

Financial Scrutiny and Audit Committee

AGENDA

22 September 2015

2:00pm

	Page
1. To receive apologies for absence	
2. Appointment of Chair	
3. Appointment of Vice Chair	
4. To note whether any items have been proposed as matters of urgent business	
5. To receive declarations of interest	
6. To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meetings held on 7 July 2015 (herewith)	3 – 8
7. To note the Terms of Reference of the Financial Scrutiny and Audit Committee (herewith)	9 – 10
8. Public Question Time To note whether any questions have been raised by members of the public	
AUDIT	
9. Annual Governance Report 2014/15 Report by Head of Finance (herewith)	11 – 33
10. External Audit Committee Briefing: September 2015 Report by Head of Finance (herewith)	34 – 55
11. Annual Governance Statement 2014/15 Report by Solicitor & Monitoring Officer (herewith)	56 – 74
12. Implementation of Internal Audit Recommendations – Summary of Progress Report by Head of Finance (herewith)	75 – 83

FINANCIAL SCRUTINY

- | | | |
|-----|--|---------|
| 13. | Consolidated Income and Expenditure – 1 April to 31 July 2015 Actual and 2015/16 Forecast Outturn
Report by Head of Finance (herewith) | 84 – 95 |
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RISK MANAGEMENT

- | | | |
|-----|--|----------|
| 14. | Annual Review of Strategic Risk Register
Report by Solicitor & Monitoring Officer (herewith) | 96 - 104 |
| 15. | Review of Policy on Reserves
Chief Executive to report | |

OTHER MATTERS

- | | |
|-----|---|
| 16. | To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972 |
| 17. | To answer any formal questions of which due notice has been given |
| 18. | To note the date of the next meeting – Tuesday 9 February 2016 at 2.00pm at Yare House, 62-64 Thorpe Road, Norwich |

Broads Authority

Financial Scrutiny and Audit Committee

Minutes of the meeting held on 7 July 2015

Present:

Mr G McGregor – Chairman

Prof J A Burgess
Mr Nigel Dixon
Sir Peter Dixon (3/6-3/15)
Mr M Whitaker

In Attendance:

Ms E Guds – Administrative Officer
Ms E Krelle – Head of Finance
Mr P Ionta – Solicitor and Monitoring Officer

Also in Attendance:

Ms E Hodds – Internal Audit Consortium Manager

3/1 Apologies for Absence

Apologies for absence were received from Phil Durrant, John Packman and Jill Penn.

3/2 Matters of Urgent Business

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

3/3 Declarations of Interests

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

3/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 10 February 2015

The minutes of the meeting held on 10 February 2015 were approved as a correct record and signed by the Chairman.

3/5 Public Question Time

No questions were raised by members of the public.

The Chair decided to address the next agenda item 3/6 later on in the agenda to allow Sir Peter Dixon who had been delayed to be present.

3/6 Draft Unaudited Statement of Accounts 2014/15

This report summarised the Broads Authority's Statement of Accounts for the year ended 31 March 2015.

A discussion followed in relation to 2.2 when a member queried the variance between the original budget and the actual outturn figures. The officer pointed out that forecast figures were updated throughout the year to reflect changes since the original budget was set, for example approval of carry forwards, additional expenditure required in year and additional income.

Both officers and members recognised that officers would benefit from training in setting appropriate budgets and monitoring them throughout the year. Head of Finance confirmed that now the Finance Department was fully staffed they had the resources to provide such training and could afford to be more pro-active.

Head of Finance presented the Carry Forwards which were supported by the Committee.

It was pointed out that although the PRISMA Project was completed the reserve had to remain open until the final claim in 2015/16 was received and the Euro currency rate was definite.

The Solicitor and Monitoring Officer informed members that the Annual Governance Statement would be presented to the Financial Scrutiny and Audit Committee at its next meeting in September 2015 and that a draft version would be made available to them by August. He informed them that any ideas they might want to contribute would be welcome.

After a question in what capacity the Treasurer was working for the Broads Authority it was clarified that the Treasurer was not employed by the Authority but was appointed as the Treasurer and Financial Advisor. The Head of Finance works closely with her and makes sure that she is kept up to date of any issues.

The pension fund was discussed and members were informed that it would come up for revaluation in 2016. It was confirmed that currently the pension fund was not fully funded and there could be a risk that additional payments currently being made to help with the deficit would increase.

A member suggested having a briefing before the September meeting with external auditors, especially as there were new members who needed to understand the responsibility of a dual role committee.

RESOLVED TO RECOMMEND TO THE AUTHORITY

that the Statement of Accounts for 2014/15 be approved.

3/7 Internal Audit Annual Report and Opinion 2014/15

Members received a report which provided the Authority with an Annual Report and Opinion for 2014/15, drawing upon the outcomes of Internal Audit work performed over the course of the year. The report also concluded on the Effectiveness of Internal Audit.

The Head of Internal Audit took the members through the report and highlighted that overall the findings were very positive. She explained that because a full time resource outside the Authority had left this had a knock on effect on the Authority. She further mentioned that Broads Forum and Parish Forums were working well but that more formal feedback was needed, as well as their involvement in Broads Authority's strategic priorities.

One member raised concern to the fact that only an adequate opinion had been given and although the presence of the medium level risks, these were expected and a work plan to address these had been set.

The Head of Internal Audits explained that as this was a small audit plan there was limited scope and though the medium level risks were anticipated, an opinion could only be given on the current status of 2014/15.

She continued that the Authority was not in a bad position and she expected that next year once the medium level risks had been addressed the Authority's position would be even better.

RESOLVED

- (i) to receive and approve the contents of the Annual Report and Opinion of the Internal Audit Consortium Manager;
- (ii) to note that an adequate audit opinion had been given in relation to the framework of governance, risk management and control for the year ended 31 March 2015.
- (iii) to note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Authority's Annual Governance Statement for 2014/15.
- (iv) to note the conclusions of the Review of the Effectiveness of Internal Audit.

3/8 Investment Strategy and Performance Annual Report 2014/15

Members received a report which set out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the twelve months to 31 March 2015.

RESOLVED

to note the report and the current arrangements regarding the investment of surplus cash.

3/9 Procedure for Waiving of Standing Orders

The Committee was invited to consider updating the procedure for the waiver of Standing Orders so as to set an upper limit of the Chief Executive's delegated authority when exercising such a waiver in addition to clarifying the process of approval where this limit may need to be exceeded.

After careful consideration members agreed that doubling the current agreement value into which the Chief Executive's delegate authority could enter would be reasonable and therefore

RESOLVED TO RECOMMEND TO THE AUTHORITY

- (i) that an upper limit of £50,000 would be set to the Chief Executive's delegated authority when exercising a waiver, and
- (ii) that the following process be used on the rare occasions when that may need to be exceeded, namely that the chief Executive consult the Chair and Vice-Chair of the Authority, the Chairman of the Financial Scrutiny and Audit Committee and should Navigation Expenditure be involved, the Chairman of the Navigation Committee prior to authorising the waiver sought whereupon this will be reported to the full Authority at the next available meeting.

3/10 External Audit Annual Audit Fee 2015/16

Members received a report which appended the annual audit fee letter from Ernst & Young for undertaking the 2015/16 audit. The fee would be maintained at £13,943.

The report also detailed the rebate on audit fees from the Audit Commission in relation to the 2014/15 audit.

RESOLVED

that the details of the annual audit fee letter be noted, and the Audit Commission rebate be welcomed.

3/11 Implementation of Internal Audit Recommendation and Summary of Progress

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2014/15.

Head of Finance mentioned that some recommendations in regards to IT security remained outstanding due to staffing issues which now had been resolved and meant that the majority of recommendations could now be implemented by the end of August 2015.

RESOLVED

that Members note the report.

3/12 National Parks UK Commercial Sponsorship Proposal

Members received a report which updated them on the establishment of the new Company with the aim of raising commercial sponsorship for the National Parks UK. Members were presented with an appendix containing the biographies of the Board, including Sir Peter Dixon's from the Broads Authority. The Chair congratulated Sir Peter on his appointment.

Sir Peter Dixon said he felt very positive about his first working session and fed back to the committee that he was impressed by the calibre of the other people involved and feels more confident now that the Company will deliver.

RESOLVED

to note the report and the progress made in the establishment of the Company Board and its composition.

3/13 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

3/14 Formal Questions

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

3/15 Date of the next meeting

Members noted that date of the next Committee meeting would be held on Tuesday 22 September 2015 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 4.10pm.

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 7 July 2015

Name Please Print	Agenda/ Minute No(s)	Nature of Interest (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
Michael Whitaker		Toll payer, Hire Boat Operator, BABF Chair	
Peter Dixon	6-12	Board Member NPSL, Barn Owl Box provided	
Guy McGregor		Member Suffolk County Council	



Broads Authority

Terms of Reference of Committees

4 Financial Scrutiny and Audit Committee

Financial Scrutiny

- (19) To review and recommend the Annual Statement of Accounts to the Authority for approval, to ensure that appropriate accounting policies have been followed and to consider whether there are any specific concerns which need to be brought to the attention of the full Authority.
- (20) To review and recommend the Annual Governance Statement to the Authority for approval, and to consider whether there are any specific concerns which need to be brought to the attention of the full Authority.
- (21) To approve the Authority's Financial Regulations, Standing Orders relating to Contracts and counter fraud, corruption and bribery arrangements.

Financial Planning

- (22) To monitor and oversee the Authority's medium term financial planning, including the annual Business Plan, and to bring to the attention of the full Authority any specific issues or concerns.

Audit

- (23) To oversee the scope and depth of internal and external audit work and ensure it is appropriate and provides value for money.
- (24) To consider the external auditor's Annual Audit Letter, and any other reports to the Authority and those charged with its governance.
- (25) To receive and consider the Head of Internal Audit's Annual Written Report and Opinion.

- (26) To consider Internal Audit's Terms of Reference, Code of Ethics and Strategy, together with the 5 year Strategic Internal Audit Plan and Annual Internal Audit Plan.
- (27) To consider specific reports from external and internal auditors.
- (28) To consider any reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (29) To receive regular updates on progress in implementing the recommendations of external and internal auditors.
- (30) To monitor the performance of the providers of the internal audit service, and advise on whether effective systems of internal control are in operation.

Risk Management

- (31) To monitor the effective development and operation of risk management, and review the Authority's Strategic Risk Register.

Other

- (32) To determine any payments or honoraria to staff which are not within the scope of the powers delegated to the Chief Executive up to a maximum of £50,000 per event.
- (33) To consider any matters referred to the Committee by the Broads Authority or the Chief Executive which are appropriate to its Terms of Reference.

Adopted by Broads Authority: 21 November 2014

Annual Governance Report 2014/15

Report by Head of Finance

Summary: This report appends the Annual Governance Report for 2014/15 prepared by the External Auditors, Ernst & Young.

Recommendations:

- (i) That the Annual Governance Report 2014/15 be noted.
- (ii) That the Letter of Representation in connection with the Audit of the Financial Statements for 2014/15 be signed by the Treasurer and Financial Adviser and the Chairman of the FSAC.

1 Annual Governance Report 2014/15

- 1.1 The External Audit of the Authority's 2014/15 Statement of Accounts is underway and the interim Annual Governance Report by Ernst & Young for 2014/15 is appended.
- 1.2 The External Auditors will be attending the meeting to present this item and answer any questions. A verbal report will be made at the meeting to provide an update on the progress of any audit work outstanding at the date of preparation of this report.
- 1.3 Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2014/15, which is presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Background papers: Statement of Accounts 2014/15
Annual Governance Statement 2014/15

Author: Emma Krelle
Date of report: 14 September 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Annual Governance Report 2014/14
APPENDIX 2 – Draft Letter of Representation 2014/15

The Broads Authority

Financial Scrutiny and Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

14 September 2015



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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Financial Scrutiny and Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 14 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the matters we have to communicate, that the Authority has prepared its financial statements adequately.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We have not reported any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Authority's responsibilities

- ▶ The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ Express an opinion on the 2014/2015 financial statements and the consistency of information included in the foreword
 - ▶ Report on an exception basis on the Annual Governance Statement
 - ▶ Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
 - ▶ Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Authority..

This report is intended solely for the information and use of the Authority. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements. Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.	<ul style="list-style-type: none"> • Made enquiries of management about risks of fraud and the controls put in place to address those risks; • Gained an understanding of the oversight given by those charged with governance of management's processes over fraud; • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for pensions and asset valuations for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. 	We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Financial Scrutiny and Audit Committee meeting:
 - ▶ Movement in Reserves Statement
 - ▶ Final review and completion procedures
 - ▶ Receipt of a Letter of Representation
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an **unqualified audit report** on the financial statements.

Uncorrected misstatements

- ▶ There were no errors within the draft financial statements, which management has chosen not to adjust.

Corrected misstatements

- ▶ Our audit identified a number of disclosure misstatements which our team have highlighted to management for amendment.
- ▶ We do not consider any of these to be significant and therefore we have not provided further details of these corrected misstatements.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following:
 - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ Any significant difficulties encountered during the audit; and
 - ▶ Other audit matters of governance interest

We have **no matters** we wish to report.

Financial statements audit – application of materiality

Our application of materiality

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

Item		Amount (£k)
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £148,000 (2014: £169,000, which is 2% of gross expenditure reported in the accounts of £7.4 million. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p>	148
Reporting Threshold	We agreed with the Financial Scrutiny and Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £7,400 (2014: £8,400),	7.4

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

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Authority only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:, following amendment:
 - ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We have concluded our work in this area and have no matters to raise to the Financial Scrutiny and Audit Committee.

Section 5

**Arrangements to
secure economy,
efficiency and
effectiveness**

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that The Broads Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Authority's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

As reported in my Audit Plan, the scope of my work on value for money at the Authority is limited to:

- ▶ Reviewing the Annual Governance Statement (AGS);
- ▶ Reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- ▶ Other risk-based work as suitable.

Addressing audit risks – other VFM risks

We identified the following 'other' VFM risks during the planning phase of our audit, and reported these to you in our Audit Plan. We did not consider that this was a significant risk in terms of our VFM conclusion at the time of issuing our audit report and this is still our view. Here, we set out how we have gained audit assurance over the issues.

Pressures from economic downturn

Financial resilience/Economy Efficiency and Effectiveness

To date the Authority has responded well to the financial pressure resulting from the continuing economic downturn and the level of uncertainty relating the National Parks Grant. The Authority is likely to face further cuts to the National Parks Grant in 2015/16 and in future years. The management team are exploring different scenarios to increase income and reduce expenditure.

To address this risk we reviewed:

- The adequacy of the Authority's budget setting process;
- The robustness of any assumptions;
- The effective use of scenario planning in budget setting;
- The effectiveness of in year monitoring against the budget; and
- The Authority's approach to prioritising resources.

The work undertaken was sufficient to support an unqualified VFM conclusion.

Section 6

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 10 February 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Financial Scrutiny and Audit Committee on 22 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Financial Scrutiny and Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan dated 10 February 2015.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	13,943	13,943	Final fee to be confirmed.
Non-Audit work	0	0	No non-audit work has taken place in 2014/15.

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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ED None

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Mr N Harris
Ernst & Young
One Cambridge Business Park
Cowley Road, Cambridge
CB4 0WZ

Date 22 September 2015

Our ref

Your ref

Dear Neil,

**Broads Authority
Audit of Financial Statements 2014/15
Letter of Representation**

This representation letter is provided in connection with your audit of the financial statements of the Broads Authority ("the Authority") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Broads Authority as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. We have approved the financial statements.

3. We confirm that the Responsible Officer has:
 - Reviewed the accounts;
 - Reviewed all relevant written assurances relating to the accounts; and
 - Made other enquiries as appropriate.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. We believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences, identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 10 July 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities, related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than those events described in the financial statements, there have been no events subsequent to period end which require adjustment of, or disclosure in, the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates are appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

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

I. Use of the Work of an Expert

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

J. Specific Representations

1. We do not require any specific representations in additions to those above.

Yours sincerely,

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Financial Scrutiny and Audit Committee on 22 September 2015.

Chairman of the Financial Scrutiny and Audit Committee

Financial Scrutiny and Audit Committee

22 September 2015

Agenda Item No 10

External Audit Committee Briefing: September 2015

Report by Head of Finance

Summary:	This report appends two briefings, Accelerating your financial close arrangements and a Local Government Audit Committee briefing issued by the Authority's External Auditors, Ernst & Young.
Recommendation:	That both briefings, including the key questions for Audit Committees as set out on page 7 in the first briefing, and page 9 in the second, be noted.

1 Introduction

- 1.1. This report appends Accelerating Your Financial Close Arrangement and a Local Government Audit Committee Briefing issued by the Authority's External Auditors, Ernst & Young (EY).
- 1.2 Two representatives from EY will be attending the meeting.

2 Key Issues

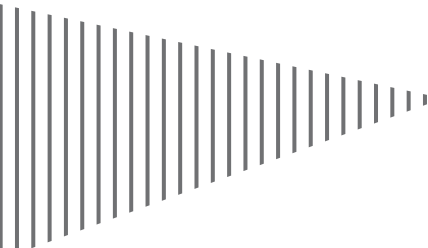
- 2.1 The first briefing is intended to start members thinking about the impact of the reduced timetable for production of the Statement of Accounts from 2017/18. The changes to the deadlines are on page 2, whilst pages 3 to 6 highlight some areas where consideration is needed to meet the new timetable.
- 2.2 The second briefing is presented to Members as a "for information" item. It should be noted that it addresses wider issues affecting all local authorities and as such, some items (for example the Transport Infrastructure Assets) are of less significance for the Broads Authority.
- 2.3 The items of relevance to the Authority are:
 - Thought leadership – board effectiveness (page 5);
 - Financial reporting simplification agenda (page 7);
 - The Transparency code (Page 8) and
 - The key questions for the Audit Committee (page 9).

Background papers: None

Author: Emma Krelle
Date of report: 10 September 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Accelerating your Financial Close Arrangements
APPENDIX 2 - Ernst & Young Local Government Audit Committee Briefing (June 2015)



Accelerating your financial close arrangements

EY Think Piece

Contents at a glance

Local government accounting, auditing and governance – preserving quality financial reporting in light of the new reporting timetable

Key questions for the Audit Committee

Find out more



Building a better
working world



Accounting, auditing and governance

Accelerating your financial close arrangements for the new 2017/18 deadline, commencing the pathway to success

In our November 2014 briefing, we told you about the Government’s consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded, and on the 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015.
www.legislation.gov.uk/uksi/2015/234/contents/made

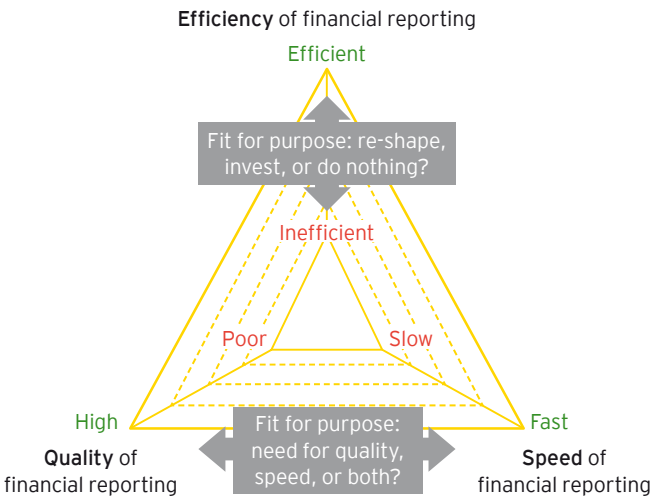
A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of **31 May** and an audit deadline of **31 July**. These changes provide challenges for both the preparers and the auditors of the financial statements. The impact of the changes to the deadlines and their impact is shown in the table below.

	Current deadline	2017/18 deadline	Reduction in time
Preparation of draft financial statements, signed by s151 officer	30 June	31 May	30 days
Approval and publication of financial statements with audit opinion	30 September	31 July	62 days
Available audit time	92 days	61 days	31 days

The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.

This is the first of a series of briefings we will produce during the transition to the new financial reporting timetable. This briefing draws on our experience of working with clients who have successfully closed their accounts early and had their audit opinions issued by the end of July. It also draws on discussions we have had with our clients at our recent Public Sector Accountants workshops and will highlight early areas of consideration that you can begin to think about. We will set out areas for consideration in how we can work together with you to meet the revised deadline for 2017/18 or sooner, as we think a trial run and review of the process in 2016/17, would pave the way for a successful outcome once the regulations are introduced formally a year later.

The second briefing, which will follow in early summer, will provide a more detailed analysis of how ‘fit for purpose’ your financial reporting function is, and how you balance the speed of financial reporting, against the quality of financial reporting.





Accounting, auditing and governance

The economic downturn, the impact of austerity on public sector funding levels, the increased demand for regulatory compliance, greater transparency over the use of public funds, and now a faster reporting timetable is making the task of delivering on-time, high quality financial and non-financial information ever more challenging, for practitioners and auditors.

The good news is that with some planning, communication and joint working, those deadlines are highly attainable – sixteen principal local government bodies received an unqualified audit opinion by 31 July 2014 and published their audited accounts promptly – as reported in the Audit Commission's report – 'Auditing the Accounts 2013/14: Local Government Bodies.' The Audit Commission notes that **'the timely presentation of audited accounts with an unqualified audit opinion is fundamental to good governance. It indicates that bodies have sound financial management arrangements and is the main way that they account for their use of taxpayer's money.'** Therefore, making the year-end closedown routine part of that overall financial management of the Council is crucial to achieving the deadline, not having it as a bolt on exercise for Month 13 with a specific set of autonomous deadlines.

The omens are good, as the majority of Councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines.

Early considerations for the preparers of the accounts and their auditors

As with any 'project' the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements.

We appreciate that each client starts from a slightly different base position. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- ▶ **Revisit the current project timetable.** Our clients who have been able to close early, place this success on the robustness of their project timetable and their understanding and management of bottlenecks and requirements for information from outside the finance team.

Understanding how your current project timetable, where the bottlenecks are, and the critical path of the tasks required to meet the new deadlines will shape the areas of financial reporting that need the most attention. The earlier this is done, the greater scope there is to smooth the process and develop the capacity to deliver the key tasks.

Working with your auditor, you can discuss and agree timings of the audit and build this into the overall plan, rather than run it as separate closedown and audit work-streams.



Accounting, auditing and governance

- ▶ **An early in-year financial hard close.** A hard close provides the auditor with the opportunity to perform early substantive procedures, especially on the revenue side of the primary statements, and to 'bank' audit assurance early in the process, thereby saving time in the tighter latter period.

Typically auditors speak of a Month 9 hard close as being optimal in other sectors such as the NHS. But with Local Government responsibilities for setting Council Tax, authorities need to be mindful of their budget setting process and timetable. It may be that a Month 8 or Month 10 hard close would be better. What would work for your auditor? What are the barriers to doing an in-year hard close? Does your finance team have the capacity to do this?

Is it possible to bring forward the process of setting the budget, to allow a Month 8-10 hard close to happen, without reducing capacity for other key finance responsibilities? There are examples of Councils having completed the budget review and setting process by late October – subject to Member discussions and agreement before the end of November. This may be an enabler to performing a part-year hard close.

- ▶ **Format of your accounts.** Do you have any superfluous notes? How much detail do you provide? This is the quality aspect of financial reporting. Now is the time to streamline the content of your statements, and remove any notes that are not required (on the basis of materiality), and review accounting policies in light of those note changes.

In December 2013, CIPFA issued 'Financial Statements: A Good Practice Guide for Local Authorities' which included a chapter around materiality and clutter. This report highlighted two types of clutter identified by the Financial Reporting Council in their report 'Cutting Clutter':

- ▶ Immaterial disclosure that inhibit the ability to identify and understand relevant information
- ▶ Explanatory foreword information that remains unchanged from year to year

Remember as the preparer of the statements, you must determine your own materiality level for inclusion of items in the accounts and this level may be different to that of your auditor.

It is, as is a common theme here, appropriate to discuss what the auditor would consider materiality to be, so you can take an informed view. In addition, discuss any amendments to your accounts template with them prior to rationalising it, so they can begin to build an expectation of the year end position.

- ▶ **Review your approach to estimates.** Estimating is a valid way of closing down certain aspects of your accounts early e.g., year-end accruals, holiday pay accruals, IAS 19 Pension liabilities and deductions. Your auditor will be interested in the robustness of the methodology for estimation, and the impact of estimation uncertainty. For example, you may wish to review your approach to accruals and set a revised upper limit, under



Accounting, auditing and governance

which you would not accrue. In the next two years, you could monitor post year-end payments and demonstrate that the totality of expenditure below the accrual limit is not material, thereby demonstrating that your approach is valid and not unreasonable.

- ▶ **Review your year-end journal process.** Do your year-end journals actually have to be done at the year end? For example depreciation, this charge is usually put through at the year end. But is there anything stopping it being a Month 1 transaction? The overall asset base upon which the charge is based, is known in April and can be adjusted for any prior year audit amendments early. It will only change if there are significant additions, disposals, revaluations or impairments to that asset base. But even these changes may not lead to a material change in the depreciation charge, given the way in which the annual depreciation charge is derived. A year-end reconciliation of the basis of the charge to any asset base adjustments in the year will justify the charge to the auditor, or require a simple amendment within the financial statements.
- ▶ **Third Party information.** The project timetable, above, should include the receipt of information from third parties. Ensuring that the third parties are on timetable and aware of the revised deadlines is key. Third party information includes the Actuary of the LG Pension fund, valuation information on the asset base, information from wholly owned companies for Group consolidation and Business Rate appeal information from the Valuation Office.

- ▶ **Manage Members' expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.

It may also be appropriate to move away from showing members the draft accounts in May (June as it currently is). The 2009 Account and Audit regulations did not require Member 'approval' of the draft accounts as was previously the case, but many Councils still take a full draft set of accounts to an Audit Committee.

It may be better to take the accounting policies to an Audit Committee during the year for approval (as required annually) and build a finance reporting culture that will demonstrate to members what the expected outturn position will be, highlighting any key transactions (for example big asset transactions in or out, revaluations, provisions).

If this happens throughout the financial year and Audit Committee cycle, then Members will know what to expect. A final year-end paper with the accounts for approval in July will join the information together and allow Members to have the right information to be able to approve the financial statements. In addition, those accounts would have been subject to audit, and the auditor's report will be available to read alongside the financial statements.



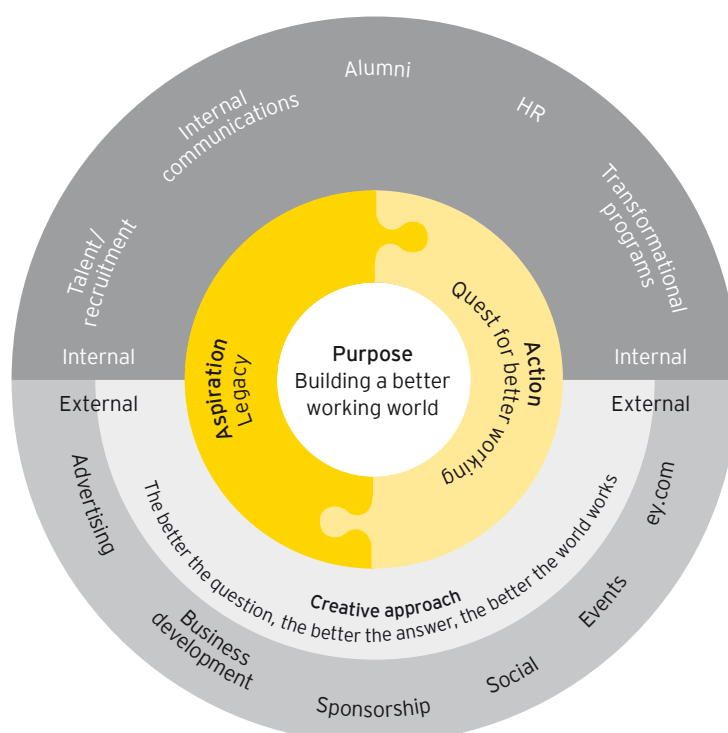
Accounting, auditing and governance

- **Review the operation of your ledger system.** Whilst everyone uses a ledger system, not everyone derives their financial statements straight from it. There are many instances of off-ledger spreadsheets, and ad-hoc systems being bolted on to create the accounts.

To auditors, this is inefficient and requires additional audit procedures over the off-ledger work. Councils should review their ledger system and its capabilities. Is your chart of accounts correct? Can your current system do more to support the preparation of the accounts? Can you minimise the extent of off-ledger work that is required to prepare the financial statements?

- **How fit for purpose is your current financial reporting system?**

This would allow us to make better use of data analytics – our tool which analyses all data in a certain population (i.e., payroll, ledger, Accounts Payable) rather than sample test that population. Analytics is a powerful tool, giving assurance across the whole population data set, quickly pulling out anomalies for further review. However, the power of analytics is dependent upon the data set going into the tool. This requires us to work with you, so we get the data in the way which is quick and easy for us to use, without manipulation or filtering.





Questions for Audit Committees

Our think piece highlights a number of questions that are pertinent to the preparers of your Council's financial statements. We set out below, some high level questions, which Audit Committees should consider and gain assurance over, in preparation for the earlier financial statement deadlines.

1. How reliable are your internal financial reporting processes and how aligned are they to delivering external facing financial statements, as opposed to delivering internal management reporting requirements?
2. How assured are you about your overall control environment currently and how robust are those arrangements ahead of preparing for the new accelerated reporting deadlines?
3. Have you considered the impact of new financial reporting requirements¹ and complexities which will impact on the same timeline?

¹Examples of new financial reporting requirements for consideration; the extension of the accounting for Infrastructure assets, changes to the CIPFA Code of Practice on Local Authority Accounting; and changes to service delivery models which leads to the requirement for group accounts.

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and Governance

Regulation news

Key Questions for the Audit Committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY Item Club Spring 2015 Forecast

In its latest quarterly forecast the EY Item Club forecasts strong economic performance with GDP growth of 2.8% this year, rising to 3% in 2016. The Consumer Prices Index (CPI) Inflation is expected to average 0.1% for 2015, but expected to rise above 1% this winter, paving the way for possible base rate rises in spring 2016. Consumption is forecast to grow by 2.8% this year (mainly due to a real income increase of 3.7%) and strong growth over the medium term supported by buoyant incomes rather than borrowing. An additional driver for growth is the fall in the Euro against the pound. Business surveys indicate that the effect of this exchange rate move on export competitiveness has been countered by the strength of the European market.

The report highlights that its forecasts are far more positive than the Office of Budget Responsibility (OBR) which it accepts needs to be cautious, seeing room for expansion in the consumer and housing markets without significant adverse effect on household debt or house prices. Additionally long term output growth prospects are better than indicated by OBR projections. The forecast suggests that the outlook for the government post-election will be more positive than official statistics.

Manchester devolution

On the 27 February 2015, a memorandum of understanding was signed between Greater Manchester's 10 local authorities, 12 NHS clinical commissioning groups and 15 NHS providers, as well as NHS England chief executive Simon Stevens and Chancellor George Osborne. This memorandum builds on the devolution

settlement for Manchester which was signed in November 2014, and proposed the devolution of powers to Greater Manchester in various areas including transport, planning and housing.

NHS England worked with the Manchester bodies to develop a plan for further joined up and integrated health and social care. The next stage will be the development of a roadmap, followed by production of a business plan. Due for publication in October, the outline business plan will outline the scope for possible savings through integration; as well as setting out the capital investment that will be needed to deliver the proposed shift from acute care to the primary and community sectors.

Under the plan, a new joint decision-making process for all £6bn of health and social care spending will be developed. A Greater Manchester Strategic Health and Social Care Partnership Board will be set up, and will oversee the development of the health and care system. A joint commissioning board will be responsible for financial plans and budget proposals for the sizeable budget, which represents approximately a quarter of all public spending in the region.

George Osborne has said that this reform was "exactly what we want to see more of in our health care."

Greater Manchester Combined Authority chair Lord Peter Smith confirmed his commitment to working with NHS colleagues in the city: "By ensuring that decisions about health for Greater Manchester are taken in Greater Manchester, we can ensure we have a system specifically tailored to the needs of people in our area."



Government and economic news

This radical change follows on from the Community Budget programme, of which Manchester was one of the four pilots. This programme was intended to pool funds to improve the effectiveness of public spending across the city's 10 councils. An analysis from EY commissioned by the Local Government Association concluded that more than £4bn could be saved every year if all areas adopted a Community Budget approach and were able to cut the unnecessary waste, duplication and red tape. Of these, it was estimated 80% would come from the budgets of central government departments and agencies.

DWP Welfare Reforms

The NAO has produced a report which considers the changes made by the Department for Work & Pensions (DWP) over the past five years and its mixed record of implementation. The report is intended to provide the DWP and other readers with an opportunity to learn from experience. They have also produced a briefing with more general relevance – *'Lessons for major service transformation'* which draws out broader principles from their DWP review.

Eleven lessons are identified which may be helpful for authorities seeking to transform services and processes in the face of budget constraints:

- ▶ Transformation programmes raise the greatest risks of failure
- ▶ Set realistic goals and be honest about what really matters
- ▶ Policy development must take account of implementation
- ▶ Don't be tempted to score benefits early
- ▶ Do identify tangible short-term gains
- ▶ Recognise the (senior) organisational cost of transformation
- ▶ Don't underestimate what you can learn from engagement
- ▶ Recognise the value of learning and market development
- ▶ Do anticipate the need to make changes in live running
- ▶ Recognise the opportunities and limits of technology
- ▶ Set out clear decision-making and challenge



Accounting, auditing and governance

Transport Infrastructure Assets

What are transport infrastructure assets (TIA) and why are they relevant to highway and non-highway authorities?

The *Code of Practice on Transport Infrastructure Assets (TIA Code)* was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. The TIA Code classified TIA as:

- ▶ Carriageways
- ▶ Footways and Cycleways
- ▶ Structures
- ▶ Street Lighting
- ▶ Traffic Management Systems
- ▶ Street Furniture

The TIA Code also sought to provide the basis for improved financial information by setting out a move to valuation of such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of the current asset.

Local Government continued to use depreciated historic cost (DHC) as the valuation approach for infrastructure assets when the *Code of Practice on Local Authority Accounts in the United Kingdom (Accounting Code)* moved to an IFRS basis effective from 1 April 2010. Thus one of the key elements for full implementation of the TIA Code, valuing assets using DRC, was not in place within Local Government.

Following consultations over a number of years, CIPFA initially announced through the 2014/15 Accounting Code, and confirmed in the 2015/16 Accounting Code, that TIA within local government

will be valued at DRC with effect from 1 April 2016. It has been estimated centrally that this will add some £200bn to the net worth of local government balance sheets. Our work to date with clients suggests that this is a significant underestimate. At an individual client level the inclusion of TIA, at this different valuation basis, will transform the balance sheet.

Although the above will apply to all highway authorities there will also be a number of non-highway authorities who hold material TIA under the new valuation basis. In particular, cycleways, structures and roads on industrial estates may lead to material levels of TIA at non-highway authorities. It is important to note that for those non-highway authorities the full requirements of the TIA Code will have to be met.

What are the implications?

This is a fundamental change in approach which will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems design and operation. Early engagement and project planning were highlighted as core requirements in *LAAP BULLETIN 100: Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*, to the effective delivery of this change within the tight timetable.

The change is to be applied retrospectively and thus will require valuations as at 1 April 2015 and comparative values for 2015/16. CIPFA issued specific Guidance Notes on TIA in May 2015 and have identified a number of proposed changes to the Accounting Code for 2016/17 that will be consulted upon over the summer.

Close working through the implementation period with external auditors is highlighted as being pivotal to successful implementation. We have identified a number of areas that are crucial to the delivery of this project and will be discussing these with officers over the coming months.



Accounting, auditing and governance

The additional audit work involved in this area was recognised by the Audit Commission in their 2015/16 fee consultation. It did not however, identify a fee; leaving that to local negotiation due to the scale of work required. Following local fee discussions we will be looking to have carried out initial detailed work for all audit clients by the end of the calendar year. This work could range from confirming with non-highway authorities that they do not have material TIAs and therefore do not have to implement the changes, to major systems reviews at highway authorities.

At all authorities with material TIA, further work will be required to address the results of the changes proposed in CIPFA's consultation on the 2016/17 Accounting Code. Our intention is to have reviewed the remaining areas of implementation before the end of the 2015/16 financial year at all audit clients.

Working together

In addition to the work undertaken locally, following requests from clients, we will be running specific transport infrastructure assets workshops for officers of highway authorities across the country in July and August at the following venues:

- ▶ 28 July 2015 – London Becket House
- ▶ 29 July 2015 – EY Birmingham Office
- ▶ 5 August 2015 – London Becket House
- ▶ 6 August 2015 – EY Newcastle Office
- ▶ 13 August 2015 – EY Manchester Office
- ▶ 14 August 2015 – London MLP

Formal invitations will be issued in early June. If you have any questions regarding these events please contact Neil Gibson on ngibson@uk.ey.com.

For non-highway authorities with material TIA we will, in addition to our local work, facilitate contact between clients and, if there is demand, arrange similar workshops for them.

As with all major changes, early engagement with your local audit team will assist in a smooth implementation of the changes.

Thought leadership – board effectiveness

EY has worked with The Investment Association to produce a thought leadership report 'Board effectiveness – continuing the journey'. The report is based on debates on board effectiveness held as a series of individual meetings and roundtables with leading chairmen, board directors and senior investors. Whilst the report recognises that all boards are different, it aims to identify leading practice and point to new ideas for boards to improve and demonstrate their effectiveness. It addresses board effectiveness across seven themes:

- ▶ Role of the chairman
- ▶ The role of non-executive directors (NEDs)
- ▶ Progress on diversity
- ▶ Board succession and the work of the nomination committee
- ▶ The purpose and impact of board evaluations
- ▶ Information flows to the board
- ▶ The role of investors

To encourage discussion between management, NEDs and stakeholders, the report includes a checklist of questions under each of the seven themes.



Accounting, auditing and governance

2015-16 work programme and scales of fees

Public Sector Audit Appointments Ltd (PSAA) has now confirmed the work programme and scale fees for the audit of the accounts for 2015-16 for local government, fire, police and health bodies.

For most local government, fire, and police bodies scale fees show a reduction of 25% to the fees applicable for 2014-15. This does not, however, apply to pension fund audits (where fee pressures have been rising due to the increasing complexity of the funds audited) or to local government audited bodies with 2014/15 scale audit fees below £20,000.

The current expectation is that these fee reductions will apply until the end of the audit contracts (subject to annual review).

The current contracts with audit suppliers run until 2017, with a possible extension for up to three years. Under its responsibility to manage the audit contracts, PSAA is required to consult on and set fees for 2016-17.

In addition to the core accounts audit work, auditors have a responsibility to satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources, and in some cases certification of claims. Fees to cover the costs of any special investigations, (e.g., arising from disclosures under the Public Interest Disclosure Act 1998) are charged as a variation to the scale fee.

The scale audit fees for individual bodies and the work programme are published on the PSAA website, with the aim of supporting transparency and helping audited bodies compare their fees with those of similar bodies. They are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work

is required than is represented in the scale fee, they are required under the audit contracts to seek approval from PSAA for a variation to the scale fee, and to agree the amount of this variation with the audited body. PSAA also consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee.

Whole of Government Accounts: 2013-2014

The Comptroller and Auditor General, Amyas Morse, released his audit report on the 2013/14 Whole of Government Accounts at the end of March. This is the fifth year that the Treasury has produced the Whole of Government Accounts, which is intended to show in a single document the overall financial position of the UK public sector by consolidating the financial activities of more than 5,400 organisations across the public sector into a single set of audited accounts. The bodies that are consolidated include central and local government bodies, as well as other public corporations including the Bank of England.

The audit opinion has again been qualified this year on six counts:

- ▶ The application of the WGA accounting boundary
- ▶ Inconsistencies in the underlying accounting treatments within the WGA
- ▶ Disagreement on the accounting treatment of 3G/4G mobile licences
- ▶ Lack of evidence in support of the completeness and valuation of school assets
- ▶ Underlying material qualifications of the Department for Education and Ministry of Defence accounts
- ▶ Inaccuracies in the elimination of intragroup transactions and balances



Accounting, auditing and governance

Overall, Amyas Morse has commended the progress made by HM Treasury, whilst noting areas for improvement:

“We are strongly supportive of the way HM Treasury is moving forward with the Whole of Government Accounts project. The Department is improving the content of the WGA and the document has been produced faster than ever. This is welcome and represents a significant step forward for the WGA. The Department is also taking steps to make sure that more information is being given to taxpayers on how government spends their money and longer terms risks on the balance sheet are being highlighted. However, there are opportunities to exploit the WGA’s potential more fully and to improve the WGA to enable me to remove my qualifications. The Treasury also needs to work with the bodies that provide data to improve the timeliness and accuracy of the information that it receives. Furthermore, better analysis by the Department of trends in government’s assets and liabilities will help to demonstrate the full financial impact of changes in the delivery of public service in the next Parliament.”

Financial reporting simplification agenda

The need to simplify and streamline local government financial statements has been a topic of discussion since the introduction of International Financial Reporting Standards (IFRS) in 2010/11. In December 2013 CIPFA issued *Financial Statements: A Good Practice Guide for Local Authorities* which includes a chapter around materiality and clutter. The report highlighted the negative impact of two types of clutter identified by the Financial Reporting Council in their report *Cutting Clutter*, namely:

- ▶ Immaterial disclosures that inhibit the reader’s ability to identify and interpret relevant information
- ▶ Explanatory information that remains unchanged from year to year

Since the publication of the good practice guide, CIPFA carried out a specific consultation on the potential for simplifying and streamlining local authority accounts during the summer of 2014. As a result greater emphasis was placed in the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and 2015/16* on removing immaterial disclosures. CIPFA also issued a second edition of its report *How to Tell the Story: Local Authority Financial Statements, including this within the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2014/15*.

CIPFA/LASAAC and CIPFA remain committed to enable the financial reporting of local government bodies to relate a more streamlined story that is understandable to the varied users of their financial statements. It has been stated that the consultations on the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* will include more fundamental changes.

Key proposals are expected to include a:

- ▶ New funding statement that more clearly reconciles the accounting and funding regimes
- ▶ Refocussing of the Comprehensive Income and Expenditure Statement
- ▶ Revision of the existing Movement in Reserves Statement

The progress on these changes will impact on the detailed approach that local government bodies make to achieve the earlier closedown requirements from 2018. Thus that work should be fully integrated with the streamlining agenda.

EY has also produced a think piece on earlier closedown; if you have not already received a copy, please contact your audit team for more information.



Regulation news

The Transparency Code

The Local Government Transparency Code 2014, intended to increase democratic accountability by giving people the tools and information they need to enable them to contribute to the local decision making process, was published by DCLG on 3 October 2014.

It is governed by three main principles:

- ▶ Demand led – new technology should support transparency and accountability. Public bodies should release data in a way that allows the public and other interested parties to use it
- ▶ Open – availability of public data should be promoted and publicised. Presentation should be helpful and accessible
- ▶ Timely – data should be made public as soon as possible following production

The Code is a statutory requirement for local government bodies; however, it does not apply to Police and Crime Commissioners. It sets out the minimum data and information that all local authorities must publish; the frequency at which it should be published and how it should be published.

One of the mandatory disclosures contained in the Code is the requirement to publish information on senior managers' salaries. The Accounts and Audit (England) Regulations (2011) and section 3.4 of the Accounting Code set out the disclosure requirements in relation to senior management remuneration required for the financial statements.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

- ▶ Have we fully considered opportunities for integration with other local services and whether this could offer improvements to service delivery as well as cost savings?
- ▶ Have we reviewed the NAO briefing 'Lessons for major service transformation' and is there anything that could be taken from it to increase the likelihood of successful implementation of projects?
- ▶ Are we as an organisation fully aware of the implication of future accounting requirements for TIA and do we have a plan in place to meet these?
- ▶ Have we considered the EY report 'Board effectiveness – continuing the journey' and whether it can support the improvement and effectiveness of our Committee?
- ▶ Are we aware of the 2015-16 scale fee/work programme and confident that arrangements ensure that accounts provided for audit are materially correct and fully supported, and that it has sufficient resources to support the audit process?
- ▶ What steps are we taking to plan for the earlier financial statement closedown arrangements for 2017/18?
- ▶ Have we critically reviewed the accounts and identified areas where they can be streamlined?
- ▶ Have we identified any disclosures or other areas which could be prepared early?
- ▶ Is resourcing within finance areas sufficient? Are there any areas which will need additional support?
- ▶ Do we have plans in place to start producing interim financial statements at month nine if this is something that we do not already do?
- ▶ Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
- ▶ Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- ▶ Are we aware of the disclosure requirements contained in the transparency code and are we actively monitoring compliance?
- ▶ Have we engaged with our local communities to identify the areas where there is an appetite for more data to be shared?
- ▶ Do we publicise the access that is available to public data?
- ▶ Is the data that we make publicly available easily accessible both in terms of its location and its format?



Find out more

EY Item Club spring 2015 forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Manchester devolution

For a copy of the Memorandum of Understanding for Greater Manchester Health and Social Care devolution, see http://www.agma.gov.uk/cms_media/files/mou.pdf

DWP Welfare Reforms

For copies of the NAO's reports, see <http://www.nao.org.uk/wp-content/uploads/2015/05/Welfare-reform-executive-summary.pdf> and http://www.nao.org.uk/wp-content/uploads/2015/05/Briefing_Lessons_for_major_service_transformation.pdf

Transport Infrastructure Assets

For more information about Transport Infrastructure Assets, please contact Neil Gibson for details of how to attend one of the EY courses.

Thought leadership – board effectiveness

The report can be found at [http://www.ey.com/Publication/vwLUAssets/EY-UK-board-effectiveness-report/\\$FILE/EY-UK-board-effectiveness-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-UK-board-effectiveness-report/$FILE/EY-UK-board-effectiveness-report.pdf)

2015-16 work programme and scales of fees

Details of the 2015-16 work programme and scales of fees are at <http://www.psaa.co.uk/wp-content/uploads/2015/03/Work-programme-and-scales-of-fees-2015-16-Local-Gov-FINAL-250215.pdf>

Whole of Government Accounts: 2013-14

For the Certificate and Report of the Comptroller and Auditor General on the 2013-14 Whole of Government Accounts, see <http://www.nao.org.uk/wp-content/uploads/2015/03/Whole-government-account-2013-14.pdf>

Financial reporting simplification

For more information about the Financial reporting simplification agenda, please contact your local audit team.

The Transparency Code

For a copy of the new transparency code, see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf

Note

[illegible]

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1597390.indd (UK) 06/15. Artwork by Creative Services Group Design.



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Annual Governance Statement 2014/15

Report by Monitoring Officer and Solicitor to the Authority

Summary: This report explains the purpose of the Annual Governance Statement, and the requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements. The Annual Governance Statement for 2014/15 is appended, for members' consideration.

Recommendations:

- (i) That the views and comments of the Committee are sought on the internal control systems and governance arrangements in place.
- (ii) That the Annual Governance Statement for 2014/15 and Action Plan for 2015/16 are recommended to the Broads Authority for approval on 25 September 2015, subject to any amendments or additions the Committee may wish to make.
- (iii) That the Committee confirms, subject to implementation of the improvements identified in the Action Plan, that the Authority's internal control systems and governance arrangements are considered to be adequate and effective.

1 Introduction

- 1.1 The Accounts and Audit (England) Regulations 2011 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved 'by the relevant body' (in this case the Broads Authority) and must accompany the Statement of Accounts. (The Regulations were recently updated, which took effect from 1 April 2015, however these do not apply to the period covered by this Statement.)
- 1.2 The Annual Governance Statement requires local authorities to conduct a review at least once a year of the effectiveness of their systems of internal control and risk management, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.
- 1.3 In addition, under the Accounts and Audit Regulations 2011 and CIPFA's Code of Practice for Internal Audit ('the Code'), the Head of Internal Audit is required to provide, on an annual basis:

- an overall opinion on the adequacy and effectiveness of the Authority's internal control environment;
- any qualifications to that opinion, along with the reasons for qualification;
- a summary of audit work from which the opinion was derived;
- any issues considered relevant to the Annual Governance Statement;
- comparison with planned and actual audit work, summarising the performance of internal audit against its measures and targets;
- commentary on compliance with the standards of the Code;
- communication of the results of the Internal Audit quality assurance programme

1.4 The Opinion of the Head of Internal Audit for 2014/15 was provided to this Committee at its last meeting on 7 July 2015, and the key findings are summarised in the Annual Governance Statement. The overall opinion is that the framework of governance, risk management and control at the Broads Authority is deemed to be adequate, representing a stable control environment. The Authority has also received two good assurance levels in respect of Corporate Governance & Risk Management and Key Controls & Assurance.

1.5 Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

1.6 Once agreed, the Annual Governance Statement should be signed by the Chairman of the Authority and the Chief Executive.

2 Code of Corporate Governance

2.1 The Authority's systems for delivering good governance are set out in the Code of Corporate Governance which was adopted by the Broads Authority at its meeting in November 2009. This document was prepared in accordance with the guidance set out in the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'.

2.2 The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

2.3 The Authority's Code of Corporate Governance is updated annually, as part of the process of preparing the Annual Governance Statement, and is signed by the Chairman and Chief Executive.

2.4 Where new evidence has been identified in the Code, to contribute towards the Authority's governance arrangements, this has been included in the

2015/16 Action Plan, in order to monitor progress and ensure that it is implemented.

3 Role of the Chief Financial Officer

3.1 In 2010 CIPFA issued a document entitled '*The Role of the Chief Financial Officer in Local Government*'. The Statement supports CIPFA's work to strengthen governance and financial management across the public services, and sets out five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer (CFO) in local government and the governance requirements needed to support them. These are set out in paragraphs 3.2 and 3.3 below.

3.2 The CFO in a local authority:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the authority's financial strategy;
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

3.3 To deliver these responsibilities the CFO:

- must lead and direct a finance function that is resourced to be fit for purpose;
- must be professionally qualified and suitably experienced.

3.4 It is further recommended that, in their Annual Governance Statements, local authorities should 'include a specific statement on whether the authority's financial management arrangements conform with the guidance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact'. This statement is set out in paragraphs 3.13 to 3.16 of the Annual Governance Statement.

4 Annual Review of Governance Arrangements

4.1 The production and publication of the Annual Governance Statement is the result of an ongoing review of the adequacy of internal control systems and governance arrangements, and is not an activity which should be viewed in isolation.

4.2 The review has been informed by the work of officers of the Authority, who have responsibility for the maintenance and review of the internal control environment, internal audit reports and the recommendations made by

external auditors and inspectors. It has also been informed by a survey of senior managers, who have been asked to respond to a questionnaire analysing the adequacy of the Authority's internal control systems and governance arrangements insofar as they affect their teams, with a view to identifying any significant gaps and weaknesses. The review of Partnership arrangements and the review of the Strategic Risk Register also contributes towards the review.

- 4.3 Where significant weaknesses have been identified these are set out in the Action Plan (Appendix 1b). It should be noted that this Action Plan does not cover all the activities which will be undertaken during the year and which will contribute towards good governance, but focuses on those activities, and especially new initiatives and those issues identified by auditors, which will address weaknesses, ensure continuous improvement of the system and generally 'add value' to the arrangements.
- 4.4 A copy of the 2014/15 Action Plan is also appended (Appendix 2), with progress to date added. Where the appropriate action is still outstanding, it has been carried forward into the 2015/16 Action Plan.

5 Summary

- 5.1 The Committee is asked:
- to review and comment on the internal control systems and governance arrangements in place;
 - to approve the Annual Governance Statement and confirm that it represents a true reflection of the control environment present in the Authority; and
 - to confirm that, subject to implementation of the improvements identified in the Action Plan, these are adequate and effective.
- 5.2 The Action Plan will be implemented during 2015/16 in order that there is ongoing review and improvement of the systems of internal control and governance arrangements. Progress in implementing the Action Plan will be reported in the next Annual Governance Statement.

Background papers:	CIPFA Annual Governance Statement Rough Guide for Practitioners Internal Audit Annual Report and Opinion 2014/15 Broads Authority Code of Corporate Governance
Author:	Piero Ionta
Date of report:	31 July 2015
Broads Plan Objectives:	None
Appendices:	APPENDIX 1a– Annual Governance Statement 2014/15 APPENDIX 1b – 2015/16 Action Plan APPENDIX 2 – 2014/15 Action Plan: Summary of Progress

Broads Authority**Annual Governance Statement 2014/15****1 Scope of Responsibility**

- 1.1 The Broads Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on the Authority's website at www.broads-authority.gov.uk or can be obtained from the Monitoring Officer at Yare House, 62-64 Thorpe Road, Norwich NR1 1RY. This statement explains how the Authority has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes for the direction and control of the Authority and its activities through which it accounts to, and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at the Broads Authority for the year ended 31 March 2015 (except where otherwise stated) and up to the date of approval of the statement of accounts.

3 The Governance Framework

- 3.1 At its meeting on 20 November 2009, the Broads Authority adopted a Code of Corporate Governance in accordance with guidance in the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 3.2 The Framework also included a number of supporting principles and suggestions for source documents/good practice that may be used to demonstrate compliance. These have been used by the Authority in developing its Code.
- 3.3 The purpose of the Code is:
- to develop a framework for Corporate Governance for the Authority based on good practice and external guidance;
 - to demonstrate compliance with the principles of good governance; and
 - to continuously improve its effectiveness through an annual review of performance against the framework with an action plan to address weaknesses (as set out in the Annual Governance Statement).
- 3.4 The Code sets out how the Authority delivers good governance, using as its basis the objectives set out in the CIPFA/SOLACE Framework, supported by examples of evidence which demonstrate the actions being taken.
- 3.5 At its meeting on 13 May 2011 the Broads Authority adopted the Broads Plan 2011, the strategic five year plan for the management of the Broads. As part of the development of the new Plan the Authority consulted key stakeholders (including the Broads Forum, which includes representatives of over 50 Broads organisations and user groups), partner organisations and members of the public. The Plan contains a revised vision for the Broads, for the period up to 2030, together with long-term aims, and strategic objectives for the five year period up to 2016. The Plan can be viewed at the following link: <http://www.broads-plan.co.uk/>. Work has commenced on reviewing achievements (Broads Plan 2011) and evidence gathering is underway to support scoping of issues for the next plan to cover the five year period 2017-22.
- 3.6 The Authority has in place a number of procedures to ensure that it obtains best value for money in all that it does, including Financial Regulations, Standing Orders Relating to Contracts and a Procurement Strategy. These are all reviewed and updated on a regular basis, with the Financial Regulations and Standing Orders Relating to Contracts having been updated in April 2013 to reflect the transition to two Directorates. In addition the Authority adopted a Counter Fraud Bribery and Corruption Strategy in June 2012 to supplement these procedures. The Authority benchmarks some of its

key services against those of national park authorities, through the identification of a number of performance indicators, supplemented by a number of 'local' (Broads Authority only) indicators. Performance data is published in the Authority's Business Plan and over time will give an indication of how well the Authority is performing in these areas, both year on year and in comparison with national park authorities.

- 3.7 The Authority also has in place a series of internal financial controls, including approved budgets, separation of duties and authorised signatures, to reflect good practice and ensure that its finances are managed securely to minimise risk.
- 3.8 The views of users have been sought through a number of means, including the visitor centres annual survey, inviting comment and feedback at parish forums, an ongoing survey of users of the corporate website and the annual Broads Outdoors Festival feedback forms. In 2014, a stakeholder survey of hire boat operators, private boat owners, residents and visitors took place. Members support the view of repeating this exercise in five years' time as part of strategic approach in formulating its Broads Plan and its priorities for that following five year period.
- 3.9 The Authority communicates the results of surveys, and other relevant information, through its website and social media and through its regular publications Broad Sheet (aimed at toll payers), Broadcaster and the Annual Report.
- 3.10 The Authority does not operate through an Executive. All matters are dealt with by the full Broads Authority, which is the prime decision maker, and its service committees. The Authority monitors the effectiveness of internal control systems through the consideration of regular performance management and budget monitoring reports, and through monitoring and receiving reports on the work of the Financial Scrutiny and Audit Committee.
- 3.11 The terms of reference of the Financial Scrutiny and Audit Committee include responsibility for financial scrutiny, including a review of the Statement of Accounts and Annual Governance Statement, financial planning, audit and risk management.
- 3.12 As a result of the Localism Act 2010, a new standards regime was introduced by the Authority, with the Standards Committee ceasing to exist from 1 July 2012. The new arrangements have incorporated a revised process for hearing allegations against the Authority and a revision to the Code of Conduct was adopted by the Authority on 10 May 2013. Two Independent Persons were appointed to the Authority on 13 July 2012 to support the new standards arrangements.
- 3.13 The Authority has appointed the Head of Finance and Revenue Services at Broadland District Council to act as its Treasurer and Financial Adviser ('the Treasurer'), to be responsible for the proper administration of the Authority's financial affairs, as set out in Section 17 (1) of the Norfolk and Suffolk Broads

Act 1988. The Treasurer has a defined job description, appropriate delegated powers, works closely with senior officers of the Authority (in particular the Director of Planning and Resources and Head of Finance), is consulted on key decisions, receives all committee papers which have potentially significant financial implications, and attends Broads Authority meetings as and when appropriate to provide high level strategic and financial advice.

- 3.14 The Treasurer is professionally qualified and suitably experienced. Although not a member of the Authority's Management Team, she has access to the Chief Executive and Director of Planning and Resources and is entitled to attend meetings of the Management Team should she consider it to be necessary.
- 3.15 The Treasurer is supported by the Director of Planning and Resources and the Head of Finance, who are both members of the Management Team and who work closely with the Treasurer in overseeing the Authority's strategic financial arrangements. The Head of Finance manages the financial arrangements and internal financial controls on a day to day basis.
- 3.16 Although these arrangements do not comply in all respects with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, they are considered to be appropriate and proportionate for the size and budget of the Authority, and have worked successfully for many years, representing a good example of partnership working between local authorities.
- 3.17 The Chief Executive is responsible for day to day management and maintenance of internal controls within the Authority, with advice and support from the Treasurer and Financial Adviser, Solicitor and Monitoring Officer, and other senior officers.
- 3.18 There are clear Terms of Reference which set out the powers reserved to the Broads Authority and its committees, and a Scheme of Powers Delegated to Officers, which sets out the powers delegated to the Chief Executive and other senior officers. These were both updated by the Authority on 22 March 2013 and are due for a further review in March 2016.
- 3.19 The Authority has in place a Whistle Blowing Policy which enables staff to raise concerns or issues about any aspect of the Authority's work, and a formal Complaints Procedure for receiving and investigating complaints from members of the public. Both documents have been updated in April 2013 to reflect the transition to two Directorates and are on the Authority's Intranet; the latter is also on the Authority's website. There were sixteen formal complaints received during this period and a summary of the complaints and responses were provided to the Authority on 15 May 2015. Of these sixteen complaints, two were addressed by the Local Government Ombudsman and the remainder were addressed by officers. Nine complaints were planning related, two complaints were navigation related, two complaints related to the conduct of employees and one complaint related to the powers of the Authority regarding waste collection. The Local Government Ombudsman

investigated one matter and did not uphold the complaint and it decided not to investigate the other complaint referred to them as it was considered beyond their remit. There were no complaints which were considered to have foundation during the year, and therefore there were no findings of maladministration against the Authority.

- 3.20 The Authority's Strategic Risk Register is reviewed six monthly by risk owners and by the Management Forum so that the Management Team can provide assurance that key strategic and operational risks have been identified, monitored and reviewed during the year and that key controls to mitigate the identified risks have operated effectively throughout the year. It is also reviewed on an annual basis by the Financial Scrutiny and Audit Committee. In addition the Risk Management Strategy is reviewed annually. The resilience of the Authority was increased due to steps taken in FY 2013/14, with the completion of the ICT Disaster Recovery Plan to reflect the move from the Ludham Field Base, the generation of the Finance Business Continuity Plan and the review of the Business Continuity Plan through a table top management exercise.
- 3.21 A Partnerships Protocol and Register of Partnerships have been developed, and the Management Team has identified and reviewed the governance arrangements in respect of all significant partnerships, with identified weaknesses being addressed through an Action Plan, with responsibility for action and timescales. It has also been agreed to provide an annual report on Partnerships to the Broads Authority. This will be provided in September 2015.
- 3.22 The Authority has made significant progress in developing its asset management practices over the past few years, following an Audit Commission qualification in 2009/10. Comprehensive data of all the Authority's land and property assets have been captured on a consolidated Excel database, and the corresponding paper records have been consolidated into one location. Phase One of the Asset Management Plan has now been developed and the Authority endorsed the process for the development of a Capital Plan for the Authority's assets at its meeting on 23 November 2012. Phase Two of the Asset Management Plan, including valuation of assets and the development of a schedule of costs for replacement/life costs has been completed, and was adopted by the Authority on 17 January 2014. The Asset Management Strategy was also updated and now includes a full asset disposal policy.
- 3.23 Significant progress was made during the year, following the 2012/13 Review of Consultative Arrangements and Community/Stakeholder Engagement, to establish regular Parish Forums as a primary community engagement mechanism. The revised Broads Forum arrangements have also been put in place, allowing engagement on a wide range of issues with a large group of stakeholders.
- 3.24 The Authority commissioned a peer review, using the Planning Advisory Service, on the operation of its Planning Committee. The feedback provided

to the Authority was positive, identifying the operation of the Planning Committee as being welcoming and accessible for members of the public, recognising the high quality and knowledge in officer presentations and reports, with the Committee's debates being very full and great care being taken in the determination and handling of applications.

4 Review of Effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 As part of this exercise the Authority reviews the Code of Corporate Governance on an annual basis. The annual review was initiated by the Head of Governance and Executive Assistant prior to his departure, and includes consultations with the Management Team, the Solicitor and Monitoring Officer, the Treasurer and Financial Adviser and the Chair of the Financial Scrutiny and Audit Committee. Other senior officers are also invited to contribute.
- 4.3 The Treasurer and Financial Adviser have provided an assurance that, subject to the weaknesses already identified and addressed in the Action Plan, the Authority's governance arrangements are adequate and are operating effectively. They have confirmed that there have been no significant control issues that have required the need for formal action in their respective roles.
- 4.4 The Solicitor and Monitoring Officer has been asked to provide an annual ethical assessment of the activities of the Authority and what, if necessary, the Authority could do to improve its ethical standards. The Solicitor and Monitoring Officer has concluded that 'the ethical standards of the Authority continue to be high'.
- 4.5 Internal audit reports are considered by the Management Team and other officers as appropriate, and a management response is submitted in respect of each recommendation, setting out whether the recommendation is accepted, what action will be taken, which officer is responsible and the timetable for action. Each audit report contains an independent assurance of opinion on the adequacy and effectiveness of controls in place to mitigate risks. The agreed actions are followed up subsequently to ensure implementation, thus ensuring that the Authority's risks are properly managed. A summary of all internal audit work carried out during the year is received by the Financial Scrutiny and Audit Committee, together with regular reports setting out progress made in implementing internal audit recommendations. Any significant issues of concern are brought to the attention of the the Broads Authority.

- 4.6 The Authority has developed a strategic five year audit plan for the Authority, using a risk based approach, supplemented by an annual audit plan.
- 4.7 The 2014/15 Annual Internal Audit Plan included 3 audits, which were summarised within the Internal Audit Annual Report and Opinion 2014/15, were:

Consultation Activities and Partnership Provision

On conclusion, an **adequate** assurance opinion was awarded with three medium and two low priority recommendations agreed with management.

Key Controls and Assurance Work

On conclusion of the review, a **good** opinion was awarded, as in the previous year; indicating a stable control environment in these key areas. Thus highlighting a sound system of internal control designed to achieve the client's objectives, with these control processes being consistently applied.

End User Controls

On conclusion, an **adequate** assurance opinion was awarded, with three medium and five low priority recommendations agreed with management for implementation.

- 4.8 The 2015/16 Annual Internal Audit Plan, included a review of Corporate Governance and Risk Management and looked at the arrangements that were in place for 2014/15.

Corporate Governance and Risk Management

The audit concluded with a **good** assurance opinion. Three areas were identified where further enhancements could be made.

- 4.9 The Accounts and Audit (England) Regulations 2011 require that the Authority must undertake an annual review of the effectiveness of its internal audit function, and that this review must be carried out by the same body that reviews the effectiveness of the system of internal control. The aim is not only to make the Authority more aware of the work of Internal Audit and its key role in governance, but also to make those charged with governance more able to understand the connection between, and the Authority's responsibility for, risk management, internal control and the function of internal audit. This review was the subject of a separate report to the Financial Scrutiny and Audit Committee at its meeting on 7 July 2015. The Committee concluded that proper arrangements had been put in place to comply with the statutory requirements relating to Internal Audit, and that the system of internal control at the Authority was effective.

- 4.10 In order for the Broads Authority to be able to place reliance on the opinions contained within this report, the Head of Internal Audit has in place a performance management and quality assurance framework to demonstrate that the Internal Audit Service is:
- meeting its aims and objectives;
 - compliant with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006;
 - meeting internal quality standards;
 - effective, efficient and continually looking to improve service delivery; and
 - adding value and assisting the Authority in achieving its objectives.
- 4.11 Additionally the Authority is informed of the work of the appointed auditors and inspectors, including receipt of the Annual Governance Report and annual audit and inspection letter.
- 4.12 The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's internal control environment, including its corporate governance framework and risk management arrangements, identifying any weaknesses that qualify this opinion and highlighting significant issues.
- 4.13 It is the overall opinion of the Internal Audit Consortium Manager that the framework of governance, risk management and control at the Broads Authority is deemed to be adequate, representing a stable control environment. The Authority has also received 2 good assurance levels in respect of Corporate Governance & Risk Management and Key Controls & Assurance. Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.
- 4.14 The Authority is advised on the implications of the result of the review of the effectiveness of the governance framework by the Financial Scrutiny and Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant Governance Issues

- 5.1 An Action Plan has been developed in order to address those significant governance issues which have been identified and to secure continuous improvement in the Authority's governance arrangements. This is set out at Appendix 1b.
- 5.2 This Action Plan has been informed not only by the results of audit and other reports, but also by the results of a self assessment assurance statement which has been circulated to all senior managers, inviting them to assess the Authority's performance across a range of governance issues, in order to identify any gaps and weaknesses and add value to the Authority's governance arrangements.

- 5.3 The Action Plan was monitored on a regular basis by the Head of Governance and Executive Assistant, and a record of progress against the recommendations is maintained. In future, monitoring of the Action Plan will fall upon the solicitor and Monitoring Officer.
- 5.4 The Authority proposes over the coming year to take steps to address the above matters to further enhance its governance arrangements. The Authority is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the Authority's next annual review.

Signed
Professor J Burgess, Chair

Signed.....
Dr J Packman, Chief Executive

Date

Date

Annual Governance Statement 2014/15

2015/16 Action Plan

Action	Lead Officer(s)	Target Date	Priority
Data Management and Monitoring			
Formalise a data quality policy	Head of Communications	By 31 March 2016	M
Governance and Risk Management			
To evaluate the effectiveness of the measures put in place to implement the Review of Consultative Arrangements recommendations.	Director of Planning and Resources	By 1 March 2016	M
Directly link the Strategic Risk Register to the Strategic Objectives and Annual Strategic Priorities, with a gap analysis completed.	Solicitor and Monitoring Officer	By 31 March 2016	L
The Strategic Risk Register to be added as a standing agenda item for the Financial Scrutiny and Audit Committee.	Solicitor and Monitoring Officer	By 31 December 2015	L
Finance			
Provide updated Procurement Training to officers who have responsibilities for conducting procurements	Head of Finance	By 31 March 2016	L

Action	Lead Officer(s)	Target Date	Priority
Human Resources			
Undertake an Equal Pay Audit	Senior HR Advisor	By 31 March 2016	M
Collect data about staff and volunteers, to enable an equality analysis of employment policies and practices to be carried out	Senior HR Advisor	By 31 March 2016	M
All staff to be formally reminded to review the Code of Conduct and Code of Corporate Governance documents, to ensure that they remain compliant.	Senior HR Advisor	By 31 March 2016	L
Review and update the following HR policies to ensure that they are in accordance with current legislation and where appropriate incorporate the requirements of volunteers: <ul style="list-style-type: none"> • Capability (Performance Improvement) • Disciplinary • Grievance • Recruitment • Whistleblowing 	Senior HR Advisor	By 31 March 2016	M
Volunteer Management			
Complete the roll out of web based database to all volunteers, as far as possible	Volunteer Coordinator	By 30 October 2015	L

APPENDIX 2

Annual Governance Statement 2014/15

2014/15 Action Plan: Summary of Progress

Action	Lead Officer(s)	Target Date	Priority	Status
Data Management and Monitoring				
Formalise a data quality policy	Head of Communications	By 30 September 2014	L	Initial investigations have been made into what the data quality policy would comprise and cover but reduced resources within the Communications Team and higher priorities mean that this work hasn't been taken forward. To be transferred to 2015/16 Action Plan with revised target dates.
Governance and Risk Management				
Provide an Action Plan to address the observations detailed in the Planning Advisory Service report on the operation of the Planning Committee	Director of Planning and Resources	31 October 2014	M	Completed
Introduce annual submissions of members' declarations of interest	Head of Governance and Executive Assistant	26 September 2014	L	Completed

Action	Lead Officer(s)	Target Date	Priority	Status
Update the Risk Register to reflect specific 'Due Dates' against actions and the impacts that such actions will have on the risk (probability x severity) score	Head of Governance and Executive Assistant	23 September 2014	L	Completed
Finance				
Update the Procurement Strategy	Head of Finance	By 31 December 2014	M	Completed
Determine scope of benchmarking activities with other NPAs to evaluate value for money of service provision	Chief Executive	By 31 March 2015	M	Partially Completed. Chief Exec approached other NPAs but due to lack of interest, collective NPA decision taken not to pursue this further.
Human Resources				
Undertake an Equal Pay Audit	Head of Human Resources	By 31 July 2014	M	Due to departure of head of HR, reduced resources within the HR Team and higher priorities, this work hasn't been taken forward. To be transferred to 2015/16 Action Plan with revised target dates.

Collect data about staff and volunteers, to enable an equality analysis of employment policies and practices to be carried out	Head of Human Resources	By 31 July 2014	M	Due to departure of head of HR, reduced resources within the HR Team and higher priorities, this work hasn't been taken forward. To be transferred to 2015/16 Action Plan with revised target dates.
Review and update the following HR policies to ensure that they are in accordance with current legislation and where appropriate incorporate the requirements of volunteers: <ul style="list-style-type: none"> • Capability (Performance Improvement) • Disciplinary • Grievance • Recruitment • Whistleblowing 	Head of Human Resources	By 31 December 2014	M	Due to departure of head of HR, reduced resources within the HR Team and higher priorities, this work hasn't been taken forward. To be transferred to 2015/16 Action Plan with revised target dates.
Partnerships				
Update the Service Level Agreement with the Whitlingham Charitable Trust	Head of Strategy and Projects/ Head of Governance and Executive Assistant Director of Operations	By 31 March 2015 By 30 September 2015	M	Action was transferred to the Director of Operations upon the departure of the Head of Governance and Executive Assistant in March 2015.

				<p>At the same the deadline was extended to 30 September 2015.</p> <p>The updated and revised Service Level Agreement has been prepared and placed on the Whitlingham Charitable Trust Agenda for their meeting on 16 September 2015 for their approval.</p>
Volunteer Management				
Complete the roll out of web based database to all volunteers, as far as possible	Volunteer Coordinator	By 31 March 2015	H	<p>Partly Completed.</p> <p>75% of volunteers are using the database to date.</p> <p>Lack of Admin support delayed completion of roll out. New Admin Officer in place and completion of roll out due to go ahead for Autumn 2015.</p>

Implementation of Internal Audit Recommendations: Summary of Progress
Report by Head of Finance

Summary: This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out since 2014/15 and 2015/16.

Recommendation: That the report be noted.

1 Introduction

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarises the current position regarding recommendations arising out of internal audit reports which have been produced since 2014/15 and 2015/16. 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, three medium and three low priority recommendations relating to End User Controls were identified as outstanding. Two of these continue to remain outstanding at the date the report was written but a verbal update will be provided during the meeting.

3 Internal Audit Programme 2015/16

- 3.1 The second audit from the 2015/16 programme is currently underway for Planning. It is expected that the draft report will be issued by 10 September and finalised by 26 September 2015. The recommendations from this audit will be reported to the next committee meeting in February 2016.

3.2 Corporate Governance and Risk Management

- 3.2.1 The regular annual audit of Corporate Governance and Risk Management was completed in June following fieldwork in April and May. The objective of

the audit was to review the systems and controls in place within the promotion of ethics and values, pursuit of strategic objectives, communication and coordination of activities and information within the organisation, along with risk management. This was to help confirm these are operating adequately, effectively and efficiently. The audit also assessed progress in respect of implemented and outstanding agreed audit recommendations. This resulted in a “good” audit opinion with three low priority recommendations and one operational effectiveness matter being raised. This is consistent with last year’s rating of “good”.

3.2.2 The audit identified areas for improvement relating to:

- linking the Strategic Risk register clearly to the Strategic Objectives and Annual Strategic priorities;
- mitigating actions and further necessary actions on the Strategic Risk Register be reviewed for all risks to ensure they are giving adequate assurance to reduce the residual risk scoring;
- the risk register is added as a standing agenda item for Financial Scrutiny and Audit Committee.

3.2.3 Good practice was noted relating to controls in place around:

Corporate Governance

- Key corporate governance documents are in place establishing the Authority's Ethical Standards and Corporate Governance structure, which have been approved by the Members;
- The Authority's Code of Conduct and Code of Corporate Governance are available to the public and other stakeholders;
- The Annual Governance Statement is prepared each year and issued in September, following approval by the Members;
- A formal process is in place regarding escalation of issues/complaints made relating to ethical behaviour and transparency by the Authority's Members, and two independent Members have been identified to investigate complaints should the need arise;
- Performance against the Authority's key strategic objectives as stipulated in the Broads Plan 2011–2016, is documented and monitored by the Members, the Management Team and the Management Forum (Heads of Service); and
- Clear Strategic Priorities have been identified following major public consultations and are reviewed annually. Performance of the Authority is assessed against each strategic priority, with progress available on the Authority's website.

Risk Management

- There is a mechanism in place that assists the risk identification process;

- A Strategic Risk Register is in place, which is updated twice a year by the risk owners and is reported annually at the Financial Scrutiny and Audit Committee; and
- A Risk Management Policy is in place, which clearly sets out the Authority's risk tolerance, as well as risk classification, deduced from the scoring method.

3.2.4 The recommendations remain outstanding but are still on target to be completed by the agreed dates.

3.3 Details of all new recommendations and the Authority's actions to date in response are set out in the appendix.

Background papers: None

Author: Emma Krelle

Date of report: 19 September 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

End User Controls: December 2014

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Screensaver configuration The Authority should deploy screensaver controls that include the following:</p> <ul style="list-style-type: none"> • The configuration of a default screensaver that cannot be changed by the user; • Implementation of an appropriate screen lock timeout, i.e. 10 minutes after inactivity, that initiates the screensaver automatically; and <p>A requirement for the user to re-enter their network password to unlock the screensaver when returning to their screens.</p>	Medium	Head of IT and Collector of Tolls	Completed.	<p>By 31/05/2015</p> <p>Revised Target Date: 31/08/2015</p>
<p>3. Formal Disposal Policy The Authority should give consideration to formally documenting an IT Disposal policy.</p>	Low	Head of IT and Collector of Tolls	Completed.	By 31/05/2015
<p>5. Laptop hardware encryption The Authority should give consideration to deploying hardware encryption to every laptop under its</p>	Low	Head of IT and Collector of Tolls	<p>In progress.</p> <p>Pending completion of Domain upgrade of Windows Server which will allow for centralised</p>	<p>By 31/05/2015</p> <p>Revised Target Date: 31/08/2015</p>

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
control.			control of laptop encryption. Anticipated to be completed by date of FSAC Meeting	
6. Blackberry device password controls The Authority should ensure that appropriate mobile device password controls are implemented as part of the deployment of Blackberry Enterprise Server (BES) version 12.	Medium	Head of IT and Collector of Tolls	Completed. .	By 31/05/2015 Revised Target Date: 31/08/2015
7. USB device controls Recommendation - The Authority should ensure that appropriate controls over USB devices are implemented when Windows Server 2008 is deployed. Such controls could include the following: <ul style="list-style-type: none"> • Restrict usage to specific, Authority approved, devices only; • Restrict the ability to copy data to, or from, devices not permitted by the Authority; and • Ensure that appropriate Anti Virus/Malware scanning is initiated on reading the device's data. 	Medium	Head of IT and Collector of Tolls	In progress Pending completion of Domain upgrade of Windows Server. Anticipated to be completed by FSAC meeting date	By 31/05/2015 Revised Target Date: 31/08/2015

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Consultation Activities and Partnership Provisions: January 2015

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
2. Parish Forum Feedback is Provided to the Broads Authority Consideration should be given to providing a more formal feedback report, covering attendees, issues raised and the advice given at the Parish Forum meetings.	Medium	Director of Planning and Resources / Strategy and Projects Officer	Completed. Formal feedback from each Parish Forum in the form of a short written summary to be provided to the Broads Authority Meeting following the relevant Parish Forum. The Parish Forum in April was reported via the minutes at the July Authority meeting.	By 31/05/2015 Revised Target Date: 10/07/2015
3. Parish Forums are Consulted on Strategic Priorities Consideration should be given to increasing the Parish Forums participation in the setting of the Strategic Priorities by holding a joint meeting / workshop during the consultation period for the Parish Forums.	Medium	Director of Planning and Resources / Strategy and Projects Officer	Parish Forum (to which all Parishes will be invited) will be scheduled during the consultation period on the Strategic Priorities and will be highlighted as an agenda item. It is suggested that this be trialled for the consultation on the 2016-17 Strategic Priorities and the results reviewed to see whether it has resulted in increased participation.	By 01/01/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
4. Consultative Review Action Plan An evaluation of the effectiveness of the measures put in place to implement the Review of Consultative Arrangements recommendations should be carried out.	Medium	Director of Planning and Resources / Strategy and Projects Officer	A Review of the effectiveness of the measures put in place following the Consultative Review to be completed. Broads Forum will be asked to review the effectiveness of the changes introduced to its procedures in November 2015.	By 01/03/2016

Corporate Governance and Risk Management: June 2015

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Strategic Objectives Aligned with Risk Register The Strategic Risk Register should be directly linked to the Strategic Objectives and Annual Strategic Priorities, with a gap analysis completed.	Low	Solicitor & Monitoring Officer	Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015. This recommendation will be reviewed by the Authority's Management Team before reporting back to the Financial Scrutiny and Audit Committee on 22nd September 2015 (updated to 9 February 2016)	By 31/03/2016

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			with an agreed way to implement this recommendation being adopted as soon as practicable thereafter.	
2. Scoring within the Risk Register The risk scoring mechanisms, mitigating actions and further necessary actions on the Strategic Risk Register should be reviewed for all risks, to ensure they are giving adequate assurance to reduce the residual risk scoring.	Low	Solicitor & Monitoring Officer	Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015. This recommendation will be reviewed by the Authority's Management Team before reporting back to the Financial Scrutiny and Audit Committee on 22nd September 2015 with an agreed way to implement this recommendation being adopted as soon as practicable thereafter.	By 31/03/2016
3. Embedding Risk Management The Strategic Risk Register should be added as a standing agenda item for the Financial Scrutiny and Audit Committee.	Low	Solicitor & Monitoring Officer	Agreed in principle at the de-brief meeting by the Solicitor and Monitoring Officer on 12th May 2015. The Strategic Risk Register shall be added as a standing	By 31/12/2015

Summary of Actions / Responses to Internal Audit Recommendations 2014/15 - 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			agenda item for the Financial Scrutiny and Audit Committee. This will be effective as of its first meeting of 2016, namely 9 February 2016.	
<p>4. Communication of Documents All staff should be formally reminded to review the Code of Conduct and Code of Corporate Governance documents, to ensure that they remain compliant.</p>	Operational Effectiveness	Senior HR Advisor	<p>Agreed in principle at the debrief meeting by the Solicitor and Monitoring Officer on 12th May 2015.</p> <p>As part of a review of this Authority's HR policies, the recommendation to ensure that staff should be formally reminded to review the Code of Conduct and Code of Corporate Governance documents, to ensure that they remain compliant, will be implemented.</p>	By 31/03/2016

**Financial Scrutiny and Audit
Committee**

22 September 2015

Agenda Item No 13

**Consolidated Income and Expenditure:
1 April to 31 July 2015 Actual and 2015/16 Forecast Outturn
Report by Head of Finance**

Summary:	This report provides the Committee with details of the actual income and expenditure for the four month period to 31 July 2015, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2016).
Recommendation:	Members are asked to note the position in respect of Hickling and Mutford Lock in regards to 2015/16 and consider whether to support the additional budget request for referral to the Authority as set out in paragraph 6.2 and 7.1.

1 Introduction

- 1.1 Following on from member feedback there has been a slight change in presentation to the figures within this report. Colours have been removed and all figures are now in black. Where variances are reported brackets have been removed and replaced with a –/+ . Where a variance has a – this means an adverse variance, and a + means a favourable variance. Budgeted and Actual Income still remain in brackets to be consistent with the presentation of the Financial Statement of Accounts.
- 1.2 In addition reserve expenditure has now been reflected within the Latest Available Budget (LAB) to help budget holders with the monitoring of their budgets. This expenditure is then offset within the Projects, Corporate Items and Contributions from Earmarked Reserves line.

2 Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 July 2015

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(4,466,379)	(4,412,429)	– 53,951
Operations	1,309,027	1,246,031	+ 62,996
Planning and Resources	1,054,733	956,583	+ 98,150
Chief Executive	147,347	132,161	+ 15,186
Projects, Corporate Items and			

Contributions from Earmarked Reserves	(239,983)	(173,297)	– 66,686
Net (Surplus) / Deficit	(2,195,256)	(2,250,951)	+ 55,695

2.1 Core navigation income is behind of the profiled budget at the end of month four. The overall position as at 31 July 2015 is an adverse variance of £53,951 or 1.2% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £58,598 within toll income:
 - Hire Craft Tolls £57,559 below the profiled budget
 - Private Craft Tolls £3,749 above the profiled budget
- A favourable variance within Operations budgets relating to:
 - Construction and Maintenance salaries is under the profiled budget by £10,174 due to staff vacancies.
 - Equipment, Vehicle and Vessels is under the profiled budget by £28,617 due to timing differences between the profiled budget and actual receipt of the Linkflote and 3rd Wherry invoices
 - Water Management is under the profiled budget by £26,767 due to timing differences between the profiled budget and actual receipt of invoices
 - Land Management is above the profiled budget by £25,926 due to delayed income for the HLS
 - Practical Maintenance is under the profiled budget by £39,374 in part due to timing differences between the profiled budget and actual receipt of the Turntide Jetty works invoices. This is partly offset by the Mutford Lock spend (see section 7 of this report for further details)
- A favourable variance within Planning and Resources budgets relating to:
 - Development Management is under profiled budget by £46,514 due to additional income being received for Section 106 agreements.
 - Strategy and Projects is over profiled budget by £15,124 due to timing differences on income
 - Project Funding is under profiled budget by £16,969 due to timing differences on the receipt of income and expenditure
 - Visitor Centres and Yacht Stations is under profiled budget by £26,624 due to variances within income, salaries and expenditure
- A favourable variance within Chief Executive budgets relating to:
 - Staff Training is under profiled expenditure by £13,140 due to the additional income received from hosting the SNPS conference. This variance will reduce as the invoices are received and the surplus funds paid over to SNPS
- An adverse variance within Projects, Corporate Items and Contributions from Earmarked reserves. This relates entirely to expenditure from Earmarked reserves:
 - Plant, Vessels and Equipment reserve is behind profiled expenditure due to delayed billing for the Linkflotes and the 3rd Wherry. An overall variance of £37,885
 - The Section 106 agreement reserve did not have a budget set as it is difficult to predict when these agreements will arise, this has resulted in a variance of £31,666

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

3 Latest Available Budget

- 3.1 The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2015/16. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original budget 2015/16 – surplus	Item 12 23/01/15 (BA)	(139,421)
Approved budget carry-forwards	10/07/15 Item 11 (BA)	54,337
LAB at 31 July 2015 – surplus		(85,084)

- 3.2 Taking account of the budget adjustments, the LAB therefore provides for a consolidated surplus of £85,084 in 2015/16 as at 31 July 2015.

4 Overview of Forecast Outturn 2015/16

- 4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.
- 4.2 As at the end of July 2015, the forecast outturn indicates:
- The total forecast income is £6,208,160, or £32,472 behind the LAB.
 - Total expenditure is forecast to be £6,160,681.
 - The resulting surplus for the year is forecast to be £47,479.
- 4.3 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the changes shown in Table 3. The forecast surplus represents an adverse variance of £37,605 against the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn surplus per LAB	(85,084)
Increase in Private Craft Income	(5,685)
Decrease in Hire Craft Income	23,157

Decrease in Interest Income	15,000
Increase in Waterways Strategy expenditure	5,133
Forecast outturn surplus as at 31 July 2015	(47,479)

- 4.4 The main reason for the difference between the forecast outturn and the LAB is the change in predictions for navigation toll income and interest, which are based on the latest actual income figures and show a net overall decrease of £32,472 in forecast toll and interest income for the year.

5 Reserves

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2015	In-year movements	Current reserve balance
	£	£	£
Property	(586,757)	81,607	(505,150)
Plant, Vessels and Equipment	(240,790)	59,515	(181,275)
Premises	(169,930)	(7,500)	(177,430)
Planning Delivery Grant	(353,676)	18,123	(335,554)
Mobile Phone Upgrade	(469)	469	-
Upper Thurne Enhancement	(53,285)	-	(53,285)
Section 106	(16,652)	(31,666)	(48,318)
PRISMA	(171,869)	14,899	(156,970)
Total	(1,593,427)	135,446	(1,457,981)

- 5.1 £824,597 of the current reserve balance relates to navigation reserves.

6 Hickling

- 6.1 Last October the Navigation committee was asked to consider whether to raise Tolls to generate sufficient income to fund works on Hickling Broad. The project was still in development and the committee recommended a 1.7% increase in Tolls without making any provision for Hickling. This recommendation was accepted by the Broads Authority.
- 6.2 Considerable progress has been made this year in developing the proposed enhancement scheme for Hickling but there is no financial provision in this year's budget to pursue the strategic objective. To take the project forward £34,500 is required, however savings made elsewhere reduces this figure to £21,000.
- 6.3 If members approve this additional expenditure this would mean that the forecast would reduce further to a £26,479 surplus. This would affect the year end position of the Navigation reserve which would result in a year end

reserve of £272,242 before yearend adjustments. This would mean that the Navigation reserve balance would see a reduction and would fall below the 10% recommended minimum to 9.1%.

- 6.4 Funding additional expenditure out of the Navigation reserve is not sustainable in the long run without making savings or increasing income or a change in reserve policy. There is not an opportunity in 2015/16 to make additional savings elsewhere due to expenditure already being committed. The Hickling project may also require contributions in 2016/17 and 2017/18 of up to £60,000 (50% National Park/50% Navigation) which are not reflected in the current Financial Strategy.
- 6.5 Agenda item number 15 looks to obtain members views on a possible change in reserve policy.

7 Mutford Lock

- 7.1 When the budget was originally set it was unknown the extent of the repairs that Mutford lock would require without further investigation so the expenditure from the reserve was set as zero. However a clearer idea of works required is now known and it is proposed that an additional £87,220 will be required from the reserve. This covers the £31,220 already spent relating to the gate failure and urgent repairs and the £56,000 required later on in the year for additional non-routine maintenance works. This additional spend will not affect the year end position on the Navigation reserve as it will be fully funded from the Property reserve which contains provision for Mutford lock. It is predicted that the proportion relating specifically to Mutford would stand at £262,327 at the end of March 2016.

8 Summary

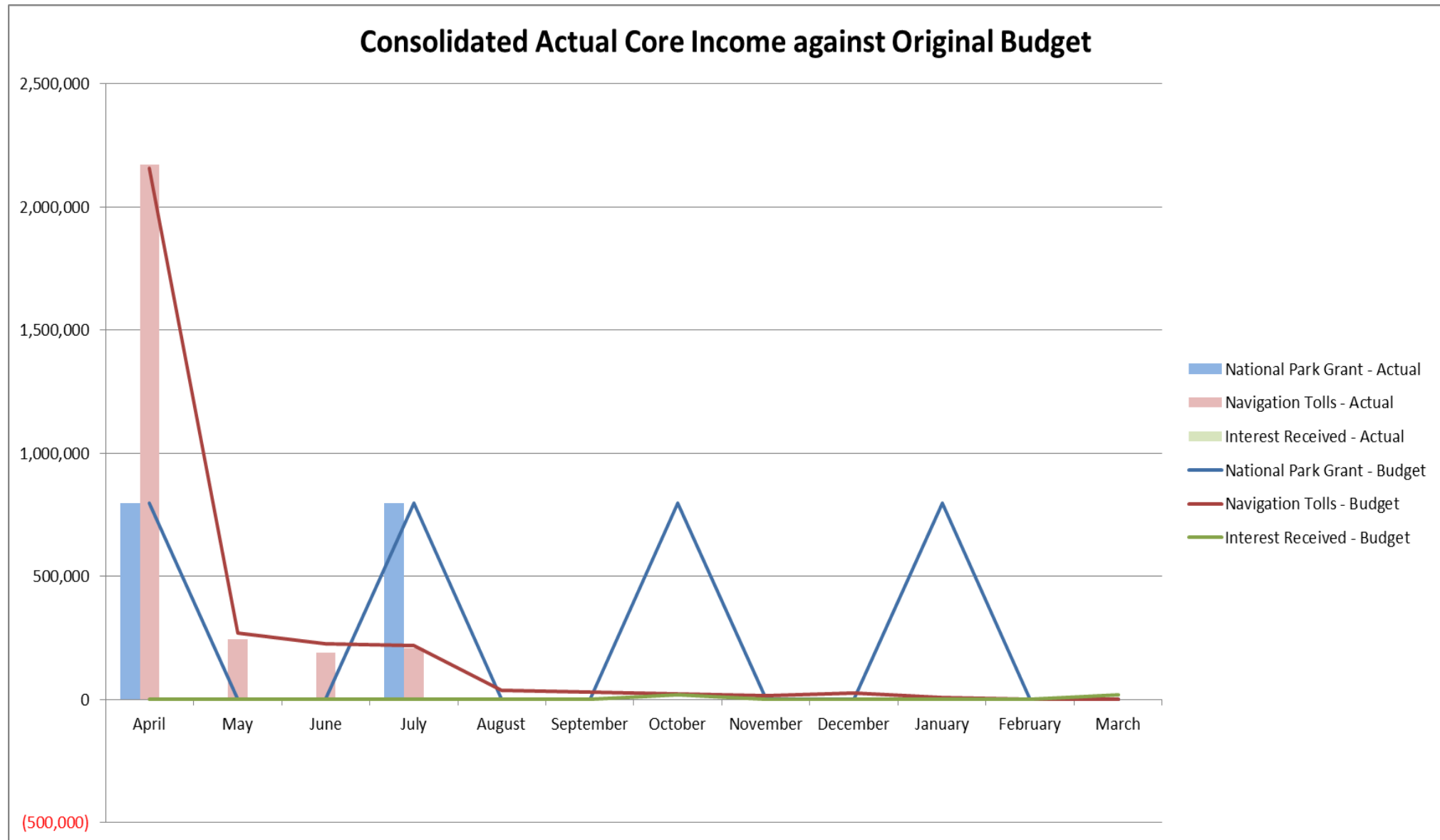
- 8.1 The current forecast outturn position for the year suggests a surplus of £34,375 for the national park side and a surplus of £13,104 on navigation resulting in an overall surplus of £47,479 within the consolidated budget, which would indicate a general fund reserve balance of approximately £988,000 and a navigation reserve balance of approximately £293,000 at the end of 2015/16. This will mean that the navigation reserve will fall slightly below the recommended level of 10% of net expenditure during 2015/16. .

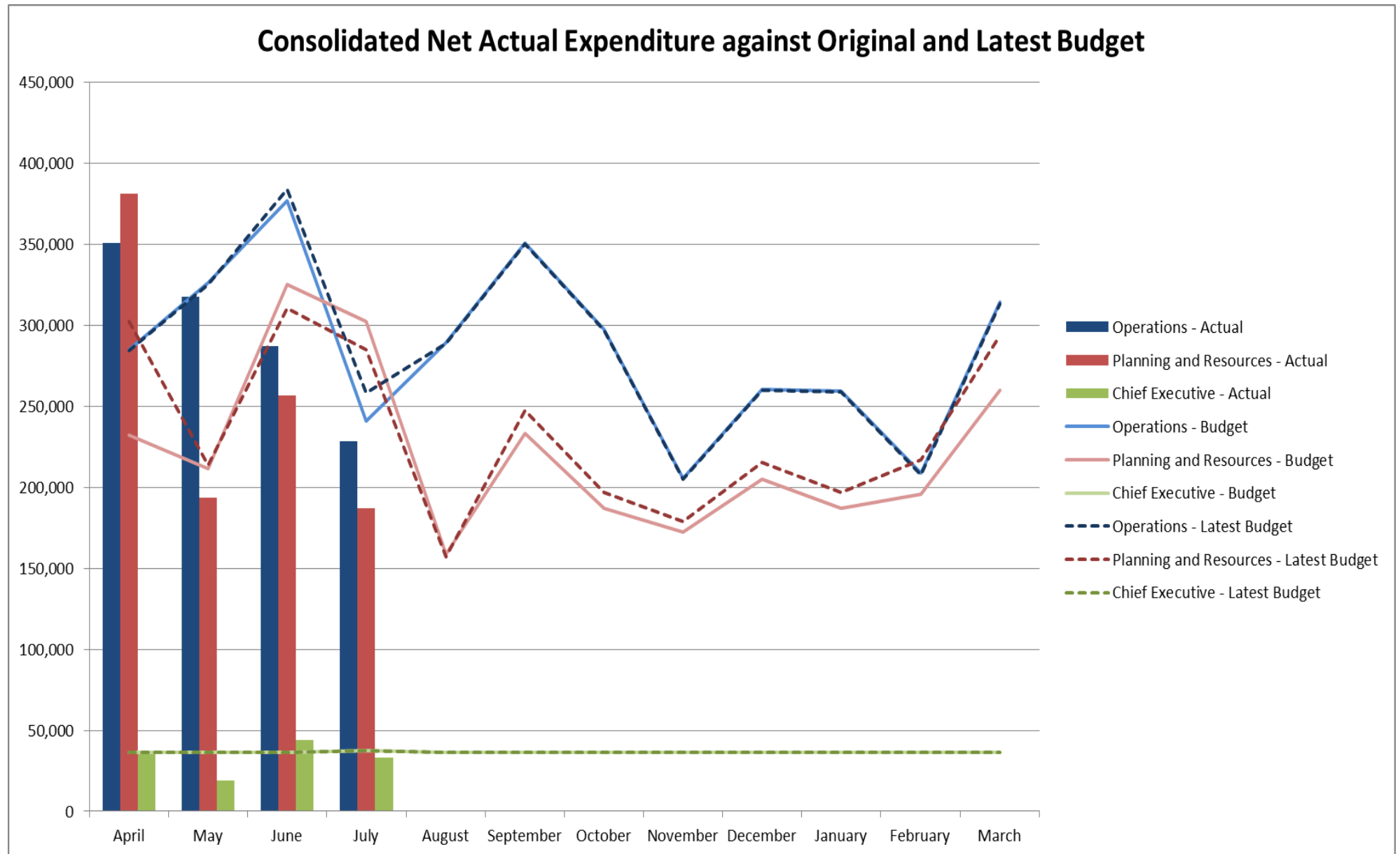
Background papers: None

Author: Emma Krelle
Date of report: 08 September 2015

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 July 2015
APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2015/16





To 31 July 2015

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,240,632)		(6,240,632)	(6,208,160)	- 32,472
National Park Grant	(3,188,952)		(3,188,952)	(3,188,952)	+ 0
Income	(3,188,952)		(3,188,952)	(3,188,952)	+ 0
Hire Craft Tolls	(1,090,525)		(1,090,525)	(1,067,368)	- 23,157
Income	(1,090,525)		(1,090,525)	(1,067,368)	- 23,157
Private Craft Tolls	(1,869,042)		(1,869,042)	(1,874,727)	+ 5,685
Income	(1,869,042)		(1,869,042)	(1,874,727)	+ 5,685
Short Visit Tolls	(38,363)		(38,363)	(38,363)	+ 0
Income	(38,363)		(38,363)	(38,363)	+ 0
Other Toll Income	(18,750)		(18,750)	(18,750)	+ 0
Income	(18,750)		(18,750)	(18,750)	+ 0
Interest	(35,000)		(35,000)	(20,000)	- 15,000
Income	(35,000)		(35,000)	(20,000)	- 15,000
Operations	3,574,751	0	3,574,751	3,574,751	+ 0
Construction and Maintenance Salaries	1,088,740		1,088,740	1,088,740	+ 0
Salaries	1,088,740		1,088,740	1,088,740	+ 0
Expenditure			0		+ 0
Equipment, Vehicles & Vessels	631,500	(7,700)	623,800	623,800	+ 0
Income			0		+ 0
Expenditure	631,500	(7,700)	623,800	623,800	+ 0
Water Management	172,500	7,700	180,200	180,200	+ 0
Expenditure	172,500	7,700	180,200	180,200	+ 0
Land Management	(33,500)		(33,500)	(33,500)	+ 0
Income	(90,000)		(90,000)	(90,000)	+ 0
Expenditure	56,500		56,500	56,500	+ 0
Practical Maintenance	459,200		459,200	459,200	+ 0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(7,000)		(7,000)	(7,000)	+ 0
Expenditure	466,200		466,200	466,200	+ 0
Ranger Services	736,910		736,910	736,910	+ 0
Income	(35,000)		(35,000)	(35,000)	+ 0
Salaries	578,910		578,910	578,910	+ 0
Expenditure	193,000		193,000	193,000	+ 0
Pension Payments			0		+ 0
Safety	80,918		80,918	80,918	+ 0
Income	(9,000)		(9,000)	(9,000)	+ 0
Salaries	57,918		57,918	57,918	+ 0
Expenditure	32,000		32,000	32,000	+ 0
Asset Management	108,780		108,780	108,780	+ 0
Income	(1,000)		(1,000)	(1,000)	+ 0
Salaries	39,030		39,030	39,030	+ 0
Expenditure	70,750		70,750	70,750	+ 0
Volunteers	64,670		64,670	64,670	+ 0
Income	(1,000)		(1,000)	(1,000)	+ 0
Salaries	43,670		43,670	43,670	+ 0
Expenditure	22,000		22,000	22,000	+ 0
Premises	137,503		137,503	137,503	+ 0
Income	(10,667)		(10,667)	(10,667)	+ 0
Expenditure	148,170		148,170	148,170	+ 0
Operations Management and Administration	127,530		127,530	127,530	+ 0
Salaries	115,030		115,030	115,030	+ 0
Expenditure	12,500		12,500	12,500	+ 0
Planning and Resources	2,510,920	162,337	2,673,257	2,678,390	- 5,133
Development Management	241,882		241,882	241,882	+ 0
Income	(60,000)		(60,000)	(60,000)	+ 0
Salaries	276,882		276,882	276,882	+ 0
Expenditure	25,000		25,000	25,000	+ 0
Pension Payments			0		+ 0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Strategy and Projects Salaries	194,380	81,000	275,380	275,380	+ 0
Income	(32,500)	18,000	(14,500)	(14,500)	+ 0
Salaries	204,880	0	204,880	204,880	+ 0
Expenditure	22,000	63,000	85,000	85,000	+ 0
Biodiversity Strategy	0	2,300	2,300	2,300	+ 0
Income	(10,000)		(10,000)	(10,000)	+ 0
Expenditure	10,000	2,300	12,300	12,300	+ 0
Strategy and Projects	69,780	19,037	88,817	88,817	+ 0
Income	0	(18,000)	(18,000)	(18,000)	0
Salaries	36,280	22,037	58,317	58,317	+ 0
Expenditure	33,500	15,000	48,500	48,500	+ 0
Legal	2,000		2,000	2,000	+ 0
Expenditure	2,000		2,000	2,000	+ 0
Waterways and Recreation Strategy	77,820		77,820	82,953	- 5,133
Salaries	68,320		68,320	68,320	+ 0
Expenditure	9,500		9,500	14,633	- 5,133
Project Funding	147,060		147,060	147,060	+ 0
Income	(19,000)		(19,000)	(19,000)	+ 0
Salaries	41,560		41,560	41,560	+ 0
Expenditure	124,500		124,500	124,500	+ 0
Pension Payments			0		+ 0
Partnerships / HLF	50,000		50,000	50,000	+ 0
Expenditure	50,000		50,000	50,000	+ 0
Finance and Insurance	330,920		330,920	330,920	+ 0
Income			0		0
Salaries	130,920		130,920	130,920	+ 0
Expenditure	200,000		200,000	200,000	+ 0
Communications	259,830	30,000	289,830	289,830	+ 0
Income			0		+ 0
Salaries	187,830		187,830	187,830	+ 0
Expenditure	72,000	30,000	102,000	102,000	+ 0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Visitor Centres and Yacht Stations	238,020		238,020	238,020	+ 0
Income	(218,000)		(218,000)	(218,000)	+ 0
Salaries	326,520		326,520	326,520	+ 0
Expenditure	129,500		129,500	129,500	+ 0
Collection of Tolls	116,740		116,740	116,740	+ 0
Salaries	104,040		104,040	104,040	+ 0
Expenditure	12,700		12,700	12,700	+ 0
ICT	289,380	30,000	319,380	319,380	+ 0
Salaries	132,680		132,680	132,680	+ 0
Expenditure	156,700	30,000	186,700	186,700	+ 0
Premises - Head Office	254,548		254,548	254,548	+ 0
Expenditure	254,548		254,548	254,548	+ 0
Planning and Resources Management and Administration	238,560		238,560	238,560	+ 0
Income			0		+ 0
Salaries	128,360		128,360	128,360	+ 0
Expenditure	110,200		110,200	110,200	+ 0
Chief Executive	440,040		440,040	440,040	+ 0
Human Resources	111,530		111,530	111,530	+ 0
Income			0		+ 0
Salaries	52,030		52,030	52,030	+ 0
Expenditure	59,500		59,500	59,500	+ 0
Legal	107,260		107,260	107,260	0
Income			0		0
Salaries	47,260		47,260	47,260	0
Expenditure	60,000		60,000	60,000	0
Governance	119,790		119,790	119,790	+ 0
Salaries	65,590		65,590	65,590	+ 0
Expenditure	54,200		54,200	54,200	+ 0
Chief Executive	101,460		101,460	101,460	+ 0
Salaries	101,460		101,460	101,460	+ 0
Expenditure			0		+ 0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Projects and Corporate Items	112,000		112,000	112,000	+ 0
PRISMA			0		+ 0
Expenditure			0		+ 0
Corporate Items	112,000		112,000	112,000	+ 0
Pension Payments	112,000		112,000	112,000	+ 0
Contributions from Earmarked Reserves	(536,500)	(108,000)	(644,500)	(644,500)	+ 0
Earmarked Reserves	(536,500)	(108,000)	(644,500)	(644,500)	+ 0
Expenditure	(536,500)	(108,000)	(644,500)	(644,500)	+ 0
Grand Total	(139,421)	54,337	(85,084)	(47,479)	- 37,605

Annual Review of Strategic Risk Register

Report by Monitoring Officer and Solicitor to the Authority

Summary:	This report appends the Authority's updated Strategic Risk Register for members' comments.
Recommendation:	That the updated Strategic Risk Register be reviewed by the Committee.

1 Introduction

1.1 The Authority's Risk Management Policy states that the Strategic Risk Register will be formally reviewed by risk owners, the Management Forum (the group of senior staff comprising the Management Team, Section Heads and the Volunteer Coordinator) and this Committee on a regular basis. The purpose of this review is:

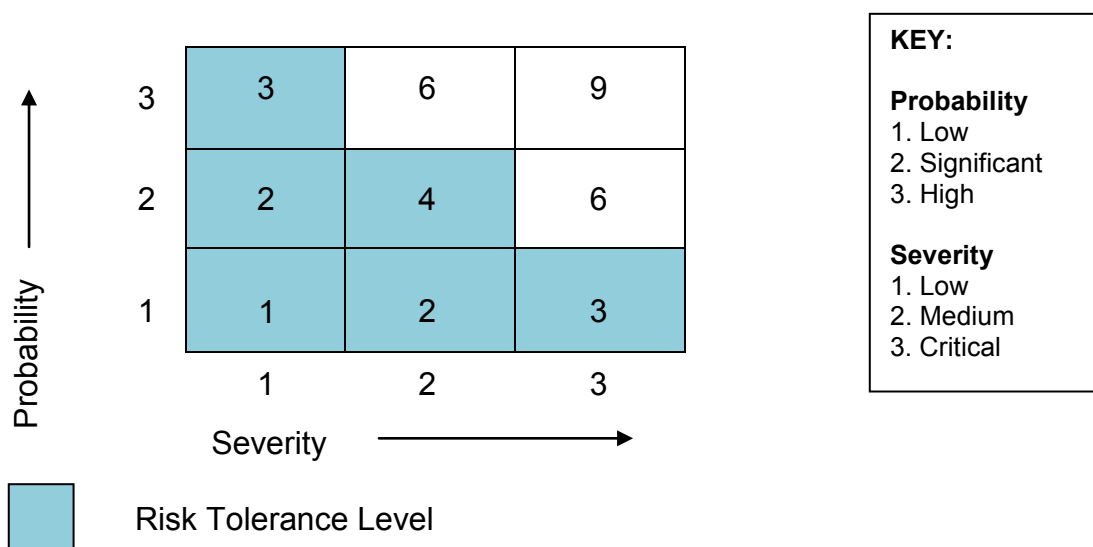
- to consider whether the risks set out in the Register are still appropriate, and whether the vulnerabilities and impact are up to date and representative of the risk involved;
- to consider whether the actions and controls in place are still adequate and appropriate;
- to consider whether any further action is necessary to help mitigate the risk;
- to consider whether the risk tolerance level is still appropriate; and
- to consider whether any new risks should be added to the Register, in respect of new activities or existing activities for which the risk level has increased.

1.2 The timetable for these reviews is usually as follows:

- December: Six monthly review of Strategic Risk Register by Risk Owners
- January: Formal review of Strategic Risk Register by Management Forum
- June: Six monthly review of Strategic Risk Register by Risk Owner
- July: Formal review of Strategic Risk Register and Risk Management Policy by Management Forum
- September: Annual review of the Strategic Risk Register by the Financial Scrutiny and Audit Committee

2 Strategic Risk Register

- 2.1 The updated Risk Register is set out at Appendix 1, following the six monthly review by Risk Owners and the formal review by the Management Forum.
- 2.2 The Register currently incorporates 18 key risks. No new risks have been registered since the Committee's previous review in September 2014.
- 2.3 The Authority's Risk Management Policy states that, in developing its Strategic Risk Register, the Authority will assess all strategic risks against the following grid:



- 2.4 The Policy also states that the Authority will accept a 'tolerance level' of not more than 4, as set out in the shaded squares, although the aim is to introduce mitigation measures to manage all risks to as low a level as reasonably practicable. With the mitigation measures in place, all of the risks identified are considered to fall within the accepted tolerance level. Should a risk exceed the tolerance level, the Chair of the Authority and Chair of the Financial Scrutiny and Audit Committee will be engaged immediately to determine appropriate action to be taken.
- 2.5 Members will recall from the Internal Audit Annual Report and Opinion, provided to the Financial Scrutiny and Audit Committee on 7 July 2015 that the Risk Management arrangements for the year ended 31 March 2015 received a good assurance. The adequacy of controls received a 'green' rating, whilst the effectiveness of controls received an 'amber' rating. Members will recall that in the previous year, the Authority had received a 'green' rating for both. The change in rating for adequacy of controls was further to Internal Audit having identified three areas where they were of the view that further enhancements could be made; in particular, linking the Strategic Risk Register clearly to the Strategic Objectives and Annual Strategic Priorities, mitigating actions and further necessary actions on the Strategic Risk Register be reviewed for all risks to ensure they are giving

adequate assurance to reduce the residual risk scoring, and the risk register is added as a standing agenda item for the Financial Scrutiny and Audit Committee. Member will recall that these recommendations were accepted and have been included within the Action Plan for 2015/16.

2.7 Members' views are sought on the updated Strategic Risk Register.

Background papers:	None
Author:	Piero Ionta
Date of report:	11 September 2015
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Updated Strategic Risk Register

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Loss/Non Availability of Key Staff	Key post or posts absent for a prolonged period	S/M/L	Loss of decision making ability	4 (P2xS2)	Sickness absence reporting and monitoring procedures in place	SE LP to develop three year People Strategy to aid succession planning, to be incorporated into Business Plan. Initial action is to complete Research and planning stage of document.	01-Apr-16	4(P2xS2)	Head-of-Human-Resources-Senior HR Advisor	Sep-15
	Sickness/outbreak of pandemic (eg Swine Flu)	S/M/L	Loss of knowledge and experience, and associated costs		Work Life Balance Policy					
	Over-reliance on key members of staff	S/M/L	Failure to deliver service		Scheme of Local Conditions of Service					
	Inability to compete in terms of pay	S/M/L	Reduced quality/less efficient service		Emergency Management and Reporting System					
	Inadequate succession planning	S/M/L	Increased workload/pressure for remaining staff		People Strategy, including identification of future staff requirements and annually reviewed job descriptions					
	Loss of key personnel through oprganisational review, including loss of financial expertise	S	Failure to meet Government and other deadlines Loss of credibility/reputation with the public/stakeholders Cost of taking on additional staff, including recruitment, agency costs and training.		Job Evaluation Scheme to ensure fair and appropriate remuneration of staff Employee Assistance Programme Monthly meetings between Head of HR and Directors to anticipate staff changes/requirements Use of secondment arrangements where appropriate Staff Representatives Group established Training and development of staff, to enable them to cover for/contribute skills in the absence of more senior staff. Engagement of Occupational Health Adviser with pre-employment checks, management referrals for anu issues identified and health surveillance programe for occupational hazard monitoring Ability to engage short term consultants in some areas to support the BA work as required Emergency Management and Reporting System enabled					
Loss of Offices including Field Bases	Destruction through fire, explosion or release of hazardous substances	S/M/L	Temporary loss of communication with staff, public and stakeholders	3 (P1xS3)	Fire Safety Risk Assessment Undertaken by Landlord and BA. Appropriate fire prevention measures in place, eg fire alarms, fire extinguishers			3(P1xS3)	Head-of-Governance-and-Executive-Assistant-Solicitor and Monitoring Officer	Sep-15
	Flooding of site or loss of access to site through flooding (especially Dockyard)	S/M/L	Loss of information		Yare House Emergency Fire Procedure and BA Supplementary Procedure (including bomb threat procedures)					
	Loss of use or access to premises	S/M/L	Postponement of work Potential failure to achieve objectives/meet deadlines		Business Continuity Plans, including IT Disaster Recovery Plan and Finance Business Continuity Plan Emergency Management and Reporting System					

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
			Damage to reputation/credibility		Home working and hot desking facility at alternative fieldbases available for some members of staff					
					Insurance Policies					
Loss of IT/ Communications Systems	Destruction of or serious damage to buildings	S/M/L	Temporary loss of communication with staff, public and stakeholders	3 (P1xS3)	Business Continuity Plan	Copy virtual hard drives to DR environment and test virtual servers. Perform test of full data restore from tape.	31-Aug-14	3 (P1xS3)	Head of ICT and Collector of Tolls	Sep-15
	Significant virus	S/M/L	Potential loss of data		Short-term power back-up facility available	Virtual enviroment is 4 years old and needs replacing. Project initiation commenced Sep 15 to confirm requirments and tender for supplier.	31-Mar-16			
	Loss of power	S/M/L	Postponement of work		Home working facility available for some members of staff	Following environment refresh, current infrastructure to become DR environment.	31-May-16			
			Potential failure to achieve objectives/meet deadlines		Use of Firewall, anti-virus systems, password security policies and daily back-ups with data taken offsite					
			Potential loss of income (eg tolls)		Electronic Communications Policy					
			Reduced service delivery		Insurance Policies					
			Loss of credibility/reputation with the public/stakeholders		IT Disaster Recovery Plan					
			Inability to calculate/pay monthly salaries		Virtualisation of servers					
			Inability to pay suppliers		Payroll Contingency Plan in place					
					Finance Business Continuity Plan					
Financial Overspend	Large overspend of budget	S/M/L	Reduction in service	3 (P1xS3)	Budgetary control system including monthly reports to Budget Holders/Management Team			3 (P1xS3)	Head of Finance	Sep-15
	Project overspend	S/M/L	Inability to meet expenses including payment of salaries without external support		Financial Regulations and Standing Orders Relating to Contracts					
	Underestimation of costs of managing Breydon Water	M/L	Loss of credibility/reputation with the public/stakeholders		Internal control systems eg separation of duties	TW to continue to monitor costs of managing Breydon Water, including Turntide Jetty	Ongoing			
	Poor financial management and inadequate forecasting leading to flawed decision-making	S/M/L	Inability to meet commitments		Regular auditing of financial systems and controls					
	Underestimation of / failure to make provision for costs of maintaining the Authority's assets		Potential redundancies		Three year Financial Strategy published September 2014					
			Loss of reserves		Counter Fraud, Corruption and Bribery Strategy	Update required	2015/16			
					Budget Management Procedures, training and ongoing support provided to Budget Holders					
					Asset Management Strategy, planned contributions to reserves set out in Financial Strategy					

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
Significant Loss of Income	Significant reduction in core Government grant aid	S/M	Reduction in service	3 (P1xS3)	Budgetary control system including monthly reports to Budget Holders/Management Team			3 (P1xS3)	Head of Finance	Sep-15
	Non receipt of other significant budgeted income, including external funding, cuts in funding of partners and loss of tourism/tolls income.	S/M/L	Shortfall in income to meet commitments arising out of EC/other projects		Hedging of exchange risk is considered for significant contractual arrangements involving foreign currency					
	Low level of investment income as a result of low returns / low interest rates due to wider economic climate		Inability to meet expenses including payment of salaries		Regular auditing of financial systems and controls					
			Loss of credibility/reputation with the public/stakeholders Potential redundancies		Three year Financial Strategy Regular reports to members Investments managed with Broadland to maximise returns including cash flow forecasting and placing of fixed term investments. Ongoing liasion with Barclays to identify alternative investment options					
Loss of invested reserve funds	Risks to investments due to wider economic uncertainty	S/M/L	Reduction in service	3 (P1xS3)	Investments managed in line with CIPFA Code of Practice on Treasury Management				Head of Finance	Sep-15
	SLA with Broadland does not define risk sharing however subsequent agreement (see investment strategy) defines any losses to be split 50/50 with Broadland.		Inability to meet commitments or other expenses including payment of salaries		Low risk appetite within Broadland District Council resulting in "safer" investment decisions					
			Loss of credibility/reputation with the public/stakeholders Potential redundancies Loss of reserves							
Failure of major procurement activity	Inadequate or incorrect procurement process applied	S/M	Reduction in service or failure to deliver service	2 (P1xS2)	Standing Orders Relating to Contracts (updated)			2 (P1xS2)	Head of Finance	Sep-15
	Inappropriate supplier identified		Financial loss		Procurement Strategy	Update Procurement Strategy	23-Sep-16			
	Contract let incorrectly		Loss of credibility/reputation with the public/stakeholders		Financial Regulations	Implementation of recommendations following Internal Audit of procurement	23-Sep-15			
	Potential for activity to be challenged				Standard Terms for Contracts	Finance support for Payroll service	ongoing			
	Risks associated with transfer of payroll provider to NCG				Internal Audit of Key Controls	Provide input to South Norfolk District Council reprocurement of Internal Audit service provider	01-Apr-15			
Loss resulting from fraud, corruption or misappropriation of resources					Finance / Director oversight of procurement activity SLA for services provided by Broadland District Council in place for 2015/16					
	Economic climate resulting in higher incidence of fraudulent and criminal activity	S/M/L	Financial loss and / or loss of other resources	2 (P1xS2)	Financial Regulations			2 (P1xS2)	Head of Finance	Sep-15

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
	Potential vulnerabilities in systems including those of external organisations (internet banking, payroll provider) Fraudulent changes to supplier bank details Loss or theft of significant items of equipment Damage and / or theft at TICs, Yacht Stations, Dockyard or other Authority sites Fraudulent creation of fictitious employees		Loss of credibility/reputation with the public/stakeholders Higher insurance premiums Impact on ability to deliver services		Standing Orders Relating to Contracts Standard Terms for Contracts Internal / External Audit Supplier bank detail checking procedures Internal payment processing and authorisation controls, budget monitoring and financial reconciliations Separation of duties IT security and passwords Counter Fraud, Corruption and Bribery Strategy Insurance Physical security arrangements					
Death or Serious Injury to Member of Staff	Use of heavy plant and equipment	S/M/L	Loss of expertise	3 (P1xS3)	Health and Safety at Work Policy.	SB to regularly review Health and Safety observations to identify trends	Every six months (December and June)	3 (P1xS3)	Head of Safety Management	Sep-15
	Lone working	S/M/L	Lowering of staff morale		Generic, Site Specific and Public Risk Assessments					
	Danger of drowning through water based activity	S/M/L	HSE involvement		Codes of Practice eg for use of Lifejackets, provision of PPE	SB to Audit key areas to determine level of compliance and identify further development	ongoing audit programme			
	Road traffic accident	S/M/L	Loss of credibility/reputation with the public/stakeholders		Safety Recording System and vehicle trackers for Lone Workers					
	Negligence (by Authority/ manager/individual)	S/M/L	Potential legal action against the Authority/costs		Safety Committee and nominated Safety Reps Health and Safety/Fire Awareness specific skills Training for relevant staff First Aid trained staff and Defibrillator at Yare House Insurance Policies Driving licence checks Personal Risk Assessment system introduced					
Death or Serious Injury to Member of the Public	Danger of drowning through water based activity	S/M/L	Civil or criminal action against the Authority/costs	3 (P1xS3)	Port Marine Safety Code Safety Management System including regular Hazard Review	Intergrated method of assessing and managing hazards on both Land and water programmed for development during the winter of 2014	01/01/2015- 01/03/2015	3 (P1xS3)	Head of Safety Management	Sep-15
	Injury through embarkation/ disembarkation	S/M/L	Potential closure of a facility		Boat Safety Management Group	Tree policy to be implemented on all sites	Spring 2015			
	Death or accident through the Authority's negligence	S/M/L	HSE involvement Loss of credibility/reputation with the public/stakeholders		Safety leaflets and ongoing programme of education, including through Broad Sheet and the Broadcaster Regular site inspections and surveying of trees on BA managed sites Annual Site Specific and Public Risk Assessments Tree Mangement Policy published end 2013 and rolled out to all sites 2015 Site safety system developed CDM Regs land-based hazard review completed in consultation with BLAF					

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed	
Denial of Public Access to the Broads	Major flooding incident/failure of sea defences	S/M/L	Closure of sites, footpaths, other public areas	3 (P1xS3)	Integrated method of reviewing hazards both land and water developed						
	Outbreak of disease, eg Foot and Mouth, Avian Flu, Ash Dieback	S/M/L	Closure of visitor attractions, negative impact on tourism and the local economy		Short to medium term coastal and flood defence provisions in place	Publicise weather warnings on new website	Ongoing	3 (P1xS3)	Director of Operations	Sep-15	
	Closure of bridges (by Network Rail)	S/M	Potential reduction in income for the Authority		Close working relationship with key EA and NE staff	Review the trialled text service for boaters for Breydon Water-	End Sep-14				
	Occurance of invasive species (eg killer shrimp)	S/M/L	Closure of navigation/inability to navigate parts of Broads system		Involvement in County Council emergency response procedures						
			Loss of credibility/reputation with the public/stakeholders		Emergency Communications Strategy						
			Loss of or damage to property		Participation in major oil spill/pollution events						
Ineffective Project Management			Loss of habitat	2 (P1xS2)	Legal undertaking with Network Rail regarding maintenance of the bridge network						
			Possible loss of life		Involvement in partnership invasive species response, including agreement on appropriate control and communication measures						
	Lack of adequately trained project management staff	S/M/L	Project not managed to time or within budget		Standing Orders Relating to Contracts			2 (P1xS2)	Director of Planning & Resources for Development and Director of Operations for Implementation	Sep-15	
	Lack of effective project management arrangements	S/M/L	Failure to meet project objectives		PRINCE2/PRINCE Lite training provided for staff						
			Failure to meet commitment to partners		Acquisition of PRINCE Lite programme						
			Additional costs		Approval/monitoring of key projects by Management Team						
			Loss of credibility/reputation with the public/stakeholders		Contract management training completed for selected staff						
Ineffective Management of Assets				2 (P2xS1)	Improvements made to PDG process including introduction of regular Project Teams for specific projects	Lessons learned to be captured from each project as part of PDG project evaluation process	Ongoing				
	Lack of Asset Management Plan	S/M/L	Ineffective control of costs/application of resources	Specialist property advice available from NPS Property Consultants			Date to be finalised by IT once Ops have confirmed priority Ongoing following development of condition monitoring system	2 (P2xS1)	Head of Safety Management	Sep-15	
	Lack of Corporate Capital Strategy	S/M/L	Inappropriate utilisation of Assets	All assets have been identified and recorded, with a record of all legal agreements maintained							
			Asset devaluation	Schedule of inspection of all assets in place							
			Failure to properly maintain assets	Detailed capital plan developed and reported to navigation Committee in November and Broads Authority in January 2014							
			Loss of credibility/reputation with the public/stakeholders	Spreadsheet of assets has been enhanced to provide day to day management of assets							

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
			Potential negative impact on accounts and adverse audit opinion		Annual review of Asset Management Strategy and sites					
					Spreadsheet of assets has been enhanced to provide day to day management of assets whilst IT develop a database					
Ineffective Engagement with Key Partners/Stakeholders	Failure to identify key partners/stakeholders	S/M/L	Failure to deliver objectives	4 (P2xS2)	Broads Forum, Broads Tourism Forum, BLAF and other working groups			4 (P2xS2)	Head of Communications	Sep-15
	Failure to consult and engage with partners/stakeholders on key issues	S/M/L	Lack of trust/support from partners/stakeholders		Service Level and Partnership Agreements. Climate Change Stakeholder Engagement through close working with relevant partners to allow Climate Change Adaptation Plan to be completed	SKH to finalise Climate Change Stakeholder Engagement through close working with relevant partners to allow Climate Change Adaptation Plan to be completed				
	Breakdown of relations with a key partner/stakeholder	S/M/L	Loss of credibility/reputation with the public/stakeholders		Parish Forums. HBO engagement meeting	Bulletin should be sent to parish councils. Residents' newsletter to be created	Oct-15 Mar-16			
	Changes to partner organisations	S/M/L	Loss of income							
	Changes in policies of partner organisations	S/M/L	Loss of opportunities		Register of partnerships including operational risks for each partnership and Partnerships Governance Arrangements Action Plan					
					Partnerships Protocol Annual review of partnerships by Management Forum/BA Major Review of Stakeholder and Community Engagement undertaken by Authority Development of Biodiversity and Water Strategy enabled close engagement with all key partners in the area of biodiversity. Annual Forum being held with 100+ stakeholders	Review of Effectiveness of the regional review to be undertaken by Jan 16	Jan-16			
Failure to comply with Legal Requirements	Changes to legislation	S/M/L	Civil or criminal action against the Authority	3 (P1xS3)	Insurance Policies			3 (P1xS3)	Head of Governance and Executive Assistant – Solicitor and Monitoring Officer	Sep-15
	Failure to meet a key legislative requirement	S/M/L	HSE involvement		Solicitor and Monitoring Officer (Head of npLaw) until January 2015. Internal Solicitor and Monitoring Officer appointed for February 2015.					
	Lack of in-house expertise	S/M/L	Failure to deliver services		Additional specialist legal support available from npLaw					
	Failure of policies to comply with legislative requirements	S/M/L	Multiple complaints against the Authority Loss of credibility/reputation with the public/stakeholders		Annual review meeting held between Chief Executive/Solicitor and Monitoring Officer Additional circulars provided via subscriptions on topics such as Safety					

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
			Loss of political support		Membership of National associations such as National Parks Engalns, and AINA highlight government policy intiives and consultations					
Death or Serious Injury to Volunteer	Lone working	S/M/L	Civil or criminal action against the Authority/costs	3 (P1xS3)	Health and Safety at Work Policy	BW to create a suitable, fit for purpose personal Risk Assessment form	Mar-16	3 (P1xS3)	Volunteer Coordinator	Sep-15
	Danger of drowning through water based activity	S/M/L	HSE involvement		Generic, Site Specific and Public Risk Assessments, and method statements Codes of Practice eg for use of Lifejackets					
	Road traffic accident	S/M/L	Lowering of staff and volunteer morale		Safety Recording System for Lone Workers					
	Death or accident through the Authority's negligence	S/M/L	Loss of credibility/reputation with the public/stakeholders		First Aid, manual handling and induction training for volunteers Insurance Policies Volunteer Strategy					
					Policy and Strategy updated	Volunteer training plan to be completed-	01-Sep-14			
					Volunteers are contacted every 6 months to reinforce/remind them of correct process and proceedures when lone working					
					Volunteer training plan completed					
Significant Loss of Volunteers	Loss of labour	S/M/L	Postponement of work	2 (P1xS2)	Absence reporting and monitoring procedures in place	BW to introduce satisfaction montitoring	01-Mar-16	2 (P1xS2)	Volunteer Coordinator	Sep-15
	Loss of knowledge and expertise	S/M/L	Potential failure to achieve objectives/meet deadlines Reduced service delivery Loss of credibility/reputation with the public/stakeholders		Volunteer Strategy Feedback opportunity on timesheets, and on leaving the BA Volunteer Code of Conduct Communication Policy updated to more actively include volunteers Policy and Strategy updated Expansion to enable contact with staff through volunteer online database.	Volunteer training plan to be completed-	01-Sep-14			
Planning Decisions not made in accordance with Development Plan or Regulations and Procedures	Unattractive development	S/M/L	Legal challenges to decisions/potential costs	2 (P1xS2)	National Guidance	Procedure Manual review on going in progress to reflect latest guidance (last completed in February 2014).	Continuous process to reflect latest guidance	2 (P1xS2)	Director of Planning and Resources	Sep-15
	Decisions made which are not in accordance with policy	S/M/L	Bad publicity/loss of reputation		Local Development Framework					
	Development pressures due to society aspirations/government legislation	L	Complaints against the Authority		LDF Development Management Policies Appointment of appropriately qualified staff					

Description of Risk	Vulnerabilities	Timescale (S/M/L)	Impact	Risk (Probability x Severity)	Actions Already in Place	Additional Actions Required	Due Date	Risk (Probability x Severity) Following Completion of Additional Actions	Risk Owner	Date last Reviewed
					Training provided for Planning Committee members Scheme of Delegated Powers in operation	Ecology and Navigation Sessions Completed February 2015; Policy session Planned for October 2015	Oct-15			