

# Audit and Risk Committee

19 November 2019

Agenda item number 14

## Implementation of internal audit recommendations and summary of progress

Report by Chief Financial Officer

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### Summary

This report updates members on the progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18, 2018/19 and 2019/20.

### Recommendation

That the report be noted.

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## 1. Introduction

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

- 1.2. The Appendices 1 to 3 provides details of the audits carried out in 2017/18, 2018/19 and 2019/20, in particular:
- Recommendations not yet implemented;
  - Recommendations not implemented at the time of the last meeting which have since been implemented; and
  - New recommendations since the last meeting.

## 2. Summary of Progress

- 2.1. In the previous report to this Committee in July the outstanding recommendation relating to the 2017/18 Port Marine Safety Code audit has now been completed. Four of the recommendations relating to Corporate Governance and Risk Management have been covered under agenda item number 7. Four of the recommendations relating to the Disaster Recovery Audit have been completed. At the time of writing this report I have been unable to provide updates on the outstanding recommendations regarding the Branding Audit. A verbal update will be provided at the meeting.

## 3. Internal Audit Programme 2019/20

- 3.1. The first audit from the 2019/20 programme has now been completed, with further details below in section 4. The second audit for Procurement is scheduled to start on 5 November 2019. The third audit - Key Controls - is scheduled to start on 25 November 2019. The outcome from these audits will be reported to the March 2020 meeting. The final audit on Corporate Governance is due to take place during the last quarter of the financial year.

## 4. External Funding – Water, Mills and Marshes

- 4.1. The objective of this audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place over the National Heritage Lottery Fund (NHLF) External Funding process. This resulted in a “reasonable” audit opinion with three “important” and three “needs attention” recommendations being raised. Details of these can be found in Appendix 3.
- 4.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Governance are:
- 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.
  - An overall project plan is in place for the development phase for all 38 individual projects which facilitates effective project management.

- Electronic minutes were obtained for the last board meeting and sample minutes were also reviewed enabling the verification that up to date record of project board decisions are maintained.

4.3. Those relating to Performance Measures are:

- A monthly update/report of the project's progress is provided to the Broads Authority Management Team assisting in the senior managers' understanding of the project and its progress in a timely manner.

4.4. Those relating to Financial Management are:

- A comprehensive spreadsheet is maintained by the Programme Manager which tracks the budget including match funding. This includes a separate worksheet for each project which enables budget management at individual project level incorporating budget against actual figures.

4.5. Four of the six recommendations have been completed with the remaining on target for completion.

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Date of report: 24 October 2019

Appendix 1 – Summary of Actions and Responses to Internal Audit Recommendations 2017/18.

Appendix 2 - Summary of Actions and Responses to Internal Audit Recommendations 2018/19.

Appendix 3 - Summary of Actions and Responses to Internal Audit Recommendations 2019/20.

# Appendix 1 – Summary of actions and responses to internal audit recommendation 2017/18

**Table 1**

Port Marine Safety Code: September 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>7. Governance</b></p> <p>Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG.</p> <p>A record of all training provides confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.</p>	Needs Attention	Head of Safety Management, previously included the Solicitor and Monitoring Officer.	<p>Agreed. All members of Boat Safety Management Group, the Stakeholder Hazard Review Group, the Navigation Committee and the Broads Authority receive training on risk assessment and ALARP principles before dealing with the risk assessments process. This formal training will be recorded in the minutes of each of the groups/ committees at the next opportunity when hazards are reviewed/ assessed scheduled for Feb 2019</p> <p>Any new members to the group will be trained in this regard prior to any risk review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into.</p> <p>Update: Briefing pack now in preparation for the forthcoming hazard review in February 2019. Broads Authority on 26/07/19 is the final step in this process. - Completed</p>	Originally by 28/02/19 Updated to 26/07/19

## Appendix 2 – Summary of actions and responses to internal audit recommendations 2018/19

**Table 2**

Corporate Governance and Risk Management February 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>1. Risk Management</b></p> <p>The Risk Management Policy is reviewed and updated as required to reflect the current governance arrangements and responsibilities for risk, including those assigned to the Audit and Risk Committee (ARC) and the frequency of the reporting of risks to the ARC. This should include an explanation of what is classed as an operational risk as opposed to a strategic risk and how service risks should be managed and escalated to strategic level, if required. It should also define the risk appetite/tolerance level.</p> <p>The policy should be version controlled, approved by the Full Broads Authority and reported to the ARC.</p> <p>Following approval, the policy should be disseminated to all staff and placed on the authority's intranet.</p> <p>An up to date risk management policy mitigates the risk that out of date processes are being used leading to incorrect decision making and lack of corporate governance.</p>	<p>Important</p>	<p>Management Team, previously Solicitor &amp; Monitoring Officer.</p>	<p>The risk management policy will be reviewed and updated to reflect the correct committee, lead officer and risk appetite (including colour coding). The updated policy will be taken to Audit and Risk for review prior to Broads Authority approval.</p> <p>Update: Following the departure of the Solicitor &amp; Monitoring Officer the Management Team has agreed to take on responsibility for the policy and risk register. This work has been scheduled for over the summer and will be reported to the November committee.</p> <p>Please see agenda item number 11 Following this committee it will be presented to the Broads Authority on 22/11/19.</p>	<p>Originally agreed by 26/07/19</p> <p>Updated to 29/11/19</p>

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>2. Risk Management</b></p> <p>An exercise is undertaken to review the Strategic Risk Register (SRR) to identify which risks are strategic, i.e., risks to the achievement of the strategic objectives. This should conclude that the remaining risks are at an operational/service level and as such, should be managed at this level.</p> <p>The resulting SRR should score all risks which have been identified and include a column which states which strategic objective they relate to. In addition, the SRR should make it clear which risks are within and outside of the risk appetite by using colour coding.</p> <p>Clearly distinguishing between operational/service level risks and strategic risks helps to ensure that risks are identified on both a service and strategic level allowing for proper understanding of the authorities risk profile and allows for the appropriate prioritisation of mitigation actions.</p>	Important	Management Team, previously Solicitor & Monitoring Officer.	<p>Review to be undertaken with Management Forum to distinguish between operational &amp; strategic risk and how they link with the Strategic Priorities in conjunction with the risk policy above.</p> <p>Update: Following the departure of the Solicitor &amp; Monitoring Officer the Management Team has agreed to take on responsibility for the policy and risk register. This work has been scheduled for over the summer and will be reported to November committee.</p> <p>Please see agenda item number 11.</p>	Originally agreed by 10/06/19 Updated to 19/11/19
<p><b>3. Risk Management</b></p> <p>A review and update of the RM page on the authority's intranet is undertaken incorporating any revised documents such as the RM policy and including relevant</p>	Needs Attention	Head of Safety Management, previously	Following committee approval of the revised policy and register the intranet page will be refreshed and communicated to all staff.	Originally agreed by 16/08/19 Updated

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>committee reports. This should be re-launched with staff including ascertaining feedback on the RM process and identifying any training needs at all levels across the authority. The intranet should provide clarification of what the risk appetite is and how risks, which are outside of the risk appetite, are managed.</p> <p>Staff being adequately informed and trained in respect of risk ensures that that correct processes are followed leading to informed decisions being made that assist in the achievement of objectives.</p>		Solicitor & Monitoring Officer.	Update: As the risk management policy and strategic risk register have been delayed this has impacted the refresh of the intranet page. This will be done after the November committee.	to 29/11/19
<p><b>4. Risk Management</b></p> <p>A standard risk implications section to be introduced on the committee report template to allow for a fuller explanation of the risks. Guidance/criteria to be produced to enable authors to sufficiently assess if there are any risk implications. Guidance to include reference to the SRR and any operational/service risks which have been identified; and the risk management policy.</p> <p>A fuller explanation of risks within reports will encourage a risk aware culture within the authority, and a consistent approach is applied in identifying risk implications. Referral to corporate risk documents should alert authors to risks which they may not have been aware of and</p>	Needs Attention	Head of Governance, previously Solicitor & Monitoring Officer.	<p>Agreed and partially completed.</p> <p>Template has been updated and is available on the intranet and the guidance will be completed by July 2019.</p> <p>Update: Committee templates are currently being redesigned following the accessibility guidelines. New templates are being rolled out over the various committees.</p>	<p>Originally agreed by 31/07/19</p> <p>Updated to 31/01/20</p>

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
reduce the risk that objectives are not achieved.				
<p><b>5. Risk Management</b></p> <p>The 'Review of the Strategic Risk Register (SRR) reports to the Audit and Risk Committee to contain an explanation of risks that have changed from the previous SRR, including risks which have had their score reduced; risks which have been reduced to the risk appetite; and change of risk description (i.e. the GDPR risk).</p> <p>This should include explanation as to why certain risk scores have not lowered from initial risk to revised risk score despite current mitigating actions and additional actions being put in place.</p> <p>Providing an explanation for key changes within the committee reports mitigates the risk that the committee does not receive a full picture of the status of risks and if they are being mitigated as expected.</p>	Needs Attention	Directorates, previously Solicitor & Monitoring Officer.	<p>Agreed. Audit &amp; Risk report to provide explanation of movements at next review.</p> <p>Update: Once the new risk register has been agreed regular reports will provide details of changes/movements since the last meeting. Please see agenda item number 11</p>	<p>Originally agreed by 23/07/19</p> <p>Updated to 19/11/19</p>
<p><b>6. Risk Management</b></p> <p>A scoring criteria is defined for low, high and medium risks, in relation to severity/impact, for categories such as financial, reputation and service provision.</p> <p>A scoring criteria is also defined for low, high and</p>	Needs Attention	Management Team, previously Solicitor & Monitoring	<p>Agreed. Scoring criteria will be incorporated into the risk policy.</p> <p>Update: a new 5x5 risk matrix and guidance has been developed by Management Team. This will be</p>	<p>Originally agreed by 10/06/19</p> <p>Updated to</p>



Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
medium risks in relation to likelihood, i.e. a high likelihood applies to a risk likely to happen more than once per year and a low risk is only likely to happen in 10–15 years' time.		Officer.	incorporated into the policy currently under review. Please see agenda item number 11.	19/11/19

**Table 3**

Disaster Recovery (DR) February 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>1. Alignment with Business Continuity Plans</b></p> <p>The Authority to ensure that senior management are made aware that Business Continuity (BCP) recovery timelines of up to 24 hours may not be achievable if such recovery has to be undertaken using the tape backups stored at the Dockyard. Formal acceptance (or otherwise) of this risk to be formally documented to support this.</p> <p>Formally notifying senior management of the potential inability to support Business Continuity recovery timelines up to 24 hours where a tape restoration is required will help to ensure that the acceptance (or otherwise) of this risk is formally documented.</p>	Important	Head of IT & Collector of Tolls	Agreed  Update: MT are aware of the potential delays. This will be formally updated in the Business Continuity Plan as part of the external funding recommendation 1	Originally agreed by 31/07/19  Update to 31/12/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>Where senior management are not advised of the potential inability to support Business Continuity recovery timelines up to 24 hours, there is an increased risk that the BCP cannot adequately support priority services.</p>				
<p><b>2. Backup and Recovery Capabilities</b></p> <p>The Authority to look at options for enhancing the existing data replication service such that it covers priority services such as Finance and Tolls.</p> <p>Increased replication between Yare House and the Dockyard will help to ensure timely recoveries of priority services following an incident, including any incidents that render Yare House inaccessible and which would currently require a recovery from tape.</p> <p>Where a tape recovery is required, there is an increased risk that this would result in up to 48 hours of data needing to be re-input as part of the recovery process, given that it takes an average of 24 hours to complete a tape backup at present.</p>	Needs Attention	Head of IT & Collector of Tolls	<p>Agreed</p> <p>Completed. Replication of Finance and Toll data is in place and working satisfactorily. Existing data lines, whilst providing reasonable capacity, have proved unreliable for replicating our larger servers. The Dockyard is served by overhead copper lines along the full extent of Griffin Lane which limits the opportunity for high speed data replication. A large capacity data disk is to be used to transfer large amounts of data in preference to replication.</p>	By 31/07/19
<p><b>3. DR Testing</b></p> <p>The authority to ensure that all DR tests are formally documented in test reports that are communicated to relevant senior management and which are used as a basis for updating DR plans with lessons learned using</p>	Needs Attention	Head of IT & Collector of Tolls	<p>Agreed</p> <p>Completed. A template form for recording and documenting DR tests has been implemented.</p>	By 31/07/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>appropriate change control processes.</p> <p>The formal documentation of all DR tests into test reports will help to demonstrate that the DR facilities and processes adequately support the Authority's priority services following an incident and that any lessons learned are taken account of as updates to the processes concerned.</p> <p>Where DR tests are not formally documented into test reports, there is an increased risk that the DR facilities and processes cannot be shown to be adequate and that any weaknesses in the DR facilities and processes are not detected and resolved in a timely manner.</p>				
<p><b>4. DR Development for New Systems</b></p> <p>The Authority to ensure that relevant Project Management processes are updated to include work to understand what the DR support requirements will be for any new or changed infrastructure.</p> <p>The inclusion of work to understand the potential DR support requirements of any new or changed systems will help to ensure that any changes to the Authority's systems are adequately support as required by the Business.</p> <p>Where DR requirements are not taken account of</p>	Needs Attention	Head of IT & Collector of Tolls	Agreed Completed. Project Management documentation updated.	By 31/07/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
adequately in project workflows, there is an increased risk that the DR support requirements that may result from the changed infrastructure are not supported adequately following an incident.				
<p><b>5. Dockyard Physical Access Controls</b></p> <p>The Authority to ensure that the server rack that contains the DR infrastructure at the Dockyard is moved to a more appropriate location within the DR facility as soon as practically possible.</p> <p>Moving the server rack to a more appropriate location will help to ensure the security of the rack and the environmental conditions within the room.</p> <p>If the server rack is not moved to a more appropriate position within the DR facility, there is an increased risk of security vulnerabilities caused by the removal of the side panels which has been done to facilitate the operation of the Air Conditioning unit.</p>	Needs Attention	Head of IT & Collector of Tolls	Agreed  Completed. Cabinet repositioned and side panels in place.	By 31/07/19

**Table 4**

Branding April 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>1. Broads Authority branding - strategies, guidelines / procedures</b></p> <p>The communications work plan be updated to include the finalisation of the local Broads National Park Branding Strategy.</p> <p>The work plan should also be updated to include work in relation to recommendations agreed within this audit, including branding training; update of intranet communications page; and internal guidance/criteria in relation to the use of Broads Authority and Broads National Park logos.</p> <p>Currently, there is no defined timescale for completing the Broads National Park Branding Strategy. Whilst this is dependent on the completion of the national branding strategy, an estimated timescale (subject to change) would help mitigate the risk that the strategy and other key tasks are not completed in a timely manner.</p>	Needs Attention	Head of Communications	<p>Agreed. The work plan for 2019/20 is currently being populated and key milestones as recommended will be included within it.</p> <p>Partially completed: The work plan is now complete for 2019/20 with the timelines included. This has been incorporated into the Directorate work plan.</p>	<p>Originally by 31/05/19</p> <p>Updated to 30/09/19</p>
<p><b>2. Broads Authority branding - strategies, guidelines / procedures</b></p> <p>The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding. This should be included within a separate branding section which the policy does not</p>	Needs Attention	Head of Communications	Agreed. Given that the National Branding guidelines which will inform the strategy are awaiting approval by the 15 national parks Chief Executives and relevant Chairs it is anticipated	By 31/10/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>currently have.</p> <p>This should make the branding area more easily to locate within the policy and helps mitigate the risk that responsibilities for branding are unclear.</p>			<p>that this work will be completed by the Autumn of 2019</p>	
<p><b>4. Broads Authority branding - use of the Broads Authority logo</b></p> <p>Guidance be produced for staff which covers the criteria for applying either the Broads Authority or Broads National Park logo, or when both logos are applicable.</p> <p>This guidance should include reference to partnership and project work, and the approach to take when applying logos of both the project, the Broads Authority and the Broads National Park logo.</p> <p>Reference should be made to the Broads National Park Brand Standards and the Broad's National Park branding strategy where applicable.</p> <p>It would be good practice to include examples of logo application for different circumstances from promotional flyers and training programmes to more formal documents.</p> <p>Furthermore, this document should make clear the formal process to go through when branding documents, i.e. consultations with the communications team.</p>	<p>Needs Attention</p>	<p>Head of Communications</p>	<p>Agreed. The guidance will be produced in conjunction with the strategy, guidelines and procedures.</p>	<p>By 31/10/19</p>

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>Clear guidance should provide clarity over the application of the different logos, reducing the risk that inconsistent and incorrect logos are applied leading to ambiguity and inadequate promotion of the area as a national park.</p>				
<p><b>5. Broads Authority branding - use of the Broads Authority logo</b></p> <p>A review and update of the communications page on the authority's intranet be undertaken once the national Parks branding strategy and associated documents, including the local broads national park strategy and Broads Authority Communications Policy, are finalised. This should be re-launched with staff including the provision of staff and member training in relation to branding, incorporating the use of both the Broads Authority logo and Broads National Parks logo.</p> <p>The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.</p> <p>Staff being adequately informed and trained in respect of branding mitigates the risk that incorrect processes are followed leading to inconsistent and/or incorrect branding being applied that affects the achievement of branding objectives.</p>	Needs Attention	Head of Communications	Agreed. The intranet content will be produced in conjunction with the strategy, guidelines and procedures	By 31/10/19

## Appendix 3 – Summary of actions and responses to internal audit recommendations 2019/20

**Table 5**

External Funding – Water, Mills and Marshes

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>1. Governance</b></p> <p>The Broads Authority Business Continuity Plan (BCP) is reviewed and updated to take into account the recent organisational re-structure and to ensure major projects such as the WMM Project are provided for.</p> <p>Ensuring the Corporate BCP is reviewed and updated in a timely manner mitigates the risk that BC management procedures and priorities are not embedded in the Broads Authority resulting in a lack of effective management of any disruption to normal services and externally funded major projects.</p>	Important	Head of Governance	Agreed by Management Team on 26/09/2019.	By 31/12/19
<p><b>2. Financial Management</b></p> <p>Duplicate amount of £835 to be subtracted from the next claim submission and finance notified of this error.</p> <p>Rectifying the claim submission error ensures the correct expenditure items are claimed for and mitigates the risk of grant funding being withheld.</p>	Important	Water, Mills and Marshes Programme Manager	Agreed Completed	By 30/11/19



Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>3. Financial Management</b></p> <p>An independent accuracy check of actual expenditure items, to source, is undertaken prior to each quarterly claim submission. This should include a check against the previous claim to ensure no items are duplicated in the current claim.</p> <p>Independent checking provides assurance that the figures are entered correctly based on source documentation mitigating the risk of human error and potential duplication.</p>	Important	Chief Financial Officer	<p>Agreed, the independent accuracy check to be undertaken by the Chief Finance Officer</p> <p>Completed.</p>	By 30/11/19
<p><b>4. Governance</b></p> <p>To update the project risk registers to clearly define the current risk score and include a target risk score. The risk appetite should also be explained, i.e. anything with a risk score of 6 and above.</p> <p>The current risk score shows the latest position with regard to the risk level, and adding this would also highlight those risks which require additional mitigation. The target risk score shows which risks need mitigating further to achieve this and the risk appetite explains what level of risk the project is willing to accept. This would reduce the chances of risks being misunderstood or not properly mitigated in line with risk appetite.</p>	Needs Attention	Water, Mills and Marshes Programme Manager	<p>Agreed</p> <p>Completed</p>	By 30/11/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p><b>5. Governance</b></p> <p>Declaration of interests are minuted, including incidences where there are none.</p> <p>Declaring interests is a key control in corporate governance which reduces the risk that conflicts of interests are not sufficiently mitigated leading to a poor standard of integrity and reputation and potential fraud.</p>	Needs Attention	Water, Mills and Marshes Programme Manager	Agreed  Completed	By 31/10/19
<p><b>6. Financial Management</b></p> <p>Evidence that tenders are advertised on the BA's website/social media page and on industry specific websites/in newspapers or journals circulating among persons or bodies who undertake such contracts, to be retained.</p> <p>Retaining evidence verifies that the BA's Standing Orders Relating to Contracts have been adhered to mitigating the risks that there is inadequate transparency and fairness in the procurement process and the BA does not obtain VFM from it procurements.</p>	Needs Attention	Water, Mills and Marshes Programme Manager	Agreed, timetable depending on future procurement	By 31/03/20