</p>	Important	Head of Ranger Services	<p>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.</p> <p>Update: Due to the lack of large vessels navigating our waters the need for a General Direction has not arisen for a number of years and if it did we could deal with it under Special Directions. This item has been deferred to allow for a review of what is appropriate which will need specialist maritime legal advice.</p> <p>Update: The factors driving this work have changed since the paper went to committee in</p>	<p>By 31/10/2021 Updated to 28/02/2023 Updated to 31/12/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>2019, with COVID-19 and the long term closures of bridges on the lower Yare both affecting this. Control measures remain in place to control the risk through Special Directions which can be given ahead of each vessel movement. With very limited vessel movement over the last few years the requirement to put in place a General Direction to cover all larger vessel movements is now less of a priority against other projects. The Pilotage Policy is currently being reviewed as part of the wider Safety Management System review.</p>	
<p>7. Governance 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.</p>	Needs Attention	Head of Safety Management	<p>Refresher training to be given at team meetings and attendance and signatures to be obtained.</p> <p>Update: Health & Safety Inductions for new starters now includes a PowerPoint presentation on PMSC/SMS this is</p>	<p>By 31/10/2021 Updated to 31/12/2022 Updated to 31/05/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>also presented to new authority members. PMSC is a standard agenda item for the Safety Committee. Due to Covid-19 and safeguarding Operational we have had only one f2f full team meeting and other priority training was delivered at this time. The PMSC training will be delivered at the next Operational Technicians meeting in December 2022. Comment section updated and deadline extended to 31 December 2022.</p> <p>Update: With the new season starting, PMSC training shall be provided to all Rangers & CM&E staff and will sign to say that they have received the training. PMSC training will be provided if any changes are made prior to the annual training.</p>	

Appendix 2 – Summary of actions and responses to Internal Audit 2021/22

Table 3

HR and Payroll – December 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Staff Absences</p> <p>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.</p> <p>This reduces the risk of inconsistent or ineffective resilience plans increase the risk of service failure in the event of staff absence.</p>	Important	Directors	<p>Agreed.</p> <p>Update: This has not been completed for all Directorates due to other priorities and staff shortages.</p>	<p>By 31/03/2022</p> <p>Updated to 31/03/2023</p>
<p>4. Policies and procedures</p> <p>All HR policies be reviewed and updated to ensure that they are reflective of current arrangements and working practices.</p> <p>If policies are out of date, there is a risk of staff being given incorrect information or following outdated practices.</p>	Needs Attention	Head of HR	<p>Agreed. Initial review by 30/06/2022 and complete review by 31/12/2022.</p> <p>Update: A number of policies have been updated, however, two policies have queries that are waiting to be resolved.</p>	<p>By 31/12/2022</p> <p>Updated to 31/07/2023.</p>

Table 4

Maturity Assessment of Cyber Security – June 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Data Security Backup integrity and recovery testing must take place annually to ensure that they can be recovered as expected during an incident. We note that there are occasional file restores on request from users. However, this cannot constitute adequate full testing as required by this level.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
<p>2. Data Security Results of backup testing must be used to inform and improve the process via lessons learned sessions.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
<p>3. Incident Management A formal IT incident management process must be established, including triage and escalation requirements. We have noted that this is in place, but that it requires review, having been last reviewed in January 2019 prior to the start of the COVID-19 pandemic.</p>	Important	Head of ICT and Collector of Tolls	Agreed. Update: The plan has been drafted but due to work pressures, the plan will be signed off at the end of November. Complete.	By 31/10/2022 Updated to 30/11/2022
<p>4. Incident Management To achieve level IM3, full compliance with IM2 is required. In addition, IT staff must have a level of incident management training provided or disaster</p>	Important	Head of ICT and Collector of Tolls	Agreed. Update: Once the IT Disaster Recovery plan has been signed	By 31/10/2022 Updated to 31/01/2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
recovery/ business continuity exercises must be undertaken regularly. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.			off, work to achieve level IM3 will be completed next. Complete.	
5. Incident Management To achieve level IM4, full compliance with IM2 and IM3 is required. In addition, incidents must be reported and presented to senior leadership. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
6. Incident Management To achieve level IM5, full compliance with IM2, IM3 and IM4 is required. In addition, incidents must include a review and 'lessons learned' sessions, as to improve the future response. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023

Appendix 3 – Summary of actions and responses to Internal Audit 2022/23

Table 5

Corporate Health and Safety – July 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Health & Safety at Work policy</p> <p>The Health and Safety at Work Policy be reviewed and updated if necessary, in line with the defined cyclical timescales.</p> <p>This will mitigate the risk of Health and safety issues arising due to outdated policy.</p>	Needs Attention	Head of Safety Management	<p>Agreed. Whilst reading documentation for the H&S audit we recognised that our current policy required updating. This review has started and we have carried out the initial scoping to understand what the new H&S policy needs to achieve. The task has been identified as a priority IPR objective in 2022/23 performance year.</p> <p>Update: Currently being reviewed with the aim that the policy will be implemented on 1st April 2023.</p>	By 01/04/2023

Table 6

Partnership Working – November 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Partnership Protocol</p> <p>The Partnership Protocol be updated following the publication of the latest Broads Plan, and its relevance be promoted to all staff who may engage in partnership working on behalf of the Authority. Steps should be taken to ensure that all relevant staff are made aware of the Protocol and its importance.</p> <p>The Protocol should include a reference to the role that the Authority's Financial Regulations has in the Probity Arrangements of any Partnership.</p> <p>The Partnership Protocol and Checklist should be updated at regular and agreed intervals, no longer than five years.</p> <p>This will mitigate the risk that partnerships may be entered into by staff on behalf of the Authority without being formally recoded and monitored.</p>	Important	Senior Governance Officer	<p>Agreed</p> <p>Update: The amended documents are in draft and will be reviewed by Management team.</p>	<p>By 08/02/2023</p> <p>Updated to 31/03/2023</p>

Table 7

Key Controls – February 2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Control Accounts</p> <p>Evidence to be retained that all monthly control account/t reconciliations have been subject to independent review, including the date of that review.</p> <p>Risk: Management may not be aware of issues with the reconciliation process; either delays or imbalances between key financial accounts may therefore remain undetected.</p>	Needs Attention	Senior Accountant	Agreed in principle with the Director of Finance and the Senior Accountant at the debrief meeting on 21 December 2022.	By 31/05/2023.
<p>2. Accounts Payable</p> <p>Where possible, to implement checks on VAT and Company Registration Numbers as part of the new supplier checks.</p> <p>Risk: Fraud and not identifying dissolved companies.</p>	Needs Attention	Senior Accountant	Agreed in principle with the Director of Finance and the Senior Accountant at the debrief meeting on 21 December 2022.	By 31/05/2023.