

Financial Scrutiny and Audit Committee

AGENDA

7 February 2017

2:00pm

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1. To receive apologies for absence	
2. Appointment of Vice-Chairman	
3. To note whether any items have been proposed as matters of urgent business	
4. To receive declarations of interest	
5. To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meetings held on 27 September 2016 (herewith)	3 – 10
6. Public Question Time To note whether any questions have been raised by members of the public	

FINANCIAL SCRUTINY

7. Investment Strategy and Performance Report 2016/17 Report by Treasurer and Financial Adviser and Head of Finance (herewith)	11 – 12
8. Consolidated Income and Expenditure: 1 April to 31 December 2016 Actual and 2016/17 Forecast Outturn Report by Head of Finance (herewith)	13 – 42

AUDIT

9. Internal Audit Strategic and Annual Plans 2017/18 Report by Head of Internal Audit Consortium (herewith)	43 – 62
10. External Audit Report by Head of Finance (herewith)	63 – 112

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11. Implementation of Internal Audit Recommendations: Summary of Progress Report by Head of Finance (herewith)	113 – 124
RISK MANAGEMENT	
12. Review of Strategic Risk Register Report by Solicitor and Monitoring Officer (herewith)	125 – 153
OTHER MATTERS	
13. Review of Code of Corporate Governance Report by Solicitor and Monitoring Officer (herewith)	154 – 207
14. Peer Review Report by Chief Executive (herewith)	208 – 212
15. 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	
16. To answer any formal questions of which due notice has been given	
17. To note the date of the next meeting – Tuesday 25 July 2017 at 2.00pm at Yare House, 62-64 Thorpe Road, Norwich	

Broads Authority
Financial Scrutiny and Audit Committee

Minutes of the meeting held on 27 September 2016

Present:

Mr Guy McGregor (Chairman)
Mr Louis Baugh
Prof Jacquie Burgess

In Attendance:

Ms Esmeralda Guds – Administrative Officer
Mr David Harris – Solicitor & Monitoring Officer
Miss Emma Krelle – Head of Finance
Ms Andrea Long – Director of Planning & Resources
Dr John Packman – Chief Executive

Also in Attendance:

Ms Emma Hodds - Head of Internal Audit Consortium
Ms Jill Penn – Treasurer and Financial Adviser
Mr Mark Russell - External Audit Ernst & Young LLP

Also Present:

Mr Bill Dickson – Member of the Broads Authority
Dr Dan Hoare – Environment and Design Supervisor

1/1 Apologies for Absence

Apologies were received from Peter Dixon and Michael Whitaker.

The Chairman welcomed Bill Dickson, Member of the Broads Authority, and Dr Dan Hoare, to the meeting.

1/2 Appointment of Chairman

The Chief Executive invited nominations for the position of Chairman for the forthcoming year.

It was proposed and duly seconded that Mr McGregor be appointed as Chairman.

There being no other nominations, it was

RESOLVED

that Mr McGregor be appointed as Chairman of the Financial Scrutiny and Audit Committee for the forthcoming year.

Mr Guy McGregor (in the Chair)

1/3 Appointment of Vice-Chair

It was decided to defer this item to the next meeting.

1/4 Matters of Urgent Business

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

1/5 Declarations of Interests

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

1/6 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 5 July 2016 (herewith)

The minutes of the meeting held on 5 July 2016 were approved as a correct record and signed by the Chairman.

1/7 To note the Terms of Reference of the Financial Scrutiny and Audit Committee

The Terms of Reference of the Financial Scrutiny and Audit Committee were noted.

1/8 Public Question Time

No question had been raised by members of the public.

1/9 Annual Audit Results

Members received a report which appended the Annual Audit Results for 2015/16 prepared by the External Auditors, Ernst & Young.

The External Auditor informed the Committee that overall it was a clean/good report and congratulated the Head of Finance and her team on completing the Accounts at the earlier scheduled time and a job achieved well.

RESOLVED

- (i) that the Annual Audit Results 2015/16 was noted;
- (ii) that the Letter of Representation in connection with the Audit of the Financial Statements for 2015/16 was signed by the Treasurer and Financial Adviser and the Chairman of the Financial Scrutiny and Audit Committee.

1/10 External Audit Committee Briefing

Members received a report which appended the latest Local Government Audit Committee briefing issued by the Authority's External Auditors, Ernst & Young.

Items of relevance to the Authority which were highlighted were the impact of the outcome of the EU Referendum, Off-Payroll working in the public sector and Government lending and accounts.

The Chair of the Broads Authority informed Members that a working group had been set up by National Parks England to look at the effects Brexit would have on National Parks.

In regards to the Public Works Loan it was clarified that an exit fee would need to be paid if it was paid off early. Furthermore, it was explained that the loan would need to be repaid from navigation funds.

RESOLVED

that Members noted the briefing, including the key questions for Audit Committees as set out on page 7.

1/11 Implementation of Internal Audit Recommendations – Summary of Progress

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2015/16. They were also informed that training for them had been organised to attend the CIPA Audit Committee training for the internal audit consortium Councils.

The Head of Finance confirmed that the CIPA Audit Committee training for the internal audit consortium had been organised for the FSAC Members only.

Some slight changes of the wording in the report were suggested by the Chairman and were noted by the Head of Finance.

Members noted the report.

1/12 Appointment of External Auditors

Members received a report which outlined the Local Audit and Accountability Act (2014) and the necessity for local authorities to establish an auditor panel and manage their own procurement. The report explored the options available, the associated benefits, and concluded with a preferred route for the Authority for the appointment of the External Auditor.

RESOLVED

- (i) that the Financial Scrutiny and Audit Committee recommend to the Full Authority, that the Authority would agree to join the national collective scheme, led by the Public Sector Audit Appointment (PSAA);
- (ii) that delegated authority be given to the Section 17 Officer to communicate the willingness of the Authority to join the scheme to PSAA and to enter into the scheme after a satisfactory examination / negotiation of the proposed terms and conditions was concluded.

1/13 Consolidated Income and Expenditure – 1 April to 31 July 2016 Actual and 2016/17 /Forecast Outturn

The Committee received a report which provided them with details of the actual income and expenditure for the four month period to 31 July 2016, and provided a forecast of the projected expenditure at the end of the financial year (31 March 2017).

It was highlighted that the post of the River Engineer had been allocated 80% to National Park Grant and 20% to Navigation, when in fact it should have been the other way round. This had been corrected but further impacted the Navigation budget.

It was mentioned that, although a provision of £20,000 was made for the decrease in the number of hire boat, this had proven not to be enough. Further it was confirmed that the Prisma Reserve had now been closed.

The Head of Finance summarised that the current forecast outturn position for the year suggested an overall deficit of £12,095 within the consolidated budget and indicated that the navigation reserve would be slightly above the recommended level of 10% of net expenditure during 2016/17.

Members noted the report.

1/14 Preparation for the 2017/18 Budget

Members were informed that work had begun on the background information necessary for preparing the Draft budget for 2017/18 and were updated on the financial position.

The Committee was made aware of the increased pension contributions and the pressure on navigation income, especially with the reduction in the number of hire boats. With this in mind the Chief Executive presented Members with several options, impacting tolls at different levels, to consider.

While considering the options it was further suggested that the shortage of moorings was a major issue which needed to be addressed in order to develop tourism in the Broads.

However, recognising the issue, one Member in particular believed that developing mooring opportunities should not come at the expense of strategic objectives already agreed to, but toll payers should be expected to pay for increased moorings through an increase in toll rates instead.

It was further pointed out that the importance of maintaining Reserves at a minimum of 10% meant that there was little or no maneuver for adding new projects funded from navigation income.

RESOLVED

that Members took on board the concerns about the availability of moorings and recommended that this should be taken into account when considering the budget for the coming year and beyond.

1/15 Risk Register

Following the discussion and decisions on the content of the Risk Register at the last meeting, officers had reviewed the format used. Members considered the different layout and it was

RESOLVED

that the Committee supported the proposed revised format for the Risk Register.

1/16 Review of Code of Conduct for Members

Members received a report which updated the position regarding the new draft Code of Conduct for Members.

The Solicitor and Monitoring Officer introduced the report and suggested that it would be useful to establish a Hearings Committee as set out in the Draft Code. He also highlighted the importance of the criteria for consideration of a complaint.

Members agreed that the Code of Conduct was clear and were pleased to see that the Independent Person would be involved more closely.

Members welcomed the report and recommended the adoption of the new Code to the Broads Authority

1/17 Financial Regulations

Members received a report which appended the updated Financial Regulations following a recommendation from the Key Controls Audit.

RESOLVED

that the updated Financial Regulations were adopted.

1/18 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.

1/19 Formal Questions

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

1/20 Date of the next meeting

Members noted that date of the next Committee meeting would be held on Tuesday 7 February 2017 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The Head of Finance and Treasurer and Financial Adviser left the meeting.

1/21 Exclusion of the Public

The Committee was asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the item below on the grounds that it involved the likely disclosure of exempt information as defined by Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighed the public benefit in disclosing the information

1/22 Appointment of Chief Finance Officer Section 17 of the Norfolk and Suffolk Broads Act 1988

Members received a report which considered whether, when the present service level agreement came to an end next year, it would provide the opportunity for the Authority's Head of Finance, rather than an officer of Broadland District Council, to act as Authority's Chief Finance Officer in line with the CIPFA Guidelines.

It was pointed out that in order to protect the Authority's resources it was proposed to change the working practices for cheques so that in future two signatures would be required by the authorised signatories.

It was believed that the transfer of the balances would not undermine the controls the Authority had in place and the Authority was confident that good relationships with Broadland would be maintained.

The External Auditor supported the change, however underlined the continuing importance of the segregation of responsibilities.

The Internal Auditor recognised that the Service Level Agreement had come to a natural end but highlighted that it was imperative that the investment was pulled back at the right time for the Authority and Broadland District Council, and that the Head of Finance need to ensure and record compliance with the CIPFA guidance on the role of the Chief Finance Officer. She further pointed out that it was important that segregation of duty remained in the day to day accounting practices and in the preparation of the statement of accounts. It was recommended that an exit strategy should be agreed between the authorities so that both parties would be clear on how this would operate over the remaining term of the SLA.

When re-joining the meeting the Treasurer and Financial Adviser received thanks for the support she provided over the last few years and the Head of Finance was congratulated on her new position as CFO as from 1 April 2017.

RESOLVED

- (i) that the Committee recommended to the Broads Authority that the Head of Finance be appointed as the Chief Finance Officer for the Broads Authority with effect from 1 April 2017 when the present service level agreement with Broadland District Council would come to an end.
- (ii) that the Chief Executive would write to Broadland District Council's Chief Executive and Treasurer thanking both of them for their support.
- (iii) that the Head of Finance would investigate the appointment of an appropriate deputy Chief Finance Officer from one of the National Park Authorities.

The meeting concluded at 3.45 pm

CHAIRMAN

APPENDIX 1

Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 27 September 2016

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 ✓
Guy McGregor		Member of SCC	
J A Burgess		Toll Payer	

Investment Strategy and Performance Report 2016/17
Report by Treasurer and Financial Adviser and Head of Finance

Summary: This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the eight months to 30 November 2016.

Recommendation: That the current arrangements regarding the investment of surplus cash are noted.

1 Introduction

- 1.1 It has previously been agreed that a six monthly report on the performance of the Authority's investments will be presented to the Financial Scrutiny and Audit Committee, with a fuller 'year end analysis' at the July meeting, and a mid year progress report at the appropriate half year meeting. However following the decision to bring the treasury function in-house along with the role of the Section 17 Officer, funds have been returned in full from Broadland District Council on 25 November 2016. This report covers that period and the process going forward.

2 Investment Principles and Performance

- 2.1 The investment of surplus cash is governed by a Service Level Agreement between the Broads Authority and Broadland District Council that is due to expire on 31 March 2017. Previously the use of the Council reflected the limited treasury management knowledge and staff resources that existed within the Broads Authority.
- 2.2 Prior to the 25 November 2016 surplus cash sums were calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then included the investment of this cash within its own treasury management function. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the eight months to 30 November 2016 were:
- Opening balance £2.750 million
 - Closing balance £0 million
 - Highest sum £4.250 million
 - Lowest sum £0 million
- 2.3 There were two withdrawals during this period totalling £4,250,000.

2.4 The figures for the previous year (2015/16) were:

- Opening balance £3.250 million
- Closing balance £2.750 million
- Highest sum £4.250 million
- Lowest sum £2.750 million

2.5 A transaction charge was made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2015/16 and 2016/17 the actual interest receivable by the Broads Authority was based on the actual interest received on Broadland's internal investments.

2.6 The sum paid over for 2015/16 was £21,776.59 based on internal monthly returns that ranged from 0.39% to 0.6%. Interest earned for the period 1 April to 30 November 2016 was £11,481.56 based on monthly returns that ranged from 0.31% to 0.47%.

2.7 The total interest earned in 2015/16 was £22,402 which includes the interest from Broadland and other internal investments. Forecast interest for 2016/17 is £15,000.

2.8 Prior to the return of funds in November 2016, fixed term deposits were investigated with other A+ banks to secure best rates of interest going forward. Lloyds bank was identified as offering the best rates (1% for 12 months, 0.60% for 6 months). Following Management Team approval on 21 November the Authority is in the process of opening two fixed term deposits, £1 million for 12 months and £1 million for 6 months. As the Authority is not known to Lloyds, it needs to undertake/performance background checks on the Management Team before this facility is set up. Lloyds has experienced high volumes of applications and the Christmas break has meant this process has not been as speedy as hoped. In the meantime the funds are currently in the Barclays Business Premium Account (instant access) where 0.15% interest rate applies. A verbal update will be provided at the meeting on this.

2.9 These fixed term deposits will be made in line with Broadland's Treasury Management Strategy which covers the Authority until 31 March 2017. Work is currently underway on the Authority's new Investment/Treasury Management Strategy which will be considered by the Authority at its March meeting. It is proposed to continue to adopt a low risk appetite and seek to mitigate counterparty risk by using other high rated banks. Surplus funds will continue to be monitored by the Finance team to ensure future fixed term deposits remain appropriate and do not cause cash flow problems going forward.

Background papers:	None
Author:	Jill Penn/Emma Krelle
Date of report:	11 January 2017
Broads Plan Objectives:	None
Appendices:	Nil

**Consolidated Income and Expenditure:
1 April to 31 December 2016 Actual and 2016/17 Forecast Outturn**
Report by Head of Finance

Summary: This report provides the Committee with details of the actual income and expenditure for the nine month period to 31 December 2016, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2017). The second part of the report provides the draft valuation results from the triennial valuation.

Recommendation: That the report be noted.

1 Introduction

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

2 Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 December 2016

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(5,539,684)	(5,511,287)	- 28,397
Operations	2,676,562	2,503,358	+ 173,204
Planning and Resources	2,196,513	2,012,081	+184,433
Chief Executive	343,040	349,888	- 6,848
Projects, Corporate Items and Contributions from Earmarked Reserves	(219,030)	(178,599)	- 40,432
Net (Surplus) / Deficit	(542,598)	(824,558)	+ 281,960

- 2.1 Core navigation income is behind of the profiled budget at the end of month nine. The overall position as at 31 December 2016 is a favourable variance of £281,960 or 51.96% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £30,817 within toll income:
 - Hire Craft Tolls £25,158 below the profiled budget.

- Private Craft Tolls £3,314 above the profiled budget.
- A favourable variance within Operations budgets relating to:
 - Water Management is under profiled budget by £23,654 due to timing differences on the Hickling project.
 - Practical Maintenance is under the profiled budget by £99,816 due to timing differences on the Cockshoot re-piling.
 - Safety is under profiled budget by £10,320 due to delays in a vehicle replacement.
 - Asset Management is under profiled budget by £14,077 due to additional income being received.
 - Premises is under profiled budget by £14,081 due to timing differences.
- A favourable variance within Planning and Resources budgets relating to:
 - Strategy and Projects is under profiled budget by £90,388 due to timing differences on the Local Plan and the Landscape Architect. Additional income has also been received from the Catchment Partnership and Tesco has also been received. It is proposed to set up an earmarked reserve at year end for any unspent funds instead of applying for carry forwards. This income is ring fenced and cannot be spent on other areas.
 - Project Funding is under profiled budget by £44,756 due to the difficulties of profiling the project pot budget because of the uncertain nature of when projects will be submitted and spent.
 - Heritage Lottery Fund (Landscape Partnership) is above profiled budget by £10,161 due to income being slightly behind profile. This has been offset by lower expenditure.
 - Communications is behind profiled budget by £17,820 due to additional income being received from the Tesco bags of help and a contribution to the website. There is also small timing difference on the website work.
 - ICT is behind profiled budget by £16,424 due to savings on the photocopier lease and timing differences.
 - Planning and Resources Management and Administration is under profiled budget by £14,470 due to the new franking machine contract which has come in cheaper and other small scale savings. Additional income has also been received.

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 2016/17. 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 2016/17 – deficit	Item 12 18/03/16 (BA)	10,347
Approved budget carry-forwards	Item 13 13/05/16 (BA)	26,031
LAB at 31 December 2016 – deficit		36,378

3.2 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £36,378 in 2016/17 as at 31 December 2016.

4 Overview of Forecast Outturn 2016/17

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 December 2016, the forecast outturn indicates:

- The total forecast income is £6,346,106, or £27,535 behind the LAB
- Total expenditure is forecast to be £6,335,984
- The resulting surplus for the year is forecast to be £10,122

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 a favourable variance of £46,500 against the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn deficit per LAB	36,378
Previously reported adjustments 27 September 2016	(24,283)
Increase to Hire Craft Income	(3,582)
Decrease to Private Craft Income	6,120
Increase to Vessel and Equipment Income	(500)
Increase to Practical Maintenance Expenditure for Dingy Park works	2,200
Increase to Asset Management Income	(7,100)
Increase in Operations Management Income for staff recharges	(2,000)
Decrease to Project Pot Expenditure	(5,500)
Increase to Insurance Expenditure for additions to policy in year for the new launch, wherry and change in rates of Insurance Premium Tax	9,000

Decrease to Collection of Toll Expenditure following refund for faulty toll plaques	(4,000)
Decrease to Yare House Expenditure for rent initiative	(12,855)
Increase to Planning and Resources Income for staff recharges	(13,500)
Decrease in Planning and Resources Expenditure	(8,000)
Increase to Legal Expenditure	17,500
Forecast outturn surplus as at 31 December 2016	(10,122)

- 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. There is also additional income predicted for planning and operations and a number of smaller savings within other budgets.

5 Reserves

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2016	In-year movements	Current reserve balance
	£	£	£
Property	(360,603)	(77,500)	(438,103)
Plant, Vessels and Equipment	(302,225)	10,187	(292,038)
Premises	(201,675)	(9,249)	(210,924)
Planning Delivery Grant	(290,865)	118,051	(172,814)
Upper Thurne Enhancement	(56,552)	(20,787)	(77,338)
Section 106	(76,469)	(31,972)	(108,440)
Heritage Lottery Fund	(55,956)	869	(55,087)
Total	(1,344,343)	(10,401)	(1,354,744)

- 5.1 £691,441 of the current reserve balance relates to navigation reserves.

6 Summary

- 6.1 The current forecast outturn position for the year suggests a surplus of £24,924 for the national park side and a deficit of £14,802 on navigation resulting in an overall surplus of £10,122 within the consolidated budget, which would indicate a general fund reserve balance of approximately £1,069,000 and a navigation reserve balance of approximately £318,000 at the end of 2016/17 before any transfers for interest. This will mean that the navigation reserve will be slightly above the recommended level of 10% of net expenditure during 2016/17.

7 Draft Pension Triennial Valuation Results 2016

- 7.1 The Authority participates in the Norfolk Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Fund is subject to a triennial valuation regime, with the last valuation having been conducted in 2013. The purpose of the valuation is to:
- calculate the funding position of individual employers within the fund; and
 - determine the contributions to be paid by employers from 1 April 2017 to 31 March 2020.
- 7.2 Members should note that the valuation figures are draft at this stage and final figures will be published by 31 March 2017. However, the Fund does not currently anticipate any changes from the draft figures.
- 7.3 Details of the actuary's valuation process, definitions and assumptions are set out in appendix 3. The draft results for the Broads Authority are set out in appendix 4.
- 7.4 In particular, section 3 of appendix 4 sets out the valuation results for the Authority including a reconciliation of the movement in the Authority's deficit in the Fund. This has decreased from £2,862k in the 2013 valuation to £2,115k at 31 March 2016. This in turn has meant that the level of funding has increased from 85% to 91%, and the Authority remains above average in terms of the funding levels compared against the whole fund (80%).
- 7.5 Based on the draft 2016 valuation, the proposed employer contribution rates for 2017/18 to 2019/20 are 18.4% (this represents an increase of 3.4% from the 2013 valuation of 15%). The lump-sum deficit contributions have decreased and are set out below.

Table 5 – Annual lump-sum pension deficit contribution

Year	Lump-sum payment £
2016/17	137,000
2017/18	60,000
2018/19	76,000
2019/20	93,000

- 7.6 The fund experience between the valuations has been mainly been positive due to a number of factors which include: lower than expected pay growth, fewer ill health retirements and a lower take up of the 50:50 scheme. The increase to staff contributions and the annual lump-sum payment are broadly in line with previous estimates and have been taken account of in the Authority's budget and financial strategy. The "target" annual lump-sum payment is designed to eliminate the Authority's deficit over a 20 year time frame and is calculated by the actuary. The Authority is considered as a low risk member of the Fund, which means that the deficit is recovered over a

longer period and a stabilisation mechanism applied to limit the employer contribution rate variations to a maximum annual movement of +/- 0.5% of pay, so there is no risk of an increase to the full annual contribution in the short term.

- 7.7 The Fund is also required to produce a Funding Strategy Statement (FSS) which is a summary of the Fund's approach to funding its liabilities. The FSS is currently undergoing its final legal review prior to publication and is due to be published the week commencing 30 January 2017. The FSS relates to all employers in the Fund and will be subject to consultation. Copies will be provided at the meeting for members to comment.

Background papers: None

Author: Emma Krelle
Date of report: 27 January 2017

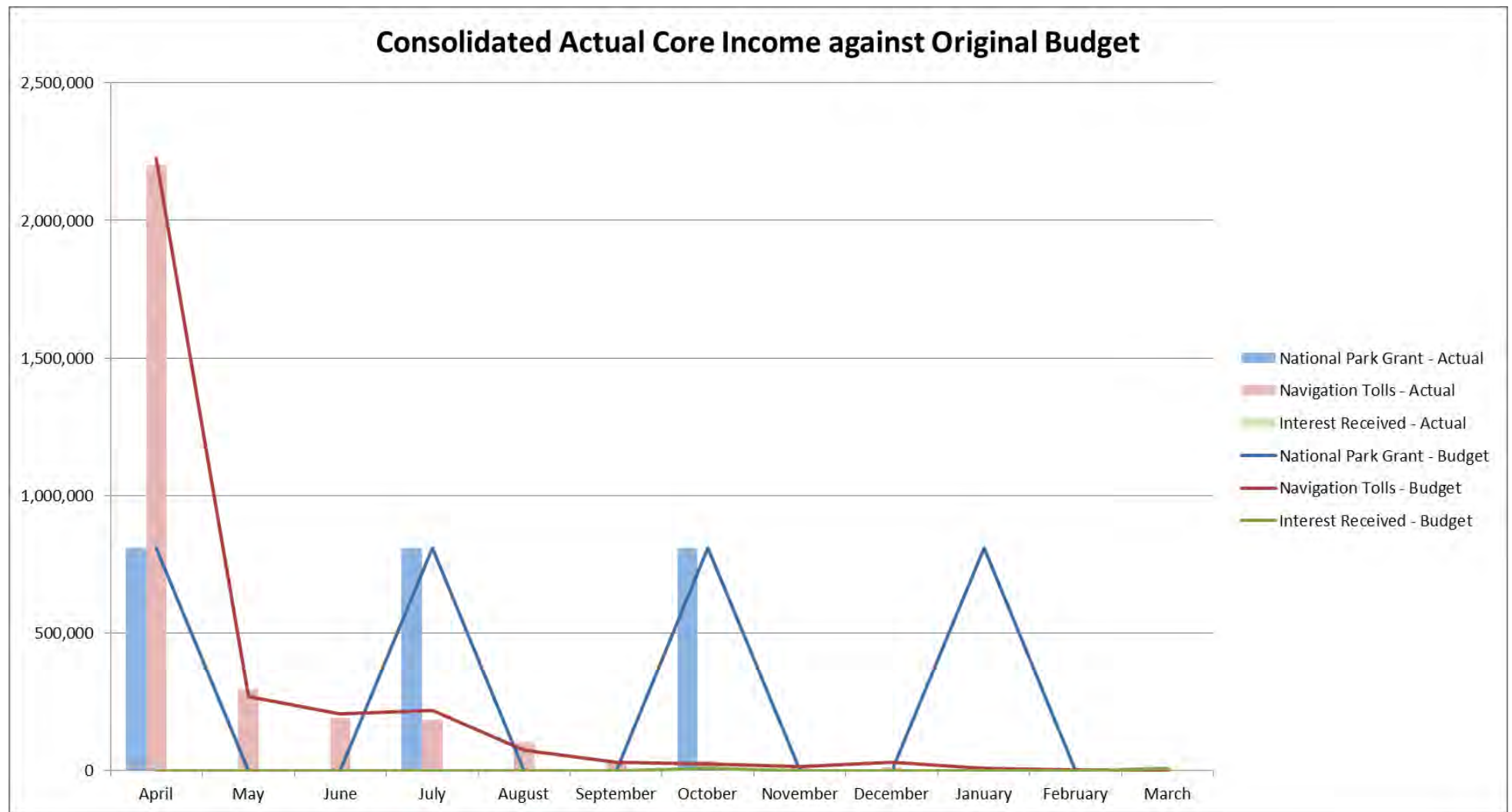
Broads Plan Objectives: None

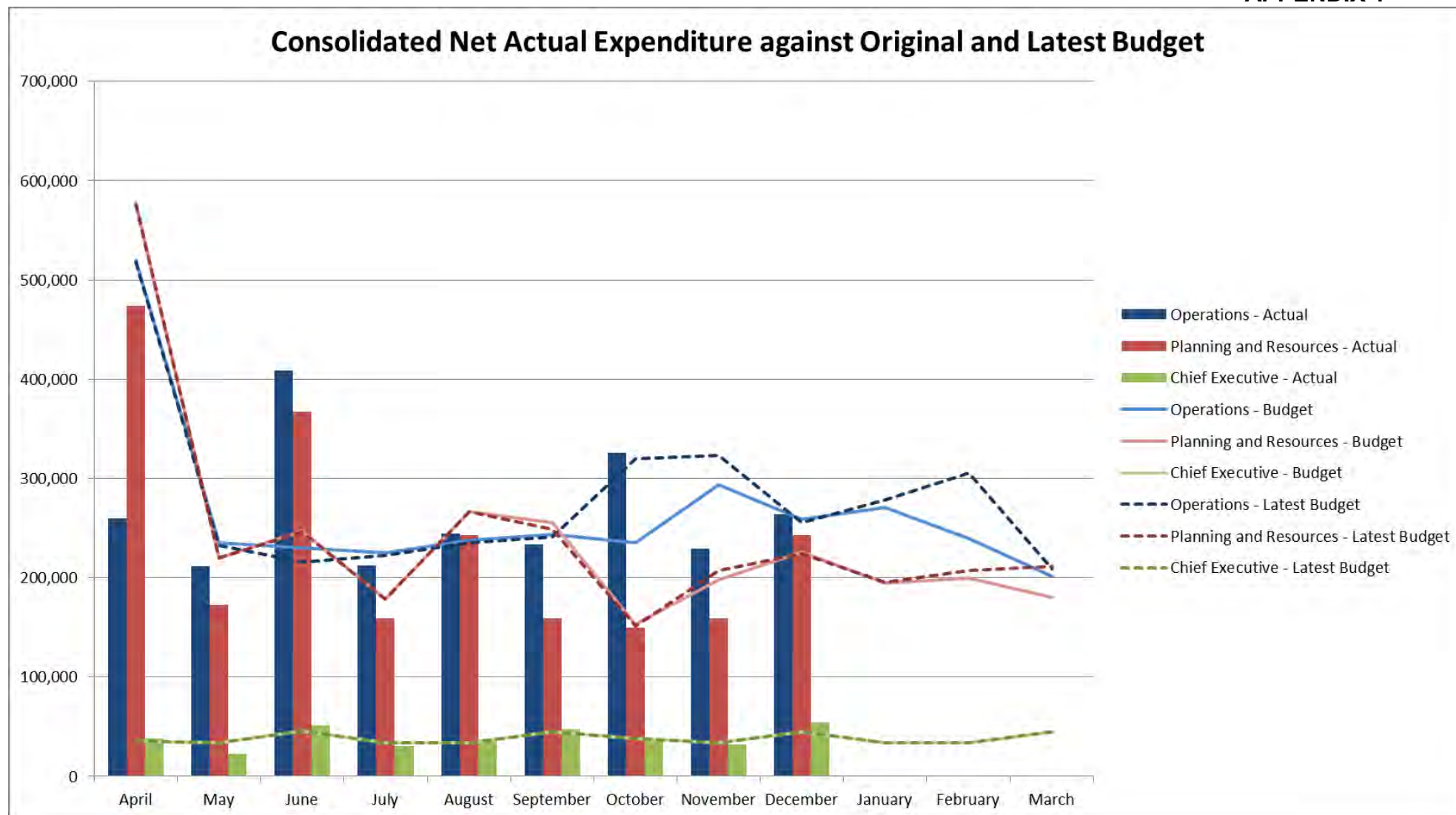
Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 December 2016

APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2016/17

APPENDIX 3 – Draft Norfolk Pension Fund Employer Results Report

APPENDIX 4 – Draft Valuation Results – Broads Authority





To 31 December 2016

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,373,641)		(6,373,641)	(6,346,106)	-27,535
National Park Grant	(3,243,802)		(3,243,802)	(3,243,802)	0
Income	(3,243,802)		(3,243,802)	(3,243,802)	0
Hire Craft Tolls	(1,079,000)		(1,079,000)	(1,053,842)	-25,158
Income	(1,079,000)		(1,079,000)	(1,053,842)	-25,158
Private Craft Tolls	(1,972,000)		(1,972,000)	(1,974,623)	2,623
Income	(1,972,000)		(1,972,000)	(1,974,623)	2,623
Short Visit Tolls	(40,089)		(40,089)	(40,089)	0
Income	(40,089)		(40,089)	(40,089)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(20,000)		(20,000)	(15,000)	-5,000
Income	(20,000)		(20,000)	(15,000)	-5,000
Operations	3,347,498	163,430	3,510,928	3,476,453	34,475
Construction and Maintenance Salaries	1,122,050	0	1,122,050	1,122,050	0
Salaries	1,122,050	0	1,122,050	1,122,050	0
Expenditure			0		0
Equipment, Vehicles & Vessels	419,833	166,000	585,833	564,588	21,245
Income	0		0	(500)	500
Expenditure	419,833	166,000	585,833	565,088	20,745
Water Management	147,500		147,500	141,000	6,500
Income	0		0	(16,500)	16,500
Expenditure	147,500		147,500	157,500	-10,000
Land Management	(38,000)		(38,000)	(38,000)	0
Income	(95,000)		(95,000)	(95,000)	0
Expenditure	57,000		57,000	57,000	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Practical Maintenance	419,200		419,200	419,900	-700
Income	(9,000)		(9,000)	(10,500)	1,500
Expenditure	428,200		428,200	430,400	-2,200
Ranger Services	721,315		721,315	721,315	0
Income	(47,000)		(47,000)	(47,000)	0
Salaries	596,860		596,860	596,860	0
Expenditure	171,455		171,455	171,455	0
Pension Payments			0		0
Safety	125,600		125,600	123,650	1,950
Income	(9,000)		(9,000)	(1,000)	-8,000
Salaries	59,600		59,600	62,000	-2,400
Expenditure	75,000		75,000	62,650	12,350
Asset Management	151,280	2,880	154,160	150,680	3,480
Income	(1,000)		(1,000)	(8,100)	7,100
Salaries	41,530	2,880	44,410	48,030	-3,620
Expenditure	110,750		110,750	110,750	0
Premises	152,170		152,170	152,170	0
Income	(20,000)		(20,000)	(20,000)	0
Expenditure	172,170		172,170	172,170	0
Operations Management and Administration	126,550	(5,450)	121,100	119,100	2,000
Income	0		0	(2,000)	2,000
Salaries	114,050	(5,450)	108,600	108,600	0
Expenditure	12,500		12,500	12,500	0
Planning and Resources	2,738,835	38,159	2,776,995	2,745,540	31,455
Development Management	249,550	6,710	256,260	259,610	-3,350
Income	(60,000)		(60,000)	(80,000)	20,000
Salaries	284,550	6,710	291,260	291,260	0
Expenditure	25,000		25,000	48,350	-23,350
Pension Payments			0		0
Strategy and Projects Salaries	286,990	(4,140)	282,850	282,850	0
Income	(3,500)		(3,500)	(3,500)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	202,490	(4,140)	198,350	198,350	0
Expenditure	88,000		88,000	88,000	0
Biodiversity Strategy	10,000	600	10,600	10,600	0
Income			0		0
Expenditure	10,000	600	10,600	10,600	0
Strategy and Projects	113,030	24,989	138,019	138,019	0
Income			0		0
Salaries	76,530		76,530	76,530	0
Expenditure	36,500	24,989	61,489	61,489	0
Waterways and Recreation Strategy	144,460		144,460	144,460	0
Salaries	69,960		69,960	69,960	0
Expenditure	74,500		74,500	74,500	0
Project Funding	105,500		105,500	100,000	5,500
Income	(19,000)		(19,000)	(19,000)	0
Expenditure	124,500		124,500	119,000	5,500
Pension Payments			0		0
Partnerships / HLF	50,000		50,000	50,000	0
Income	(231,846)		(231,846)	(231,846)	0
Salaries	48,960		48,960	48,960	0
Expenditure	232,886		232,886	232,886	0
Volunteers	66,620		66,620	66,620	0
Income	(1,000)		(1,000)	(1,000)	0
Salaries	47,620		47,620	47,620	0
Expenditure	20,000		20,000	20,000	0
Finance and Insurance	337,750		337,750	348,500	-10,750
Income			0		0
Salaries	137,750		137,750	139,500	-1,750
Expenditure	200,000		200,000	209,000	-9,000
Communications	268,250	23,700	291,950	291,950	0
Income			0		0
Salaries	188,750		188,750	188,750	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Expenditure	79,500	23,700	103,200	103,200	0
Visitor Centres and Yacht Stations	214,930		214,930	214,930	0
Income	(232,500)		(232,500)	(232,500)	0
Salaries	315,430		315,430	315,430	0
Expenditure	132,000		132,000	132,000	0
Collection of Tolls	122,230		122,230	118,230	4,000
Salaries	109,530		109,530	109,530	0
Expenditure	12,700		12,700	8,700	4,000
ICT	300,117	(13,700)	286,417	278,217	8,200
Salaries	143,730		143,730	143,730	0
Expenditure	156,387	(13,700)	142,687	134,487	8,200
Premises - Head Office	254,548		254,548	241,693	12,855
Expenditure	254,548		254,548	241,693	12,855
Planning and Resources Management and Administration	214,860		214,860	199,860	15,000
Income	0		0	(7,000)	7,000
Salaries	133,660		133,660	133,660	0
Expenditure	81,200		81,200	73,200	8,000
Chief Executive	454,630	442	455,072	458,572	-3,500
Human Resources	117,730	442	118,172	119,542	-1,370
Income			0		0
Salaries	58,230		58,230	59,600	-1,370
Expenditure	59,500	442	59,942	59,942	0
Legal	109,970		109,970	114,400	-4,430
Income	0		0	(2,500)	2,500
Salaries	49,970		49,970	36,900	13,070
Expenditure	60,000		60,000	80,000	-20,000
Governance	123,290		123,290	120,990	2,300
Salaries	69,090		69,090	69,090	0
Expenditure	54,200		54,200	51,900	2,300
Chief Executive	103,640		103,640	103,640	0
Salaries	103,640		103,640	103,640	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Expenditure			0		0
Projects and Corporate Items	137,000		137,000	137,000	0
Corporate Items	137,000		137,000	137,000	0
Pension Payments	137,000		137,000	137,000	0
Contributions from Earmarked Reserves	(293,975)	(176,000)	(469,975)	(481,580)	11,605
Earmarked Reserves	(293,975)	(176,000)	(469,975)	(481,580)	11,605
Expenditure	(293,975)	(176,000)	(469,975)	(481,580)	11,605
Grand Total	10,347	26,031	36,378	(10,122)	46,500

Norfolk Pension Fund

Employer Results Report:
Valuation as at 31 March 2016



Gemma Sefton FFA



Robert Bilton FFA

Fellows of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

21 November 2016

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1 Introduction

A formal valuation of the Norfolk Pension Fund (“the Fund”) is currently underway. This report is addressed to Norfolk County Council as Administering Authority to the Fund to communicate the results of the 2016 valuation at an individual employer level.

Many employers participate in the Fund which is one part of the Local Government Pension Scheme (LGPS).

This report has been prepared to accompany the Results Schedules for each individual employer in the Fund. The Results Schedule sets out each employer’s valuation results.

Given the purpose of this report and the accompanying Results Schedules we are content that both elements can be shared with the employer to which they apply for information purposes only. Neither the schedule nor report should be shared with any further third party without our prior written consent.

Also, as the purpose is to provide employer information and explanation, “you” and “your” relate to each individual employer in the Fund throughout the report.

This is a component report of the final aggregate valuation report.

The following Technical Actuarial Standards¹ are applicable in relation to this report and have been complied with where material:

- TAS R – Reporting;
- TAS D – Data;
- TAS M – Modelling; and
- Pensions TAS.

A glossary is contained as Appendix A: please refer to this if you are unfamiliar with any of the terms used in this covering report or the Results Schedule.

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

What is a formal valuation?

A formal valuation has two main purposes:

- To calculate the value of the total liabilities you have within the Fund in relation to the assets you hold. This is your funding position.
- To determine the contributions you will pay to the Fund from 1 April 2017 to 31 March 2020.

This report is intended to help you, as an employer within the Fund, to understand what your funding position means, how it can change and how this will impact on the contributions you pay to the Fund.

2 Your funding position

What is your funding position?

The 'Employer valuation results' (or 'Pool valuation results') table in Section 3 of the Results Schedule sets out your funding position as at 31 March 2016. Your funding position as at 31 March 2013 (or the date you joined the Fund, if you are a new employer since 31 March 2013) has also been included for comparative purposes.

- **Past service liabilities:** this is the value that has been placed on the benefits **built up to date** for your employees and ex-employees. The value of these liabilities is dependent on the financial and demographic assumptions used to calculate these liabilities. For details of the specific assumptions used please refer to Section 2 in your Results Schedule.
- **Asset share:** this is the market value of the share of the Fund's assets that have been allocated to you. The Fund Actuary uses a cashflow approach to apportion assets to individual employers by allowing for employer specific cash flows and investment returns achieved by the Fund since the previous formal valuation (or date of joining if later).
- **Surplus/deficit:** this is the difference between the assets you have and the past service liabilities you are responsible for. If you have more assets than liabilities you have a surplus. If you have fewer assets than liabilities then you have a deficit.

The Fund Actuary also provides some information on the changes in your surplus/deficit in the analysis of surplus table using the valuation data provided. The items that can be tracked using this analysis of surplus approach are set out in Appendix C. Note there are significant limitations and approximations made in this reconciliation and, as such, it is provided as a guide only.

- **Funding level:** this is the ratio of your share of the Fund's assets to your past service liabilities. The contributions determined by the Fund Actuary will aim to result in a 100% funding level over an agreed period (the "time horizon").

What will affect your funding position?

Data

A summary of the membership data as supplied to the Fund Actuary is summarised in Section 1 of the Results Schedule. This includes various membership statistics, membership movements since the previous formal valuation (or date of joining) and the key cashflows used to calculate your assets. It is your responsibility to ensure the Fund holds correct data in respect of your current and ex-employees. Incorrect data may impact on your formal valuation results and subsequently the contributions you pay to the Fund.

Actuarial assumptions

To enable the Fund Actuary to calculate the value of your assets and liabilities, a number of financial and demographic assumptions are made. These assumptions are agreed between the Fund Actuary and the Administering Authority and are set out in the Fund's Funding Strategy Statement ("FSS").

The main assumptions are set out in Section 2 of the Results Schedule.

Further detail on the assumptions is set out in Appendix B.

Experience since the last formal valuation

Your funding position will be affected by the experience of the Fund and your membership over the last 3 years (or date of joining if more recent). This is set out in Section 3 of the Results Schedule in the table titled 'Reconciliation of surplus/deficit'. This is explained in Appendix C.

What can you do in the future to improve your funding position?

There are some elements of membership experience that employers can control. These are:

- The contributions you pay to the Fund: any contributions you make to the Fund (above the cost of the benefits that are being earned by your employees) will decrease any deficit you have. You will also receive investment returns on any contributions you make.
- Salary increases: the pensionable salary increases awarded to your employees affect the pension received by them in retirement. If you

intend to award higher salary increases than have been allowed for in the 2016 valuation assumptions, you should inform the Administering Authority as soon as possible.

You will find it helpful to speak with the Administering Authority regularly if you are concerned about your funding position or future pension costs. It may be possible to provide an indication of your funding position between formal valuation dates to allow you to monitor how your pension's obligations are changing.

3 The contributions employers pay to the Fund

How are employer valuation contributions calculated?

Employer contributions are calculated using a three step process:

1. Identifying what the employer's funding target should be e.g. achieving a funding level of 100% on an ongoing or cessation basis.
2. Deciding how long it should take for an employer to reach this funding target (the "time horizon").
3. The likelihood that the contribution rate will result in the employer reaching the funding target within the time horizon (the 'likelihood of success'). E.g. 66%, 75% etc. The likelihood has been agreed with the Administering Authority and is dependent on each employer's own circumstances.

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being built up from year to year, referred to as the "*primary rate*". This was previously referred to as Future Service Rate; plus
- b) the contributions required to repair an employer's deficit (surplus), referred to as the "*secondary rate*". This was previously referred to as Deficit Recovery Contributions.

The primary rate will depend on a variety of different factors, including the profile of your membership. For example, the rate is higher for older members as there is less time to earn investment returns before the member's pension comes into payment.

The methodology for calculating the primary rate relates to the basis of your participation within the Fund. For example, whether you are open or closed to

new entrants. A closed employer will have a higher rate as we must allow for the consequent gradual ageing of the workforce.

There is no guarantee that the amount you pay for the primary rate will be sufficient to meet the cost of the benefits that accrue. Similarly, there is no guarantee that the secondary rate will return you to being fully funded at the end of your time horizon. This is because the actual cost of benefits to be paid to members now and in the future is uncertain and will not be known until the last payment is made to the last member.

The Fund Actuary makes assumptions about the future (e.g. investment returns, inflation) in order to assess an appropriate contribution rate but these assumptions are unlikely to be borne out in practice each and every year in the future. Therefore there is an element of risk in any contribution rate set. The lower the likelihood of success, the higher the risk that the contribution rate is insufficient due to the future being worse than expected (e.g. poor investment returns, high inflation).

The likelihood of success is displayed in Section 4 of your Results Schedule.

The contributions you are being asked to pay are set out in Section 4 of the Results Schedule. These may be different from the valuation contributions described as above. The reasons for any differences are discussed below.

What contributions do employers have to pay?

The method used to set the actual contribution rate for you will depend on what type of organisation you are and the nature of your participation in the Fund. Details of how employers are categorised are set out in the Funding Strategy Statement. One of the methods detailed below will apply to you.

1. Stabilisation: also referred to as a 'stabilisation overlay', is a mechanism that allows contribution rate changes to be limited and may apply to some employers in the Fund. Please refer to the Funding Strategy Statement for further details on the employers that the Administering Authority have permitted to adopt a "stabilised" contribution strategy

2. Risk based contributions: for employers who are not permitted to stabilise, the rate payable will depend on the three step process as detailed above.

Additionally, the Fund may permit changes in contributions to be phased in over a number of years.

The contributions you are asked for and as set out in the Fund's Rates and Adjustment Certificate are a minimum. Any additional contributions you pay to the Fund will have a positive impact on your funding position. The Rates and Adjustments Certificate must be published by 31 March 2017 and applies for the period 1 April 2017 until 31 March 2020.

Further details regarding the calculation of risk based contribution rates and the projection of future market conditions are available on request.

How long do employers have to reach their funding target?

Contribution rates are determined which aim to restore each employer to a 100% funded position at the end of an appropriate time horizon. This is set out in the Fund's Funding Strategy Statement and varies depending on your circumstances.

The "Valuation contribution rate results" shown in Section 4 of the Results Schedule will show the time horizon which applies to you.

What if the employer is part of a pool?

If you participate within a pool, all employers in the pool will be asked to pay the same contributions. These contributions may be more or less than you would have paid if you were an individual employer in the Fund.

What if an employer is planning to leave the Fund?

If you leave the Fund, a "cessation valuation" will be carried out at the date of leaving. It will determine whether you have a surplus or deficit, where any deficit will have to be repaid to the Fund. The cessation payment can be a significant figure and we strongly recommend that you contact the Fund if you believe your participation in the Fund may end in future for any reason. Where the Fund has forward notice of a planned exit, the Fund is able to target the repayment of the cessation deficit over time and minimise the risk of the Fund

requiring, and you have to make, a single large payment. Please refer to the Funding Strategy Statement for details on how a cessation valuation would be carried out.

If you are planning to leave the Fund soon, you may wish to ask the Fund for an indication of any cessation payment you will be asked to make.

Appendix A – Glossary

Actuarial assumptions / basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities . The main assumptions will relate to the financial assumptions such as discount rate , salary growth, pension increases and demographic assumptions such as longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.		
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".	Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and liabilities values for each employer are individually tracked, together with its primary rate at each valuation .
Deficit	The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).	Financial assumptions	The main financial assumptions are the discount rate (assumed investment return), the salary increase assumption and the pension increase assumption.
Demographic assumptions	These assumptions determine when a benefit is paid. The main demographic assumption is the mortality assumption, which determines how long benefits are paid for. The baseline mortality assumption is the current estimate of mortality rates based on observed data (likelihood of death each year). Other examples of demographic assumptions are the number of employees that leave the Fund and the number of employees that retire with ill-health benefits	Funding level/position	The ratio of assets value to liabilities value. The ideal position is 100%. If it is less than 100% then you have a deficit; if it is more than 100% then you have a surplus.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit . A lower discount rate gives a higher	Liabilities	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit . It is calculated on a chosen set of actuarial assumptions .
		LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).	Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: risk-based modelling of future market movements; longer deficit recovery periods; higher discount rates; phasing of changes in rates or some combination of these.
Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit , or (if formally agreed) it may allow deficits to be passed from one employer to another.	2016 valuation rate	The employer's contribution rate, including both primary rate and secondary rate .
Primary rate	The actuarially calculated cost of each year's build-up of pension by the current active members , excluding members' contributions but including Fund administrative expenses. This is calculated using actuarial assumptions .	Valuation	An actuarial investigation to calculate the liabilities for a Fund and its individual employers, and to assess primary and secondary contribution rates for the Fund's employers. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value is based on long term bond market yields at that date also.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs. their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.	Duration of liabilities	The weighted average time until the liabilities are due to be paid.
Secondary rate	The part of the employer's annual contribution which relates to past service deficit repair or surplus refund.		

Appendix B – Demographic assumptions

Males

Age	Salary Scale	Incidence per 1000 active members per annum						
		Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.21	219.73	439.47	0.00	0.00	0.00	0.00
25	117	0.21	145.14	290.28	0.00	0.00	0.00	0.00
30	131	0.26	102.98	205.93	0.00	0.00	0.00	0.00
35	144	0.30	80.46	160.88	0.12	0.09	0.10	0.07
40	150	0.51	64.78	129.48	0.20	0.15	0.16	0.12
45	157	0.85	60.85	121.60	0.44	0.33	0.35	0.27
50	162	1.36	50.16	100.12	1.13	0.85	1.14	0.85
55	162	2.13	39.50	78.88	4.42	3.32	2.56	1.92
60	162	3.83	35.20	70.28	7.78	5.84	2.20	1.65
65	162	6.38	0.00	0.00	14.78	11.09	0.00	0.00

Please note that the withdrawal figures include tier 3 ill health.

Females

		Incidence per 1000 active members per annum						
Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.12	151.58	252.63	0.00	0.00	0.00	0.00
25	117	0.12	101.99	169.97	0.12	0.09	0.10	0.07
30	131	0.18	85.50	142.46	0.16	0.12	0.13	0.10
35	144	0.30	73.79	122.91	0.32	0.24	0.26	0.19
40	150	0.48	61.42	102.26	0.48	0.36	0.39	0.29
45	157	0.77	57.31	95.41	0.65	0.48	0.51	0.39
50	162	1.13	48.32	80.35	1.21	0.91	1.22	0.92
55	162	1.49	36.05	60.02	4.48	3.36	2.60	1.95
60	162	1.90	29.06	48.31	9.51	7.14	2.69	2.01
65	162	2.44	0.00	0.00	17.09	12.82	0.00	0.00

Please note that the withdrawal figures include tier 3 ill health.

Longevity

We have used bespoke baseline mortality assumptions that have been tailored to fit the membership profile of the fund.

We have also allowed for future improvements in mortality based on the assumption that improvements have peaked, with long term improvements of 1.25% p.a., and declining mortality for over 90s.

The resulting average life expectancies across the whole Fund are as follows:

	Male	Female
Current pensioners	22.1 years	24.4 years
Future pensioners	24.1 years	26.4 years

Future pensioners are assumed to be aged 45 as at 31 March 2016

Commutation assumptions and take-up of the 50:50 scheme

These assumptions are set out in Section 2 of the Results Schedule.

Retirement age pattern & Dependants pensions

We have adopted the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators. We have allowed for an age-based proportion of members giving rise to dependants' pensions on their death. Further details about both these assumptions are available on request.

Appendix C – Reconciliation of Surplus/Deficit

Interest on the surplus/deficit	A surplus or deficit in the Fund will grow in line with the Fund Actuary's expectation of future investment performance (the discount rate).
Investment returns greater/less than expected	The Fund Actuary makes an assumption about the Fund's investment return each year (the discount rate). Where the Fund's actual returns have been greater than this, this will have a positive effect on the funding position. If the Fund's actual return each year is less than the discount rate, this will have a negative effect.
Contributions greater/less than the cost of accrual	Any contributions you pay to the Fund in excess of the assessed cost of the accruing benefits that have been earned by your employees will have a positive effect on the funding position.
Salary increases more/less than expected	<p>The Fund Actuary makes an assumption about the level of future salary increases. If you have awarded salary increases that are higher over the last three years, this will have a negative effect on your funding position. If you have awarded lower salary increases, this will have a positive effect on your funding position.</p> <p>You should be aware of the level of salary increases that the Fund Actuary has assumed in their calculations and consider the pension costs if you intend to award higher salary increases to your employees.</p>

Pension increases more/less than expected	The Fund Actuary makes an assumption for the expected levels of the Consumer Price Index. This is the expected level of future pension increases for deferred and pensioner members. Over the period from 2013 to 2016, actual pension increases have been slightly lower than assumed. This has a small positive impact on the funding position.
Ill-health retirement strain / contributions paid	<p>The Fund Actuary makes an allowance for people to retire early with ill-health benefits. Ill-health early retirements cost more than normal retirements. If fewer members than expected have retired on ill-health grounds, this will have a positive impact on your funding position. If more members than expected have retired on ill-health then this will have a negative impact on your valuation results.</p> <p>You may have been asked to make a payment towards the cost of such early retirements or you may have had insurance. Any payments you have made to the Fund will have a positive effect on your funding position.</p>
Redundancy/ efficiency early retirement strain/ contributions paid/ payable	<p>The Fund Actuary is supplied with data for all other early retirements. The cost of each early retirement is calculated and will have a negative impact on the funding position. However, any early retirement contributions you have made to the Fund will have a positive effect on your funding position.</p> <p>Due to differences in the way these calculations are carried out, the payment you have made to the Fund may be more or less than the actuarially assessed strain cost.</p>

Early leavers more/fewer than expected	At the 2013 valuation, an assumption was made about the number of members who would withdraw from the Fund. Early leavers' benefits usually cost less than normal retirements. The Fund Actuary compares the actual number of leavers to the expected number of leavers for the last three years. Where this is more than expected, this will have a positive impact on the funding position. Where this is less than expected, this will have a negative impact on the funding position.
Pensioner deaths more/less than expected	At the 2013 valuation, an assumption was made about how long members would live for. Where pensioners have lived for longer than expected, this will have a negative impact on your funding position. Where more pensioners have died than expected, this would have a positive impact on your funding position.
Commutation higher/lower than expected	An assumption was made at the 2013 valuation for the amount of pension that a retiring member would choose to commute to receive an additional lump sum. Usually a lump sum costs less than the valuation assessment of the pension commuted. Where members commute a higher amount of pension than expected, this will have a positive impact on the funding position, and vice versa.
Change in demographic assumptions	At each valuation the Fund Actuary performs an experience analysis to compare all demographic assumptions with those assumed at the previous valuation. The demographic assumptions are then altered for the following valuation to more closely reflect what has happened. The impact of the change in these assumptions will depend on the profile of your own membership data.

Change in mortality assumptions	Similarly to the demographic assumptions, the mortality (i.e. life expectancy) assumption is altered at each valuation to reflect more up to date experience. The impact of the change in these assumptions will depend on the profile of your own membership data, and the assumption adopted at the last formal valuation.
Change in financial assumptions	Financial assumptions are derived with reference to current market conditions at each valuation date. The net discount rate (the difference between the discount rate and the salary or pension increase assumption) has an impact on the value placed on the benefits earned to date ("the liabilities"). A smaller net discount rate leads to a higher liability value.
Impact of bulk transfers	<p>If you have been involved in any bulk transfers, there may be a profit or a loss if the value of assets you received (or paid) is different from the value of liabilities you assumed (or transferred).</p> <p>This applies to both transfers between Funds and transfers to/from employers within the Fund.</p> <p>Any transfers that occur on a "fully funded" basis have no impact on the funding position of an employer.</p>
LGPS 2014 50/50 take up experience	At the 2013 valuation the Fund Actuary made an assumption on the number of members they expected to take up the 50/50 option in the LGPS 2014 scheme. Where more members than expected have joined the 50/50 scheme, this will have a positive impact on the funding position, and vice versa.

Other experience items	<p>Based on the data available to the Fund Actuary, it is not possible to analyse the impact of all experience that will affect your funding position.</p> <p>As the Fund has a single pot of assets, the Fund Actuary must allocate these assets to each employer.</p> <p>Any difference between the sum of the employers' assets and the whole Fund assets is allocated between employers (pro-rated based on the employers liabilities).</p>

31 March 2016 Formal Valuation - Draft Results

ATTENTION

The results in this Schedule should be read in conjunction with the Employer Results Report and the Formal Valuation Report (to be issued in March 2017). The method, assumptions, reliances and limitations are described in those documents. The restrictions set out in those reports on the disclosure to any third party apply equally to this Results Schedule.

Fund	Norfolk Pension Fund
Administering Authority	Norfolk County Council
Employer	Pool results
Pool	Broads Pool
Employer Code	Not applicable
Open/Closed	Open
Employer Type	Scheduled Body



Gemma Sefton FFA
For and on behalf of Hymans Robertson LLP



Robert Bilton FFA

21 November 2016

Section 1 - Pool Data

Pool membership statistics

	Number		Average Age		Duration
	31 Mar 2013	31 Mar 2016	31 Mar 2013	31 Mar 2016	31 Mar 2016
Actives Members	119	132	52.5	53.4	21.7
Deferred Pensioners	88	130	50.4	51.3	23.4
Pensioners	69	82	65.6	67.0	12.0

Average age is weighted by liability

The average duration of liabilities based on the valuation assumption is 19 years.

	Actual Pay / Pension p.a. (£000)		Average Pay / Pension (£)		CARE Pot (£000)
	31 Mar 2013	31 Mar 2016	31 Mar 2013	31 Mar 2016	31 Mar 2016
Active Members	2,677	2,742	22,500	20,776	107
Deferred Pensioners	215	309	2,449	2,374	-
Pensioners	338	436	4,906	5,317	-

The CARE pot for deferred and pensioner members is included in the pension figures.

	FTE Pay (£000)	Average Service (Yrs)		Average Service (Yrs)	
	31 Mar 2016	80ths 31 Mar 2013	60ths 31 Mar 2013	80ths 31 Mar 2016	60ths 31 Mar 2016
Active Males	1,470	11.0	2.0	12.9	5.0
Active Females	819	8.0	2.0	9.4	4.5
Total	2,289	9.0	2.0	11.7	4.8

Average service is weighted by salary. The FTE pay figures relate to those members who joined prior to the CARE scheme date.

Pool membership movements since last valuation

Lives	Actual	Expected	Difference
Early Leavers	38	41	(8%)
Ill Health Retirements	2	2	2%
Early Retirements	1	0	100%
£000s	Actual	Expected	Difference
Amounts of Pension Ceasing	19	31	(40%)

Cashflow data

	Employer £000s contributions	Employee contributions	Benefits paid	Net cashflow
1 April 2013 - 31 March 2014	331	133	377	87
1 April 2014 - 31 March 2015	542	204	446	301
1 April 2015 - 31 March 2016	556	256	614	197

Investment returns

	Actual	Expected
From 1 April 2013 to 31 March 2016	21.1%	14.4%

Section 2 - Assumptions

Financial assumptions

	31 Mar 2013 % p.a.	31 Mar 2016 % p.a.
Pre-retirement Discount rate	4.6%	3.8%
Post-retirement Discount rate	4.6%	3.8%
Salary increases	3.3%	2.5%
Pension increases / CARE revaluation	2.5%	2.2%

Demographic assumptions

We have used bespoke baseline mortality assumptions that have been tailored to fit the membership profile of the fund.

We have also allowed for future improvements in mortality based on the assumption that improvements have peaked, with long term improvements of 1.25% p.a., and declining mortality for over 90s.

For future retirements, we make an assumption that a proportion of the annual pension is exchanged for a one-off tax-free lump sum payment at the date of retirement. For service up to 31 March 2008, we assume members exchange 50% of the regulatory limit for cash, and 75% for service thereafter.

We have assumed that 5 in 100 members will opt to join the 50:50 scheme.

Full details of the assumptions used are detailed in the Employer Results Report

Section 3 - Pool Valuation Results

Pool valuation results

	31 Mar 2013 £(000)	31 Mar 2016 £(000)
Past service liabilities		
Active members (Final salary)	9,623	8,063
Active members (CARE)	-	1,523
Deferred pensioners	3,849	5,662
Pensioners	5,586	7,366
Total	19,058	22,615
Asset share	16,196	20,499
Surplus / (deficit)	(2,862)	(2,115)
Funding level	85%	91%

The results at 31 March 2013 differ from those disclosed at the last valuation because there has been a change to employers in the pool
Due to rounding, some of the numbers above may not sum exactly

Analysis of surplus / (deficit)

		£(000)	£(000)
Surplus / (deficit) at last valuation			(2,862)
Interest on deficit		(412)	
Expected investment returns	14.4%		
Actual investment returns	21.1%		
Investment returns greater than expected		1,076	
Contributions less than cost of accrual		(182)	
Expected Salary increases p.a.	4.0%		
Actual Salary increases p.a.	2.2%		
Salary increases less than expected		509	
Expected Pension increases (p.a.)	2.5%		
Actual Pension increases (p.a.)	1.3%		
Pension increases less than expected		437	
Ill-health retirement experience		195	
Ill-health contributions paid		-	
Redundancy / efficiency early retirement experience		(72)	
Early retirement contributions paid / payable		13	
Early leavers more than expected		21	
Pensioner deaths fewer than expected		(144)	
Commutation lower than expected		(55)	
Change in demographic assumptions		64	
Change in mortality assumptions		135	
Change in financial assumptions		(1,420)	
Impact of Bulk transfers		-	
Other experience items		584	
Surplus / (deficit) at this valuation			(2,115)

Due to rounding, some of the numbers above may not sum exactly

The above figures are approximate in nature and shown for the purpose of providing information on the surplus/deficit movement

Section 4 - Pool Contribution Rates

The cost of providing LGPS pension benefits is dependent on many uncertain factors including the investment performance of the Fund's assets. To reflect the uncertainty, employer contribution rates have been set by modelling the contributions required to fund the benefits under 5000 different economic scenarios.

Valuation contribution rate results

	Primary Rate Cost of New Benefits Accruing % of payroll		Secondary Rate Deficit/(Surplus) Repayment % of payroll
Valuation Contribution Rate as at 31 March 2016	18.4%	plus	10.1%

The Primary Rate includes an allowance of 0.5% for administration expenses.

Contribution rates exclude employee contributions. The average employee contribution rate is 6.4%.

Contributions in payment

	% of payroll		£(000) p.a.
Contributions in payment 2016/2017	15.0%	plus	137

The current contribution rate in payment for 2016/17 is equivalent to 20.0% of pay

Proposed Contribution rates for the next three years

	% of payroll		£(000) p.a.
Proposed certified rates for the year ending			
31 March 2018	18.4%	plus	60
31 March 2019	18.4%	plus	76
31 March 2020	18.4%	plus	93

The proposed contribution rates shown allow for a stabilisation overlay. Further details of how this overlay are included in the Funding Strategy Statement.

Internal Audit Strategic and Annual Plans 2017/18

Report by Head of Internal Audit Consortium

Summary: This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2017/18.

The Annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give an Annual Audit Opinion for 2017/18.

Recommendations:

- (i) The Committee is requested to approve:
 - The updated Internal Audit Charter
 - The updated Internal Audit Strategy for 2017/18
 - The Annual Internal Audit Plan for 2017/18.
- (ii) The Committee is requested to note:
 - the Performance Management measures for the Internal Audit Contractor.

1 Introduction

- 1.1 The Authority is required by the Accounts and Audit Regulations 2015 to ensure "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 1.2 Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.3 The formulation of the Annual Internal Audit Plans for 2017/18 is described in the attached report, and the resulting plan contained therein.

Background papers: None

Author: Emma Hodds, Internal Audit Consortium Manager
Date of report: 2 January 2017

Broads Pan Objectives: None

Appendices: APPENDIX 1 - Internal Audit Plan 2017/18

Eastern Internal Audit Services



THE BROADS AUTHORITY

Strategic and Annual Internal Audit Plans 2017/18

Responsible Officer: Emma Hodds – Internal Audit Consortium Manager

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1. INTRODUCTION

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

2. AUDIT CHARTER

- 2.1 The Internal Audit Charter (the Charter) was developed as part of the planning process in 2014/15 and incorporated the requirements of the PSIAS, this was updated in 2015/16 to more accurately reflect the working arrangements with the new Internal Audit Contractor – TIAA Ltd.
- 2.2 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness, and presented to the Section 17

Officer, senior management and the Financial Scrutiny and Audit Committee every 2 years, or as required for review.

- 2.3 The Charter has been recently been updated to now also reflect the new Internal Professional Practices Framework (IPPF) and PSIAS – and in particular the mission statement and core principles. The Charter now also more explicitly includes reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards. The updated Charter is attached at **Appendix 1** to this report.
- 2.4 As part of the review of the Charter the Code of Ethics are also reviewed by the Internal Audit Consortium Manager, and it is ensured that the Internal Audit Services contractor staff, as well as the Internal Audit Consortium Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Internal Audit Consortium Manager.

3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy (**see Appendix 2**) is to confirm:
- How internal audit services will be delivered;
 - How internal audit services will be developed in accordance with the internal audit charter;
 - How internal audit services links to organisational objectives and priorities; and
 - How the internal audit resource requirements have been assessed.

4. ANNUAL INTERNAL AUDIT PLAN

- 4.1 Traditionally a Strategic Internal Audit Plan has been included to provide a comprehensive programme of review work over the forthcoming three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 On review of the previous Strategic Plans during the audit planning for the 2016/17 financial year, it became apparent that the planned coverage does quite often change, for various reasons, and it had been decided that this approach will be amended for the Broads Authority to ensure that the internal audit plan is both responsive and reflective of developments, new risks, issues and any other changes on an annual basis.
- 4.3 The Annual Internal Audit Plan is attached at **Appendix 3**, the first section highlights the areas being reviewed in the forthcoming financial year, with the number of days identified for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.
- 4.4 The second section of the plan, confirms the audits that have been undertaken in previous years and the assurance opinions awarded on conclusion of the review, alongside areas for consideration in future financial years, thus ensuring that awareness is maintained of the services provided by the Authority. This approach will also continue to ensure that sufficient coverage is provided to give an annual opinion.
- 4.5 It is also worth noting that IT audit coverage will formally be reviewed every two years, as due to the size of the team and the work they have been completing this has happened by

default. In the year during which an IT audit is not undertaken this will enable another service area to be reviewed.

- 4.6 The key controls & assurance audit and the corporate governance & risk management audit will continue to be undertaken on an annual basis due to the importance of these areas in determining the adequacy and effectiveness of the Authority's framework of governance, risk management and control, which informs the Annual Report and Opinion.
- 4.7 The Annual Internal Audit Plan for 2017/18 totals 38 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Council's internal control environment carried out at year end.
- 4.8 In addition the Internal Audit Consortium Manager will continue to provide the Role of the Head of Internal Audit to the Broads Authority, the key roles include; developing the annual internal audit plan, quality reviewing the outcomes of the work undertaken by the contractor (TIAA Ltd) and ensuring that this meets the contract requirements, providing an annual report and opinion to the Authority, ensuring that the Committee continues to follow best practice through the self-assessment exercise and providing training as required to new members of the Committee.

5. PERFORMANCE MANAGEMENT

- 5.1 The new Internal Audit Services contract includes a suite of key performance indicators (**see Appendix 5**) against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas.
- 5.2 There are individual requirements for performance in relation to each indicator; however performance will be assessed on an overall basis as follows (for the first year):
 - 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed and agreed with the contractor to ensure that appropriate action is taken.

- 6.3 Performance in relation to these indicators will be reported to the Committee as part of the Progress Reports and the Annual Report and Opinion, ensuring that Members are kept up to date on a regular basis.

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES THE BROADS AUTHORITY

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector thus ensuring continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter (the charter); this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).



- 1.4 The IPPF now also recognises the mission of internal audit which Eastern Internal Audit Services conforms to. The mission is; *to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*. Eastern Internal Audit Services will
- 1.5 The charter also:
 - Establishes the position and reporting lines of internal audit;
 - Provides unrestricted access;
 - Sets the tone for internal audit activities;

- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
 - Sets out the nature and scope of assurance provided to other parties.
- 1.6 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. Therefore the charter will be reviewed annually by the Chief Audit Executive to confirm its ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.
- 1.7 The Charter applies to all Authorities which are part of Eastern Internal Audit Services, currently; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Gt Yarmouth Borough Council and the Broads Authority.

2. Purpose, Authority and Responsibility

2.1 Purpose

- 2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.
- 2.1.2 Internal audit will provide reasonable assurance to all organisations that are part of Eastern Internal Audit Services that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

- 2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body must; *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. The statutory requirement for internal audit is recognised in the Constitution of each Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.
- 2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

2.3 Responsibility

- 2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Authority’s Chief Finance Officer (the Section 17 Officer).
- 2.3.2 The Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.
- 2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

- 2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

3. Key Relationships and Position in the Organisation

- 3.1 The standards require the terms 'Chief Audit Executive', 'Board' and 'Senior Management' to be defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

- 3.2.1 The Chief Audit Executive is the Internal Audit Consortium Manager who provides the role of the Head of Internal Audit to all organisations part of the Eastern Internal Audit Services. The delivery of the annual internal audit plan, and any ad-hoc assignments is provided by an external contractor; TIAA Ltd since 1 April 2015. The Chief Audit Executive also manages this contract on behalf of all organisations.
- 3.2.2 The Internal Audit Consortium Manager reports functionally to the Board and administratively to the Director of Business Development at South Norfolk Council. In addition the Internal Audit Consortium Manager also reports administratively to the Section 17 Officer at each organisation (and also the Head of Finance at the Broads Authority).
- 3.2.3 The Internal Audit Consortium Manager also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Authority and the Chair of the Audit Committee at each Authority.

3.3 Board

- 3.3.1 The 'Board' is the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting. At the Broads Authority this is the Financial Scrutiny and Audit Committee, whose responsibilities are discharged through the Constitution and explicitly referred to in the terms of reference.
- 3.3.2 This functional reporting includes;
- Approving the audit charter, audit strategy and annual plans; and
 - Receiving the Annual Report and Opinion of the Internal Audit Consortium Manager (which includes the outcomes of internal audit activity and management action in relation to agreed internal audit recommendations), alongside a conclusion as to the effectiveness of internal audit.
- 3.3.3 In addition the Financial Scrutiny and Audit Committee also; assesses its own effectiveness on an annual basis to ensure it meets best practice, receives reports in relation to relevant Policy / Strategy updates i.e. Fraud and will receive and oversee the results of external assessments of internal audit.

3.4 Senior Management

- 3.4.1 'Senior Management' is those responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management

and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

3.4.2 The Internal Audit Consortium Manager meets regularly with the Section 17 Officer and the Head of Finance, both formally and informally, to ensure organisational awareness is maintained and that good working relationships are in place. The formal arrangements facilitate discussion in relation to the delivery of the current internal audit plan to ensure it remains on track and is responsive to changes and emerging risks. The meeting also highlights any areas which require immediate attention, that are not in the current annual plan, and also areas for future consideration.

3.4.3 In addition the Internal Audit Consortium Manager meets with management team through the annual audit planning process to enable a risk based internal audit plan. These relationships are maintained throughout the year to ensure awareness of developments within service areas, to keep up to date, and to ensure internal audit involvement where necessary. These are key relationships to the effective delivery of internal audit and to ensure a value-added service is provided.

3.5 Other key relationships

3.5.1 There are other key relationships that are maintained which are important to the effective and efficient delivery of internal audit.

3.5.2 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

3.5.3 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.

3.5.4 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4. Rights of Access

4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Authority's Constitution.

4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5. Objective and Scope

5.1 Assurance services is the primary role of internal audit services, which primarily feeds into the annual audit opinion on the adequacy and effectiveness of the Authority's framework of

governance, risk management and control, together with reasons if the opinion is unfavourable. This opinion covers the entire control environment of the Authority and not just the financial controls.

- 5.2 Internal audit also provides consultancy services, where required, which is advisory in nature and generally performed to facilitate improved governance, risk management and control.
- 5.3 It is management's responsibility to manage the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition the Internal Audit Consortium is either responsible for, or is consulted on, related policy / strategy. These include for example; Counter Fraud, Corruption and Bribery Strategy, Whistleblowing Policy and Anti-Money Laundering Policy, and the related promotion and training for officers and councillors.
- 5.4 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.
- 5.5 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussion with senior management, however this scope will not be unduly bias nor shall it be restricted.

6. Independence, Objectivity and Due Professional Care

- 6.1 Internal audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. Internal auditors must maintain an unbiased attitude that allows work to be performed in such a manner that no quality compromises are made. To this end all internal auditors working within Eastern Internal Audit Services, annually review and sign up to the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. In addition, internal auditors will not review operations for which they were previously responsible for in the preceding 12 months. Internal auditors may provide consulting services relating to such operations.
- 6.3 If independence or objectivity is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Consortium Manager and / or senior management. The nature of the disclosure will depend upon the impairment.
- 6.4 Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work is designed to enable them to provide reasonable assurance regarding the controls examined.

7. Internal Audit Resources

- 7.1 The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have a wide range of internal audit management experience to enable them to deliver the responsibilities that arise from the need to liaised internally and externally with councillors, senior management, officers and other professionals and stakeholders.
- 7.2 The Internal Audit Consortium Manager, through the contract with the external provider, shall ensure access to a team of staff who have the appropriate range of knowledge, skills,

qualification and experience to deliver the audit service. The types of reviews are referred to in section 5 of the charter.

8. Audit Planning

- 8.1 The Internal Audit Consortium Manager develops a strategy, alongside an annual internal audit plan, using a risk based approach.
- 8.2 The Internal Audit Strategy is a high level statement of; how the internal audit service will be delivered; how internal audit services will be developed in accordance with the internal audit charter; how internal audit services links to the organisational objectives and priorities; and how the internal audit resource requirements have been assessed. The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 8.3 On an annual basis the internal audit plan of work, developed as per the Internal Audit Strategy, is submitted to Senior Management and the Financial Scrutiny and Audit Committee for approval. The Internal Audit Consortium Manager is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported through to the Committee.

9. Audit Reporting

- 9.1 As mentioned at section 8 the internal audit plans will be received on an annual basis for approval by both Senior Management and the Financial Scrutiny and Audit Committee. These annual plans are then the work plan for the internal audit contractor for the forthcoming year and are resourced accordingly.
- 9.2 On conclusion of each assurance review a draft audit report will be provided to management that;
 - Provides an assurance opinion on the systems and controls in place as to whether these are operating adequately, effectively and efficiently. These reports contribute to the annual report and opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
 - Provides a formal report of points arising from the review and management responses to the issues raised, this includes; acceptance (or not) of the recommendation, with responsibility and timescales for implementation.
 - Provides Operational Efficiency Matters (as appropriate) which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

On receipt of responses from management the report can then be finalised, post review by the Internal Audit Consortium Manager.

- 9.3 As mentioned in 9.2, management can choose not to accept / implement the recommendations raised by internal audit. In all such instances this will be reported through to the Financial Scrutiny and Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 9.4 The Executive Summary of all final reports is reported through to the Financial Scrutiny and Audit Committee as part of the Annual Report and Opinion. Should an urgent risk or issue be reported on through the year a progress report would be submitted to the Committee for their consideration, rather than wait until year end reporting.

- 9.5 Where management agree to recommendations resulting in an action plan, these are regularly followed up to assess progress on implementation. The internal audit contractor undertakes verification work on closed recommendations, and also receives response from management in relation to progress made. The results of which are reported periodically to the Financial Scrutiny and Audit Committee by the Head of Finance, and a year end conclusion is reported on as part of the Annual Report and Opinion.
- 9.6 On conclusion of the annual internal audit plan for the financial year the Internal Audit Consortium Manager provides an annual report and opinion to senior management and the Financial Scrutiny and Audit Committee.
- 9.7 The annual report and opinion provides:
- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);and
 - The Annual Review of the Effectiveness of Internal Audit, which includes;
 - a statement on conformance with the standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

10. Quality Assurance and Improvement Programme

- 10.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 10.2 If an improvement plan is required as a result of the internal and / or the external assessment, in order to further develop the existing service provisions, the Internal Audit Consortium Manager will coordinate appropriate action and report against this to Senior Management and the Financial Scrutiny and Audit Committee, as part of the annual report and opinion.
- 10.3 Internal Assessment
- 10.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures which form a key part of the contract and through the quality review of all completed audits, both of which is undertaken by the Internal Audit Consortium Manager.
- 10.3.2 On conclusion of audit reviews a feedback form is provided to the key client on the audit process; the outcomes of which are reviewed to look to improve the service and any criticism received is investigated immediately and action taken with the contractor to resolve the issue.
- 10.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Financial Scrutiny and Audit Committee as part of the annual report and opinion. This information

enables the Financial Scrutiny and Audit Committee to be assured that the internal audit service is operating in accordance with best practice.

10.4 External Assessment

10.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Consortium Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor / team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

10.4.2 An external assessment will:

- Provide an assessment on the internal audit function's conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

10.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES THE BROADS AUTHORITY

INTERNAL AUDIT STRATEGY FOR 2017/18

1. Introduction

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

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

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council (the Internal Audit Consortium Manager) to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Internal Audit Consortium Manager. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

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

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Financial Scrutiny and Audit Committee and the Section 17 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all the audits that could be performed; and
 - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 17 Officer and Senior Management takes place through a specific meeting during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by Management Team prior to this being brought to the Financial Scrutiny and Audit Committee. In addition External Audit is also provided with early sight of the plans.

3.3 Internal Audit Annual Opinion

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

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

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

5. How internal audit resource requirements have been assessed

- 5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.
- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists,

e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 3 – ANNUAL INTENAL AUDIT PLAN

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5				5	The audit will focus on the Corporate Governance and Risk Management arrangements for 2017/18, with the specific focus of the review being determined nearer the time of the audit.
Key Control and Assurance	15			15		This audit looks at the fundamental systems s that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed as part of this review are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.
Service Area audits						
Asset Management	10		10			This review will provide insight into the management of the Broads Authority assets, with particular regard to: the policies and procedures that are in place, acquisitions & disposals, leases, maintenance & insurance, valuations and reconciliations to the fixed asset register.
Port Marine Safety Code	8		8			This review is an independent audit of the Broads Authority Safety Management System (SMS). The Port Marine Safety Code (PMSC) requires that Harbour Authorities should include provision for systematic review of performance based on information from monitoring and from independent audits of the whole system. An audit and review of the marine SMS should take place every three years, informing the three-yearly publication of the marine safety plan and the Authority's performance against the previous plan, as required by the PMSC.
Total number of days	38	0	18	15	5	

Audits Previously undertaken		
Service area audits		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Adequate
Planning	2011/12	Adequate
Procurement	2013/14	Adequate
Consultation Activities and partnership provisions	2014/15	Adequate
Planning	2015/16	Reasonable
External Funding - HLF Bid and National Parks Partnership	2016/17	Reasonable
IT Audits		
Disaster Recovery	2008/09	Limited
IT Governance and Strategy	2010/11	Adequate
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Adequate
Anti-Virus, Malware, Backups & Firewall Administration	2016/17	Reasonable

APPENDIX 4 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u>	
1. Audit Committee Satisfaction – measured annually	Adequate
2. Chief Finance Officer Satisfaction – measured quarterly	Good
<u>Internal Audit Process</u>	
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	100%
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	100%
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)	100%
6. Compliance with Public Sector Internal Audit Standards	Full
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100%
<u>Clients</u>	
8. Average feedback score received from key clients (auditees)	Adequate
9. Percentage of recommendations accepted by management	90%
<u>Innovations and Capabilities</u>	
10. Percentage of qualified (including experienced) staff working on the contract each quarter	60%
11. Number of training hours per member of staff completed per quarter	1 day

External Audit
Report by Head of Finance

Summary: This report appends:

- the Annual Audit Letter for 2015/16
- the Audit Plan for the 2016/17 audit
- the Local Government Audit Committee Briefing by Ernst & Young.

Recommendations:

- (i) That the Annual Audit Letter for 2015/16 be noted.
- (ii) That the Audit Plan for the 2016/17 audit be noted.
- (iii) That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

1 Introduction

- 1.1 The Annual Audit letter for 2015/16 summarises the key issues arising from the audit. These key findings are set out on page 11 of appendix 1.
- 1.2 The Audit Plan for the 2016/17 audit by Ernst & Young is appended to this report (appendix 2). The plan sets out the work which the auditors propose to undertake for the audit of the financial statements and the value for money conclusion for 2016/17. It confirms that the proposed audit fee will be £13,943, which represents no change from the fee charged since 2012/13.
- 1.3 The Audit Director, Kevin Suter, will be attending the meeting to introduce the Audit Plan and answer any questions.

2 Identification of Significant Risks

- 2.1 The Audit Plan takes a risk-based approach to audit planning and identifies two significant risks in 2016/17, which relates to management override and medium term financial planning. Both of these risks are consistent to those presented for 2015/16.
- 2.2 The audit approach to these risks is set out in section two and three of the Audit Plan.

3 Financial Implications

- 3.1 Provision for the audit fee is included in the 2016/17 budget and will be charged in the accounts for the year.

4 Briefing Key Issues

4.1 This briefing is presented to Members as a “for information” item.

4.2 The items of relevance to the Authority are:

- The government and economic news, in particular regarding Autumn Forecast (page 2 onwards);
- Public sector pay offs cap (page 3)
- Pension investment schemes (page 4);
- Public sector borrowing (page 5); and
- Governing culture for boards and committees (page 6).

Background papers: None

Author: Emma Krelle
Date of report: 25 January 2017

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Ernst & Young Annual Audit Letter 2015/16
APPENDIX 2 – Ernst & Young Audit Plan 2016/17
APPENDIX 3 – Ernst & Young Local Government Audit
Committee Briefing (Quarter 4 2016)

The Broads Authority

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to the Broads Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Authority is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 9 September 2016
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 September 2016

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

Kevin Suter

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 27 September 2016 meeting of the Financial Scrutiny and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 18 January 16 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Authority

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

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



Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 27 September 2016.

Our detailed findings were reported to the 27 September 2016 meeting of the Financial Scrutiny and Audit Committee.

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

Significant Risk	Conclusion
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We</p> <ul style="list-style-type: none">• 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 liabilities and property, plant and equipment valuations for evidence of management bias; and• Evaluated the business rationale for any significant unusual transactions.• Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. <p>The results of our audit testing did not identify any instances of management bias in accounting estimates reviewed or identified any inappropriate journal entries.</p> <p>No significant unusual transactions were identified during the course of the audit.</p> <p>All tested capital expenditure met the relevant accounting requirements and were appropriately capitalised.</p>



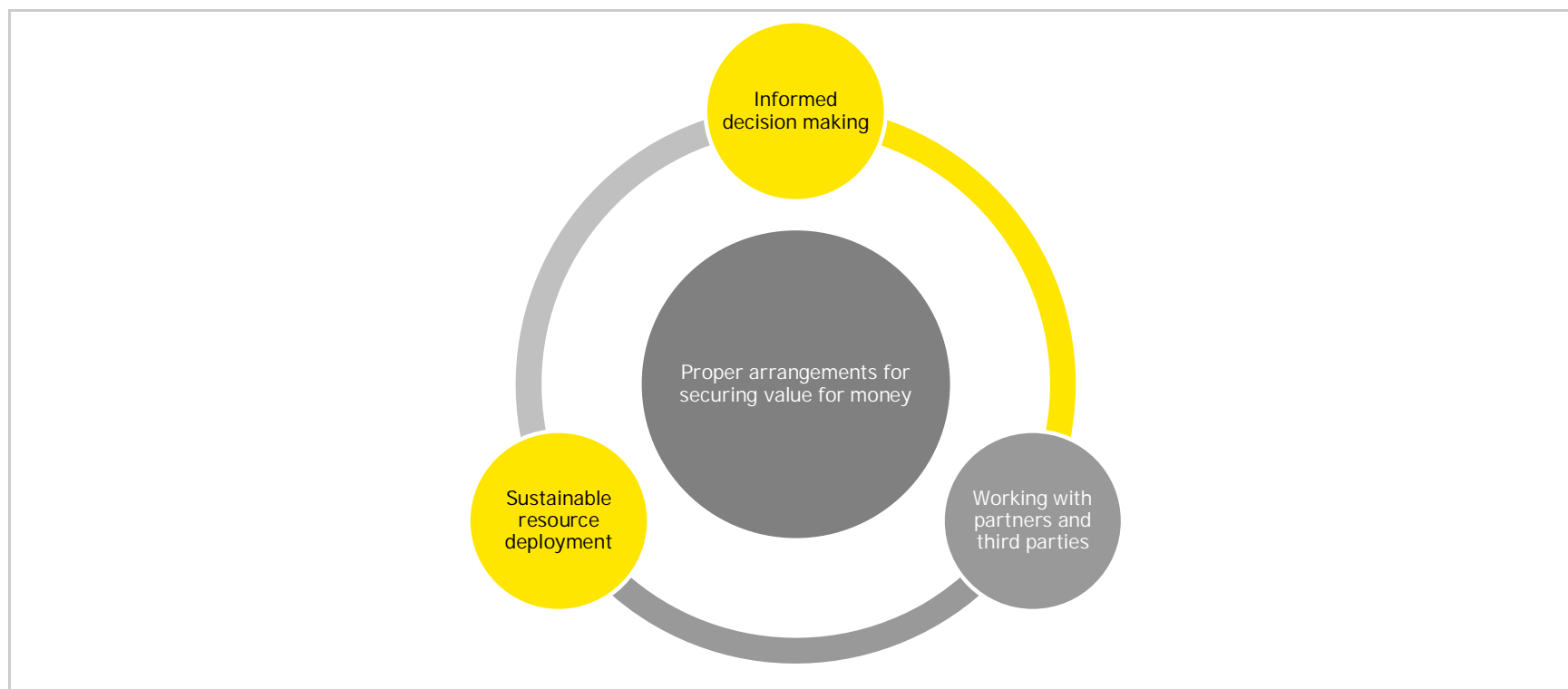
Value for Money

Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 30 September 2016.

Our audit did not identify any significant matters in relation to the Authority's arrangements.

Our detailed findings were reported to the 27 September 2016 meeting of the Financial Scrutiny and Audit Committee.

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

Significant Risk	Conclusion
<p>Medium term financial planning</p> <p>At the time of our planning we noted the grant settlement for all national parks would remain consistent with funding from previous years, but an uncertainty relating to the specific allocations to the individual Parks Authorities in 2016/17 and in future years.</p> <p>Management, at that time, were taking the view that 2016/17 financial planning would involve the use of reserves to support any budget shortfall, with the plan to develop a more detailed medium term response once the funding became more certain.</p>	<p>The specific allocations to the individual parks authorities were released in sufficient time to be taken into account in the Authority's budgeting process. Upon receipt of the confirmation, the Authority incorporated this in its 2016/2017 to 2018/2019 budget and medium term forecasts, removing a potential source of uncertainty.</p> <p>Our review of the 2015/16 outturn, the key assumptions made within the medium term financial plan, and the annual budget setting process, did not identify any issues with the Authority's financial planning and response to the changes in funding. We assessed the arrangements put in place to be adequate.</p>



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We had no issues to report.

The Authority is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

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

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

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Financial Scrutiny and Audit Committee on 27 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

No deficiencies in internal control were identified during our audit.

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ED None

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Broads Authority

Year ending 31 March 2017

Audit Plan

January 2017

Ernst & Young LLP



Building a better
working world

The Members
Financial Scrutiny and Audit Committee
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

24 January 2017

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Financial Scrutiny and Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 7th February 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
Executive Director
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psaa.co.uk\)](http://www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Financial Scrutiny and Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Broads Authority give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

We will provide an update to the Financial Scrutiny and Audit Committee on the results of our work in these areas in our report to those charged with governance, currently scheduled for delivery in July 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)

Our audit approach

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- ▶ Reviewing accounting estimates for evidence of management bias, and
- ▶ Evaluating the business rationale for significant unusual transactions

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

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3. Value for money risks

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Medium term financial planning	
<p>To date the Authority has responded well to financial pressures, continuing economic downturn and uncertainties of funding.</p> <p>However, the Authority have forecast a cumulative budget gap of £100k by 2019/20, there remains significant financial pressure on the Authority's budget and Medium Term Financial Strategy (MTFS) during the current and the coming years.</p> <p>Management have taken the view that medium term financial planning will involve the use of reserves to support any budget shortfall.</p>	<p>We will continue to review the Authority's arrangements throughout our audit, including achievement of the 2016/17 budget, financial planning for 2017/18 and 2018/19 and the robustness of any savings plans and future projected reserve levels.</p> <p>We will assess the arrangements being put in place to develop the medium term financial plan, and its consistency with the size, shape and direction of the Authority.</p>

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

i Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ Evaluating the design and implementation of key internal controls in place at the Authority;
- ▶ Reliance on the work of internal audit where appropriate;
- ▶ Procedures to establish reliance on the work of experts in relation to areas such as pensions and property valuations; and
- ▶ Substantive tests of detail of transactions and amounts.

Processes

We plan to rely on management procedures that operate at the financial statement or transactional level.

Our initial assessment has identified the following key processes that we will test:

- ▶ Clear communication of roles and responsibilities.
- ▶ Authorisation of significant transactions.
- ▶ Procedures to prepare financial statements.
- ▶ Management's review of the entity's financial performance.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Financial Scrutiny and Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our audit strategy where we identify issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit, whether as management's experts or auditor's experts are identified as:

Area	Specialists
PPE valuations	▶ Concertus Design and Property Consultants
Pension Liabilities	▶ EY pensions valuations team. ▶ PWC review of Hymans pension fund actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have initially determined that overall materiality for the financial statements of the Authority is £150k based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £8k to you.

We will communicate any change in our materiality level to you after we have completed our interim procedures and received the draft financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the Broads Authority is £13,943.

4.6 Your audit team

The engagement team is led by Kevin Suter, who has significant experience within the Local Government sector. Kevin Suter is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the Value for Money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Financial Scrutiny and Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Financial Scrutiny and Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

Audit phase	Timetable	Financial Scrutiny and Audit Committee timetable	Deliverables
High level planning	January 2017		
Risk assessment and setting of scopes	January / February 2017	February 2017	Audit Plan
Testing of key management processes	February 2017		
Year-end audit	June – July 2017		
Completion of audit	July 2017	July 2017	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate
Conclusion of reporting	October 2017		Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Authority.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Authority has approved and that are in compliance with the PSAA's Term of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no other management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Outturn fee 2015/16 £
Opinion Audit and VFM Conclusion	13,943	13,943
Total Audit Fee – Code work	13,943	13,943

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Financial Scrutiny and Audit Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process 	► Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant 	► Report to those charged with governance
Fraud <ul style="list-style-type: none"> ► Enquiries of the Financial Scrutiny and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud 	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity 	► Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures 	► Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Financial Scrutiny and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	► Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary

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Local government audit committee briefing

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Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY Item Club

The latest EY Item Club forecast (Autumn 2016) focuses on the United Kingdom's decision to leave the European Union and highlights that it believes the relatively small impact on the economy to date may be deceptive. The Sterling's performance could be an indication that troubles lie ahead.

At the moment, growth in the economy is being driven entirely by the consumer, supported by rising employment and real wages, as well as ultra-low interest rates. However, sterling's devaluation will push inflation up to 2.6% temporarily next year. With average earnings still subdued, which will slow the consumer. In the meantime, many firms have put investment and recruitment on hold whilst they assess the likely impact of the Article 50 negotiations on their business and consider their long-term options.

Policy uncertainty is feeding through into lower levels of business confidence which we expect to translate into lower investment in 2017. This together with a squeeze on margins from input cost inflation and a tightening labour market in some areas is leading to investment projects that are seen as marginal either being cancelled or delayed, with some of this capital being diverted to other geographies.

Now is the time to update strategies and associated business plans to reflect the slowing macro-environment and emerging policy outlook. Slowing growth and rising inflation together with a depreciating currency which could negatively impact the economy.

Sustainability and transformation plans

The NHS Planning Guidance issued in December 2015 included the requirement for Sustainability and Transformation Plans (STPs). NHS organisations were asked to work together to come up with a 5-year plan for their area for all areas of NHS spending.

A named individual has been identified to lead each STP. In most cases this is from CCGs, NHS Trusts and Foundations but there are a smaller number from local government bodies.

These STPs have now been delivered and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effective delivery of the STP. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.



Government and economic news

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The STPs have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the STPs are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted plans will need further development and engagement before they can be effectively implemented.

Four of the STPs have been published early and these demonstrate the significance of the changes being considered under these plans, including reducing the number of acute hospitals and the consolidation of services. Such changes are likely to lead to public and political opposition.

The challenge for STP partners will be to move from the planning phase to implementation in order to realise the objectives agreed.

Treasury confirms public sector pay offs to be capped at £95,000

The Treasury have confirmed that public sector exit packages will be capped at £95,000. The announcement follows a consultation period which heard replies from over 350 interested parties. The changes will apply to the majority of the five million public sector workers. Reflecting on the announcement the Treasury noted that the reduction in exit packages across the public sector would result in significant savings but would still offer a comparable and competitive settlement process similar to that in the private sector.

The proposals include the following:

- ▶ A cap on the salary level at which exit packages can be calculated. It is likely that this will fall in line with the current NHS cap of £80,000
- ▶ The tariff for calculating exit packages will be based on three weeks' pay per year of service with a maximum of 15 months being the cap
- ▶ A clawback proposal would also come into effect which would mean that anyone returning to a public service post soon after leaving with an exit package would be required to repay their redundancy payment



Government and economic news

Pension investment schemes

There is a proposal to replace the Local Government Pension Scheme 2009 with new draft regulations as set out below:

The two main areas of reform are:

- ▶ A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk
- ▶ The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary

Revaluation of business rates

The next revaluation of all properties for business rates will take effect from 1 April 2017. From next April, businesses will benefit from the biggest ever cut in business rates in England-worth £6.7bn over the next five years. £3.4bn worth of transitional relief will be available to provide support for the changes. By 2020 councils will be able to keep 100% of all local taxes to fund local services. Invoices will be issued by councils, and the valuations carried out by the VOA, as is currently done, to avoid conflict of interest.

The small business rate multiplier is expected to fall from April 2017 by 1.7p to 46.7p, the standard rate multiplier is also expected to fall by 1.7p to 48.0p.

Schools no longer required to convert to academies

The government will no longer pursue a bill making it compulsory for all schools to convert to academies after protest from Councils, the bill will now only encourage converting.

The original plans required all schools to have converted, or have plans in place to do so by 2022. The announcement coincides with draft plans to introduce more grammar schools in England, reversing the 1998 ban on new grammar schools. And proposals suggesting more schools will be allowed to select pupils based on academic ability which is under consultation until mid-December.

In addition a bill on technical and further education has been published with the aim of boosting the countries productivity by addressing skills shortages by providing high quality technical education. This stems from the independent panel chaired by Lord Sainsbury, which undertook a review of the post-16 skills system and advised Government on measures to improve technical education in England, this led to the Post-16 Skills Plan published in July 2016, which set out the plan to replace thousands of courses with 15 routes into technical employment.



Government and economic news

Public sector borrowing

Public sector borrowing for August has decreased by £0.9bn to £10.5bn compared with the same month last year. This is due largely to a decrease in central government net borrowing of £0.4bn as well as a fall in local government borrowing of £0.2bn.

Public sector net debt at the end of August was £1,621.5bn which is equivalent to 83.6% of UK GDP. This is an increase of £52bn compared with August 2015.

The latest figures come 2 months after the vote to leave the European Union in June.

The Emergency Services Network

In 2011 the Government set up the Emergency Services Mobile Communications Programme to look at options to replace the current provider, Airwave Solutions Limited, for communications between personnel in the field and control rooms. The current contract is set to expire in 2019 and the objective was to replace the current service with one that:

- ▶ Makes high speed data easily available to the emergency services
- ▶ Provides more flexibility and takes advantage of new technologies as they emerge
- ▶ Costs less

The chosen option to replace the Airwave service and meet the three objectives is the Emergency Services Network (ESN). The provision of this service has been contracted out to three main providers Kellogg Brown and Root, Motorola Solution and EE Ltd.

The plan is emergency services will start moving to this new network in September 2017 and the process will be complete by December 2019.

It is estimated to cost £1.2bn from April 2015 to March 2020. After this date the ESN is expected to save money compared to Airwave, the current provider.

Barclays changes LOBO loans to fixed rate loans

Following a period of public scrutiny Barclays has changed its Lender Option Borrower Option (LOBO) Loans to Councils and Local Authorities to a fixed rate basis. The LOBO's had initially been offered at lower rates than the other main source of public sector funding the Public Works Loan Board (PWLb) however Barclays always retained the right to adjust the interest rate. This had come under scrutiny and it was argued didn't offer value for money for taxpayers. A series of objections by local electors have been made to the 2015-16 accounts of 24 local authorities that have taken out LOBO loans. The objections predominantly argued that the decision to take out LOBO loans was irrational and unreasonable, and thereby unlawful. Appointed auditors are currently considering these objections under the legal framework for objections contained in the Local Audit and Accountability Act 2014.

Under the changes Barclays has stated that over 100 local authorities and housing associations will benefit from the change. It will also give such bodies much more certainty over their finances in the future as it will remove an element of uncertainty attached with the nature of the loans by locking the loans in at a fixed rate for the duration of the loans. Barclays said that clients impacted had been notified of the change in June 2016.



Accounting, auditing and governance

PSAA as appointing person

In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation three of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

Appointments for 2018/19 must be made by 31 December 2017. Details of the scheme as well as a timetable will be available soon.

Governing culture: practical considerations for the board and its committees

Corporate culture has been a hot topic for many years now and we are finding Boards and Audit Committees are starting to question more and more how they can ensure proper oversight. The EY Corporate Governance team have prepared a report that summarises the findings of the recent EY and FT board survey on culture and their own work at individual organisations.

We would define culture as the collective values and beliefs that exist in an organisation, or parts of an organisation, that inform and influence behaviours, actions and decision making. Culture can then be split into four organisational pillars:

- ▶ Political architecture: where does power lie and how is it used?
- ▶ Performance architecture: how do economic and performance objectives drive behaviour?
- ▶ Social architecture: what values govern relationships and what behaviours do these drive?
- ▶ Operational architecture: how do organisational frameworks, systems and processes affect behaviour?

Audit committees have a unique role to play in the governance of culture, which can directly affect internal control processes, risk management and the integrity of the financial statements. The Corporate Governance team included the following key messages for the audit committee:

- ▶ The audit committee should understand how culture can impact the effectiveness of risk mitigation strategies and support decision making throughout the company in line with the risk appetite determined by the board
- ▶ The committee should consider the cultural context for performance and results and the integrity of the financial statements
- ▶ Data analytics can help the committee create a picture of culture throughout the company, including across international locations. This data should form part of the overall analysis that is used to drive further assurance and oversight efforts
- ▶ The committee should be aware of cultural factors that can influence the relationship with the external auditor. It should use internal audit as a resource for monitoring and championing the desired culture throughout the organisation

If you have any questions on culture or corporate governance then please speak to your external audit team who will be able to provide information on the various pieces of work we have done, and could do, for your organisation.



Regulation news

Gender Pay Gap

Subject to the approval by Parliament the regulations for mandatory reporting on the gender pay gap will come into force during October 2016. However, employers will have around 18 months from commencement to publish the required information for the first time.

Employers with 250 or more employees will fall within the scope of the regulations.

Pay

The regulations will require employers to publish their overall mean and median gender pay gaps as they are complementary indicators. As well as giving employers a better understanding of any pay gaps identified, this will facilitate comparisons with national and international figures.

Bonus

Employers within scope will need to publish the difference between the mean bonus payments paid to men and women (regulation 6). The mean takes into account the full distribution of bonuses paid by an employer. Only those employees who receive 10 bonuses should be included in the calculation. Employers will also be required to publish the proportion of male and female employees that received a bonus.

Salary Quartiles

Employers will be required to report on the number of men and women in each quartile of their pay distribution (regulation 7). Quartiles split into four equal groups, where each group contains a quarter of the data. Employers will calculate their own salary quartiles based on their overall pay range. The objective is to identify the numbers of women and men in each quarter by the overall pay distribution. This is straightforward to produce and will help employers consider where women are concentrated in terms of their remuneration, and if there are any blockages to their progression.

Impact

This is not yet a disclosure requirement but is something that could emerge in the future.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Do we have appropriate governance arrangements in place to facilitate the delivery of the STP?

Are we ready for the changes to exit package calculations?

If you are an administering authority has the impact of the proposed changes to the new pension investment scheme been considered and how the local authority will go about determining the value of their own investment?

Did your local authority have a Barclays LOBO and if so have the impact of the changes made by Barclays been considered by your organisation?

Has the local authority got a plan in place to appoint an external auditor before 31 December 2017?

How thoroughly has the committee discussed the impact of culture on risk, risk management and the internal control environment?

Are there systems in place to be able to calculate the gender pay gap, ensuring your organisation is prepared if this does become a requirement?



Find out more

EY Item Club

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

Sustainability and transformation plans

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

Exit packages

<http://www.publicfinance.co.uk/news/2016/09/treasury-confirms-public-sector-pay-offs-be-capped-ps95k>

Pension investment schemes

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479642/Consultation_on_investment_reform.pdf

Revaluation of business rates

<https://www.gov.uk/government/news/government-promises-fairer-bills-for-business-across-the-country>

Schools conversion to academies dropped

<http://www.bbc.co.uk/news/education-37791282>

and

<https://www.gov.uk/government/collections/technical-and-further-education-bill>

Public sector borrowing

<http://www.publicfinance.co.uk/news/2016/09/public-sector-borrowing-falls-august>

The Emergency Services Network

<https://www.nao.org.uk/wp-content/uploads/2016/09/Upgrading-emergency-service-communications-the-Emergency-services-Network.pdf>

Barclays changes LOBO loans to fixed rate loans

<http://www.publicfinance.co.uk/news/2016/09/barclays-ditches-lobo-loans>

PSAA as appointing person

<http://www.psaa.co.uk/2016/08/news-release-psaa-specified-as-appointing-person/>

Governing culture: practical considerations for the board and its committees

<http://www.ey.com/uk/en/issues/governance-and-reporting/corporate-governance/ey-governing-culture---practical-considerations-for-the-board-and-its-committees>

Gender Pay Gap

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

Notes

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Notes

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ED None

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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 during 2015/16 and 2016/17.

Recommendation: That the report be noted.

1 Introduction

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarises the current position regarding recommendations arising out of internal audit reports which have been produced for 2015/16 and 2016/17. It sets out in the appendix details of:
- recommendations not yet implemented
 - recommendations not implemented at the time of the last meeting which have since been implemented
 - New recommendations since the last meeting.

2 Summary of Progress

- 2.1 In the previous report to this Committee in September the final recommendation relating to Corporate Governance still remains outstanding but is due to be completed shortly.

3 Internal Audit Programme 2016/17

- 3.1 The first and second audit from the 2016/17 programme have now been completed, with further details below. At the date of this report the third audit on Key Controls is underway and the results from this audit will be reported to the next FSAC meeting on 25 July 2017.

4 External Funding

- 4.1 The objective of the audit was to review the systems and controls in place within External Funding, in particular for Broads Landscape Partnership and National Parks Partnership, to help confirm that these are operating

adequately, effectively and efficiently. This resulted in a “reasonable” audit opinion with three “important” and two “needs attention” recommendations.

4.2 The audit identified areas for improvement relating to:

Broads Landscape Partnership

- To develop procedural guidance for the Broads Landscape Partnership, thereby mitigating the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.
- The risk register and risk management strategy to be reported to the Broads Landscape Partnership Board as a standing agenda item. This should help reduce the risk that the Broads Landscape Partnership objectives are not achieved.
- To obtain signed copies of the Broads Landscape Partnership Project Board agreement from Easton & Otley College, Farm Conservation and River Waveney Trust, to help mitigate the risk that some partners do not deliver the scheme as intended.

National Parks Partnership

- The Broads Authority to request that the following items are raised at the National Parks Partnership Management Board: 1) Production of a risk assessment/register; 2) Declarations of interest to be added as a standing agenda item and; 3) The agreement and documentation of standards of conduct for Management Board members. This mitigates the risks that the National Parks Partnership aims are not achieved and there is non-disclosure of interests.
- To consider including the National Parks Partnership and Water Sensitive Farming Project with Tesco as separate risks within the next formal review of the Strategic Risk Register by the Management Forum. This would help highlight and subsequently reduce the key risks involved in these projects where, for example, there is significant potential for reputational risk.

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

- The National Parks Partnership has been set up as a limited liability partnership (LLP), which is a joint venture made up of 15 national parks, including the Broads Authority, for the purpose of engaging with the private sector and gaining commercial sponsorship. This has already resulted in joint working between Tesco and the Broads Authority about potential funding, therefore meeting the Government’s drive for the Broads Authority to find new sources of funding for their work.
- An online project management tool called Basecamp is used by the Broads Authority to assist in the project management of the Broads Landscape Partnership. This tool provides a central place to manage projects and includes message boards and comment threads; real-time chat/pings; automatic check-ins; to-do lists; document / file storage and; a centralized schedule.
- Grant conditions for the Heritage Lottery Fund (HLF) Bid (Broads Landscape Partnership) are being met in a timely manner.

- There is a clear governance framework in place for the Broads Landscape Partnership and the Broads Authority is a key member/part of this.
- Clear deliverable/outcomes are in place for the Broads Landscape Partnership, with progress reports presented to the Board each time it meets.
- The Broads Landscape Partnership is project managed using an on line project management tool, which includes a project plan with key dates and budget information involving cash flow/expenditure against budget.

4.4 Four of the recommendations have been implemented with 1 still outstanding but on target for completion.

5 Review of Anti-Virus, Malware, Backups & Firewall Administration

5.1 The objective of the audit was to review the systems and controls in place for the administration of Anti-Virus, Malware, Backups and Firewalls, to help confirm that these are operating adequately, effectively and efficiently.

5.2 The audit identified areas for improvement relating to:

Firewall Administration

- The Authority to either ensure that there is support for the current version of the firewall or to update the firmware if the current version is not supported or is nearing End of Life, thus ensuring continued vendor support.
- The Authority to procure an appropriate log monitoring and reporting tool for reviewing internet activity to help ensure that internet bandwidth meets the Authority business needs and that network usage can be managed appropriately
- The Authority to look into the feasibility of subscribing to internet block lists to help ensure that the internet is used appropriately by all staff.

Anti-Virus/Malware Protection

- The Authority's IT acceptable Use Policy, known as Human Resources note number 18 needs to be updated to ensure that it contains adequate staff guidance on dealing with suspected virus infection and ensuring that hardware and software is only installed by IT staff. Thus ensuring that staff fully understand their responsibility in this area.

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

- Sample testing indicates that Anti-Virus and Malware protection policies are being deployed to user machines and servers.
- Notification alerts for possible virus and malware infections are present and operating effectively.
- Firewall backups are taken whenever a change to the configuration changes regular basis. The backups are stored on the network and are backed up again by the corporate backup process.

- Onsite (Yare House) and Offsite (Dockyard) tape storage facilities are adequate.

5.4 All of the recommendations have been completed.

Background papers: None

Author: Emma Krelle

Date of report: 25 January 2017

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Review of Members Governance: April 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
3. Members Training & Support Management to conduct a review of the training strategy and to ensure that the strategy is reviewed on a regular basis going forward. Version control details to be added to ensure it is clear when the strategy was last updated. Regular review of the Members Training Strategy will help to ensure that the strategy remains appropriate to the Authority's changing requirements.	Needs Attention	Solicitor & Monitoring Officer	Agreed. BA to Review Training Strategy for Members when new Solicitor and Monitoring Officer takes up post, by 31/10/16. Update: Member training on the new code of conduct and disclosable/non-disclosable interests took place on 20/01/17. The training strategy will be updated following this years round of member appraisals which are due to be undertaken in February 2017.	By 30/11/16

External Funding: October 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Procedural guidance To develop procedural guidance for	Important	Broads Landscape	Agreed. Procedural guidelines will be produced	By 31/01/17

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>the Broads Landscape Partnership. This procedure should cover the administrative processes, including project management, governance, systems used such as base camp, and the staff involved.</p> <p>The procedures should be version controlled.</p> <p>The compilation of such procedural guidance would enable a consistent approach to be applied with the day to day management of the service. Procedures can also be used as a training tool and to highlight process improvements and efficiencies. This will help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.</p>		Partnership Programme Manager	<p>in draft by the end of January to be presented to the next Board meeting (March) for approval.</p> <p>Update: Still on target for draft to be produced by end of January and to be presented to the Board on 02/03/17.</p>	
<p>2. Risk Reporting The risk register and risk management strategy to be reported to the Broads Landscape Partnership Board.</p> <p>Risks to be prioritised based on</p>	Important	Broads Landscape Partnership Programme Manager	Agreed and completed. Risk register is now a standing item on the agenda for all Board meetings.	Completed by issue of final report.

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>likelihood and impact, with associated mitigation plans, implementation dates, and responsible owners. It should also be highlighted if the risk is outside of the Partnerships risk tolerance/appetite. Risks to be added as a standing agenda item to the Board.</p> <p>Without effective reporting and escalation of key risks, consultations on risks is limited and related controls required to effectively mitigate them are not put in place, thereby increasing the overall risk of the Broads Landscape Partnership objectives not being achieved.</p>				
<p>3. Risk & Board Procedures The Broads Authority to request that the following items are raised at the National Parks Partnership Management Board: - Production of a risk assessment/register, where risks are clearly identified in relation to the aims of the National Parks Partnership. Mitigation plans to be put in place where necessary and reporting of risks to the Board on a regular basis.</p>	Important	Chief Executive	<p>Agreed.</p> <p>Completed. A copy of the audit report was sent to National Parks Partnerships by the Chief Executive week commencing 09/01/17, so they could see the rationale behind the request.</p>	By 31/12/16

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<ul style="list-style-type: none"> - Declarations of interest to be added as a standing agenda item at the National Parks Partnership Management Board meetings. - The agreement and documentation of standards of conduct for Management Board members. <p>Identification of key risks is an important element of good corporate governance and mitigates the risks to the achievement of the National Parks Partnership aims. Without assessment of key risks, these could go unnoticed and subsequently not be mitigated appropriately, thereby resulting in the overall aims of the National Parks Partnership not being achieved. Declarations of interests and standards of conduct contribute to good business ethics, reducing the risks that there are undisclosed conflicts of interests and detrimental behavior.</p>				
<p>4. Partnership Agreements To obtain signed copies of the Broads Landscape Partnership Project Board agreement from Easton & Otley College, Farm Conservation and River Waveney Trust .</p>	Needs Attention	Broads Landscape Partnership Programme Manager	Agreed and completed. All outstanding partnership agreements have now been received.	Completed by issue of final report.

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>The partnership agreement signifies an intent to collaborate and to establish a framework of partnership working within which the Broads Landscape Partnership scheme can be successfully developed and delivered. All partners signing up to this agreement mitigate the risk that some partners do not deliver the scheme as intended and not in line with the agreed aims and objectives.</p>				
<p>5. Risk Register To consider including the National Parks Partnership and Water Sensitive Farming Project with Tesco, as separate risks within the next Formal review of the Strategic Risk Register by the Broads Authority Management Forum. The risks reported within the National Park Partnerships Report (Broads Authority 22 January 2016 Agenda Item No 17) to be scored and compared to the risk appetite to contribute to the above consideration. The National Parks Partnership and Water Sensitive Farming Project with Tesco are new initiatives for the</p>	Needs Attention	Chief Executive	<p>Agreed.</p> <p>Completed. Additional risk added around External Funding to the Strategic Risk Register. A copy of this is on this agenda.</p>	By 31/03/17

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
Broads Authority, involving working with a multitude of organisations including private companies, acknowledging this on the strategic risk level would help mitigate the key risks involved such as reputation.				

Review of Anti-Virus, Malware, Backups & Firewall Administration

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Firewall Management The Authority to review the support lifecycle for the firewall's firmware releases and to update the firmware if the current version is not supported or is nearing End of Life.</p> <p>Ensuring that the firmware is up to date will help to ensure continued support from the appliance vendor. Where firmware versions are not upgraded on a timely basis, there is an increased risk that the firewall appliance will not be adequately supported by the vendor.</p>	Important	Head of IT & Collector of Tolls	<p>Agreed.</p> <p>Completed. Firmware has been upgraded.</p>	By 31/01/17
<p>2. AV/Malware Protection The Authority to review and update</p>	Needs Attention	Head of IT & Collector of	Agreed.	By 31/01/17

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>the Human Resources note number 18 to include staff guidance on dealing with a suspected virus infection on their machines and an explicit clause stating that all Hardware and Software must be installed by IT staff only.</p> <p>Updating the policy will help to ensure that all staff fully understand their responsibilities concerning virus and hardware/software controls. If the policy is not subjected to review, there is an increased risk that staff are not kept adequately informed about virus and hardware/software control requirements.</p>		Tolls	Completed. Policy updated.	
<p>3. Firewall Administration The authority to procure an appropriate log monitoring and reporting tool for reporting on internet activity conducted by staff.</p> <p>The procurement of an appropriate monitoring and reporting tool will help demonstrate how the internet bandwidth is used by staff and potentially reduce the need to procure extra bandwidth.</p>	Needs Attention	Head of IT & Collector of Tolls	<p>Agreed.</p> <p>Completed. In place and being used to tackle any issues identified.</p>	By 31/01/17

Summary of Actions / Responses to Internal Audit Recommendations 2015/16 and 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
Where such monitoring and reporting is not available, there is an increased risk that the Authority's existing internet service will not adequately support Business priorities.				
<p>4. Firewall Administration The Authority to give consideration to subscribing to block lists to facilitate internet content filtering.</p> <p>Subscribing to lists of this nature will help to ensure that the internet service provided by the Authority is used appropriately. The lack of content filtering increases the risk of inappropriate internet usage and could result in increased costs and reputational damage.</p>	Needs Attention	Head of IT & Collector of Tolls	<p>Agreed.</p> <p>Completed. Trial being undertaken.</p>	By 31/01/17

Review of Strategic Risk Register
Report by Solicitor and Monitoring Officer

Summary: The Strategic Risk Register has been reviewed and updated following consultation with risk owners in December 2016 and both Management Forum and Management Team in January 2017. The Register has also been reformatted in the layout approved by the Financial Scrutiny and Audit Committee on 27 September 2016.

Recommendation: That the Committee reviews and approves the Strategic Risk Register.

1 Background

- 1.1 The Authority's Strategic Risk Register is reviewed annually. In December 2016 the Register was subject to a thorough review in conjunction with Risk Owners by the Solicitor and Monitoring Officer. Following individual meetings with the Risk Owners, the register was considered by Management Forum on 9 January 2017. Comments received were then included. As part of discussion with internal auditors, two new risks, Nos 19 and 20 on the Register were included.
- 1.2 The Register contains a scoring system for both Initial Risks and Revised Risks, the latter re-scored after applying the mitigating factors of the safeguards and precautions listed. In each case the risks are scored by 0 to 3 for Severity (S) and Probability (P). The Risk (R) is then set out 1 to 9 by multiplying S by P. In some cases the assessment of the Revised Risk has not produced a lower figure than the Initial Risk.

Background papers: None

Author: David Harris
Date of report: 25 January 2017

Broads Plan Objectives: None

Appendices: Appendix 1 - Strategic Risk Register



Description of Risk Vulnerability: Loss/Non-Availability of Key Staff												
No.1	Risk Owner/Assessor: Head of HR					Assessment Date: December 2016						
					Review Date: June 2017							
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions		Revised Risk		Additional Actions Required		Timescale	
Describe the vulnerability & Impact		S	P	R			S	P	R			
Key post or role-specific posts absent for a prolonged time causing loss of decision making ability.		2	2	4	<p>Sickness absence reporting and monitoring procedures in place.</p> <p>Increased awareness through MT Agendas and ongoing consideration as to further specific steps to address it.</p>		2	2	4	<p>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.</p>		Review June 2017
Sickness/outbreak of pandemic (eg Swine Flu) causing loss of knowledge and experience and associated costs.		2	2	4	<p>Hygiene-preventable infections addressed recently through MF.</p> <p>Anti-bacterial soaps available in the wash rooms, hand wash & telephone sanitizers available to help reduce infectious disease spreading.</p>		2	2	4	<p>Consideration of office-bound staff being dispersed in the case of a major pandemic.</p> <p>Solicitor and Monitoring Officer to include this in next review of Business Continuity plan in October 2017</p>		October 2017
Terminal Illness suffered by member of staff or close relation causing them anxiety		1	2	2	Use of welfare and well-being service.		1	1	1	Training of line managers to be		July 2017

Strategic Risk Register

and inability to perform their role.				Flexible working arrangements, unpaid annual leave and other amended working duties available to help staff cope with private matters				able to counsel and support the employee concerned.	
Inability to compete in terms of pay causing reduced quality/less efficient service.	1	3	3	Job evaluation scheme to ensure fair and appropriate remuneration of staff. Also steps to seek to add value to employment packages where possible. Use of salary sacrifice scheme and vouchers and other packages. The ability to apply a Market Supplement is available in exceptional circumstances	1	3	3		Ongoing through MT
Inadequate succession planning causing loss of key staff and skills at all levels throughout the Authority.	2	2	4	People Strategy including identification of future staff requirements and annually reviewed job descriptions. Seeking to encourage shared knowledge of or experience of other staff to key skills through people strategy.	2	1	2		By June 2017
Loss of key personnel through organisational review, including loss of financial expertise causing failure to meet Government and other deadlines. Loss of credibility/reputation with the public/stakeholders. Cost of taking on additional staff, including recruitment, agency costs and training.	1	3	3	Use of secondment arrangements where appropriate. Staff Representatives Group established. Training and development of staff, to enable them to cover for/contribute skills in the absence of more senior staff. Ability to engage short term consultants in some areas to support the BA work as required. Emergency Management and Reporting System enabled.	1	2	2	Review as part of Business Continuity plan. NB: Areas at Risk are Parole and HR function	October 2017

Strategic Risk Register

Description of Risk Vulnerability: Loss of Offices including Field Bases										
No.2	Risk Owner/Assessor: Solicitor and Monitoring Officer					Assessment Date: December 2016				
						Review Date: Ongoing				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Destruction through fire, explosion or release of hazardous substances causing temporary loss of communication with staff, public and stakeholders.		3	1	3	Fire Safety Risk Assessment. Undertaken by landlord and BA. Appropriate fire prevention measures in place e.g fire alarms, fire extinguishers.	3	1	3		
Flooding of site or loss of access to site through flooding (especially Dockyard) could cause loss of information Access to the Dockyard can be cut off by rising flood water, this can lead to the Bridge Hole being coming impassable to pedestrains and vehicles		2	3	6	Yare house Emergency Fire Procedure and BA Supplementary Procedure (including bomb threat procedures). Dockyard has access to small boats so river access is possible, the site has an emergency evacuation plan and the high ground up and over the rail line is the route. Dockyard has built-in flood protection as part of the building design, office accommodation raised to first floor level, access placed on higher ground . A mains operated pump operates on the bridge hole keeping water levels down. Additional large bore pump on standby over pump if required.	1	3	3	Review with Business Continuity Plan	October 2017
Loss of use or access to premises causing postponement of work, potential failure to achieve objectives/meet deadlines and damage to reputation/credibility.		1	2	2	Business Continuity Plans, including IT Disaster Recovery Plan and Finance Business Continuity Plan. Emergency Management and Reporting System. Home working and hot desking facility at alternative field bases	1	1	1		October 2017

Strategic Risk Register



			available for some members of staff. Insurance Policies. Annual Review as part of Business Continuity Plan each October.					
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Strategic Risk Register

Description of Risk Vulnerability: Loss of IT/Communications Systems										
No.3	Risk Owner/Assessor: Head of ICT and Collector of Tolls					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Destruction of or serious damage to head office; long term power outage (> 12 hrs) causing temporary loss of communication with staff, public and stakeholders. Potential loss of income (eg tolls); reduced service delivery; loss of credibility/reputation with the public/stakeholders; inability to calculate/pay monthly salaries; inability to pay suppliers. Potential failure to achieve objectives/deadlines		3	1	3	<ul style="list-style-type: none">• Business Continuity Plan• Disaster Recovery Plan• Externally hosted website – allowing continued communication to staff, public and stakeholders• External email filtering with remote access facility• Insurance Policies• Payroll Contingency Plan• Finance Business Continuity Plan	3	1	3	DR servers to be relocated to Dockyard which will reduce Revised risk	March 2017
Short term power loss		3	2	6	<ul style="list-style-type: none">• Uninterruptible power supply for short term power loss to maintain server farm and phone system.	1	3	3		
Cyber-crime. Significant virus causing potential loss of data.					<ul style="list-style-type: none">• Use of Firewalls• Anti-virus software• Password and other security policies• Electronic Communications Policy• Daily backups to disk with data migrated to tape and taken offsite					

Strategic Risk Register

Description of Risk Vulnerability: Financial Overspend									
No.4	Risk Owner/Assessor: Head of Finance					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions		Revised risk		
Describe the vulnerability & Impact		S	P	R			S	P	R
Large overspend of budget causing reduction in services		3	1	3	Budgetary control system including monthly reports to budget Holders/Management Team. Monthly meetings with directors likely to flag up any overspend at an early stage.		2	1	2
Project overspend causing inability to meet expenses including payment of salaries without external support		3	1	3	Financial regulations and standing orders relating to contracts.		2	1	2
Underestimation of costs of managing Breydon Water causing loss of credibility/reputation with the public/stakeholders.		2	1	2	Hydrographic modelling of Breydon Water, formation of Breydon User group and re-designed Turntide Jetty have increased our understanding of this waterbody and reduced the amounts of unknowns.		1	1	1
Poor financial management and inadequate forecasting leading to flawed decision making causing inability to pay suppliers		3	1	3	Regular auditing of financial systems and controls, standing orders and budgetary controls.		2	1	2
Underestimation of/failure to make provision for costs of maintaining the Authority's assets causing potential redundancies and loss of reserves.		3	1	3	Three year Financial Strategy published March 2014. Counter Fraud, Corruption and Bribery Strategy. Budget Management Procedures training and ongoing support provided to Budget Holders. Asset management Strategy updated Nov 15 with regular reviews scheduled planned contributions to reserves set out in Financial Strategy.		2	1	2

Strategic Risk Register



			Turntide Jetty renewed, routine replacement of channel markers included in budget provision. Condition assessment of all BA buildings now completed in 2016.					
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Strategic Risk Register

Description of Risk Vulnerability: Significant Loss of Income										
No.5	Risk Owner/Assessor: Head of Finance / Chief Executive					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Additional Actions Required		Timescale
Describe the vulnerability & Impact		S	P	R						
Significant reduction in core government grant aid causing reduction in service		2	1	2	Budgetary control System including monthly reports to Budget Holders/Management Team. Work on securing National Park Grant which is settled for next 3 years.			1	1	1
Non receipt of other significant budgeted income, including funding cuts in funding of partners and loss of tourism/tolls income causing shortfall in income to meet commitments arising out of EC/other projects.		3	1	3	The changes in tolls structures implemented in late 2016 allows greater flexibility for setting tolls ongoing.			2	1	2
Low level of investment income as a result of low returns/low interest rates due to wider economic climate causing inability to meet expenses including payment of salaries; loss of credibility/reputation with the public/stakeholders; potential redundancies and loss of reserves.		2	2	4	Regular auditing of financial systems and controls. Three year financial strategy. Regular reports to members. Cash flow forecasting and placing of fixed term investments. Ongoing review to identify alternative investment options.. BA is not reliant on significant returns from its investments as low returns on prudent investments and interest rates have become an established part of the wider economy.			2	1	2
								Review as part of upcoming review of Investment Strategy.		End March 2017.

Strategic Risk Register

Description of Risk Vulnerability: Loss of Invested Reserve Funds									
No.6	Risk Owner/Assessor: Head of Finance					Assessment Date: December 2016			
					Review Date:				
Specific Hazards			Initial Risk		Controls / Safeguards / Precautions			Additional Actions Required	
Describe the vulnerability & Impact			S	P	R				Timescale
Risk to investments due to wider economic uncertainty causing reduction in service			3	1	3	Investment managed in line with CIPFA Code of Practice on Treasury Management. Low Risk Appetite of Authority.			Ongoing
						SLA with Broadland does not define risk sharing, however subsequent agreement (see investment strategy) defines any losses to be split 50/50 with Broadland causing inability to meet commitments of other expenses including salaries; loss of credibility/reputation with the public/stakeholders; potential redundancies; loss of reserves.			
						Low risk appetite within Broadland District Council resulting in 'safer' investment decisions. BA is covered by the current BDC policy until the end of March 2017. The risk appetite ongoing to be set out in the Authority's own Investment Strategy and which will be of a low risk and provide for investments to be with institutions with a high credit score.			End of March 2017 for review.
						Report regular to Members.			
									Continue low risk appetite and prudent investment approach.

Strategic Risk Register

Description of Risk Vulnerability: Failure of major procurement activity										
No.7	Risk Owner/Assessor: Head of Finance					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Inadequate or incorrect procurement process applied causing reduction in service or failure to deliver service		2	1	2	Standing orders relating to contracts (updated). Procurement summary.	1	1	1	Training by end of March 2017	March 2017
Inappropriate supplier identified causing financial loss.		2	1	2	Procurement Strategy	1	1	1	Update Procurement Strategy	July 2017
Contract let incorrectly causing loss of credibility/reputation with the public/stakeholders.		1	1	1	Financial Regulations to be followed. Public Contracts Regulations 2015 to be followed.	1	1	1		Ongoing
Potential for activity to be challenged.		2	1	2	Standard Terms for Contracts. Internal Audit of Key Controls; Finance/Director oversight of procurement activity; Use of in-house Solicitor and Monitoring Officer for advice.	2	1	2	Finance support for Payroll service	Ongoing

Strategic Risk Register

Description of Risk Vulnerability: Loss resulting from fraud, corruption or misappropriation of resources									
No.8	Risk Owner/Assessor: Head of Finance					Assessment Date: December 2016			
					Review Date:				
Specific Hazards		Initial Risk		Controls / Safeguards / Precautions		Revised Risk		Additional Actions Required	
Describe the vulnerability & Impact		S	P	R			S	P	R
Economic climate resulting in higher incidence of fraudulent and criminal activity causing financial loss and/ or loss of other resources		2	1	2	Financial Regulations. Segregation of financial duties and requirement to have additional signatories to bank account. Requirement for two levels of invoice approval. Increased awareness of phishing type e-mails inculcated throughout the organisation.		2	1	2
Potential vulnerabilities in systems including those of external organisations (internet banking, payroll provider) causing loss of credibility/reputation with the public/ stakeholders		2	1	2	Standing Orders Relating to Contracts		2	1	2
Fraudulent changes to supplier bank details causing higher insurance premiums		1	2	2	Reports are run to verify changes to ensure validity following audit recommendations. Supplier bank checking procedures are in place.		1	1	1
Loss or theft of significant items of equipment causing impact on ability to deliver services					Internal/ External Audit				
Fraudulent creation of fictitious employees		1	2	2	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		1	1	1

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious injury to Member of Staff									
No.9	Risk Owner/Assessor: Head of Safety Management					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions		Revised risk		
Describe the vulnerability & Impact		S	P	R			S	P	R
Loss or non-availability of expertise/skill		3	1	3	Health and Safety at Work Policy People Strategy Most teams have more than one person trained for specific tasks		3	1	3
Death or serious injury resulting in HSE involvement / prosecution- unforeseen costs and fines		3	1	3	Health and Safety Policy, Safety committee, Risk Assessments, Training for all staff and regular tool box talks. Safety Observations system to catch near misses to identify and learn from incidents. All accidents are investigated for learning. Regular audits to check control measures are being used. Insurance for legal / HSE costs but fines cannot be insured against. BA reserves maintained Quarterly reports on Health and Safety Monitoring to Management Team All vehicles/plant maintained in accordance with manufacturers requirements Driver licence Checks carried out annually		3	1	3
Loss of credibility/reputation with the public/ stakeholders					Health and Safety Policy, Safety committee, Risk Assessments, Training for all staff and				

Strategic Risk Register

				<p>regular tool box talks.</p> <p>Safety Observations system to catch near misses to identify and learn from incidents. All accidents are investigated for learning points. Regular audits to check control measures are being used.</p> <p>Communications Strategy</p>					
Negligence (by Authority/ manager/ individual) causing potential legal action against the Authority/ costs	2	1	2	<p>Safety Committee and nominate Safety Reps</p> <p>Health and Safety/ Fire awareness specific skills Training for relevant staff</p> <p>First Aid trained staff and Defibrillator at Yare House</p> <p>Insurance Policies to mitigate costs</p> <p>Audits in accordance with a publicised Audit schedule</p> <p>Quarterly reports on Health and Safety Monitoring to Management Team</p> <p>Personal Risk Assessment</p>	2	1	2		

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious injury to Member of the Public									
No.10	Risk Owner/Assessor: Head of Safety Management					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards			Initial Risk		Controls / Safeguards / Precautions			Revised Risk	
Describe the vulnerability & Impact			S	P	R				Additional Actions Required
Death or Serious injury causing civil or criminal action against the Authority/ costs			3	1	3	Port Marine Safety Code Safety Management System including regular Hazard Review Regular Audits of Control measures Advice and guidance issued via website, leaflets and Tics on safe use of facilities/recreation Rangers inspect sites regularly for condition and faults are rectified Tree Policy on management of Trees Insurance to cover legal fees /cost Risk Assessment process Ranger issue advice and guidance and have powers of direction.			Complete roll out of electronic asset monitoring system to whole Broads area for BA properties
Death or serious injury resulting in closure of a facility and potential loss of income			3	1	3	Port Marine Safety Code Safety Management System including regular Hazard Review Port Marine Safety Code Safety Management System including regular Hazard Review Regular Audits of Control measures Advice and guidance issued via website, leaflets and Tics on safe use of facilities/recreation Rangers inspect sites regularly for condition and faults are rectified			

Strategic Risk Register

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

Strategic Risk Register

Description of Risk Vulnerability: Denial of Public Access to the Broads										
No.11	Risk Owner/Assessor: Director of Operations					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Major flooding incident/ failure of sea defences causing closure of sites, footpaths, other public areas		3	1	3	Integrated method of reviewing hazards both land and water developed Short and medium term coastal and flood defence provisions in place Close working relationship with key EA and NE staff Involvement in County Council emergency response procedures Emergency Communications Strategy Participation in major oil spill/ pollution events and exercises Legal undertaking with Network Rail regarding maintenance of the bridge network Involvement in partnership invasive species response, including agreement on appropriate control and communication measures Urgent boating/ environment news published in website Weather warnings circulated to operational staff	3	1	3	Publicise weather warnings on new Visit the Broads website	Spring 2017
Outbreak of disease, e.g. Foot and Mouth, Avian Flu, Ash Dieback causing closure of visitor attractions, negative impact on tourism and the local economy		2	2	4		2	2	4		
Closure of bridges (by Network Rail) causing potential reduction in income for the Authority if vessels move away from the Broads		2	1	2		2	1	2		
Occurance of invasive species (eg Killer Shrimp) causing closure of navigation/ inability to navigate parts of Broads system, loss of credibility/ reputation with the public/ stakeholders; loss of or damage to property, loss of habitat, possible loss of life		2	1	2		2	1	2		

Strategic Risk Register

Description of Risk Vulnerability: Failure to deliver a project on time or within budget										
No.12	Risk Owner/Assessor: Director of Planning and Resources for Development and Director of Operations for Implementation					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Lack of adequately trained project management staff causing project not managed to time or within budget		2	1	2	Standing Orders Relating to Contracts PRINCE2/ PRINCE Lite training provided for staff Acquisition of PRINCE Lite programme	2	1	2		On going
Lack of effective project management arrangements causing failure to meet project objectives; failure to meet commitment to partners; additional costs; loss of credibility/ reputation with the public/ stakeholders		2	1	2	Approval/ Monitoring of key projects by Management Team Contract management training completed for selected staff Improvements made to PDG process including introduction of regular Project Teams for specific projects Use Induction Process and Probationary period to highlight any training needs for new starters	2	1	2	Lessons learned to be captured from each project as part of PDG project evaluation process Engage officers/ consultants in support of project management tasks as required for major projects e.g. CANAPE	Ongoing

Strategic Risk Register

Description of Risk Vulnerability: Loss caused through poor management of assets									
No.13	Risk Owner/Assessor: Head of Safety Management					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions		Revised Risk		
Describe the vulnerability & Impact		S	P	R			S	P	R
Lack of Asset Management Plan causing ineffective control of costs/ application of resources		1	2	2	Specialist property advice available from NPS Property Consultants		1	2	2
Lack of Corporation Capital Strategy causing inappropriate utilisation of Assets; Asset devaluation; failure to properly maintain assets; loss of credibility/ regulation with the public/ stakeholders and potential negative impact on accounts and adverse audit opinion					<p>All assets have been identified and recorded, with a record of all legal agreements maintained</p> <p>Schedule of inspection of all assets in place Detailed capital plan updated and endorsed by Broads Authority in November 2015</p> <p>Spreadsheet of assets has been enhanced to provide day to day management of assets</p> <p>Annual review of Asset Management Strategy and sites</p>				
							<p>Database to be developed to maintain related records for each site</p> <p>Property Services contract to be retendered</p> <p>Condition assessment of all BA buildings to be carried out in 2016/17 to further inform Asset Management Strategy financial requirements.</p> <p>Complete roll out of electronic Asset monitoring system to whole Broads area of BA properties</p>		

Strategic Risk Register

Description of Risk Vulnerability: Loss caused by damage to relationships with key partners and stakeholders									
No.14	Risk Owner/Assessor: Head of Communications					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required
Describe the vulnerability & Impact		S	P	R		S	P	R	
Failure to identify key partners/ stakeholders causing failure to deliver objectives		2	2	4	Regular scheduled meetings with Broads Forum, Broads Tourism, BLAF and other working groups. Consultations promoted on website	2	2	4	
Failure to consult and engage with partners/ stakeholders on key issues causing lack of trust/ support from partners/ stakeholders					As above				
Breakdown of relations with a key partner/ stakeholder causing loss of credibility/ reputation with the public/ stakeholders					Service Level Partnership Agreements, Climate Change Stakeholder Engagement through close working with relevant partners to allow Climate Change Adaptation Plan to be completed Parish Forums, HBO engagement meeting Consultations and communications of issues promoted through social media, direct engagement through Ask JP sessions. 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 Series of meetings held with RYA and BMF who are content for direct engagement with				Bulletin sent to parish councils Restructure of Communications team to provide more effective PR resilience.

Strategic Risk Register

				local groups Series of regular meetings set up between Chief Exec/ Chairman to engage with the NSBA/ BHBF					
Change to partner organisations causing loss of income	2	1	2	Review of Partnerships in November 2016 by Solicitor and Monitoring Officer concluded there was low risk.	1	1	1		
Changes in policies of partner organisations causing loss of opportunities				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				Review of Partnerships recently undertaken Parish Forum and Broads Forum Review completed	

Strategic Risk Register

Description of Risk Vulnerability: Problems of a regulatory or financial nature caused by failure to comply with legal requirements										
No.15	Risk Owner/Assessor: Solicitor and Monitoring Officer					Assessment Date: December 2016				
						Review Date: June 2017				
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R		S	P	R		
Changes to legislation causing civil or criminal action against the Authority		3	1	3	On-going legal advice from in-house Solicitor and Monitoring Officer	2	1	2		
Failure to meet a key legislative requirement causing HSE involvement		3	2	6	Insurance Policies	1	2	2		
Lack of in-house expertise causing failure to deliver services		2	1	2	Solicitor and Monitoring Officer appointed June 2016. Ongoing arrangement with nplaw for external legal services.	1	1	1		
Failure of policies to comply with legislative requirements causing multiple complaints against the Authority; loss of credibility/ reputation with the public/ stakeholders; loss of political support		2	1	2	Additional specialist legal support available from NpLaw Annual review meeting held between Chief Executive/ Solicitor and Monitoring Officer Additional circulars provided via subscriptions on topics such as Safety Membership of National associations such as National Parks England and AINA highlight government policy initiatives and consultations	1	1	1		

Strategic Risk Register

Description of Risk Vulnerability: Death or Serious Injury to Volunteer												
No.16	Risk Owner/Assessor: Volunteer Coordinator					Assessment Date: December 2016						
						Review Date: June 2017						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions						Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Lone working causing civil or criminal action against the Authority/ costs		3	1	3	Health and Safety at Work Policy			3	1	3	BW to create a suitable, fit for purpose personal Risk Assessment form	
Danger of drowning through water based activity causing HSE involvement		3	1	3	Generic, Site Specific and Public Risk Assessments, and method statements			3	1	3		
Road traffic accident causing lowering of staff and volunteer morale					Code of Practice eg for use of Lifejackets							
Death or accident through the Authority's negligence causing loss of credibility/ reputation with the public/ stakeholders					Safety Recording System for Lone Workers First Aid, manual handling and induction training for volunteers Insurance Policies. Volunteer Strategy. Policy and Strategy updated Volunteers are contacted every 6 months to reinforce/ remind them of correct process and procedures when lone working Volunteer training plan completed							

Strategic Risk Register

Description of Risk Vulnerability: Significant Loss of Volunteers												
No.17	Risk Owner/Assessor: Volunteer Coordinator					Assessment Date: December 2016						
						Review Date: June 2017						
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions						Additional Actions Required	Timescale
Describe the vulnerability & Impact		S	P	R				S	P	R		
Over-reliance on being able consistently to attract and retain a sufficient number of volunteers in order to support the functions of the Authority and support of permanent staff.		2	1	2	Absence reporting and monitoring procedures in place.			2	1	2	BW to introduce satisfaction monitoring	
Reduced service delivery causing loss of satisfaction and credibility with the public.		2	1	2	Volunteer Strategy Feedback opportunity on timesheet and on leaving the BA Volunteer Code of Conduct Volunteer training plan completed			2	1	2	Volunteer Strategy to be updated by April 2017 Communication Policy updated to more actively include volunteers Policy and Strategy updated. Expansion to enable contact with staff through volunteer online database	April 2017

Strategic Risk Register

Description of Risk Vulnerability: Planning Decisions not made in accordance with Development Plan and Regulations and Procedures									
No.18	Risk Owner/Assessor: Director of Planning & Resources					Assessment Date: December 2016			
						Review Date: June 2017			
Specific Hazards		Initial Risk			Controls / Safeguards / Precautions			Additional Actions Required	
Describe the vulnerability & Impact		S	P	R					
Unattractive development causing legal challenges to decisions/ potential costs		2	1	2	National Guidance			Procedures Manual review on-going to reflect latest guidance	Ongoing as new guidance is issued
Decisions made which are not in accordance with policy. Development pressures due to society aspirations/ government legislation causing bad publicity/ loss of reputation. Complaints against the Authority		2	1	2	Local Development Framework (now moving to be replaced by Local Plan) LDF Development Management Policies Appointment of appropriately qualified staff Annual Training Programme provided for Planning Committee members – 2 sessions in March and October Annually plus Design Tour Specific Induction to Planning for all new Planning Committee Members Scheme of Delegated Powers in operation – but to be reviewed in 2017/18 Recourse to in-house and external specialist legal advice Continuing Professional Development (CPD) for Planning Guidance for Committee Site Visits reviewed PAS Peer Review of Planning Committee in 2014 BA has signed up to the Anglia Ruskin Programme for all Norfolk Authorities for			Review Scheme of Delegation	2017-18

Strategic Risk Register



			2014/15. Code of Conduct for Members on Planning Committee and Officers				To be reviewed	2017-18
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Failure to meet expectations of partners – both commercial, EU and UK	2	2	4	<p>Clarity in the bid documents for HLF and CANAPE and in the contract with commercial partners</p> <p>Investment in programme manager for HLF, external support for CANAPE delivery.</p> <p>Investment in time and resources in the development of the project(s) and during implementation to ensure there is a good understanding of the project aims and objectives.</p> <p>Ensure that relationships with partners and funders remain strong and respond rapidly to any misunderstandings.</p>	2	1	2		On-going
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Review of Code of Corporate Governance

Report by Solicitor and Monitoring Officer

Summary:	A review of the Authority's Code of Corporate Governance has been initiated by the Solicitor and Monitoring Officer. This Report sets out for the benefit of the Committee the new guidance issued by The Chartered Institute of Public Finance for the financial year 2016/17 which will need to be incorporated into the review of the Code.
Recommendation:	That the Committee notes the new guidance and recommends the amendment of the Code of Corporate Governance to reflect this.

1 Background

- 1.1 The Authority's current Code of Corporate Governance reflects the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), in particular their publication "Delivering Good Governance in local government framework".
- 1.2 The Accounts and Audit Regulations 2015 amended the existing 2011 Regulations and the Authority's Annual Governance Statement for 2015/16 envisaged that the Code of Corporate Governance would need to be revised in accordance with both the change in Regulations and the anticipation of a revised CIPFA Framework.
- 1.3 The new CIPFA guidance has now been published. It states that authorities should test their governance structures and partnerships against the principles contained in the Framework by:
 - Reviewing existing governance arrangements
 - Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
 - Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 1.4 The new Framework also states that in order to achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. These are set out below. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that

are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance (see reference to the Authority's core values below).

1.5 The six core principles under the new Framework are:

- (i) Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits
- (iv) Determining the interventions necessary to optimise the achievement of the intended outcomes
- (v) Developing the entity's capacity including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.

1.6 There are a number of sub-principles to each core principle within the Framework. A copy of the CIPFA 2016 Framework is attached. All authorities are encouraged to consider carefully the content of the framework and to use it in a way that best reflects their structure, type, functions and size.

1.7 Although the CIPFA guidance is not prescriptive as to what goes into a local Code, the Authority's own current Code of Corporate Governance uses the previous core principles and sub-principles in its schedule. It would follow from that that it would be logical that the local Code should be revised to reflect the new principles. The current Code of Corporate Governance is attached.

1.8 The Authority uses its core values across a range of its activities. They are:

- Commitment – we are committed to making a difference to the Broads for the benefit of everyone
- Caring – we are considerate and respectful of each other
- Open and honest – We are open, honest and inclusive in all our decisions and communications
- Sustainable – We consider the environmental and financial implications in everything we do
- Exemplary – we strive for excellence in all we do

The core values are clearly part of demonstrating good governance. They feature in the new Members' Code of Conduct and in recruitment of staff, as examples.

1.9 The Solicitor and Monitoring Officer will be circulating an updated draft 2017 Code of Governance to the Chair of FSAC, Head of Finance and Management Forum in February 2017, which will include proposed amendments to reflect changes to the CIPFA Framework. Once it is done, the Management Team will confirm the revised Code prior to signature by the Chair and CEO of the Authority.

2 Conclusion

- 2.1 The Committee is asked to approve the approach to updating the Code of Corporate Governance as set out above.

Background papers: None

Author: David Harris

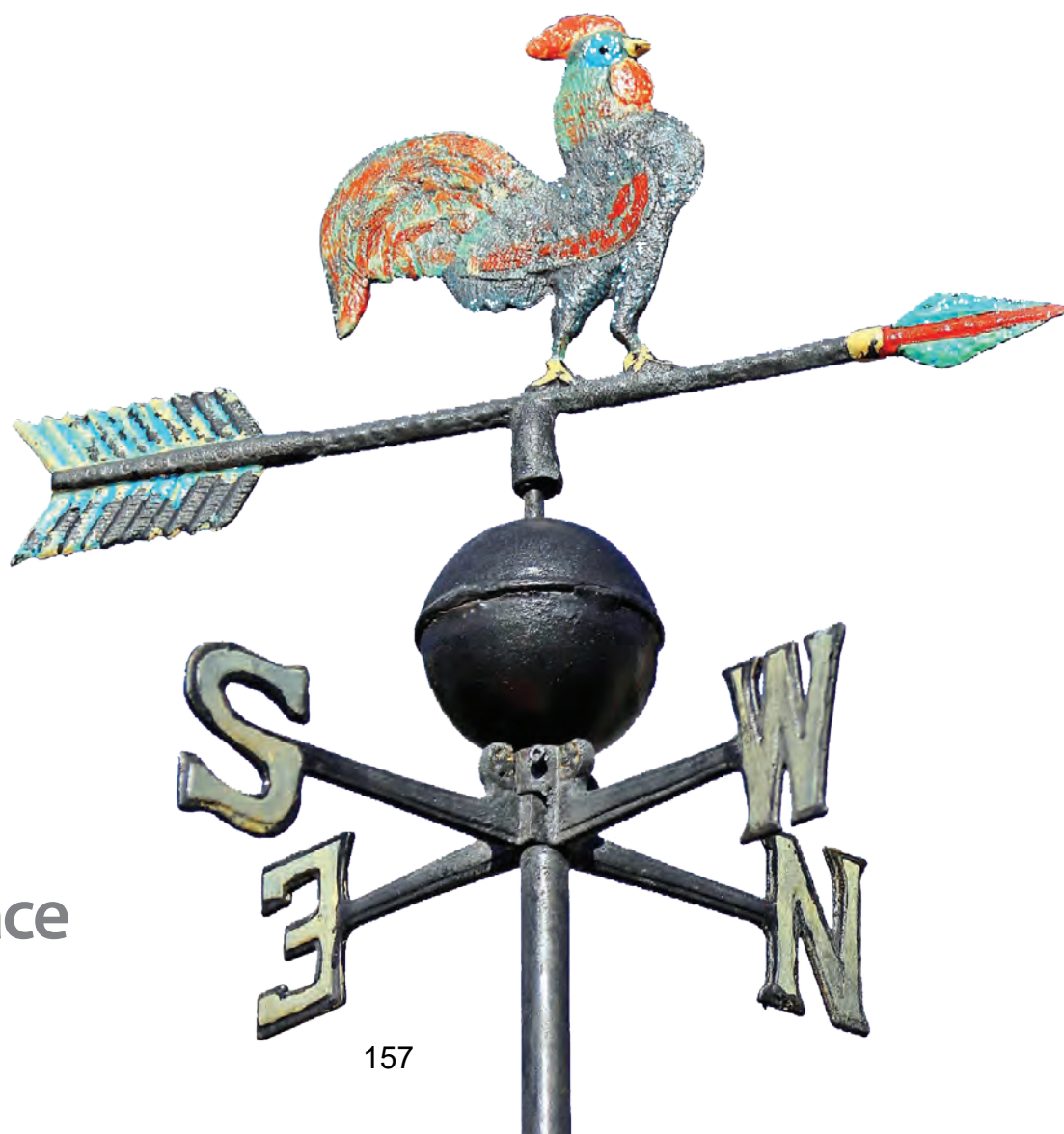
Date of report: 25th January 2017

Broads Plan Objectives: None

Appendices: APPENDIX 1 - CIPFA Framework,
APPENDIX 2 - Code of Corporate Governance 2014

delivering good governance

in Local Government
Framework
2016 Edition



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\ delivering good governance

in Local Government
Framework
2016 Edition



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CHAPTER ONE

Introduction

- 1.1** Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2** It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3** The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

CHAPTER TWO

Status

- 2.1** Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

- 2.2** This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

CHAPTER THREE

Requirements

- 3.1** The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2** The term ‘local code’ essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3** To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4** It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Applicability and terminology

APPLICABILITY

- 4.1** The Framework is for all parts of local government and its partnerships, including:
- county councils
 - district, borough and city councils
 - metropolitan and unitary councils
 - the Greater London Authority and functional bodies
 - combined authorities, city regions, devolved structures
 - the City of London Corporation
 - combined fire authorities
 - joint authorities
 - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
 - national park authorities.
- 4.2** The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

- 4.3** The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4** In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.

CHAPTER FIVE

Guidance notes

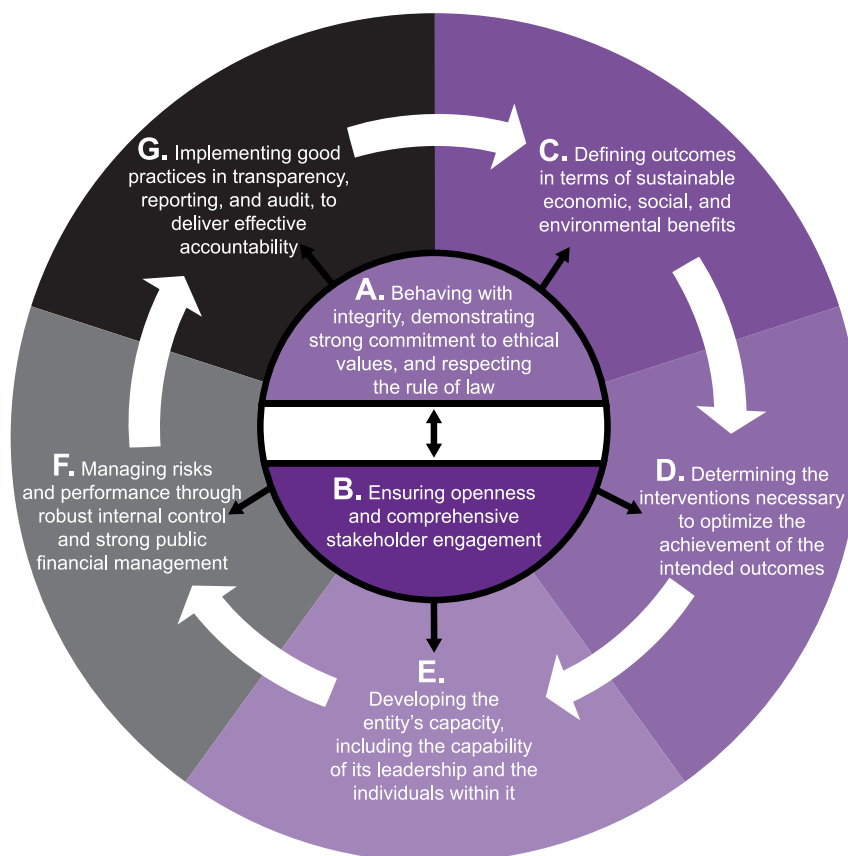
- 5.1** In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
 - local government in Wales (excluding police)
 - police in England and Wales
 - local government in Scotland.
- 5.2** The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

- 6.1** The diagram below, taken from the [International Framework: Good Governance in the Public Sector](#) (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

DEFINING GOVERNANCE

- 6.2** The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

- 6.3** In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

- 6.4** The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	Behaving with integrity <ul style="list-style-type: none"> ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively Demonstrating strong commitment to ethical values <ul style="list-style-type: none"> ■ Seeking to establish, monitor and maintain the organisation's ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

Core principles (shown in bold)	Sub-principles (shown in bold)
	<p>Respecting the rule of law</p> <ul style="list-style-type: none"> ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness ■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action <p>Engaging comprehensively with institutional stakeholders</p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

Core principles (shown in bold)	Sub-principles (shown in bold)
	<ul style="list-style-type: none"> ■ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively ■ Ensuring that partnerships are based on: <ul style="list-style-type: none"> – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners
	<p>and that the added value of partnership working is explicit</p>
	<p>Engaging with individual citizens and service users effectively</p>
	<ul style="list-style-type: none"> ■ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes ■ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement ■ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs ■ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account ■ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity ■ Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining outcomes</p> <ul style="list-style-type: none"> ■ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints ■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ■ Ensuring fair access to services

Principles (shown in bold)	Sub-principles (shown in bold)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	Determining interventions <ul style="list-style-type: none"> ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts Planning interventions <ul style="list-style-type: none"> ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

Principles (shown in bold)	Sub-principles (shown in bold)
	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage ■ Ensuring the achievement of 'social value' through service planning and commissioning
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity's capacity</p> <ul style="list-style-type: none"> ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

Principles (shown in bold)	Sub-principles (shown in bold)
	<ul style="list-style-type: none"> ■ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> – ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged – ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis – ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external ■ Ensuring that there are structures in place to encourage public participation ■ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ■ Holding staff to account through regular performance reviews which take account of training or development needs ■ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principles (shown in bold)	Sub-principles (shown in bold)
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p> <ul style="list-style-type: none"> ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated <p>Managing performance</p> <ul style="list-style-type: none"> ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

Principles (shown in bold)	Sub-principles (shown in bold)
	Robust internal control <ul style="list-style-type: none"> ■ Aligning the risk management strategy and policies on internal control with achieving objectives ■ Evaluating and monitoring risk management and internal control on a regular basis ■ Ensuring effective counter fraud and anti-corruption arrangements are in place ■ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ■ Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> – provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment – that its recommendations are listened to and acted upon
	Managing data <ul style="list-style-type: none"> ■ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ■ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ■ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
	Strong public financial management <ul style="list-style-type: none"> ■ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance ■ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principles (shown in bold)	Sub-principles (shown in bold)
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> ■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

- 7.1** Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2** The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3** The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.
- 7.4** The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5** The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
 - reference to how issues raised in the previous year's annual governance statement have been resolved
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6** The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7** The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8** Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

- 7.9** Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
 - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
 - Documenting a commitment to openness and acting in the public interest.
 - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
 - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
 - Translating the vision into courses of action for the authority, its partnerships and collaborations.
 - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
 - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government](#) (2015) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable](#) (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit](#) (2010) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police](#) (CIPFA, 2013).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.



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Broads Authority

Code of Corporate Governance: May 2014

1 Introduction

- 1.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 1.2 Governance is more than making sure that things do not go wrong or fixing them if they do. Good governance adds value; it ensures effectiveness and efficiency in ever changing circumstances.

2 Code of Corporate Governance: Objectives

- 2.1 The principal objective of a code is to increase credibility, accountability and public confidence in local authorities, and all public bodies are encouraged to adopt a local code. A code helps:
- 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;
 - to continuously improve the Authority's effectiveness through an annual review of performance against the framework with an action plan to address weaknesses; and
 - to feed the results of this assessment into the Authority's Annual Governance Statement.

3 Delivering Good Governance

- 3.1 The following schedule, which forms the basis of the Authority's Code, has been developed using the structure recommended in the CIPFA/SOLACE document 'Delivering Good Governance in Local Government – Guidance Notes for English Authorities'. This framework builds on the set of core principles recommended by the Independent Commission on Good Governance in Public Services in 2004 for underpinning the governance arrangements of all public sector organisations of:
- a clear definition of the body's purpose and desired outcomes;
 - well-defined functions and responsibilities;
 - an appropriate corporate culture;
 - transparent decision making;
 - a strong governance team; and
 - real accountability to stakeholders.

- 3.2 The framework has six core principles, a number of supporting principles and suggestions for source documents/good practice that may be used to demonstrate compliance.
- 3.3 The schedule includes a number of references to "scrutiny". Scrutiny is a process which operates in a very specific way in local authorities and to which certain established principles and procedures apply. Whilst these same procedures do not apply to the Broads Authority, the Terms of Reference of the Navigation Committee, Financial Scrutiny and Audit Committee and Broads Forum extend to scrutiny in the broad sense and it is therefore considered appropriate to refer to them in that more general context.

4 Commitment and Review

- 4.1 The Broads Authority is committed to action to deliver good governance and column 2 of the schedule represents what the Authority does now or intends to do with immediate effect. Performance against the schedule is reviewed and updated on an annual basis, highlighting what has been done and any further improvements needed for the forthcoming year. Text which is highlighted in yellow represents new initiatives or actions which have not yet been finalised or implemented. The outcome of the review will be reflected in the Annual Governance Statement published each year with the Statement of Accounts, and actions which are outstanding will be incorporated into the Annual Governance Statement Action Plan.

5 Responsibilities

- 5.1 The annual review will be initiated by the Head of Governance and Executive Assistant, who will consult 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 staff will also be invited to contribute. Significant areas of concern raised during the annual review will be referred to the Management Team or to the appropriate committee for comment or decision.
- 5.2 Delegation is given to the Chief Executive to make the necessary changes/amendments to the Code as a result of the annual review to ensure it stays relevant and up to date. Any significant changes will be reported to the Authority as part of the report on the Annual Governance Statement, and any weaknesses or outstanding actions identified will be incorporated into the Action Plan for the following year.
- 5.3 The Annual Governance Statement is approved by the Authority and signed by the Chair and the Chief Executive on behalf of the Authority.

Signed:



Stephen Johnson
Chair of the Authority



John Packman
Chief Executive

Date: 9 June 2014

Supporting principle	We will :	What evidence is in place
1a) Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users	<p>1. Use the Broads Plan as the vehicle for setting out and communicating the long-term approach and future direction for the Broads, together with its aims and priority objectives. This will be supported by the Local Development Framework Core Strategy.</p> <p>2. Work with partners to deliver Broads Plan outcomes, being clear about what the Authority is delivering and what our partners are contributing, and produce an annual monitoring report.</p> <p>3. Produce an annual three year Business Plan setting out how the Authority proposes to allocate its resources and work programme to achieve the outcomes and objectives in the Broads Plan, and to report on progress in the previous financial year.</p> <p>4. Produce an Annual Report of the Authority's activities and achievements, to be circulated to communities and stakeholders.</p>	<p>Broads Plan 2011 and on-line monitoring using Broads Plan website</p> <p>Local Development Framework</p> <p>Annual Monitoring Report</p> <p>Business Plan</p> <p>Annual Budget and Financial Strategy</p> <p>Annual Statement of Accounts</p> <p>Annual Report</p> <p>Directorate Work Programmes</p> <p>Strategic Priorities and regular Monitoring Reports to Broads Authority</p>
1b) Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<p>5. Set out measures of success and standards of service delivery both for the Broads and for the Authority.</p> <p>6. Gather performance data against a range of indicators.</p> <p>7. Compare and evaluate our performance annually and put in place measures to address poor performance within priority areas.</p>	<p>Business Plan</p> <p>Annual Report</p> <p>Benchmarking of performance indicator data with national park authorities</p> <p>National Park Authorities Performance Assessment (NPAPA) Improvement Action Plan</p> <p>Service reviews and improvement plans</p>

	<p>8. Regularly seek feedback from service users as part of evaluating performance and obtain their views on priorities and improvements needed to meet user needs and provide high quality services.</p> <p>9. Regularly review and update local management plans to take into account the views of users and residents following consultation.</p>	<p>Complaints Procedure</p> <p>Norfolk Citizens Panel and toll payers questionnaires</p> <p>National park visitor centres annual survey</p> <p>Survey of users regarding the quality of the planning service, including applicants, objectors and the general public</p>
<p>1c) Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money</p>	<p>10. Demonstrate value for money in achieving our outputs and outcomes through a programme of service/activity reviews. This will include benchmarking and looking for opportunities for business process improvement, smarter procurement, implementation of our asset management plan and collaboration.</p> <p>11. Continue to work with partner and other organisations, both nationally and locally, understanding the relationship between what we do and what others do to avoid duplication of effort and seeking opportunities to work more effectively and efficiently together.</p> <p>12. Keep under review key partnerships to ensure that they represent value for money.</p> <p>13. Measure how much additional money from external sources is brought into the Authority to help meet its purposes.</p> <p>14. Reduce the carbon footprint of our operations.</p>	<p>NPAPA Self Assessment and Improvement Action Plan</p> <p>Service reviews</p> <p>Directorate Work Programmes</p> <p>Budgeting planning process</p> <p>Asset Management Strategy</p> <p>Phase 1 Asset Management Plan</p> <p>Procurement Strategy</p> <p>Project management process</p> <p>Financial Regulations</p> <p>Standing Orders Relating to Contracts</p> <p>Key liaison groups and conservation partnerships, e.g. Water Quality Partnership</p> <p>Partnerships Protocol</p>

	15. Ensure that all procedures and processes are commensurate with the scale and resources of the organisation.	Register of Partnerships and Governance Action Plan Business Plan Carbon Reduction Targets and PIs Sussex Meeting Notes Publication of Local Spending / Transparency data
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Supporting principle	We will:	What evidence is in place
2a) Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<p>1. Ensure that the committee structure and decision making processes are efficient and effective with the different roles of members and officers being clear and understood.</p> <p>2. Have in place appropriate systems and guidance to support such structures and ensure effective communication between members and officers in their respective roles.</p> <p>3. Have structures in place which enable members to utilise their skills and experience including through scrutiny to help achieve outcomes.</p>	<p>Standing Orders relating to the business of the Authority</p> <p>Agendas and minutes of meetings</p> <p>Member and staff job descriptions</p> <p>Lead Members and appointments to outside bodies</p> <p>Protocol on Member and Officer Relations</p> <p>Terms of Reference of Committees</p> <p>Member Development Programme</p> <p>Management Team agendas and minutes</p>
2b) Ensuring that a constructive working relationship exists between Authority members and officers and that the responsibilities of members and officers are carried out to	<p>4. Periodically (not less frequently than every three years) review the Terms of Reference of Committees (including the powers reserved to the Broads Authority) and the Scheme of Powers Delegated to Officers, including the effectiveness of the arrangements.</p> <p>5. Appoint a Chief Executive with an appropriate</p>	<p>Terms of Reference of Committees, including powers reserved to the Broads Authority</p> <p>Scheme of Powers Delegated to Officers and schedule of officers authorised to exercise these powers</p> <p>Regular briefing meetings between Chairman and Chief Executive</p>

a high standard	<p>job description.</p> <p>6. Appoint officers to the statutory roles of:</p> <ul style="list-style-type: none"> - Section 17 Officer; - Monitoring Officer; and - Navigation Officer; <p>and ensure that the appointees have the necessary skills, experience and resources to fulfil their roles.</p> <p>7. Put in place appropriate protocols and policies to support these roles including a job description for the Chair which includes responsibility for carrying out the annual appraisal of the Chief Executive.</p>	<p>Member appraisal process</p> <p>Job descriptions for Chief Executive, Section 17 Officer, Monitoring Officer and Navigation Officer</p> <p>Chief Executive appraisal form</p> <p>Individual Performance Review (appraisal) process for officers</p>
2c) Ensuring relationships between the Authority, its volunteers, partners and the public are clear so that each knows what to expect of the other	<p>8. Periodically review and if appropriate amend the Protocol on Officer and Member Relations.</p> <p>9. Maintain the staff grading structure and job evaluation process, providing for gradual progression and review of posts where appropriate.</p> <p>10. Maintain the Scheme of Allowances for Members and arrange for the scheme to be periodically reviewed by an independent panel.</p> <p>11. Implement a performance management system with identified targets and objectives linked to the Broads Plan with regular monitoring of progress and annual reporting of performance.</p> <p>12. Ensure the Authority's strategies, which support achievement of the Broads Plan and feed through to the Business Plan, are based on evidence and feedback from local, regional and national communities and stakeholders.</p>	<p>Protocol on Member and Officer Relations</p> <p>Member Development Strategy</p> <p>Staff grading structure for remuneration of staff and job evaluation process</p> <p>Job Evaluation Policy</p> <p>Job descriptions for all members of staff</p> <p>Scheme of Members Allowances</p> <p>Performance Management Framework</p> <p>Scheme of Local Conditions of Service</p> <p>Broads Plan and on-line monitoring using Broads Plan website</p> <p>Business Plan</p>

	<p>13. Be clear about the Authority's accountability and role in partnerships through having partnership agreements and Service Level Agreements in place where appropriate.</p> <p>14. Publish this information in a useful and accessible format for the public.</p>	<p>Local Development Framework and Statement of Community Involvement</p> <p>Biodiversity and Water Strategy</p> <p>Integrated Access Strategy</p> <p>Sustainable Tourism Strategy</p> <p>Education Strategy</p> <p>Volunteer Strategy</p> <p>Annual Monitoring Report</p> <p>Guidance for Appointees to Outside Bodies</p> <p>Partnerships Protocol</p> <p>Service Level Agreements/other legal agreements/Memoranda of Understanding with partners</p> <p>Publication Scheme</p> <p>Volunteer role descriptions/Volunteer Strategy and policies/Volunteer Code of Conduct</p> <p>Review of Consultative Arrangements</p>
Supporting principle	We will:	What evidence is in place
3a) Ensuring Authority members and officers	1 Ensure that standards of conduct and personal behaviour expected of members and staff is	Code of Conduct for Members

<p>exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	<p>defined, communicated and monitored through codes of conduct, protocols and advice.</p> <p>2. Put in place arrangements to ensure that members and staff are not influenced by prejudice, bias or conflicts of interests in carrying out their roles for the Authority, including clear and transparent declarations, by both members and senior officers, of interests and of receipts of gifts and hospitality.</p>	<p>Code of Conduct for Members on Planning Committee and Officers</p> <p>Registers of Members' and Staff Interests</p> <p>Declarations of receipt of gifts and hospitality by members and officers</p> <p>Declarations of interest at meetings</p> <p>Scheme of Members Allowances</p> <p>Code of Conduct for Officers, including guidance on receipt of gifts and hospitality</p> <p>Training for members in Code of Conduct for Members and for Members on Planning Committee</p> <p>Guidance for Appointees to Outside Bodies</p> <p>Protocol on Member and Officer Relations</p> <p>Whistle Blowing Policy</p> <p>Annual Governance Statement</p> <p>Annual Ethical Assessment by the Solicitor and Monitoring Officer Equality Policy</p>
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		<p>Travelling and Subsistence Allowances Policy for staff</p> <p>Anti Fraud and Corruption Policy</p> <p>Electronic Communications Policy</p> <p>Volunteer Code of Conduct</p> <p>Disclosure of Related Party Transactions within annual Statement of Accounts</p>
3b) Ensuring that organisational values are put into practice and are effective	<p>3. Implement the appraisal process for all members.</p> <p>4. Maintain an effective process for the handling of complaints.</p> <p>5. Ensure that all members receive appropriate governance training.</p> <p>6. Maintain a programme of leadership and management competencies for all senior members of staff and provide appropriate support to ensure the development and evidence of these in all managers.</p> <p>7. Have regard at all time to the Authority's shared core values.</p> <p>8. Seek opportunities for all members of society to benefit from the Broads through receptively tackling social, economic and physical barriers.</p>	<p>Appraisal process for all members of the Authority</p> <p>Secretary of State Member Appraisal System</p> <p>Terms of Reference of Committees</p> <p>Procedures for Independent Persons / Hearings Committee to consider complaints against members</p> <p>Members code of Conduct</p> <p>Corporate and Directorate Learning and Development Programmes</p> <p>Broads Authority Core Values</p>

Supporting principle	We will:	What evidence is in place
4a) Being rigorous and transparent about how decisions are taken and listening to and acting on the outcome of constructive scrutiny	<p>1. Ensure that the Authority's committee and decision making processes are open, transparent and free from bias and conflicts of interest.</p> <p>2. Document evidence for decisions recording criteria, rationale and data relied upon using processes proportionate to the impact and risk of the decisions being made.</p> <p>3. Provide the Navigation Committee and Broads Forum with clear and accurate information to enable them to effectively scrutinise the work of the Authority and monitor their success as effective challenge and performance improvement tools.</p> <p>4. Provide the Financial Scrutiny and Audit Committee with clear and accurate information to enable it to effectively scrutinise the Authority's financial performance and audit activity.</p> <p>5. Ensure that the complaints procedures and reporting arrangements are accessible and transparent and are adequately publicised which enable the Authority to monitor responses to ensure that the Authority learns from that feedback.</p> <p>6. Present an annual report to members on complaints received, including those considered by the Local Government Ombudsman, and where appropriate the actions taken by the Authority, to resolve issues.</p> <p>7. Fulfil the Authority's obligations under the Freedom of Information Act and Environmental</p>	<p>Broads Authority agendas and minutes</p> <p>Agendas and minutes of the Planning, Navigation, and Financial Scrutiny and Audit Committees (posted on the Authority's website)</p> <p>Terms of Reference of Committees</p> <p>Broads Forum Terms of Reference, agendas and minutes</p> <p>Complaints Procedure</p> <p>Annual report to Broads Authority on complaints received</p> <p>Freedom of Information Act/Environmental Impact Regulations Guidance Notes to Staff</p> <p>Log of Freedom of Information Act/Environmental Impact Regulations</p> <p>Staff Representatives Group</p> <p>Consultations with recognised trade unions</p>

	Information Regulations in accordance with its commitment to a culture of openness.	
4b) Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	8. Ensure that decision makers are presented with the relevant data/evidence in a clear, appropriate and timely manner (generally in writing), setting out financial and other implications, and ensure that expert advice is available and given for decision makers to make sound decisions.	<p>Broads Authority/committee reports</p> <p>Regular Monitoring Reports to Broads Authority on Strategic Priorities</p> <p>Regular Income and Expenditure Report to Broads Authority, Navigation Committee and Financial Scrutiny and Audit Committee</p> <p>Data Quality Policy</p> <p>Validation process for benchmarked performance indicators</p> <p>Expertise (including legal and financial advice) available in key technical areas</p> <p>Information databases</p> <p>Citizen's Panel and toll payers questionnaires</p> <p>Parish Forums</p>
4c) Ensuring that an effective risk management system is in place	<p>9. Put arrangements in place to implement the Authority's risk management strategy and arrangements at all levels in the Authority (staff, volunteers and members) so that informed decisions can be made on what level of risk to accept and what mitigating action needs to be in place to reduce or remove risk.</p> <p>10. Ensure that there is a strong culture of health</p>	<p>Risk Management Policy</p> <p>Strategic Risk Register</p> <p>Six monthly review of Strategic Risk Register by risk owners and Management Forum</p> <p>Annual review of Strategic Risk Register by Financial Scrutiny and Audit Committee.</p>

	<p>and safety awareness amongst all staff and volunteers, that staff and volunteers are adequately trained and that risk assessments are carried out and implemented where appropriate.</p> <p>11. Ensure that the Whistle Blowing Policy is reviewed at least annually, and where appropriate amended (including the copy on the Intranet) and notified to all members of staff and volunteers.</p>	<p>Financial Regulations and Standing Orders relating to Contracts</p> <p>Business Continuity Plan and Disaster Recovery Plan</p> <p>Health and Safety at Work Policy</p> <p>Safety Committee agendas and minutes</p> <p>Safety Committee Codes of Practice</p> <p>Generic Risk Policy</p> <p>Generic, Site Specific and Public Risk Assessments</p> <p>Insurance policies</p> <p>Whistle Blowing Policy</p> <p>Equalities Policy</p> <p>Volunteer Strategy and policies</p>
4d) Using their legal powers to the full benefit of the citizens and communities in their area	<p>12. Achieve the Authority's priorities and outcomes through full use of its powers whilst identifying and balancing the risks of legal challenge as appropriate.</p> <p>13. Ensure operational managers take legal advice on case work and policy/procedure development as appropriate.</p> <p>14. Immediately respond to any external or internal advice or comment received on the legality of our</p>	<p>Norfolk and Suffolk Broads Act 1988 (establishes legal framework)</p> <p>External scrutiny by External Auditor, Local Government Ombudsman, Defra, HM Revenue and Customs and DCLG</p> <p>Internal Audit reports and Annual Report of Head of Internal Audit</p> <p>Scrutiny by Treasurer and Financial Adviser under Section</p>

	policies, processes and procedures including from the Section 17 Officer and Monitoring Officer.	17 of the Norfolk and Suffolk Broads Act 1988 and by the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989 and the Broads Authority Act 2009
Supporting principle	We will:	What evidence is in place
5a) Making sure that members, officers and volunteers have the skills, knowledge, experience and resources they need to perform well in their roles	<p>1. Identify learning and development needs for all members of staff at individual, service and corporate levels, providing ways of meeting these needs through a variety of means as set out in the Authority's Learning and Development Policy and annual Corporate Training Programme.</p> <p>2. Identify learning and development needs of members, including through member appraisals, and meet these needs through an annual Member Induction and Development Programme and through individual programmes tailored to the needs of individuals.</p> <p>3. Identify learning and development needs of volunteers.</p>	<p>Learning and Development Policy</p> <p>Corporate, Directorate and individual Training Programmes</p> <p>Staff Induction Programme</p> <p>Performance Management Framework, including annual Individual Performance Reviews for all staff</p> <p>Member Development Strategy</p> <p>Member Induction and Development Programme</p> <p>Job descriptions for the Chief Executive, Treasurer and Financial Adviser, Monitoring Officer and Navigation Officer</p> <p>Role descriptions for volunteers</p>
5b) Developing the capability of people with governance responsibilities and evaluating their performance, as	<p>4. Use the Member Induction and Development Programme to assist and encourage members to develop appropriate skills to carry out their work.</p> <p>5. Ensure that all members of staff receive an annual appraisal, in accordance with the Authority's</p>	<p>Volunteer Strategy and policies</p> <p>Member Development Strategy</p> <p>Member Induction and Development Programme</p> <p>Member appraisal process</p>

individuals and as a group	<p>Management Development Framework.</p> <p>6. Implement the appraisal process for all members.</p> <p>7. Implement the NPAPA Improvement Action Plan.</p> <p>8. Develop the Authority's scrutiny process involving external challenge to identify areas for further improvement.</p> <p>9. Complement core staff with external expert advice when needed.</p>	<p>Performance Management Framework, including annual Individual Performance Reviews for all staff</p> <p>NPAPA Improvement Action Plan</p> <p>Job descriptions for Treasurer and Financial Adviser/ Solicitor and Monitoring Officer.</p>
5c) Encouraging new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<p>10. Ensure that opportunities to join the Authority are widely advertised, including to our volunteers, using a variety of media to ensure that a diverse group of applicants is available to the Authority, including consultation by Defra with key organisations on Secretary of State appointments.</p> <p>11. Brief appointing authorities about the role (including time commitment) of members when appointments are due to be made.</p> <p>12. Use decision making and governance structures to best use and develop the skills of members e.g. through chair and vice chair appointments, appointments to committees and working groups, outside body appointments and task teams.</p>	<p>Member job descriptions and adverts</p> <p>Member appraisal process</p> <p>Member Development Programme</p> <p>Navigation Committee membership open advertisement and interview process</p> <p>Member sub-committees and task teams</p>

Supporting principle	We will:	What evidence is in place
6a) Exercising leadership	1. Work with partners in delivering Broads Plan outcomes, monitoring achievements and reporting	Annual Monitoring Report

through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<p>annually on progress.</p> <p>2. Monitor and prioritise how we work with constituent local authorities, Local Strategic Partnerships, regional and national bodies.</p>	<p>Partnership Register</p> <p>Norfolk Chief Exec's Group meetings</p>
6b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning	<p>3. Maintain the Authority's Communication Strategy to set out how we will communicate with stakeholders, service users and members of the public.</p> <p>4. Exercise the duty to involve and consult the local community and other interested parties in the delivery of services and key decisions.</p> <p>5. Regularly seek feedback from customers on our services and take action in response.</p> <p>6. Hold all meetings in public unless there are good reasons for confidentiality and implement the Public Question Time Scheme for Broads Authority and all committee meetings.</p> <p>7. Publish an annual three year Business Plan giving information on achievements, performance against prescribed indicators and the satisfaction of service users.</p> <p>8. Increase accessibility to information and to engaging with the Authority through a variety of</p>	<p>Communications Strategy and Action Plan</p> <p>Broads Plan and Local Development Framework consultation process</p> <p>Statement of Community Involvement</p> <p>Broads Forum agendas, papers and minutes</p> <p>Responses to Citizens Panel and toll payers questionnaires</p> <p>Public Question Time Scheme</p> <p>Public Meeting</p> <p>Parish Pop-Ins (to be replaced by wider Parish Forum initiative)</p> <p>Parish Forums</p> <p>Business Plan</p> <p>Compliments, Complaints and Comments section on</p>

	ways and access channels including through improvements to the Authority's website.	website New improved Website, Broad Sheet, Broadcaster, Broad Explorer and other media releases Publication of Local Spending / Transparency data
6c) Making best use of human resources by taking an active and planned approach to meet responsibility to staff and volunteers	<p>9. Encourage the establishment of effective staff and trade union consultation and negotiation structures to facilitate good dialogue and working together through formal structures, including the Staff Representative Group, as well as informal networks..</p> <p>10. Periodically conduct a staff survey and respond to feedback.</p> <p>11. Involve staff in our service planning and decision making processes so that ideas on how to work better can be harnessed.</p> <p>12. Use the Performance Management Framework and individual, Directorate and Corporate Training Plans to maximise the contribution and development of staff.</p> <p>13. Ensure that a suitable set of employment policies are in place, and are regularly monitored and updated, to support staff as our most valued asset and the Authority in achieving its outcomes.</p> <p>14. Foster a culture that embeds the Authority's values as set out in the Mission Statement.</p>	<p>Staff Representative Group Terms of Reference, agendas and minutes</p> <p>Consultation with staff and recognised trade unions on all matters relating to terms of employment</p> <p>Employee Engagement Survey</p> <p>Investors in People accreditation and Assessor's Report</p> <p>Corporate and Directorate training Programmes</p> <p>Monitoring and evaluation process for training needs</p> <p>Scheme of Local Conditions of Service</p> <p>People Strategy</p> <p>Mission Statement and Core Values</p>

**Financial Scrutiny and Audit
Committee**

7 February 2017

Agenda Item No 14

Peer Review

Report by Chief Executive

Summary:	This report responds to the motion adopted by the Broads Authority at its meeting on 27 January 2017.
Recommendation:	That the Committee considers the motion passed at the Broads Authority for the Committee to consider the “need, scope and terms of reference for a peer review involving the National Park Authorities and independent experts into the governance arrangements of the Broads Authority and how they can be modernised.”

1 Introduction

- 1.1 At the meeting of the Broads Authority on 27 January 2017 the following motion was passed by ten votes in favour, six votes against and no abstentions.

“We ask that the Financial Scrutiny and Audit Committee considers the need, scope and terms of reference for a peer review involving the National Park Authorities and independent experts into the governance arrangements of the Broads Authority and how they can be modernised.”

- 1.2 A briefing note on peer reviews has been circulated to Broads Authority Members and is attached as an appendix to help consideration of this matter.

Background papers: NPAPA Peer Assessments 2005 and 2011

Author: John Packman
Date of report: 30 January 2017

Broads Plan Objectives: None

Appendices: APPENDIX 1 - Briefing on peer reviews

Briefing on Peer Review

Background

The Audit Commission's Comprehensive Performance Assessment (CPA) inspection regime, introduced in 2002 to drive improved performance and "best value", was rejected as ineffective for National Park Authorities because of their different size, responsibilities and governance arrangements. Therefore The Society of Local Authority Chief Executives helped design a more effective assessment regime of the parks. The National Park Authorities Performance Assessment (NPAPA) involved a team led by an independent facilitator and comprising a local authority Chief Executive, and a Member, Chief Executive and Member of staff drawn from three other National Parks. They spent a week in each Authority examining the whole organisation against a set of Key Lines of Enquiry (KLOEs). The process included the preparation of a comprehensive Self-Assessment which took several months of work and was followed by the Team's visit, their report and the preparation of an Action Plan. Defra fully supported this process.

When the Government dropped CPA National Parks England (the 10 English Parks) also reviewed the position and concluded that, particularly with the cuts in National Park Grant in mind, it wasn't appropriate to continue with such a resource intensive process. Defra's view has been that it is for National Parks England (NPE – the ten National Park Authorities and the Broads Authority in England) to lead on this. I would therefore expect that the first step in answering this question would be a discussion between the Chairs of the 10 National Park Authorities in England.

The Broads Authority has taken part in the two rounds of NPAPA. The first was in 2005. The second in 2011 – reported to Members in January 2012. Equally I have participated in two reviews of other National Parks – the North York Moors and the South Downs. The result of the first review in 2005 was as follows:

KLOE Themes	Assessment
What is the Authority trying to achieve?	
Quality of vision	Strong
Quality of Authority's plans	Strengths outweigh Weaknesses
Setting priorities	Strengths outweigh Weaknesses
How has the Authority set about delivering its vision?	
Organisational capacity	Weaknesses outweigh Strengths
Working in Partnership	Strong
Performance management and Learning	Weaknesses outweigh Strengths
What has the Authority achieved / not achieved to date?	

Achievement in delivery of purposes and duties	Strengths outweigh Weaknesses
Achievement of improvement in delivery of purposes and duties	Strengths outweigh Weaknesses
Developing the effectiveness of the organisation	Strengths outweigh Weaknesses

This was based on the following 4 point scale:

Strong: High achieving with few outstanding improvement issues to address

Strengths outweigh weaknesses: Making strong progress towards achieving the standard. Some improvements still required but these are minimal compared to the distance travelled so far.

Weaknesses outweigh strengths: On the move with evidence of progress being made but there is further to go in making improvements than the distance travelled so far or in seeing the changes create an impact.

Weak: Little evidence of achievement, considerable improvement required. Clear focus and a structured approach to improvement are necessary.

The 2011 Review used a different scoring system as follows:

1. An organisation that does not meet minimum requirements – **performs poorly**
2. An organisation that meets only minimum requirements – **performs adequately**
3. An organisation that exceeds minimum requirements – **performs well**
4. An organisation that significantly exceeds minimum requirements – **performs excellently.**

The result was:

Key Line of Enquiry	Peer Assessment
1. Quality of Vision	Performs Well
2. Setting and Using Priorities	Performs Well
3. Achievement of Outcomes: Conservation	Performs Well
4. Achievement of Outcomes: Promoting Understanding and Service Delivery Managing the navigation area for the purposes of navigation	Performs Well
5. Achievement of Outcomes: Wider Sustainable Development	Performs Well
6. Organisational Capacity, Use of Resources and Governance	Performs Well

7. Leadership & Improving Performance	Performs Adequately
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There were two suggestions under Leadership and Performance KLOE:

(i) As the benefits of the organisational change become embedded, consider when the appropriate time may be to relax organisational constraints and allow the skills, knowledge and innovation of staff to be used more fluidly.

(ii) As part of the review of consultative structures determine the arrangements for engaging with key stakeholders including the role of the Broads Forum.

On the positive side for that KLOE the report had the following to say:

“Partners recognise the strong and visible leadership of the Chief Executive and Chairman. The profile of the Chief Executive is good and his contributions are well regarded in his attendance at countywide meetings of local authority chief executives. Within the Authority there is recognised leadership provided by the Chairman, Chief Executive, lead Members and the Management Team with good collective responsibility among senior managers and Members. At a national level senior managers are seen as leaders in the navigation field.

The strategic leadership is not complacent about what still needs to be achieved. There is recognition that the Authority is on a journey and has not reached the end. One of its great strengths is that it is prepared to take big decisions, with appropriate identification and managing of risk, followed by targeted actions for delivery.

Member development arrangements are good. A robust strategy is in place to develop members that includes: member induction; mentors; a continuous development programme with presentations, site visits, and training; and an annual development appraisal.

Key building blocks are in place. The reviews, reorganisation, cost cutting and structural decisions taken over recent years will help the Authority be in a better position to deliver on its priorities and meet the aspirations of its users, partners and stakeholders.”

The Planning Service Review was undertaken at the Broads Authority’s request in 2015 by the Planning Advisory Service. They observed Planning Committee meetings and interviewed members and officers. The report was positive saying that:

“In general terms we have concluded that the Broads Authority Planning Committee is performing very well both in general, and in relation to the discharge of its functions under the Broads Act 1988 in particular.”

LGA Peer Review

For it to be a peer review, our comparators are the National Park Authorities and not mainstream local authorities and one would expect that Members and members of staff from other National Park Authorities, familiar with the legal and organisational frameworks

within which the Broads Authority operates, would be involved. If a further whole organisational review was wanted then it would ideally be part of a programme of third round reviews involving all ten English Parks so that we could learn from each other. This proposition would require further investigation to determine the other parks' appetite for another round of reviews because of the heavy demand on their resources.

For the process to be both worthwhile and successful there needs to be clear evidence of need for the peer review the "Why", and also the scope needs to be clearly defined, the "What". Once that is done it would be helpful if Members could assess the level of priority such a review is accorded in the Authority's work programme.

JP

24/1/2016