

# Audit and Risk Committee

## Agenda 26 July 2022

10.00am

Yare House, 62-64 Thorpe Road, Norwich, NR1 1RY

John Packman, Chief Executive – Tuesday 19 July 2022

Under the Openness of Local Government Bodies Regulations (2014), filming, photographing and making an audio recording of public meetings is permitted. These activities however, must not disrupt the meeting. Further details can be found on the [Filming, photography and recording of public meetings](#) page.

### Introduction

1. To receive apologies for absence
2. To receive declaration of interest
3. To note whether any items have been proposed as matters of urgent business
4. Public question time – to note whether any questions have been raised by members of the public
5. **To receive and confirm the minutes of the Audit and Risk Committee meeting held on 8 February 2022** (Pages 3-10)

### Financial direction

6. **Draft Statement of Accounts 2021/22** (Pages 11-97)  
Report by Director of Finance
7. **Investment Strategy and Performance Annual Report 2021/22** (Pages 98-100)  
Report by Director of Finance

### Governance and Audit

8. **Internal Audit Annual Report and Opinion 2021/22** (Pages 101-129)  
Report by Internal Audit Manager
9. **Annual Governance Statement 2021/22 and Code of Corporate Governance 2022**  
(Pages 130-165)  
Report by Senior Governance Officer

10. **External Audit – Initial Audit Plan 2021/22** (Pages 166-211)  
Report by Director of Finance
11. **Whistleblowing Policy** (Pages 212-221)  
Report by Senior Governance Officer
12. **Corporate Risk Register** (Pages 222-229)  
Report by Senior Governance Officer
13. **Implementation of Internal Audit recommendations: summary of progress** (Pages 230-252)  
Report by Director of Finance
14. Other items of business  
Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 1008 (4)(b) of the Local Government Act 1972
15. To answer any formal questions of which due notice has been given
16. **To note the date of the next meeting – Tuesday 15 November 2022 at 10.00am at Yare House, 62/64 Thorpe Road, Norwich**

# Audit and Risk Committee

## Minutes of the meeting held on 08 February 2022

### Contents

1.	Apologies and welcome	2
	Openness of Local Government Bodies Regulations 2014	2
2.	Introductions and declarations of interest	2
3.	Items of urgent business	2
4.	Public question time	2
5.	Minutes of last meeting	2
6.	Investment strategy and performance report 2021/22 and draft capital, treasury and investment strategy 2022/23	2
7.	Consolidated income and expenditure: 1 April to 31 December 2021 actual and 2021/22 forecast outturn	3
8.	Internal Audit Strategic and Annual Plans 2022/23	5
9.	External Audit	6
10.	Implementation of internal audit recommendations: summary of progress	6
11.	Corporate Risk Register – review	6
12.	Risk Management and Policy report	7
13.	Other items of business	7
14.	Formal questions	7
15.	Date of next meeting	7

## **Present**

Greg Munford – in the Chair, Matthew Bradbury, Bill Dickson, Gail Harris, Simon Roberts, Michael Scott, Matthew Shardlow, Fran Whymark.

## **In attendance**

Emma Krelle – Director of Finance, Sarah Mullarney – Governance Officer, John Packman – Chief Executive, Sara Utting – Senior Governance Officer, Faye Haywood – Head of Internal Audit, Mark Hodgson – Audit Partner, Ernst & Young.

## **1. Apologies and welcome**

The Chair welcomed everyone to the meeting.

**Apologies** were received from Paul Hayden, Tristram Hilborn, and Nicky Talbot.

### **Openness of Local Government Bodies Regulations 2014**

The Chair explained that the meeting was being audio-recorded. All recordings remained the copyright of the Broads Authority and anyone wishing to receive a copy should contact the Governance Team. The minutes remained the formal record of the meeting. He added that the law permitted any person to film, record, photograph or use social media in order to report on the proceedings of public meetings of the Authority. This did not extend to live verbal commentary. The Chair needed to be informed if anyone intended to photograph, record or film so that any person under the age of 18 or members of the public not wishing to be filmed or photographed could be accommodated.

## **2. Introductions and declarations of interest**

No additional declarations of interest were declared.

## **3. Items of urgent business**

There were no items of urgent business.

## **4. Public question time**

No public questions had been received.

## **5. Minutes of last meeting**

The minutes of the meeting held on 21 September 2021 were approved as a correct record and signed by the Chair.

## **6. Investment strategy and performance report 2021/22 and draft capital, treasury and investment strategy 2022/23**

The Director of Finance informed members that there had been no significant movement on the balance since 31 September 2021. Further guidance had been published by The Chartered Institute of Public Finance and Accountancy (CIPFA) on Treasury Management for Local

Authorities, however initial review of the notes indicated there weren't any significant changes required.

It was reported that CIPFA had launched a 4-week emergency consultation, part of which proposed deferring the implementation of IFRS 16 (International Financial Reporting Standard) to 2023/2024. The Director of Finance explained that there were benefits to the delay and said she would respond to the consultation in support of this.

The draft strategy highlighted that one supplier was being used for all investments. The Director of Finance recognised this was not ideal and said the Finance team were in a position to review investments options for 2022/23 now that the team was fully resourced. Options that required a change to the strategy would come back to members.

Members were also informed that the Local Government Treasury Guidance did not acknowledge the high premiums on early repayment of Public Works Loan Board (PWLB) loans. This made it difficult to restructure the debt. The Director of Finance advised that because of this it was preferable to let the loan run its course rather than repay early.

In response to a member query, the Director of Finance explained that not all members of the Finance team were involved in Treasury Management, however training would be explored as part of staff development.

It was noted that there was a typo on page 18 of the combined papers, at 3.2: "At the end of 2020/10" should read 2020/21. This would be corrected before submission to the Broads Authority.

#### **Members unanimously resolved**

- i. to note the current arrangements regarding the investment of surplus cash**
- ii. to recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority.**

## **7. Consolidated income and expenditure: 1 April to 31 December 2021 actual and 2021/22 forecast outturn**

The Director of Finance reported that at the end of January, the toll income was £190,000 above the budget. This was forecast to reach £195,000 by the end of March. There was no update on expenditure.

Members were informed that there was a significant amount of variances related to the staff pay award. A 1.75% pay increase for 2021/22 was rejected by the unions in October 2021. Negotiations with the National Joint Council (NJC) were ongoing however there was no indication of an agreement being reached soon.

The Broads Authority, with other National Park Authorities, have agreed to implement a 1.75% salary increase, backdated to 1 April 2021. This has been agreed with Broads Authority unions Unison and GMB and will be paid in March before the National Insurance increases in

April. If the final agreement reached for 2021/22 is above 1.75%, the agreed increase will be applied and the difference backdated to 1 April 2021. The Director of Finance explained that the 2021/22 budget had allowed for a 2% pay increase. The Chief Executive (CEO) said the decision was taken in recognition of pressures on staff in relation to rising costs and inflation. Members commended the decision as a sign of a good employer.

A member queried if the underspend in the report meant objectives hadn't been met. The CEO responded that some of the underspend was related to the Authority's commitment to the purchase of new electric vehicles. Some upcoming projects were becoming difficult to deliver with the anticipated work at Commissioners Cut requiring review due to increasing cost. It was also explained that salary provision was made on the basis that every post would be filled for the whole year. The CEO said the Broads Authority workforce was stable but there had been a higher turnover of staff this year than previously experienced by the Authority. Since the pandemic, the nature of employment had changed and recruitment was increasingly competitive.

In response to a member question about utilising apprenticeships, the CEO said the Authority's apprenticeship schemes had been successful, however noted there was no guarantee of a job following the scheme. It was recognised that the nature of roles within the Authority required a degree of training. The CEO said the Authority would continue with the apprenticeship scheme.

The member also queried the long-term expenditure of Yare House. It was explained that the notice to trigger the break clause had been extended to November 2022. The Authority had initiated an agile working trial which would help assess what physical space was needed. The CEO explained that there was also potential to negotiate different office space set ups within Yare House.

A member asked how much opportunity there was to defer some expenditure to next year and if there was a difference in the way this could be done for capital and revenue expenditure. The Director of Finance explained that the electric vehicles were funded from the earmarked reserves so had already been transferred to 2022/23 as part of the budget setting. Budget holders had also indicated which projects would require a carry forward, such as the work at Commissioner's Cut. The Director of Finance said this approach could not be relied upon indefinitely and suggested a reprofiling of the programme of works.

Members discussed the Authority's recruitment in comparison to other organisations; the Director of Finance stated that the staff turnover for the last year was not unique to the Broads Authority and said there was additional competition from agile working. Members discussed the benefits of scheduling a benchmarking exercise to assess staff salaries and their sustainability in the employment market. Members were asked to consider how the results of the exercise would be used. A member said the impact of differing salaries needed to be identified. The CEO added that it would be useful to track and assess over time if an identified gap was widening. Members agreed that comparisons should be made across the sector, and not limited to Local Authorities.

The CEO added that there were other factors to consider when making comparisons, as roles, such as HR, IT, and Finance, competed in a wider sector. The Committee recognised the sensitivity of a benchmark exercise and were reminded that realistic expectations needed to be set for staff as to the outcome of the exercise. A member commented that it was important to explore incentives other than salary.

A member suggested that the exercise be incorporated into the business planning cycle as part of a review of strategic challenges and the long-term resources required. He said it was important to avoid the perception that the exercise would automatically increase salaries. It was discussed that due to the confidential nature of the information, the findings would be reported as an exempt item to all Audit and Risk Committee (ARC) members for review. The Director of Finance agreed that the results of the benchmarking could be fed back to members at the November Audit and Risk Committee meeting.

It was suggested by a member that an external organisation be used to help undertake the benchmark process, and relieve pressure on Authority staff in completing the exercise.

**It was proposed by Matthew Shardlow, seconded by Fran Whymark, and unanimously agreed that:**

**As part of the planning process for developing the Broads Plan, members recommend that a sector wide benchmark process is undertaken on a 5-yearly cycle, managed by management, and reported to the Audit and Risk Committee, the first of which is to be reported at the November 2022 ARC meeting.**

**The income and expenditure figures were noted.**

## **8. Internal Audit Strategic and Annual Plans 2022/23**

The Head of Internal Audit introduced the report which outlined the areas for audit from April onwards. Members were informed that the contract for the audit work was due to end on 31 March 2022. It was reported that South Norfolk Council had agreed to appoint the incumbent for another contractual term which would maintain stability.

In response to a member question, the Head of Internal Audit confirmed there had been a change to the cost of the audit work as a result of the retendering. She agreed to circulate the percentage increase to members for information.

Members were updated on the annual internal audit plan for 2022/23. It was explained that Corporate Governance and Risk Management and Key Controls and Assurance Framework were assessed on an annual basis. In addition, the service area audits identified for review were Corporate Health and Safety and Partnership Working. The latter was last reviewed in 2009/10. Ideas for future audits in 2023/24 were provided in the report.

It was also confirmed that the results of the Cyber Security audit would be presented to members at the 26 July 2022 Audit and Risk Committee meeting.

A member commented on the amount of regulatory auditing that the Authority was required to fund as a small organisation. He suggested this be fed back as part of the Landscape Review consultation.

**Members resolved to approve:**

- i. **The Internal Audit Strategy for 2022/23**
- ii. **The Annual Internal Audit Plan for 2022/23**

Faye Haywood left the meeting.

## 9. External Audit

The Audit Partner for Ernst & Young introduced the report. It was noted that the Auditor's Annual Report replaced the 'The Annual Audit Letter', however it had the same purpose.

It was reported that the audit opinion was issued on 30 September 2021 and this had been published with the accounts by the required date. There were no matters to report on the Value for Money arrangements. Members were informed that following the 21 September ARC meeting, the pension liability procedures were found to fall within the acceptable range and an 'unqualified audit opinion' was issued. The auditors were unable to issue the certificate as they were awaiting guidance from the HM Treasury on Whole of Government Accounts (WGA).

It was also reported that since the last meeting, the Public Sector Audit Appointments (PSAA) had determined the 2019/20 scale fee adjustment.

**The Auditor's annual report for 2020/21 was noted.**

## 10. Implementation of internal audit recommendations: summary of progress

The Director of Finance introduced the report. The final report for the key controls had received 'substantial assurance' with one minor recommendation in regards to diversifying investments. Members were informed this was the highest rating that could be achieved. The Director of Finance said this was a particularly good result given the staffing challenges over the last year and paid thanks to the Finance and Tolls teams. It was reported that the Cyber Security audit was ongoing.

The Chair thanked the Director of Finance and Collector of Tolls on behalf of the Committee for leading the Finance and Tolls teams and achieving the highest rating.

**The report was noted.**

## 11. Corporate Risk Register – review

The Corporate Risk Register was presented to members following a request at the previous Audit and Risk Committee meeting that it be present on every ARC agenda.



A member noted that Risk No 4, Finance, in the report was not a reduction in income but an increase in costs. He said this was a definite risk that needed to be managed.

The Chair read out comments from Paul Hayden who said he was grateful for the inclusion of the Corporate Risk Register on the agenda and wished to thank officers for being responsive to the request.

**The updated Corporate Risk Register was noted.**

## 12. Risk Management and Policy report

The Senior Governance Officer introduced the report. The policy was renewed every two years and would be presented to the Broads Authority for adoption. It was explained that minor changes had been made to the Risk Management Policy to reflect that the register would be presented to every ARC meeting.

A member queried the use of the word 'regularly' at 8.1 and 8.2 of the policy and said 8.1 should remain as 'every six months' and 8.2 should read 'at every meeting'. The Director of Finance explained that the proposed change in wording at 8.1 recognised that ARC meetings may not be held within a six-month period as they were scheduled to adhere to the audit deadlines. Another member agreed that 'regularly' was ambiguous but said it also implied the policy could be reviewed more frequently than six months.

Members agreed that the proposed amendment at 8.1 be adopted but 8.2 be changed to "every meeting".

**Michael Scott proposed, seconded by Gail Harris and members unanimously agreed to approve the Risk Management Policy and recommend its adoption by the Broads Authority, subject to the following change:**

8.2 The Corporate Risk Register will be reviewed **at every meeting** of the Audit and Risk Committee.

## 13. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

## 14. Formal questions

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

## 15. Date of next meeting

The next Audit and Risk Committee meeting would be on Tuesday 26 July 2022, commencing at 10.00am.

The meeting ended at 11.14am

Signed by

Chair

DRAFT

# Audit and Risk Committee

26 July 2022

Agenda item number 6

## Draft Statement of Accounts 2021/22

Report by Director of Finance

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### Summary

This report provides an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2022.

### Recommendation

To be noted.

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## Contents

1.	Introduction	1
2.	Changes to the 2021/22 Accounts	1
3.	Balance Sheet	4
4.	Annual Governance Statement	5
5.	Audit of the Statement of Accounts	5
6.	Financial implications	5
	Appendix 1 – Draft Statement of Accounts 2021/22	6

## 1. Introduction

1.1. In the Financial Performance and Direction report to the Authority on 13 May 2022, there were draft figures for 2021/22 that provided for a consolidated deficit of £117,348. At the meeting, a verbal update was provided that some additional year-end adjustments had been made and the deficit had increased slightly to £124,713. These figures were then used in the production of the draft Statement of Accounts, which were signed and published on our website on 15 July 2022.

## 2. Changes to the 2021/22 Accounts

2.1. There have been no significant changes to this year's accounts.

2.2. As with previous years, Table 1 below has been produced to help members understand the additional adjustments made at year end.

**Table 1**

Summary Income and Expenditure 2021/22

<b>Income and Expenditure</b>	<b>Operations £000's</b>	<b>Strategic Services £000's</b>	<b>Finance &amp; Support Services £000's</b>	<b>HLF &amp; CANAPE £000's</b>	<b>Corporate Amounts £000's</b>	<b>Total £000's</b>
Fees, charges and other service income	(156)	(894)	(36)	(545)	(3,714)	(5,345)
Contribution from reserves	0	0	0	0	(63)	(63)
Government Grants	0	0	0	0	(3,414)	(3,414)
<b>Total Income</b>	<b>(156)</b>	<b>(894)</b>	<b>(36)</b>	<b>(545)</b>	<b>(7,191)</b>	<b>(8,822)</b>
Employee expenses	2,371	1,564	791	163	142	5,031
Other services expenses	1,882	848	865	321	0	3,916
<b>Total Expenditure</b>	<b>4,253</b>	<b>2,412</b>	<b>1,656</b>	<b>484</b>	<b>142</b>	<b>8,947</b>
<b>Net Expenditure</b>	<b>4,097</b>	<b>1,518</b>	<b>1,620</b>	<b>(61)</b>	<b>(7,049)</b>	<b>125</b>

**Table 2**

Summary of adjustments

<b>Adjustments</b>	<b>Amounts £000's</b>
Net Expenditure	125
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management	1,498

<b>Adjustments</b>	<b>Amounts £000's</b>
Amounts included in Table 1 not in the CIES	2,573
<b>Cost of Services in the CIES</b>	<b>4,196</b>

- 2.3. Items in the amounts included in the CIES not reported to management include year-end adjustments for the Pension Scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the Actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation and movements on the revaluations of fixed assets.
- 2.4. The main adjustments in the third line, which is in the analysis above but not the Comprehensive Income and Expenditure Statement, is the removal of the DEFRA grant, interest and investment income and interest payable. These items are added back in the lines under the cost of services. Further adjustments relate to the accounting treatment of capital expenditure, reserve expenditure and finance leases.
- 2.5. Table 3 below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 16 in the Statement of Accounts.

**Table 3**

Detailed adjustment

<b>Income and Expenditure type</b>	<b>Service Analysis £000's</b>	<b>Not reported to Management £000's</b>	<b>Not included in the CIES £000's</b>	<b>Net Cost of Services £000's</b>	<b>Other operating expenditure, finance &amp; investment income and Government Grant £000's</b>	<b>Deficit on the Provision of Services £000's</b>
Fees, charges and other service income	(5,334)	0	0	(5,334)	0	(5,334)
Interest and investment income	(11)	0	11	0	(11)	(11)
Contribution from reserves	(63)	0	(530)	(593)	0	(593)
Government Grants	(3,414)	0	3,414	0	(3,414)	(3,414)

Income and Expenditure type	Service Analysis £000's	Not reported to Management £000's	Not included in the CIES £000's	Net Cost of Services £000's	Other operating expenditure, finance & investment income and Government Grant £000's	Deficit on the Provision of Services £000's
<b>Total Income</b>	<b>(8,822)</b>	<b>0</b>	<b>2,895</b>	<b>(5,927)</b>	<b>(3,425)</b>	<b>(9,352)</b>
Employee expenses	5,031	1,023	0	6,054	271	6,325
Other services expenses	3,916	0	(322)	3,594	0	3,594
Depreciation, amortisation & revaluation	0	475	0	475	0	475
Interest payments	0	0	0	0	45	45
Gain on disposal of Assets	0	0	0	0	(1)	(1)
<b>Total Operating Expenditure</b>	<b>8,947</b>	<b>1,498</b>	<b>(322)</b>	<b>10,123</b>	<b>315</b>	<b>10,438</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>125</b>	<b>1,498</b>	<b>2,573</b>	<b>4,196</b>	<b>(3,110)</b>	<b>1,086</b>

### 3. Balance Sheet

3.1. This year the Balance Sheet has returned to a net asset position; at the end of 2021/22 it was £32,000. This is a decrease from the 2020/21 net liability position of £4,152,000. As with previous years, the main cause of this is the movement in the Pension Fund liability, which has decreased by £3,808,000. The pension fluctuations are due to the changes in financial assumptions as calculated by the actuary. The fund also seeks to maintain contributions at a consistent rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis, whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 31.

- 3.2. The bottom section of the Balance Sheet on page 18 splits the reserves between useable and unusable reserves. The useable reserves can be used to fund future operating expenditure, while the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3. The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as verbally reported on 13 May 2022. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 40. The year end balances of the reserves are:
  - National Park £804,915;
  - Navigation £849,911;
  - Earmarked £2,875,384 of which £1,304,961 relates to Navigation.

## 4. Annual Governance Statement

- 4.1. The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The Annual Governance Statement is on today's agenda at item 9. After consideration at this meeting, it will be presented to the Broads Authority on 29 July 2022 and made available on the website.

## 5. Audit of the Statement of Accounts

- 5.1. The Authority's external auditors, Ernst & Young (EY) are scheduled to carry out the audit between 17 October and 11 November 2022. A copy of their audit plan is at agenda item 10.
- 5.2. At this stage it is still anticipated that the final Statement of Accounts will be presented to this Committee on 29 November for consideration prior to approval by the Broads Authority on 2 December, subject to any amendments.

## 6. Financial implications

- 6.1. The Statement of Accounts for 2021/22 shows revenue reserves of £1,654,826 (National Park (general) reserves £804,915, Navigation reserves £849,911) that are considered to be adequate. The National Park reserve at the end of 2021/22 stands at 22.6% of net expenditure, while the Navigation reserve is 21.8%. This is higher than the Financial Strategy forecast for the end of 2021/22. This is due to the carry forwards agreed which have been added to the 2022/23 budget.
- 6.2. The carry forwards of £75,000 (navigation £75,000) approved at the May meeting was effectively expenditure that should have been occurred in 2021/22 but for reasons beyond the Authority's control meant they were delayed until 2022/23.

6.3. The outturn figures for 2021/22, the impact of inflation and the 2022/23 level of tolls received will be assessed for their impact on the overall level of reserves, and will be taken into account in future budgeting proposals and when making decisions about income and expenditure in 2023/24.

Author: Emma Krelle

Date of report: 08 July 2022

Appendix 1 – Draft Statement of Accounts 2021/22



# Broads Authority

## Draft Statement of Accounts 2021/22

### Contents

Narrative report	4
Introduction	4
About the Broads Authority	4
Governance	5
Operational model	6
Risks	7
Opportunities	7
Strategy and resource allocation	8
Performance	9
Outlook	9
Changes to the 2021/22 Accounts	10
The accounting statements	10
<b>Statement of Responsibilities for the Statement of Accounts</b>	<b>12</b>
The Authority's Responsibilities	12
The Director of Finance's Responsibilities	12
Director of Finance's Certificate	12
<b>Certificate of Committee Resolution</b>	<b>13</b>
<b>Independent Auditor's Report to the Members of the Broads Authority</b>	<b>14</b>
<b>Expenditure and Funding Analysis</b>	<b>15</b>
<b>Comprehensive Income and Expenditure statement</b>	<b>16</b>
<b>Movement in reserves statement</b>	<b>17</b>
<b>Balance sheet</b>	<b>18</b>
<b>Cash Flow statement</b>	<b>19</b>

<b>Notes to the Statement of Accounts</b>	<b>20</b>
1. Accounting policies	20
2. Accounting Standards that have been issued but have not yet been adopted	32
3. Critical judgements in applying accounting policies	33
4. Assumptions made about the future and other major sources of estimation uncertainty	33
5. Material items of income and expenditure	34
6. Events after the balance sheet date	34
7. Note to the expenditure and funding analysis	35
8a. Expenditure and income analysed by nature	38
8b. Revenue from contracts with service recipients	38
9. Adjustments between accounting basis and funding basis under regulations	39
10. Transfers to/from earmarked reserves	40
11. Financing and investment income and expenditure	42
12. Property, plant and equipment	42
13. Inventories	48
14. Debtors	48
15. Cash and cash equivalents	48
16. Creditors	49
17. Provisions	49
18. Usable reserves	50
19. Unusable reserves	50
20. Cash Flow Statement – Operating Activities	53
21. Cash flow statement – investing activities	53
22. Cash flow statement – financing activities	53
23. Members' allowances	54
24. Officers' remuneration	54
25. External audit costs	57
26. Grant income	58
27. Related parties	58
28. Capital expenditure and capital financing	60
29. Leases	61

30. Termination benefits	63
31. Defined Benefit Pension Schemes	63
32. Contingent Liabilities	70
33. Financial Instruments	71
34. Nature and Extent of Risks Arising from Financial Instruments	74
35. Navigation Income and Expenditure Account	76
Glossary of Terms	77

# Narrative report

## Introduction

The purpose of the Narrative Report is to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. It also provides commentary on how the Authority has used its resources to achieve its outcomes in line with its objectives and strategies.

## About the Broads Authority

The Broads Authority was established by the Norfolk and Suffolk Broads Act 1988.

Its duties, as subsequently amended by the Natural Environment and Rural Communities Act 2006, are to manage the Broads for the purpose of:

- conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- protecting the interests of navigation.

This brought the first two purposes into line with those of the English National Park Authorities, as recommended in the Department for Environment, Food and Rural Affairs (Defra) report 'Review of English Park Authorities' published in July 2002.

In discharging its function, the Authority should have regard to:

- the national importance of the Broads as an area of natural beauty and one which affords opportunities for open air recreation;
- the desirability of protecting the natural resources of the Broads from damage; and
- the needs of agriculture and forestry and the economic and social interests of those who live and work in the Broads.

In respect of its navigation area the Authority is required to:

- maintain the navigation area for the purposes of navigation to such a standard as appears to it to be reasonably required; and
- take such steps to improve and develop it as it thinks fit.

The Broads Authority Act 2009 amended the 1988 Act and is primarily concerned with augmenting the Authority's powers to ensure safety on the Broads, including the application of the Boat Safety Scheme and compulsory third-party insurance. It also made provision for the transfer of responsibility for the navigation in Breydon Water to the Authority which was implemented in 2012. The 2009 Act removed the need for the Authority to maintain a separate navigation account and contained provisions which require the Authority to ensure

that, taking one year with another, expenditure on navigation matters is equal to navigation income.

The Broads Plan is the key management plan for the Broads. It sets out a long-term vision for the benefit of the natural and cultural environment, local communities and visitors. Although the Authority is responsible for its production it is a plan for the whole of the Broads, and its success very much depends on a common vision, strong partnership working and the best use of shared resources. The draft plan for the period 2022-27 is currently out for consultation and is publicly available via the website link below.

[Consultations \(broads-authority.gov.uk\)](https://broads-authority.gov.uk)

The Authority's Strategic Priorities are set annually by the members in line with objectives in the Broads Plan. Progress against the Strategic Priorities is reported regularly to the Authority and details of 2021/22 can be found in the link below:

[Strategic Direction: Draft Annual Business Plan 2022/23 and strategic priorities update \(broads-authority.gov.uk\)](https://broads-authority.gov.uk)

All decisions are supported by the Authority's core values. These are enduring beliefs or ideals about what is good or desirable and what is not. They are:

- Sustainable - we take the long-term view, are passionate about our environment and its ability to provide for a vibrant local economy and the well-being of local people;
- Exemplary - we strive for excellence in all we do. We are ambitious, innovative and lead by example;
- Commitment - we are committed to making a difference to the Broads for the benefit of all, and will have the courage of our convictions when faced with difficult issues;
- Caring - we are considerate and respectful of each other, working together to provide the best service we can; and
- Open and Honest - we are open, honest and inclusive in our communication and in making decisions. We are approachable and available, reaching out to all groups.

The Authority is funded from two major sources; National Park Grant from Defra and Navigation Toll Income. These are approximately equal to each other and are used to fund the activities (including staffing) across the organisation.

## Governance

The Annual Governance Statement provides details of progress against the current year and provides the new financial year action plan. This will be considered by the Authority on 29 July and will be available via the link below:

[Broads Authority - 29 July 2022 \(broads-authority.gov.uk\)](https://broads-authority.gov.uk)

In 2018 the Government commissioned a review of National Parks and Areas of Outstanding Natural Beauty (AONBs) looking at coverage of designations, how designated areas deliver their responsibilities, how designated areas are financed, and whether there is scope for expansion. The review team, led by Julian Glover, visited the Broads in November 2018. The team's report "Landscapes Review" was published in September 2019. The Government's response was published on 15 January 2022. The Authority held a member workshop on 24 February and the Authority's formal response was considered in March 2022. A link to the committee report can be found below. The report also contains a link to the final report and the Government's response.

[Landscapes Review – response to Government consultation \(broads-authority.gov.uk\)](https://broads-authority.gov.uk/landscapes-review-response-to-government-consultation)

## Operational model

The Authority consists of three Directorates; Finance and Support Services, Operations and Strategic Services. The total number of staff employed by the Authority gives a head count of 156 or 140.6 Full Time Equivalents (FTE) as at 31 March 2022. This is split 25 (20.2 FTE) Finance and Support Services, 78 (73.8 FTE) Operations, 53 (46.6 FTE) Strategic Services. Due to the seasonal nature of the Authority's activities the levels of staff vary throughout the year and the year-end position may vary depending on when Easter falls.

The Finance and Support Services Directorate consists of: the Governance Team who service the Authority's various committees; Asset Management, IT, Collection of Tolls, Finance and Insurance team.

The Operations Directorate consists of; the Construction, Maintenance and Environment team who carry out the practical work on the Broads, from dredging to the maintenance and refurbishment of moorings and land based sites and project managing the National Heritage Lottery Fund (NHLF) project 'Water, Mills and Marshes'; the Ranger team who patrol the waterways enforcing our byelaws to small scale practical works and Safety Management that has health and safety responsibility for all staff and visitor safety on and near the water.

The Strategic Services Directorate consists of; Planning - responsible for all planning applications, enforcement and the Local Plan within the Authority's executive area; Communications - responsible for all publications, events and visitor services; HR - supporting all of the Authority's employees; Volunteer Services which support volunteering opportunities across all areas of the Authority; and other strategic priorities; the management of the European Regional Development Fund (ERDF) INTERREG project 'Creating A New Approach to Peatland Ecosystems' (CANAPE), the Nature for Climate Peatland Grant Scheme which aims to create solutions towards peatland restoration, and Farming in Protected Landscapes (FiPL) which supports farmers and land managers in the Broads.

The Authority's income is supplemented by income from planning fees, contributions from landowners and the Rural Payments Agency towards fen management, Visitor Centres and

Yacht Station sales and external funding such as the Discovery Grant from the Nature for Climate Peatland Scheme, Defra support for FiPL, NHLF and ERDF.

## Risks

Uncertainty exists about future years' settlements and their duration. Cuts to the National Park Grant in years 2010/11 to 2015/16 has meant the Authority has already restructured to make savings and in 2021/22 has used its reserves to balance the budget. If there were future reductions to the National Park Grant beyond 2023/24 it would mean difficult decisions would need to be made to determine future services. This uncertainty is further emphasised by the impact of inflation, wage increases and rising fuel costs. The current level of National Park reserves means that such impact would be cushioned in the short term until the longer vision of services is determined; however, this is not sustainable in the longer term.

Risks are reviewed on a regular basis with actions being taken to mitigate any possible impacts. Reports to the Authority highlight risks on potential new areas of activity. The Audit and Risk Committee receive detailed reports on the current risks with details of the individual risks, risk owner and actions. A link to the latest report can be found below.

[Corporate-Risk-Register-update.pdf \(broads-authority.gov.uk\)](#)

## Review of Corporate Risk Register

Following a recommendation from internal audit's Corporate Governance and Risk Management review the risk register and policy was reviewed and updated during 2021/22. The risk register is now split between the Corporate risk register, focusing on risks that are strategic, and Directorates' risk registers, focusing on operational day to day risk. The Corporate risk register is reviewed at every Audit and Risk committee meeting with the option for significant risks being reported to the Broads Authority.

## Opportunities

External funding opportunities continue to be investigated and supported by National Parks Partnership LLP (NPP). NPP continues to promote corporate partnerships for the UK National Parks with the aim to make a significant, sustainable and discernible contribution to the improved quality of UK National Parks and the benefits they offer for generations to come. The UK National Parks also continue to investigate efficiencies through joint procurement and services and also to create resilience amongst the Parks. 2019/20 saw the creation of the UK National Parks Communication Team hosted by the Authority. This service is jointly funded by all 15 UK National Parks and seeks to promote a shared sense of identity.

The Authority has already been successful in gaining external funding from; the NHLF for Water, Mills and Marshes, ERDF for CANAPE, WEG, FiPL, ERDF for EXPERIENCE, Generation Green, Nature for Climate Peatland Scheme and Electrifying the Broads. 2021/22 was the last year where Columbia provided clothing to all front-line staff for five years from 2017/18. Although the free provision of clothing has ended the opportunity to continue to purchase clothing at reduced rates continues.

During March 2022 a 3D interactive and accessible display was installed next to Norwich Forum which aims to educate, inspire and encourage people to explore the Broads throughout the year. Scannable QR codes let people find out where to go walking, cycling, boating, sailing, canoeing, paddleboarding and the best views of the night sky. The external display project has been funded through the Interreg EXPERIENCE project led by Norfolk County Council. Despite the Covid-19 lockdown at the start of 2021/22, Ranworth Visitor Centre reopened to the public on 12 April 2021 and had a successful season. Further opportunities for additional road signs will be developed in coordination with the EXPERIENCE project.

After a two-year absence due to the Covid pandemic, the Authority will return to the Norfolk Show in June 2022 and will host the Broads village, promoting the National Park and partnering organisations

### **Strategy and resource allocation**

The current Financial Strategy was drawn up having regard to the Authority's grant settlement and the priorities in the Broads Plan. It sets out a prudent strategy for managing the limited resources available in order to build on the work underway across the organisation and to continue to deliver the Authority's key priorities over the next three years. The focus in developing the Financial Strategy has been to deliver the maximum possible efficiencies and savings in order to minimise the impact on front-line activity. The Authority recognises that without its employees continued commitment and hard work this would not be possible.

In developing the Financial Strategy, a number of assumptions have been made in respect of National Park Grant allocations, future boat numbers and the level of staff pay inflation. The Strategy follows the general principle that the Authority should seek to maintain the general (National Park) reserve at a minimum of £100,000 plus 10% of net expenditure, and the navigation reserves at a minimum of 10% of net expenditure. It also expects that General and Navigation income and expenditure should be broadly in balance across the life of the Financial Strategy.

On 20 November 2007, the Authority took out a £290,000 loan from the Public Works Loan Board (PWLB). The repayment period of the loan is 20 years at a fixed interest rate of 4.82%, repayable by equal instalments of principal. The Public Works Loan Board has advised that the fair value of the debt as at 31 March 2022 is £88,093.

The purpose of this loan was to finance the purchase of the Dockyard Operation from May Gurney to enable the Authority to continue to dredge the Broads in an economical and efficient manner.

During 2020/21, the Authority took out a further loan from the PWLB for £105,000. The purpose of the loan was to fund the purchase of a new JCB excavator. These types of purchases have typically been financed by finance leases in the past, but the fixed rate of interest at 2% made the loan the cheapest option. The loan is to be repaid over five years,



repayable by annuity. The PWLB has advised that the fair value of the debt as 31 March 2022 is £86,768

## Performance

Performance is assessed against progress made towards the Broads Plan, Strategic Priorities and the Budget with regular updates being provided to the Authority.

### General (National Park) Income and Expenditure

The Authority received National Park Grant of £3,414k from Defra (£3,414k in 2020/21). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £1,392k (£1,098k in 2020/21). Total income for 2021/22 was £4,806k (£4,512k in 2020/21).

The Authority set a budget for 2021/22 with a forecast deficit of £124k (£56k deficit for 2020/21). This deficit was to be balanced through the use of reserves. The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for the year 2021/22 indicated an anticipated deficit of £145k. The actual outturn saw a deficit of £84k (a favourable variance of £61k). The Authority has a policy for carry forward requests in respect of underspends.

### Navigation Income and Expenditure

Income from tolls was £3,632k (£3,333k in 2020/21), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £315k, (£223k in 2020/21) and interest was £6k (£11k in 2020/21). Total income for 2021/22 was £3,953k (£3,567k in 2020/21).

The Authority set a budget with a forecast deficit of £299k for 2021/22 (deficit of £210k for 2020/21). This deficit was to be balanced through the use of reserves. The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for 2021/22, which took account of approved budget changes, indicated an anticipated deficit of £175k. The actual outturn saw a deficit of £41k (a favourable variance of £134k). The Authority has a policy for carry forward requests in respect of underspends. These were considered and approved by the Authority on 13 May for £75k (£78k for 2020/21) and added to the 2022/23 budget.

The Statement of Accounts consolidates these results and the combined figures are found in the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure Funding Analysis (EFA). The CIES can be found on page 16 and the EFA on page 15.

## Outlook

2022/23 continues to focus on the successful delivery of the Nature for Climate Peatland Scheme discovery phase before exploring if the Authority will submit a bid for the restoration phase. Our two external funded projects from the NHLF and ERDF will see the completion of the practical works before the submission of the final claims in 2023 and 2024. Although the projects are claimed in arrears the impact on the Authority's cash flows is minimal. As the ERDF project is coming to an end, there is little uncertainty remaining on

future exchange rates for the ERDF grant which is contracted in Euros. The use of a prudent exchange rate during the application phase has minimised any negative impact. The budget for Navigation is projecting a deficit of £212k in 2022/23 (after taking into account carry forward requests), with reserves at 15.1% of net expenditure at the end of the year. For General (National Park) funding there is a projected deficit of £215k in 2022/23, with reserves at 17.7% of net expenditure. Both the National Park and Navigation deficits will be balanced through the use of reserves.

The Strategy also covers capital expenditure with the majority being funded from Earmarked Reserves and the rest from National Park Grant and Navigation income.

There are a significant number of variables – and some unknown quantities, such as future inflation, cost of utilities and salary increases – which could impact on these figures. The Financial Strategy will therefore be reviewed and updated by the Authority, having regard to any changes in circumstances and the annual outturn figures, at its meeting in January 2023. The annual toll increase for 2022/23 was set at 3.6% for all vessels. When setting the future strategy, the Authority will consult with the Navigation Committee before taking the decision. 2022/23 continues to focus on the development of partnership work. Work will also continue with partners to help shape the future of payments to farmers and land managers post Brexit, which includes the 3 year scheme administered by the Broads Authority (Farming in Protected Landscapes). Climate change remains a threat to the Broads. Broadland Futures Initiative, in collaboration with the Environment Agency, will continue the engagement work with stakeholders.

## Changes to the 2021/22 Accounts

There have been no key changes to the Statement of Accounts in 2021/22.

## The accounting statements

The Broads Authority's accounts for the year 2021/22 are set out on pages 12 to 76. They consist of:

### **Statement of Responsibilities for the Statement of Accounts**

### **Statement of Corporate Governance**

**Expenditure and Funding Analysis** – This statement shows how annual expenditure is used and funded from resources (government grants and rents) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements, however its position next to the Comprehensive Income and Expenditure Statement is to provide a link from the figures reported under Performance within the Narrative Report.

**Comprehensive Income & Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable’ reserves and ‘other’ reserves. The ‘surplus / deficit on the provision of services’ line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income & Expenditure Statement. The ‘net increase / decrease before transfers to earmarked reserves’ line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

**Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. Reserves are reported in two categories. The first category of reserves are ‘usable’ reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement of Reserves Statement line ‘adjustments between accounting basis and funding basis under regulations’.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of tolls and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

These accounts are supported by the Statement of Accounting Policies in Note 1, which follows the Accounting Statements, and various notes to the accounts.

The information included in these accounts incorporates spending relating to the Broads Navigation. The Navigation income and expenditure is separately accounted for in the records to ensure the proper control of income from toll payers and to ensure it is spent primarily to benefit the users of the navigation. Navigation income and expenditure is shown in full at note 35 on page 76.

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required to:

- a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- b) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c) Approve the statement of accounts.

## The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Director of Finance has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Director of Finance's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Broads Authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Emma Krelle (Director of Finance)

## Certificate of Committee Resolution

I confirm that these accounts were approved by The Broads Authority at its meeting held (insert date).

Signed on behalf of The Broads Authority:

Bill Dickson

(Chair of meeting approving the accounts)

Date

# Independent Auditor's Report to the Members of the Broads Authority

## Expenditure and Funding Analysis

This statement shows how funding available to the Authority for the year has been used in providing services in accordance with generally accepted accounting practices.

2020/21 Net expenditure chargeable to the General and navigation fund balances £000	2020/21 adjustments between the funding and accounting basis £000	2020/21 Net expenditure in the comprehensive income and expenditure statement £000	Function	2021/22 Net expenditure chargeable to the General and navigation fund balances £000	2021/22 adjustments between the funding and accounting basis £000	2021/22 Net expenditure in the comprehensive income and expenditure statement £000
1,303	124	1,427	Operations	1,311	307	1,618
1,064	134	1,198	Strategic Services	1,152	283	1,435
778	42	820	Chief Executive	772	84	856
74	0	74	Corporate Amounts	76	0	76
(151)	211	60	Broads Navigation Account	(336)	547	211
<b>3,068</b>	<b>511</b>	<b>3,579</b>	<b>Net cost of services (subtotal)</b>	<b>2,975</b>	<b>1,221</b>	<b>4,196</b>
(3,417)	206	(3,211)	Other income and expenditure	(3,381)	271	(3,110)
<b>(349)</b>	<b>717</b>	<b>368</b>	<b>(Surplus) or Deficit</b>	<b>(406)</b>	<b>1,492</b>	<b>1,086</b>
<b>(1,658)</b>			Opening general and navigation fund balance	<b>(1,787)</b>		
<b>(349)</b>			Less/plus surplus or (deficit) on general and navigation balance in year	<b>(406)</b>		
<b>220</b>			Transfer (to)/from earmarked reserves	<b>537</b>		
<b>(1,787)</b>			<b>Closing general and navigation fund balance at 31 March</b>	<b>(1,656)</b>		

The Expenditure and Funding Analysis is a note to the Financial Statements; however, it is positioned here as it provides a link from the figures reported under Performance within the Narrative Report to the Comprehensive Income and Expenditure Statement.

## Comprehensive Income and Expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2020/21 Gross expenditure £000	2020/21 Income £000	2020/21 Net expenditure/ (income) £000	Description	Note	2021/22 Gross expenditure £000	2021/22 Income £000	2021/22 Net expenditure/ (income) £000
1,994	(567)	1,427	Operations		2,071	(453)	1,618
1,680	(482)	1,198	Strategic Services		2,344	(909)	1,435
842	(22)	820	Chief Executive		878	(22)	856
74	0	74	Corporate Items		76	0	76
3,600	(3,540)	60	Broads Navigation Account	35	4,158	(3,947)	211
<b>8,190</b>	<b>(4,611)</b>	<b>3,579</b>	<b>Cost of services (subtotal)</b>		<b>9,527</b>	<b>(5,331)</b>	<b>4,196</b>
		(9)	(Gains)/Losses on the disposal of non-current assets				(1)
		212	Financing and investment income and expenditure	11			305
		(3,414)	DEFRA National Park grant income				(3,414)
		<b>368</b>	<b>(Surplus) or deficit on provision of services (subtotal)</b>				<b>1,086</b>
		(182)	(Surplus) or deficit on revaluation of fixed assets				(131)
		3,713	Actuarial (gains)/losses on pension assets/liabilities				(5,107)
		3,531	Other comprehensive income and expenditure (subtotal)				(5,238)
		<b>3,899</b>	<b>Total comprehensive income and expenditure</b>				<b>(4,152)</b>



## Movement in reserves statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure) and 'other' reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

<b>2020/21</b>	<b>General fund and navigation fund balance £000</b>	<b>Capital receipts reserve £000</b>	<b>Earmarked reserves £000</b>	<b>Total useable reserves £000</b>	<b>Unusable reserves £000</b>	<b>Total Authority reserves £000</b>
Balance at 31 March 2020 (A)	1,658	405	2,118	4,181	(4,402)	(221)
Total comprehensive income and expenditure	(368)	0	0	(368)	(3,531)	(3,899)
Adjustments between accounting basis and funding basis under regulations (Note 9)	717	0	0	717	(717)	0
Transfers to or from Earmarked reserves (Note 10)	(220)	0	220	0	0	0
Increase or (decrease in 2020/21 (B) (subtotal)	129	0	220	349	(4,248)	(3,899)
<b>Balance at 31 March 2021 (=A+B)</b>	<b>1,787</b>	<b>405</b>	<b>2,338</b>	<b>4,530</b>	<b>(8,650)</b>	<b>(4,120)</b>

<b>2021/22</b>	<b>General fund and navigation fund balance £000</b>	<b>Capital receipts reserve £000</b>	<b>Earmarked reserves £000</b>	<b>Total useable reserves £000</b>	<b>Unusable reserves £000</b>	<b>Total Authority reserves £000</b>
Balance at 31 March 2021 (A)	1,787	405	2,338	4,530	(8,650)	(4,120)
Total comprehensive income and expenditure	(1,086)	0	0	(1,086)	5,238	4,152
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,492	0	0	1,492	(1,492)	0
Transfers to or from Earmarked reserves (Note 10)	(537)	0	537	0	0	0
Increase or (decrease in 2021/22 (B) (subtotal)	(131)	0	537	406	3,746	4,152
<b>Balance at 31 March 2022 (=A+B)</b>	<b>1,656</b>	<b>405</b>	<b>2,875</b>	<b>4,936</b>	<b>(4,904)</b>	<b>32</b>

## Balance sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

As at 31 March 21 £000	Category	Note	As at 31 March 22 £000
4,738	Property, plant & equipment	12	4,603
9	Intangible Assets		0
<b>4,747</b>	<b>Long term assets (subtotal)</b>		<b>4,603</b>
3,003	Short term investments		5,006
112	Inventories	13	125
959	Short term debtors	14	786
2,374	Cash and cash equivalents	15	1,152
<b>6,448</b>	<b>Current assets (subtotal)</b>		<b>7,069</b>
(35)	Short term borrowing		(34)
(1,800)	Short term creditors	16	(2,021)
(154)	Provisions	17	(119)
0	Grant receipts in advance	26	(24)
<b>(1,989)</b>	<b>Current liabilities (subtotal)</b>		<b>(2,198)</b>
(164)	Long term borrowing		(129)
(13,162)	Other long-term liabilities	29, 31	(9,313)
<b>(13,326)</b>	<b>Long term liabilities (subtotal)</b>		<b>(9,442)</b>
<b>(4,120)</b>	<b>Net assets (liabilities)</b>		<b>32</b>
-	<b>Useable reserves</b>	-	
892	General account fund balance		806
895	Navigation account fund balance		850
405	Capital receipts reserve		405
2,338	Earmarked reserves	10	2,875
-	<b>Unusable reserves</b>	19	
1,887	Revaluation reserve		2,002
2,591	Capital adjustment account		2,409
(13,061)	Pension reserve		(9,253)
(67)	Accumulated absence reserve		(62)
<b>(4,120)</b>	<b>Total reserves</b>		<b>32</b>

Emma Krelle (Director of Finance)

15 July 2022

## Cash Flow statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2020/21 £000	Revenue activities	Note	2021/22 £000
(368)	Net surplus or (deficit) on the provision of services		(1,086)
1,317	Adjustments to net surplus or deficit on the provision of services for non-cash movements		2,144
(31)	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities		(4)
918	Net cash flows from operating activities (subtotal)	20	1,054
727	Investing activities	21	(2,198)
48	Financing activities	22	(78)
1,693	Net increase or (decrease) in cash and cash equivalents (subtotal)		(1,222)
681	Cash and cash equivalents at the beginning of the reporting period		2,374
<b>2,374</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	15	<b>1,152</b>

# Notes to the Statement of Accounts

## 1. Accounting policies

### i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amounts is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**iv. Exceptional items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

**v. Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**vi. Charges to revenue for non-current assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there
- are no accumulated gains in the Revaluation Reserve against which the losses
- can be written off; and
- amortisation of intangible fixed assets attributable to the service.

**vii. Employee Benefits**

**Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in

lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-employment benefits**

Employees of the Broads Authority are members of Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### **viii. Events after the balance sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **ix. Fair value measurement**

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quotes prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

## **x. Financial instruments**

### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest is the rate that

exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Long term loans are shown in the balance sheet as the capital element outstanding at the year-end, split between amounts due within the current year and amounts due outside the year. Any interest paid is taken directly to the income and expenditure account. The 'fair value' of any loans is disclosed in the notes to the accounts with accompanying explanations.

### **Financial assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The Authority has not made any material loans.



#### **xi. Foreign currency translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

#### **xii. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **xiii. Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being

available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **xiv. Inventories**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO (first-in, first-out) costing formula.

#### **xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as lessee

##### **Finance leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the

present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

### **Operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as lessor

### **Operating leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **xvi. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

## **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis limit of £5,000 is used to recognise fixed assets.

## **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the

year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation between 5 and 50 years, as advised by a professional valuer;
- vehicles, plant, furniture and equipment – straight-line allocation between 5 and 10 years, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation between 20 and 25 years, as advised by a suitably qualified officer.

Where an asset has been acquired under a finance lease arrangement, and the lease term is shorter than the asset's estimated useful life, the asset is depreciated over the lease term.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue. The Broads Authority has a policy of not depreciating assets in the first year of ownership.

#### **Disposals and non-current assets**

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **xvii. Provisions, contingent liabilities and contingent assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **Contingent liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note (note 32) to the accounts.

### **Contingent assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **xviii. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

## **xix. Operating segments**

In accordance with IFRS 8 and the Code, the Broads Authority keeps the general fund and navigation fund separately. Under the Code, the Authority has prepared a single income and expenditure account for 2021/22, however in note 35 to the accounts the navigation income and expenditure is shown.

## **xx. Allocation of costs**

Salary, vehicle and other revenue costs are reallocated within the general expenditure to major projects that are grant aided partially or wholly by sources other than Defra grant. The method of allocation is kept as simple as possible and is either made on usage, such as number of hours spent on a project, or estimated on a percentage basis.

Recharges between the general and navigation funds are based on staff time and usage.

## **xxi. Revenue expenditure funded from capital under statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

## **xxii. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **2. Accounting Standards that have been issued but have not yet been adopted**

The 2022/23 Code of Practice on Local Authority Accounting adopts the following amendments to International Accounting Standards and International Financial Reporting Standards, which will be required from 1 April 2022:

- The implementation of IFRS 16 Leases will take effect from 1 April 2022. This will be a significant change in Local Authority Accounting. Its introduction will remove the distinction between operating and finance leases for lessees. The standard will require assets to be recognised on the balance sheet as well as the liability for



outstanding lease payments. This will apply where the right to use the asset exceeds 12 months and it is not considered low value. This will be a significant change to the Authority as it holds a number of operating leases relating to land that is used for moorings.

### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the one-year settlement from DEFRA for 2022/23 there remains a degree of uncertainty about the longer-term levels of funding for National Parks. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is a member of Whitlingham Charitable Trust of which there are four members. The Authority can appoint up to four trustees and there shall be no more than nine in total. The Trust is limited by guarantee in which each member agrees to contribute £1 in the event of it being wound up. Whitlingham Charitable Trust was established to manage and maintain Whitlingham Country Park for public benefit. The Authority does not have a controlling influence, and it does not have any share equity, or any share in profits or losses. It is considered therefore that International Accounting Standard (IAS) 28 – Accounting for Investments in Associates - does not apply as the charity has no formal equity structure, and the Authority does not derive any financial benefit from the Trust.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge would

Item	Uncertainties	Effect if actual results differ from assumptions
	uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	increase by £57,000 for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £840,000. Further details are set out in the sensitivity analysis in note 31.

## 5. Material items of income and expenditure

There are no material items of expense in relation to 2021/22 which are not disclosed elsewhere within the Statement of Accounts.

## 6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Director of Finance on 15 July 2022. Events that occur after this date are not reflected in the financial statements or notes.

## 7. Note to the expenditure and funding analysis

Adjustments from General and Navigation Fund to arrive at the Comprehensive Income and Expenditure Statement Amount

2020/21 Adjustments for capital purposes (Note 1) £000	2020/21 Net change for the pension's adjustments (Note 2) £000	2020/21 Other differences (Note 3) £000	2020/21 Total adjustments £000	Description	2021/22 Adjustments for capital purposes (Note 1) £000	2021/22 Net change for the pension's adjustments (Note 2) £000	2021/22 Other differences (Note 3) £000	2021/22 Total adjustments £000
43	83	(2)	124	Operations	89	215	3	307
26	103	5	134	Strategic Services	31	257	(5)	283
4	37	1	42	Chief Executive	1	84	(1)	84
0	0	0	0	Corporate Items	0	0	0	0
20	188	3	211	Broads Navigation Account	77	472	(2)	547
93	411	7	511	Net Cost of Services (subtotal)	198	1,028	(5)	1,221
0	206	0	206	Other income and expenditure from the Expenditure and Funding analysis	0	271	0	271
<b>93</b>	<b>617</b>	<b>7</b>	<b>717</b>	Difference between General and Navigation Fund surplus or deficit and comprehensive Income and Expenditure Statement Surplus of Deficit on the Provision of Services	<b>198</b>	<b>1,299</b>	<b>(5)</b>	<b>1,492</b>

## Note

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - Other operating expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets.
  - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
2. Net change for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income:
  - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.
3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute including accumulated absences.

Income received on a segmental basis is analysed below:

<b>Service</b>	<b>2020/21 Income from services (£000)</b>	<b>2021/22 Income from services (£000)</b>
Operations	(567)	(453)
Strategic Services	(482)	(909)
Chief Executive	(22)	(22)
Corporate items	0	0
Specialist ringfenced account (navigation)	(3,540)	(3,947)
<b>Total income analysed on a segmental basis</b>	<b>(4,611)</b>	<b>(5,331)</b>

## 8a. Expenditure and income analysed by nature

The Authority's expenditure and income is analysed as follows:

<b>Expenditure</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Employee benefits expenses	5,388	6,325
Other services expenses	3,095	3,593
Depreciation, amortisation, impairment	326	475
Interest payments	29	46
Expenditure in relation to investment properties	0	0
Loss/(gain) on the disposal of assets	(9)	(1)
<b>Total expenditure</b>	<b>8,829</b>	<b>10,438</b>

<b>Income</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Fees, charges and other service income	(4,642)	(5,334)
Interest and investment income	(22)	(12)
Contributions from reserves	(383)	(592)
Government grants and contributions	(3,414)	(3,414)
Total income (subtotal)	(8,461)	(9,352)
<b>Surplus or deficit on the provision of services</b>	<b>368</b>	<b>1,086</b>

In addition to the amounts reported within the Comprehensive Income and Expenditure Statement the breakdown above also includes income and expenditure funded from the earmarked reserves.

## 8b. Revenue from contracts with service recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

<b>Contract Revenue</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Revenue from contracts with service recipients	66	123
<b>Total included in comprehensive income and expenditure</b>	<b>66</b>	<b>123</b>

Amounts included in the Balance Sheet for contracts with service recipients

<b>Outstanding Revenue</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Receivables, which are included in debtors (Note 14)	0	0
<b>Total included in net assets</b>	<b>0</b>	<b>0</b>

## 9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2020/21 General fund and navigation fund £000	2020/21 Capital receipts reserve £000	2020/21 Movement in unusable reserves £000	Adjustments	2021/22 General fund and navigation fund £000	2021/22 Capital receipts reserve £000	2021/22 Movement in unusable reserves £000
			<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
			<b>Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:</b>			
0	0	0	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	0	0	0
342	0	(342)	Charges for depreciation and impairment of non-current assets	352	0	(352)
(25)	0	25	Revaluation losses on property, plant and equipment	114	0	(114)
9	0	(9)	Amortisation of intangible assets	9	0	(9)
21	0	(21)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2	0	(2)
			<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
(58)	0	58	Statutory provision for the financing of capital investment	(78)	0	78
0	0	0	Derecognition of finance lease liability	0	0	0
(197)	0	197	Capital expenditure charged against the General Fund	(201)	0	201
			<b>Adjustments involving the Capital Receipts Reserve:</b>			
0	0	0	Cash receipts from disposal of investment property	0	0	0
			<b>Adjustments involving the Pensions Reserve:</b>			
1,390	0	(1,390)	Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 31)	2,108	0	(2,108)
(773)	0	773	Employer's pension contributions and direct payments to pensioners payable in the year	(809)	0	809
			<b>Adjustments involving the accumulated Absences Account:</b>			
8	0	(8)	Adjustments in relation to short-term compensated absences	(5)	0	5
			<b>Adjustments involving the Capital Grant Unapplied Account:</b>			
0	0	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0
<b>717</b>	<b>0</b>	<b>(717)</b>	<b>Total adjustments</b>	<b>1,492</b>	<b>0</b>	<b>(1,492)</b>

## 10. Transfers to/from earmarked reserves

This note presents details of the amounts set aside in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet expenditure in 2020/21. A description of each of the earmarked reserves follows in the table below.

Reserve Name	Balance at 31 March 2020 £000	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31 March 2021 £000	Transfers in 2021/22 £000	Transfers out 2021/22 £000	Balance at 31 March 2022 £000
Property	(663)	(68)	0	(731)	(149)	0	(880)
Plant, vessels and equipment	(349)	(121)	124	(346)	(177)	38	(485)
Premises	(247)	(1)	36	(212)	(82)	0	(294)
Planning delivery grant	(220)	(12)	4	(228)	(17)	0	(245)
Upper Thurne Enhancement Scheme	(146)	(25)	6	(165)	(22)	0	(187)
Section 106 Agreements	(44)	0	10	(34)	0	34	0
Heritage Lottery Fund	(12)	(565)	545	(32)	(336)	359	(9)
Catchment Partnership	(75)	(57)	57	(75)	(32)	23	(84)
CANAPE	(312)	(165)	86	(391)	(210)	124	(477)
Computer Software	(22)	(10)	1	(31)	(98)	0	(129)
UK National Park Communications	(28)	(147)	128	(47)	(153)	161	(39)
Match Funding	0	(46)	0	(46)	0	0	(46)
<b>Total</b>	<b>(2,118)</b>	<b>(1,217)</b>	<b>997</b>	<b>(2,338)</b>	<b>(1,276)</b>	<b>739</b>	<b>(2,875)</b>

Included in the closing balance of £2,875k, £1,305k relates to Navigation funded reserves.



Earmarked reserves

**Property**

A reserve account set up to provide for the ongoing maintenance of the Authority's major assets, moorings and operational property assets, including Mutford Lock.

**Plant, Vessels and Equipment**

Reserve established to provide for the maintenance and replacement of the Authority's plant and equipment, including launches, construction and maintenance vessels and equipment, pool vehicles and fen management equipment.

**Premises**

A reserve account established to provide for the maintenance and development of the Authority's Dockyard facility and other buildings throughout the Broads.

**Planning Delivery Grant**

Balance of Defra and OPDM grants awarded to deliver the planning service.

**Upper Thurne Enhancement Scheme**

Reserve established to hold the balance of ring-fenced Environment Agency funding for enhancement works in the Upper Thurne.

**Section 106 Agreements**

A reserve account established to hold ring-fenced developers' contributions relating to planning application conditions.

**Heritage Lottery Fund**

A reserve account established for the Landscape Partnership project funded by the Heritage Lottery Fund.

**Catchment Partnership**

A reserve account set up to hold ring-fenced income from various partners within the Catchment Partnership.

**CANAPE**

A reserve account set up for European grant part funded project relating to the Creating A New Approach to Peatland Ecosystems.

**Computer Software**

A reserve account set up to provide for the ongoing replacement of Authority's Computer Software.

**UK National Parks Communications**

A reserve account set up to hold ring-fenced income from the 15 National Parks to fund the UK Communications Team.

**Match Funding**

A reserve account set up for European grant funded project EXPERIENCE.

## 11. Financing and investment income and expenditure

2020/21 £000	Expenditure and income detail	2021/22 £000
28	Interest payable and similar charges	46
206	Net interest on the net defined benefit liability (asset)	271
(22)	Interest receivable and similar income	(12)
<b>212</b>	<b>Total</b>	<b>305</b>

## 12. Property, plant and equipment

### Movements on balances 2020/21

Cost or valuation	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community assets £000	Assets under construction £000	Total property, plant and equipment £000
At 1 April 2020	2,997	3,099	315	323	92	6,826
Additions	0	174	0	0	128	302
Revaluation increases/(decreased) recognised in the Revaluation reserve	144	(73)	0	0	0	71
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1	0	0	0	0	1
Derecognition-disposals	(3)	(70)	0	0	0	(73)

<b>Cost or valuation</b>	<b>Land and buildings £000</b>	<b>Vehicles, plant, furniture &amp; equipment £000</b>	<b>Infrastructure assets £000</b>	<b>Community assets £000</b>	<b>Assets under construction £000</b>	<b>Total property, plant and equipment £000</b>
Reclassification	0	92	0	0	(92)	0
<b>At 31 March 2021</b>	<b>3,139</b>	<b>3,222</b>	<b>315</b>	<b>323</b>	<b>128</b>	<b>7,127</b>

<b>Accumulated depreciation and impairment</b>	<b>Land and Buildings £000</b>	<b>Vehicles Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
At 1 April 2020	58	1,923	253	0	0	2,234
depreciation charge	27	297	17	0	0	341
derecognition – disposals	(3)	(49)	0	0	0	(52)
depreciation written out to the Revaluation Reserve	(32)	(102)	0	0	0	(134)
<b>At 31 March 2021</b>	<b>50</b>	<b>2,069</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>2,389</b>

<b>Net Book Value</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment</b>
<b>At 31 March 2021</b>	<b>3,089</b>	<b>1,153</b>	<b>45</b>	<b>323</b>	<b>128</b>	<b>4,738</b>
At 31 March 2020	2,939	1,176	62	323	92	4,592

#### Movements on balances 2021/22

<b>Cost or valuation</b>	<b>Land and buildings £000</b>	<b>Vehicles, plant, furniture &amp; equipment £000</b>	<b>Infrastructure assets £000</b>	<b>Community assets £000</b>	<b>Assets under construction £000</b>	<b>Total property, plant and equipment £000</b>
At 1 April 2021	3,139	3,222	315	323	128	7,127
Additions	101	100	0	0	0	201
Revaluation increases/(decreased) recognised in the Revaluation reserve	(57)	(852)	0	0	0	(909)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition-disposals	0	(3)	0	0	0	(3)
Reclassification	0	128	0	0	(128)	0
<b>At 31 March 2022</b>	<b>3,183</b>	<b>2,595</b>	<b>315</b>	<b>323</b>	<b>0</b>	<b>6,416</b>

<b>Accumulated depreciation and impairment</b>	<b>Land and Buildings £000</b>	<b>Vehicles Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
At 1 April 2021	50	2,069	270	0	0	2,389
depreciation charge	39	297	16	0	0	352
derecognition – disposals	0	(1)	0	0	0	(1)
depreciation written out to the Revaluation Reserve	(30)	(897)	0	0	0	(927)
<b>At 31 March 2022</b>	<b>59</b>	<b>1,468</b>	<b>286</b>	<b>0</b>	<b>0</b>	<b>1,813</b>

<b>Net Book Value</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment</b>
<b>At 31 March 2022</b>	<b>3,124</b>	<b>1,127</b>	<b>29</b>	<b>323</b>	<b>0</b>	<b>4,603</b>
At 31 March 2021	3,089	1,153	45	323	128	4,738

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Category of Asset	Depreciation method	Depreciation period
Operational Land and Buildings	Straight line. (The split between land and buildings is determined by the Authority's property consultant)	Between 5 to 50 years as per professional advice
Community Land	Not depreciated	Not depreciated
Infrastructure Asset	Straight line	Between 20 to 25 years
Vehicles, Vessels and Equipment	Straight line	Between 5 to 10 Years
Computer and Office Equipment	Straight line	5 years

## Capital Commitments

The Authority has no capital commitments as at the balance sheet date.

## Impairments

In accordance with IAS 36 and the Code, Directors have undertaken an annual impairment review. No assets were considered to be impaired.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued every five years. Valuations were carried out internally and externally. Valuations of land and buildings were carried out externally by NPS Property Consultants Ltd, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Significant assumptions applied in estimating the current values are:

- Property, Plant and Equipment of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset.
- Infrastructure Assets and Community Assets have been valued at historic cost rather than fair value.
- Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Authority is lessor or lessee.

<b>Financial Year</b>	<b>Land and buildings £000</b>	<b>Vehicles, plant, furniture &amp; equipment £000</b>	<b>Infrastructure assets £000</b>	<b>Community assets £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
Carried at historical cost	0	0	18	323	0	341
Valued at current value as at 31 March 2022	326	288	0	0	0	614
31 March 2021	549	330	0	0	0	879
31 March 2020	874	112	11	0	0	997
31 March 2019	1,375	187	0	0	0	1,562
31 March 2018	0	210	0	0	0	210
<b>Total cost or valuation</b>	<b>3,124</b>	<b>1,127</b>	<b>29</b>	<b>323</b>	<b>0</b>	<b>4,603</b>

### 13. Inventories

Description	Consumable stores 2020/21 £000	Consumable stores 2021/22 £000	Maintenance materials 2020/21 £000	Maintenance materials 2020/21 £000	Total 2020/21 £000	Total 2021/22 £000
Balance outstanding at start of year	31	39	83	73	114	112
Purchases	30	31	113	142	143	173
Recognised as an expense in year	(22)	(30)	(123)	(130)	(145)	(160)
Written off balances	0	0	0	0	0	0
<b>Balances outstanding at year end</b>	<b>39</b>	<b>40</b>	<b>73</b>	<b>85</b>	<b>112</b>	<b>125</b>

### 14. Debtors

31 March 2021 £000	Debtor types	31 March 2022 £000
73	Trade receivables	46
763	Prepayments and accrued income	628
123	Other receivable amounts	112
<b>959</b>	<b>Total</b>	<b>786</b>

### 15. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements

31 March 2021 £000	Cash and cash equivalent types	31 March 2022 £000
2	Cash held by the Broads Authority	2
2,372	Bank current accounts	1,150
<b>2,374</b>	<b>Total cash and cash equivalents</b>	<b>1,152</b>



## 16. Creditors

31 March 2021 £000	Creditor types	31 March 2022 £000
199	Trade payables	258
1,385	Accruals and income in advance	1,556
216	Other payable amounts	207
<b>1,800</b>	<b>Total</b>	<b>2,021</b>

## 17. Provisions

2020/21 Accumulated absences provision £000	2020/21 Whitlingham Dilapidations provision £000	2020/21 Audit Fees provision £000	2020/21 Total £000	Description	2021/22 Accumulated absences provision £000	2021/22 Whitlingham Dilapidations provision £000	2021/22 Audit Fees provision £000	2021/22 Total £000
60	47	0	107	Balance at 1 April	67	47	40	154
67	0	40	107	Additional provisions made in year	62	0	29	91
(60)	0	0	(60)	Settlements or cancellation of provision made at end of proceeding year	(67)	(47)	(12)	(126)
<b>67</b>	<b>47</b>	<b>40</b>	<b>154</b>	<b>Balance at 31 March</b>	<b>62</b>	<b>0</b>	<b>57</b>	<b>119</b>

The Whitlingham Dilapidations Provision relates to end of lease dilapidations as assessed by Whitlingham Charitable Trust. This was settled in August 2021.

The Audit Fee provision relates to the amount of fees EY would like the Authority to pay relating to the 2020/21 audit. The full amount has been disputed and will be determined by the PSAA. The additional fee relating to the 2019/20 audit was settled in November 2021.

For more information on the Accumulated Absence Account, see note 19.

## 18. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

## 19. Unusable reserves

31 March 2021 £000	Description	31 March 2022 £000
1,887	Revaluation reserve	2,002
2,591	Capital Adjustment Account	2,409
(13,061)	Pensions Reserve	(9,253)
(67)	Accumulated Absences Account	(62)
<b>(8,650)</b>	<b>Total unusable reserves</b>	<b>(4,904)</b>

### Revaluation reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020/21 £000	Description	2021/22 £000
1,771	Balance at 1 April	1,887
213	Upward revaluation of assets	155
(31)	Downward revaluation of assets	(24)
182	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services (subtotal)	131
(66)	Difference between current value depreciation and historical cost depreciation	(16)
116	Amount written off to the Capital Adjustment Account (subtotal)	115
<b>1,887</b>	<b>Balance at 31 March</b>	<b>2,002</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £000	Description	2021/22 £000
2,618	Balance at 1 April	2,591
0	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	0
(342)	Charges for depreciation and impairment of non-current assets	(352)
24	Revaluation losses on property plant & equipment	(114)
0	Movement in the Donated Assets	0
(9)	Amortisation of intangible assets	(9)
(21)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss in disposal to the comprehensive income and expenditure statement	(2)
66	Adjusting amounts written out of the revaluation reserve	15
(282)	Net written out amount of the cost of non-current assets consumed in the year (subtotal)	(462)
57	Capital financing applied in the year: Statutory provision for the financing of capital investment charges against the general fund removal of finance lease liability for assets returned in year	79

2020/21 £000	Description	2021/22 £000
0	Derecognition of finance lease liability	0
198	Capital expenditure charges against the General Fund	201
<b>2,591</b>	<b>Balance at 31 March</b>	<b>2,409</b>

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £000	Description	2021/22 £000
(8,731)	Balance at 1 April	(13,061)
(3,713)	Remeasurements of the net defined benefit liability/(asset)	5,107
(1,390)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,108)
773	Employer's pension contributions and direct payments to pensioners payable in the year	809
<b>(13,061)</b>	<b>Balance at 31 March</b>	<b>(9,253)</b>

#### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2020/21 £000	Description	2021/22 £000
(60)	Balance at 1 April	(67)
60	Settlement or cancellation of accrual made at the end of the preceding year	67
(67)	Amounts accrued at the end of the current year	(62)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>(67)</b>	<b>Balance at 31 March</b>	<b>(62)</b>

## 20. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2020/21 £000	Operating activity	2021/22 £000
(29)	Interest received	(10)
29	Interest paid	47
<b>0</b>	<b>Net cash flows from operating activities</b>	<b>(37)</b>

## 21. Cash flow statement – investing activities

2020/21 £000	Investing activity	2021/22 £000
(302)	Purchase of property, plant and equipment, investment property and intangible assets	(201)
(1,001)	Purchase of short-term investments	(2,001)
2,000	Proceeds from short term investments	0
30	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4
<b>727</b>	<b>Net cash flows from investing activities</b>	<b>(2,198)</b>

## 22. Cash flow statement – financing activities

2020/21 £000	Financing activity	2021/22 £000
105	Cash receipts of short- and long-term borrowing	0

2020/21 £000	Financing activity	2021/22 £000
(42)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(44)
(15)	Repayments of short- and long-term borrowing	(34)
<b>48</b>	<b>Net cash flows from financing activities</b>	<b>(78)</b>

### 23. Members' allowances

The Authority paid the following amounts to Members of the Authority during the year:

2020/21 £000	Member payment type	2021/22 £000
40	Allowances	40
0	Expenses	6
<b>40</b>	<b>Total</b>	<b>46</b>

### 24. Officers' remuneration

The remuneration paid to the Authority's senior employees as follows:

Job Title	Year	Salary, fees and allowances £000	Bonuses £000	Expenses allowances £000	Pension contribution £000	Total £000
Chief Executive	2020/21	91	0	0	16	107
	2021/22	92	0	0	17	109
Director of Strategic Services	2020/21	62	0	0	11	73
	2021/22	65	0	0	12	77
Director of Operations	2020/21	62	0	0	11	73
	2021/22	65	0	0	12	77
Director of Finance *	2020/21	0	0	0	0	0
	2021/22	20	0	0	4	23

\* The Director of Finance post was filled from 29 November 2021.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below:

<b>Number of employees 2020/21</b>	<b>Remuneration amount band</b>	<b>Number of employees 2021/22</b>
0	£50,000 - £54,999	0
0	£55,000 - £59,999	1
2	£60,000 - £64,999	2
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
1	£90,000 - £94,999	1

## Exit packages

The number and cost of exit packages agreed, analysed between compulsory redundancies and other departures, are disclosed in the table below:

Exit package cost band	Number of compulsory redundancies 2020/21	Number of compulsory redundancies 2021/22	Number of other departures agreed 2020/21	Number of other departures agreed 2021/22	Total number of exit packages by cost band 2020/21	Total number of exit packages by cost band 2021/22	Total cost of exit packages in each band 2020/21 £000	Total cost of exit packages in each band 2021/22 £000
£0-£20,000	0	0	0	0	0	0	0	0
£20,001-£40,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The total cost in the table above for exit packages have been charges to the authority's comprehensive income and expenditure statement in the previous year.



## 25. External audit costs

The Broads authority has incurred the following fees relating to audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors. The additional fee in 2021/22 is being disputed, for further details please see note 17.

2020/21 £000	Type of external audit cost	2021/22 £000
11	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	11
40	Additional fees relating to the 2019/20 and 2020/21 audit of the Statement of Accounts	56
<b>51</b>	<b>Total</b>	<b>67</b>

## 26. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2020/21 £000	Grant Name	2020/21 £000
3,414	Credited to taxation and non-specific grant income: Defra National Park Grant	3,414
452	Credited to serves: Heritage Lottery Fund – Landscape Partnership Scheme	336
0	Natural England – Nature for Climate Peatland Scheme	77
163	CANAPE - ERDF	208
33	Defra Environment Land Management Scheme	11
15	Water Environment Grant	3
0	Defra Farming In Protected Landscapes (FiPL)	257
0	Generation Green	41
20	Covid-19 Business Grant	0
<b>4,097</b>	<b>Total</b>	<b>4,347</b>

The authority has received a grant that has yet to be recognised as income as it has conditions attached that will require the monies to be returned to the giver. The balances at the year-end are as follows:

### Current liabilities

2020/21 £000	Grant receipts in advance (revenue grants)	2020/21 £000
0	Defra Farming In Protected Landscapes (FiPL)	24
<b>0</b>	<b>Total</b>	<b>24</b>

## 27. Related parties

The Broads Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates,

provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

### Members

Members of the Broads Authority have direct control over the Authority's financial and operating policies. Members of the Navigation Committee have a consultative role in respect of navigation matters. The Authority wrote to all Members requesting details of any related party transactions. Details of Members' expenses are included in note 23.

A number of members of the Broads Authority are appointed by Local Authorities within the Broads area. The Authority transacts with these other Local Authorities for items such as rates in the normal course of business. There were no material transactions with Local Authorities which are not disclosed elsewhere within the Statement of Accounts.

Mr Andrew Hamilton is a member of the Navigation Committee and is Director of 'Eastwood Whelpton Ltd'. Eastwood Whelpton Ltd paid £12,713 (£9,986 2020/21) navigation tolls to the Broads Authority in 2021/22.

Mr James Knight is a member of the Broads Authority and Planning Committee and is a Director of 'Waveney River Centre (2003) Ltd'. In October 2021 all of the assets were transferred from Waveney River Centre to Tingdene. Waveney River Centre (2003) Ltd paid £9,616 (£16,177 2020/21) navigation tolls to the Broads Authority in 2021/22. The Authority also made fuel purchases of £323 (£383 in 2020/21), services to lift a pontoon of £690 (nil 2020/21) and used mooring facilities of £2,250 during 2021/22 (£2,500 2020/21). No amounts were outstanding at 31 March 2022. Mr Knight is also Director of 'Norfolk Broads Direct' who paid £133,561 navigation tolls in 2021/22 (£127,063 in 2020/21). Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority, Navigation Committee and Audit & risk Committee and is Director of 'Richardsons Leisure Ltd'. Richardsons Leisure Ltd and 'Horning Pleasurecraft Ltd' paid £336,681 (£342,276 2020/21) navigation tolls to the Broads Authority in 2021/22. Richardson Leisure Ltd also provided the Authority their animations for use in the Broads online safety videos during 2020/21. These were provided free of charge.

Mr Simon Sparrow is a member of the Broads Authority and Navigation Committee and is Director of 'Hippersons Boatyard Ltd'. Hippersons Boatyard Ltd paid £5,282 (£4,674 2020/21) navigation tolls to the Broads Authority in 2021/22.

### Officers

The Chief Executive represents the Broads Authority on the board of the Whitlingham Charitable Trust. Officer remuneration is detailed in note 24.

### Whitlingham Charitable Trust

The Broads Authority provided a recharge service for purchase invoices and salaries of £1,058 in 2020/21. This arrangement came to an end in early 2020/21. No amounts were outstanding at 31 March 2022 (£72 at 31 March 2021).

## Other Public Bodies

East Suffolk Council provided Hilary Slater who served as Monitoring Officer to the Broads Authority until 14 May 2021. Christopher Bing, also from East Suffolk Council, started as the Monitoring Officer on the 15 May 2022. East Suffolk Council recharges the Authority for this service and paid £11,811 in 2021/22 (£14,726 in 2020/21). £365 was outstanding at 31 March 2022 (£2,277 in 2020/21).

The Authority recharged Broadland District Council for staff time of £4,260 during 2021/22 (£4,260 in 2020/21). No amounts were outstanding at 31 March 2022 (Nil 2020/21).

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £31,596 for legal services in 2021/22 (£22,638 in 2020/21). £3,083 was outstanding at 31 March 2022 (£2,575 2020/21).

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid £11,435 for this in 2021/22 (£5,519 in 2020/21). No amounts were outstanding at 31 March 2022 (Nil 2020/21).

The Authority recharged Norfolk County Council for staff time of £1,295 during 2020/21 and no amounts were recharged in 2021/22. No amounts were outstanding at 31 March 2022 (Nil 2020/21).

## 28. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2020/21 £000	Description	2021/22 £000
222	Opening Capital Finance Requirement	269
302	<b>Capital investment:</b> Property, plant and equipment	201
(198)	<b>Sources of finance</b> Sums set aside from revenue: Direct revenue contributions	(201)
0	Donated Asset	0
(57)	MRP	(78)
<b>269</b>	<b>Closing capital finance requirement</b>	<b>191</b>

2020/21 £000	Description	2021/22 £000
47	<b>Explanation of movements in year</b> Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(78)
<b>47</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(78)</b>

## 29. Leases

Authority as lessee

### Finance Leases

The Authority has a number of vehicles, plant and office equipment acquired under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2020/21 £000	Asset Type	2021/22 £000
0	Other Land and Buildings	0
85	Vehicles, Plant, Furniture and Equipment	43
<b>85</b>	<b>Total</b>	<b>43</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2020/21 £000	Time periods	2021/22 £000
43	Finance lease liabilities (net present value of minimum lease payments): Current	29
29	Non-current	0
2	Finance costs payable in future years	1
<b>74</b>	<b>Minimum lease payments</b>	<b>30</b>

The minimum lease payments will be payable over the following periods:

Time periods	Minimum lease payments 31 March 2021 £000	Minimum lease payments 31 March 2022 £000	Finance lease liabilities 31 March 2021 £000	Finance lease liabilities 31 March 2022 £000
Not later than one year	45	30	43	29
Later than one year and not later than 5 years	29	0	29	0
Later than 5 years	0	0	0	0
<b>Total</b>	<b>74</b>	<b>30</b>	<b>72</b>	<b>29</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, no (£nil) contingent rents were payable by the Authority (2020/21 £nil).

### Operating Leases

The Authority has also established operating leases in relation to land and buildings with typical lives between 5 and 20 years. The future minimum lease payments due under noncancelable leases in future years are:

2020/21 £000	Time period	2021/22 £000
138	Not later than one year	103
163	Later than one year and not later than 5 years	94
190	Later than 5 years	195
<b>491</b>	<b>Total</b>	<b>392</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2020/21 £000	Expenditure	2020/21 £000
161	Minimum lease payments	165
<b>161</b>	<b>Total</b>	<b>165</b>

Authority as Lessor

### Finance Leases

The Authority has no leased-out property on a finance lease.

### Operating Leases

The Authority leases out land and property under operating leases for the following purposes:

- For the provision of community services, such as tourism services; and
- For an outdoor education and study centre.

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

2020/21 £000	Time Period	2021/22 £000
2	Not later than one year	2
6	Later than one year and not later than 5 years	6
1	Later than 5 years	0
<b>9</b>	<b>Total</b>	<b>8</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### 30. Termination benefits

No contracts were terminated in 2020/21 or 2021/22 that incurred liabilities. No provision has been included in the accounts for any future redundancy payments.

### 31. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Broads Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Authority participates in one pension scheme:

- The Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered locally by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against tolls and Defra

grant is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

2020/21 £000	Transaction	2021/22 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
1,184	• current service cost	1,837
0	• past service cost	0
	Financing and investment income and expenditure	
206	• net interest expense	271
<b>1,390</b>	<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>2,108</b>
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
(5,588)	• return on plan assets (excluding the amount included in the net interest expense)	(1,917)
451	• actuarial gains and losses arising on changes in demographic assumptions	(208)
9,189	• actuarial gains and losses arising on changes in financial assumptions	(3,065)
(339)	• other experience	83
<b>3,713</b>	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(5,107)</b>
	Movement in Reserves Statement	
1,390	• reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	2,108
	Actual amount charged against the General Fund balance for pensions in the year:	
(773)	• employers' contributions payable to scheme	(809)

#### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

2020/21 £000	Type	2021/22 £000
(44,513)	Present value of the defined benefit obligation	(43,379)



2020/21 £000	Type	2021/22 £000
31,452	Fair value of plan assets	34,126
<b>(13,061)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(9,253)</b>

#### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2020/21 £000	Movements	2020/21 £000
25,121	Opening fair value of scheme assets	31,452
579	Interest income	630
5,588	Remeasurement gain / (loss): <ul style="list-style-type: none"> <li>The return on plan assets, excluding the amount included in the net interest expense</li> </ul>	1,917
773	Contributions from employer	809
230	Contributions from employees into the scheme	241
(839)	Benefits paid	(923)
<b>31,452</b>	<b>Closing fair value of scheme assets</b>	<b>34,126</b>

#### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2020/21 £000	Movements	2021/22 £000
33,852	Balance at 1 April	44,513
1,184	Current service cost	1,837
785	Interest cost	901
230	Contributions from scheme participants	241
451	Remeasurement (gains) and losses: <ul style="list-style-type: none"> <li>Actuarial gains / losses from changes in demographic assumptions</li> </ul>	(208)
9,189	<ul style="list-style-type: none"> <li>Actuarial gains / losses arising from changes in financial assumptions</li> </ul>	(3,065)
(339)	<ul style="list-style-type: none"> <li>Other</li> </ul>	83
0	<ul style="list-style-type: none"> <li>Past Service Cost</li> </ul>	0
(839)	Benefits paid	(923)
<b>44,513</b>	<b>Balance at 31 March</b>	<b>43,379</b>

## Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2020/21 £000				Fair value of scheme assets 2021/22 £000		
Quoted prices in active markets	Quoted prices not in active markets	Total	Asset type	Quoted prices in active markets	Quoted prices not in active markets	Total
490.6	-	490.6	Cash and cash equivalents: <ul style="list-style-type: none"> <li>All cash and cash equivalents</li> </ul>	483.2	-	483.2
-	-	-	Equity instruments: <ul style="list-style-type: none"> <li>Consumer</li> <li>Manufacturing</li> <li>Energy and utilities</li> <li>Financial institutions</li> <li>Health and care</li> <li>Information technology</li> <li>Other</li> </ul>	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
358.0	-	358.0	Bonds (Debt securities): <ul style="list-style-type: none"> <li>Corporate bonds (investment grade)</li> <li>Corporate bonds (non-investment grade)</li> <li>UK Government</li> </ul>	344.5	-	344.5
-	1,995.6	1,995.6	Private equity: <ul style="list-style-type: none"> <li>All private equity</li> </ul>	-	2,753.6	2,753.6

Fair value of scheme assets 2020/21 £000				Fair value of scheme assets 2021/22 £000		
-	2,501.0	2,501.0	Property:	-	3,116.8	3,116.8
-	636.1	636.1	• UK property	-	480.3	480.3
			• Overseas property			
14,016.6	-	14,016.6	Other investment funds and unit trusts:	14,356.0	-	14,356.0
9,337.5	-	9,337.5	• Equities	9,857.6	-	9,857.6
-	1,989.2	1,989.2	• Bonds	-	2,726.4	2,726.4
-	115.8	115.8	• Infrastructure	-	-	-
			• Other			
-	-	-	Derivatives	-	-	-
11.6	-	11.6	• Other derivatives	7.6	-	7.6
			• Foreign exchange			
<b>24,214.3</b>	<b>7,237.7</b>	<b>31,452.0</b>	<b>Total</b>	<b>25,048.9</b>	<b>9,077.1</b>	<b>34,126.0</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

31 March 2021	Assumption	31 March 2022
	Long term expected rate of return on assets in the scheme:	
2.0%	• Equity investments	2.70%
2.0%	• Bonds	2.70%
2.0%	• Property	2.70%
2.0%	• Cash	2.70%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.9 years	• Men	21.7 years
24.3 years	• Women	24.1 years
	Longevity at 65 for future pensioners:	
23.2 years	• Men	22.9 years
26.2 years	• Women	26.0 years
2.85%	Rate of inflation	3.2%
3.55%	Rate of increase in salaries	3.90%
2.85%	Rate of increase in pensions	3.20%
2.0%	Rate for discounting scheme liabilities	2.70%
	Take up of option to convert annual pension into retirement lump sum:	
50%	Pre- April 2008 service	50%
75%	Post- April 2008 service	75%

\*The expected rates of return are set equal to the discount rate (per the revised version of IAS19).

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions at the end of the reporting period and assumes for each other change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial

basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are consistent with those adopted in the previous period.

#### Sensitivity analysis – impact on the defined benefit obligation in the scheme

<b>Change in assumptions at 31 March 2022</b>	<b>Approximate % increase to employer liability</b>	<b>Approximate monetary amount £000</b>
0.1% decrease in real discount rate	2%	840
1-year increase in member life expectancy	4%	1,735
0.1% increase in the salary increase rate	0%	60
0.1% increase in the pension increase rate	2%	774

#### Techniques used to manage risk

The Pensions Committee of Norfolk County Council considers long term liabilities when setting its investment strategy but does not follow a specific liability matching investment approach having taken appropriate professional advice. The Committee has agreed an asset allocation benchmark, a performance target and various controls on the Fund's investments. These reflect their views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. The Committee monitors and reviews the performance of investments and the overall strategy on a regular basis, supported by advice from professional advisers as required. A large proportion of the Fund's assets relate to equities (50% of scheme assets) and bonds (30%). These percentages are materially the same as the previous year. The scheme also invests in properties as part of the diversification of the scheme's investments.

Further details of the Fund's investment approach are outlined in the Statement of Investment Principles and Funding Strategy Statement that are published on the Fund's website [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

#### Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish

new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates paying contributions of approximately £798,000 to the scheme in 2022/23.

### **32. Contingent Liabilities**

The Authority has identified one material contingent liability:

#### **Postwick Tip**

The Authority uses a site "Postwick Tip," which is included in the Authority's Fixed Asset Register, for the treatment of sediment material from dredging operations. This natural treatment process involves the drying of sediment so that mercury content is absorbed. As such there would be no clean-up costs at the end of the site's life. However, if the Authority were to stop using the site, there would be a cost of £33,000 to surrender the license. There is currently no expectation that the Authority will cease using the site. The Authority's use of the site is the subject of a bond / financial provision to the Environment Agency in the amount of £6.4m. This covers the estimated cost of restoration which could arise if there were to be a catastrophic event at the site. Defra are the guarantors for this bond and the Authority would not itself anticipate making any payment under the terms of this agreement.

### 33. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

#### Financial Assets

Type	Non-Current Investments 31 March 2021 £000	Non-Current Investments 31 March 2022 £000	Non-Current Debtors 31 March 2021 £000	Non-Current Debtors 31 March 2022 £000	Current Investments 31 March 2021 £000	Current Investments 31 March 2022 £000	Current Debtors 31 March 2021 £000	Current Debtors 31 March 2022 £000	Total 31 March 2021 £000	Total 31 March 2022 £000
Amortised Cost	0	0	0	0	5,375	6,156	722	542	6,097	6,698
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,375</b>	<b>6,156</b>	<b>722</b>	<b>542</b>	<b>6,097</b>	<b>6,698</b>
Non-financial assets	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,375</b>	<b>6,156</b>	<b>722</b>	<b>542</b>	<b>6,097</b>	<b>6,698</b>

## Financial Liabilities

Type	Non-Current Borrowings 31 March 2021 £000	Non-Current Borrowings 31 March 2022 £000	Non-Current Creditors 31 March 2021 £000	Non-Current Creditors 31 March 2022 £000	Current Borrowings 31 March 2021 £000	Current Borrowings 31 March 2022 £000	Current Creditors 31 March 2021 £000	Current Creditors 31 March 2022 £000	Total 31 March 2021 £000	Total 31 March 2022 £000
Amortised Cost	193	129	0	0	78	64	1,757	1,992	2,028	2,185
<b>Total financial liabilities</b>	<b>193</b>	<b>129</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>64</b>	<b>1,757</b>	<b>1,992</b>	<b>2,028</b>	<b>2,185</b>
Non-financial liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>193</b>	<b>129</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>64</b>	<b>1,757</b>	<b>1,992</b>	<b>2,028</b>	<b>2,185</b>

## Income, Expense Gains and Losses

Interest Type	Surplus or Deficit on the Provision of Services 2020/21 £000	Other Comprehensive Income and Expenditure 2020/21 £000	Total 2020/21 £000	Surplus or Deficit on the Provision of Services 2021/22 £000	Other Comprehensive Income and Expenditure 2021/22 £000	Total 2021/22 £000
Interest Expense	29	0	29	29	0	29



<b>Interest Type</b>	<b>Surplus or Deficit on the Provision of Services 2020/21 £000</b>	<b>Other Comprehensive Income and Expenditure 2020/21 £000</b>	<b>Total 2020/21 £000</b>	<b>Surplus or Deficit on the Provision of Services 2021/22 £000</b>	<b>Other Comprehensive Income and Expenditure 2021/22 £000</b>	<b>Total 2021/22 £000</b>
Interest Income	(22)	0	(22)	(22)	0	(22)

#### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- Fixed interest rate of 4.82% over the 20-year PWLB loan;
- Fixed interest rate of 2% over the 5-year PWLB loan;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be invoices or billed amount.

The fair values calculated are as follows:

<b>Financial Liabilities held at amortised cost:</b>	<b>31 March 2021 Carrying Amount £000</b>	<b>31 March 2021 Fair Value £000</b>	<b>31 March 2022 Carrying Amount £000</b>	<b>31 March 2022 Fair Value £000</b>
PWLB	199	221	164	175
Finance Leases	72	72	29	29
Short Term Creditors	1,757	1,757	1,992	1,992
<b>Total</b>	<b>2,028</b>	<b>2,050</b>	<b>2,185</b>	<b>2,196</b>

The fair value of borrowings is higher than the carrying amount because the authority's PWLB loan is at a fixed interest rate where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2021) arising from a commitment to pay interest to lenders above the current market rate. Refinancing the loan at lower interest rates would outweigh the early repayment fee.

<b>Financial assets held at amortised cost:</b>	<b>31 March 2021 Carrying Amount £000</b>	<b>31 March 2021 Fair Value £000</b>	<b>31 March 2022 Carrying Amount £000</b>	<b>31 March 2022 Fair Value £000</b>
Fixed term investments	3,003	3,003	5,006	5,006
Cash at banks	2,372	2,372	1,150	1,150
Short Term debtors	722	722	542	542
<b>Total</b>	<b>6,097</b>	<b>6,097</b>	<b>6,698</b>	<b>6,698</b>

Short term debtors and creditors are carried at cost as this is fair approximation of their value.

### 34. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

**Credit Risk:** The possibility that other parties might fail to pay amounts due to the Authority.

**Liquidity Risk:** The possibility that the Authority might not have funds available to meet its commitments to make payments.

**Market Risk** The possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market investments.

**Foreign Exchange Risk:** The possibility that financial loss might arise for the Authority as a result of changes in the exchange rate (GBP and Euro).

The Broads Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made in line with the Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore, the Broads Authority does not consider there to be any quantifiable risk in relation to investments.

The Authority's standard terms and conditions for payment of invoices are 30 days from invoice date. The Authority does not allow credit for customers, and only a small proportion of invoices were overdue and outstanding as at 31 March 2022 for which a bad debt provision had not been put in place.

#### **Liquidity Risk**

A one-year funding agreement from DEFRA means the Broads Authority has some certainty over 2022/23. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future multi-year funding will be available. Given the significant cash balances there is no significant risk that it will be unable to meet its commitments under financial instruments. All financial liabilities are due to be repaid within one to five years with the exception of the 20-year PWLB loan. Therefore, there is no risk of having to borrow at unfavourable rates in future to replenish borrowings.

#### **Market Risk**

With the exception of the PWLB loan, the Broads Authority is debt free. Excess cash is invested at variable or fixed money market rates depending on forecasts for interest rates under the period of review.

#### **Foreign Exchange Risk**

The Authority's Annual Investment and Capital Financing Strategy for 2022/23 states that if the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Director of Finance will be sought on the advisability of hedging the exchange risk before entering into the contract.

### 35. Navigation Income and Expenditure Account

2020/21 Gross expenditure £000	2020/21 Income £000	2020/21 Net expenditure/ (income) £000	Description	2021/22 Gross expenditure £000	2021/22 Income £000	2021/22 Net expenditure/ (income) £000
2,353	(19)	2,334	Operations	2,684	(26)	2,658
488	(128)	360	Strategic Services	644	(204)	440
710	(8)	702	Chief Executive	779	(14)	765
49	0	49	Corporate Items	51	0	51
0	(3,385)	(3,385)	Navigation Income (Tolls)	0	(3,703)	(3,703)
<b>3,600</b>	<b>(3,540)</b>	<b>60</b>	<b>Cost of services (subtotal)</b>	<b>4,158</b>	<b>(3,947)</b>	<b>211</b>
		2	(Gains)/Losses on the disposal of non-current assets			0
		102	Financing and investment income and expenditure			144
		0	Donated Asset			0
		<b>162</b>	<b>(Surplus) or deficit on provision of services (subtotal)</b>			<b>355</b>
		(177)	(Surplus) or deficit on revaluation of fixed assets			(148)
		1,695	Actuarial (gains)/losses on pension assets/liabilities			(2,343)
		1,518	Other comprehensive income and expenditure (subtotal)			(2,491)
		<b>1,680</b>	<b>Total comprehensive income and expenditure</b>			<b>(2,136)</b>

## Glossary of Terms

### **Accounting period**

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accounting policies**

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **Actuarial gains and losses**

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

### **Amortisation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long-term asset.

### **Amortised cost**

This is cost that has been adjusted for amortisation.

### **Asset**

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

### **Budget**

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

### **Capital income and expenditure**

Expenditure on the acquisition of a long-term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long-term asset.

### **Capital financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Cash equivalents**

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

**Chartered institute of public finance and accountancy (CIPFA)**

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

**Code of practice on local authority accounting (the Code)**

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

**Community assets**

Community assets are assets that the Authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal.

**Contingent liabilities**

Potential costs that the Authority may incur in the future because of something that happened in the past.

**Creditors**

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

**Current value**

This is the cost of an asset if bought in the current year.

**Debtors**

Sums of money due to the Authority but not received at the end of the financial year.

**Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long-term asset.

**Expected return on pension assets**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair value**

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

**Financial asset**

A right to future economic benefits.

**Financial instrument**

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

**Financial liability**

An obligation to transfer economic benefits.

**Finance lease**

A lease which transfers all of the risks and rewards of ownership of a long-term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long-term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

**Long term assets**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

**Government grants**

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

**Historic cost**

The cost of an asset when originally bought.

**IAS19 retirement benefits**

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

**Impairment**

A reduction in the value of a long-term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

**Infrastructure assets**

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**Intangible assets**

Intangible assets are non-financial long-term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

**International financial reporting standards (ifrs)**

International Financial Reporting Standards (IFRS) are issued by the International Accounting

Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

**Investment properties**

Assets that the Authority owns but which are not used in the direct delivery of services.

**Liability**

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

**Market price**

This is the price at which another organisation is prepared to buy or sell an asset.

**Minimum revenue provision (mrp)**

The minimum sum charged to the Authority's revenue account each year to provide for the repayment of loans.

**Net book value**

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**Non-distributed costs**

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

**Operating lease**

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long-term assets in the balance sheet (see also: finance lease).

**Outturn**

The actual amount spent in the financial year.

**Pension fund**

A fund which makes pension payments on retirement of its participants.

**Provision**

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

**Reserves**

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue income and expenditure**

Expenditure which relates to day to day expenses, such as salaries and wages, general



running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

**Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

**Value added tax (vat)**

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

**Variance / variation**

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'.

# Audit and Risk Committee

26 July 2022

Agenda item number 7

## Investment Strategy and performance annual report 2021/22

Report by Director of Finance

### Summary

This report sets out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2022.

### Recommendation

To note the arrangements regarding the investment of the Authority's unallocated cash.

## 1. Introduction

- 1.1. It has been agreed that a six-monthly report on the performance of the Authority's investments will be presented to the Audit and Risk Committee, with a fuller 'year end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

## 2. Investment Principles and Performance

- 2.1. The investment of unallocated cash was governed by the Authority's Treasury and Investment Strategy 2021/22 agreed by the Authority on 19 March 2021.
- 2.2. Unallocated cash sums are calculated by the Authority's Finance staff and transferred to either a Fixed Term Deposit or Notice Account, or remain within the instant access bank account. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the year to 31 March 2022 are below.

**Table 1**

2021/22 Summary

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
Instant Access	2,509	1,244	3,253	587
95 Day Notice Account	2,500	4,500	4,500	2,500

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
32 Day Notice Account	503	503	503	503

2.3. The figures for the previous year (2020/21) were:

**Table 2**  
2020/21 Summary

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
Instant Access	593	2,509	2,509	593
Fixed Term	2,000	0	2,000	0
95 Day Notice Account	1,500	2,500	2,500	1,500
32 Day Notice Account	502	503	503	502

- 2.4. The amount of interest received during 2021/22 was £11,522.31 based on interest rates ranging from 0.01% to 0.8%. Forecast interest for 2021/22 was £6,000. The sum received for 2020/21 was £22,334.14 based on interest rates that ranged from 0.01% to 1.1%.
- 2.5. The balance on the 32-day notice account has remained the same since 31 March 2021 apart from small amounts of interest being added. The instant access has decreased to £1.244 million and the 95-day notice increased by £2 million due to the poor rates available when the fixed term deposit matured in March 2021.
- 2.6. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. Cash flow is monitored on a weekly basis against budget profiling to ensure access to sufficient funds. The possibility to make additional fixed term deposits are limited due to the timing differences between external funded projects grant expenditure and claim repayment.
- 2.7. The interest income budget for 2022/23 is £6,000, which assumed that interest receivable would be broadly in line with that received in 2021/22. Since the budget was set, interest rates have increased due to the increase in base rate. Current interest rates for 2022/23 means that £8,000 has already been received and the forecast will be revised in due course.

2.8. Following the audit recommendation from the Key Controls audit (see agenda item 13) options for diversification are currently being explored. Whilst the use of external treasury advisors has previously been discounted due to cost, this and other deposits are being investigated which may result in a change to the Strategy which will be reported back to Committee.

Author: Emma Krelle

Date of report: 05 July 2022

Background papers: Capital, Treasury and Investment Strategy 2021/22

# Audit and Risk Committee

26 July 2022

Agenda item number 8

## Internal Audit annual report and opinion 2021/22

Report by Head of Internal Audit

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### Summary

This report provides the Authority with an Annual Report and Opinion for 2021/22, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

### Recommendation

The Committee is requested to:

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1. Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.
  2. Note that a reasonable audit opinion (positive) has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2022.
  3. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2021/22.
  4. Note the conclusions of the Review of the Effectiveness of Internal Audit.
- 

## 1. Introduction/background

1.1. In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013, an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control:

- A summary of the work that supports the opinion should be submitted;
- Reliance placed on other assurance providers should be recognised;
- Any qualifications to that opinion, together with the reason for qualification must be provided;

- There should be disclosure of any impairments or restriction to the scope of the opinion;
  - There should be a comparison of actual audit work undertaken with planned work;
  - The performance of internal audit against its performance measures and targets should be summarised; and,
  - Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 1.2. This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance with the PSIAS 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.
- 1.3. The Annual Report and Opinion 2021/22 and the Review of the Effectiveness of Internal Audit are shown in the report attached.
- 1.4. On the basis of Internal Audit work performed during 2021/22, the Head of Internal Audit is able to give a reasonable opinion (positive) on the framework of governance, risk management and control at the Broads Authority.
- 1.5. The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
  - Is continually monitoring performance and looking for ways to improve; and.
  - Is complaint with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.
- 1.6. These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit, which can then be used to inform the Authority’s Annual Governance Statement.

Author: Faye Haywood

Date of report: 28 June 2022

Appendix 1 – BA Annual report and opinion 2021/22

# Eastern Internal Audit Services



## BROADS AUTHORITY

### Annual Report and Opinion 2021/22

Responsible Officer: Faye Haywood – Head of Internal for Broads Authority

## CONTENTS

<b>1. INTRODUCTION</b> .....	2
<b>2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT</b> .....	2
2.1 Roles and responsibilities .....	2
2.2 The opinion itself.....	3
<b>3. AUDIT WORK UNDERTAKEN DURING THE YEAR</b> .....	3
<b>4. THIRD PARTY ASSURANCES</b> .....	4
<b>5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT</b> .....	4
<b>APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22</b> .....	7
<b>APPENDIX 2 ASSURANCE CHART</b> .....	8
<b>APPENDIX 3 – EXECUTIVE SUMMARIES</b> .....	9
<b>APPENDIX 4 – AUDIT RECOMMENDATIONS</b> .....	24
<b>APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES</b> .....	27

## 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 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Audit and Risk Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control during 2021/22, 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);
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS 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.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Audit and Risk Committee and statutory officers of the Authority should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 5**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

- The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Chairman of the Authority and the Chief Executive that records and publishes the Authority’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Management Team and key stakeholders and then approved by the Audit and Risk Committee at its meeting on 2 March 2021.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.



The Audit and Risk Committee should consider this opinion, together with any assurances from management, its own knowledge of the Authority and any assurances received throughout the year from other review bodies such as the external auditor.

## 2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at the Broads Authority is **reasonable**, with all four audits concluding with a positive assurance grading in Key Controls and Assurance, Cyber Security, Corporate Governance Risk Management and HR & Payroll.

The audit of Key Controls and Assurance resulted in a substantial assurance.

No urgent priority findings have been raised at the Authority for 2021/22. It is for that reason it is felt that a reasonable assurance opinion overall applies.

In providing the opinion, the authority's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.

The opinion has been discussed with the Section 17 Officer prior to publication.

## 3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the individual assurances provided over recent financial years to provide an overall picture of the control environment.

### 3.2 Summary of internal audit work

The Audit and Risk Committee approved the Annual Internal Audit Plan for 2021/22, which is summarised at **Appendix 1** to this report and totalled 36 days as originally planned, encompassing:

- An annual opinion of Corporate Governance and Risk Management;
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- HR & Payroll;
- Cyber Security.

A total of 17 recommendations were raised in 2021/22.

3.3 At **Appendix 3** to this report a detailed Executive Summary is provided for each 2021/22 audit undertaken. The Cyber Security Maturity Assessment report is currently in draft, the overall opinion for this work has been considered in the formulation of this opinion. Management are currently considering the recommendations.

### 3.4 Follow up of management action

In relation to the follow up of management actions the position at year end is that of the 11 recommendations raised and agreed by TIAA Ltd in 2021/22, four are complete; one important recommendation is outstanding; and four are within deadline. Two risk management recommendations have been rejected by management.

3.4.1 A total of one needs attention recommendation remains overdue from 2019/20 Procurement audit; two important recommendations are overdue from the 2020/21 Port Marine Safety Code audit, and one needs attention recommendation is overdue from the 2020/21 Corporate Governance and Risk Management audit. A summary showing progress against the implementation of agreed internal audit recommendations can be found at **Appendix 4**.

### 3.5 Issues for inclusion in the Annual Governance Statement

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

## 4. **THIRD PARTY ASSURANCES**

4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

## 5. **ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

### 5.1 **Quality Assurance and Improvement Programme (QAIP)**

#### 5.1.1 Internal Assessment

A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2021/22. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme (which includes both internal and external assessment).

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks. On conclusion of completion of the checklist full conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist is provided to the Director of Finance for independent scrutiny and verification.

#### 5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors concluded that **“the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework”**.

The next assessment is due for October 2022. The results of this will be provided to the Committee.

## 5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance measures. Actual performance against these targets is outlined in the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	N/A	New committee Chair
2. Director of Finance Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarter's audit's completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	50%	Not achieved, 2 reports issued within 10 working days of quarter end.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	0%	Not achieved.
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%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	No unsatisfactory feedback received.
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeded
9. Percentage of recommendations accepted by management		90%	88%	Not achieved; 2 out of 17 recommendations raised rejected
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	75%	Exceeded
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 Performance has not been in line within the boundaries of our agreed targets in some areas during 2021/22 such as the issuing of draft reports 10 day after quarter end, performance reports being provided within a 15 working day window after quarter end and percentage of recommendations accepted by management.

As reported to the Audit and Risk Committee throughout the year, Internal Audit performance has continued to be impacted in 2021/22 by the Covid-19 pandemic. A period of adjustment was also required in response to prolonged remote working practices. Contractor resourcing and sickness were also a key challenge throughout the year.

This performance result has been experienced across the internal audit consortium in 2021/22 with other third-party assurance providers also reporting similar challenges. Resourcing levels did settle in time to ensure the 2021/22 plan of work could be completed.

In response to the challenges faced this year, the Head of Internal Audit has enhanced communication and monitoring arrangements. The contractor has also committed to reviewing resource planning processes by allocating resources and booking in audits well in advance of the proposed start date.

The 2021/22 procurement exercise has now concluded which will see the current contractor continue to provide the Internal Audit service. The Head of Internal Audit has used this opportunity strengthen the key performance measures around timeliness included within the contract.

### **5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA**

5.3.1 This Statement sets out the five principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit and Risk Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

5.3.2 Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit. The detailed checklist has been forwarded to the Director of Finance for independent scrutiny and verification.

## APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
<b>Annual Opinion Audits</b>							
Corporate Governance and Risk Management	Reasonable	6	4	0	0	0	2
<b>Fundamental Financial Systems</b>							
Key Controls and Assurance	Substantial	1	0	0	0	0	1
<b>Service area audits</b>							
HR & Payroll	Reasonable	4	2	0	1	0	1
Cyber Security	Reasonable (DRAFT)	6	0	0	0	0	6
<b>Total</b>		<b>17</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>10</b>

<b>Assurance level definitions</b>		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	1
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	3
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

## APPENDIX 2 ASSURANCE CHART

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Annual Opinion Audits</b>					
Corporate Governance and Risk Management	Reasonable	Reasonable	Reasonable	Reasonable	X
<b>Fundamental Financial Systems</b>					
Key Controls and Assurance Work	Substantial	Substantial	Reasonable	Substantial	X
HR and Payroll				Reasonable	
Procurement		Reasonable			
<b>Services Area Reviews</b>					
External Funding - HLF Bid and National Parks Partnership		Reasonable			
Asset Management					
Port Marine Safety Code			Limited		
Branding	Reasonable				
Planning			Reasonable		
Corporate Health and Safety					X
Partnership Working					X
<b>IT Audits</b>					
Toll Management Application					
Network Security					
Cyber Security				Reasonable	
End User Controls					
Disaster Recovery	Reasonable				
Virus Protection/Spyware, Data Backup and Data Centre controls					

APPENDIX 3 – EXECUTIVE SUMMARIES

## Assurance Review of BA2201 Corporate Governance and Risk Management

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance arrangements for decision making	0	0	1	0
Performance Monitoring	0	0	0	0
Risk Management Framework	0	1	4	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>0</b>

#### SCOPE

Our annual review of governance and risk management was carried out to support the Head of Internal Audit Opinion. This audit provides assurance that the systems in place to control and manage the Broads Authority are operating effectively and that significant risks are being identified and managed. During our review we considered governance arrangements for decision making and the accountability and monitoring of performance during the Covid-19 Pandemic. Our review also provides assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'Important' and five 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Corporate Governance and Risk Management also concluded in a 'Reasonable' assurance opinion, having raised two 'important' and five 'needs attention' recommendations. This indicates a positive direction of travel.

## POSITIVE FINDINGS

---

It is acknowledged there are areas where sound controls are in place and operating consistently:

### Governance arrangements for decision making

- A review of Committees and a sample of decisions confirmed that Standing Orders and Terms of Reference have been complied with.
- Actions taken where Members have a conflict of interest are logged and recorded within Appendix 1 of the Authority's or Sub-Committee's minutes.
- The Authority has an up-to-date Members Code of Conduct. Members are required to sign and return an undertaking in respect of the Code. A sample check found this process to be in place.

### Performance Monitoring

- An annual business plan is published on the Authority's website containing the strategic priorities of the Authority. This underpins the 2017-2022 Broads Plan, and clearly highlights the priorities in which the Broads Authority is lead partner for. This helps demonstrate part of the 'golden thread' i.e. how the performance of the strategic priorities are aligned to the main corporate plan of the Authority.
- Progress on the strategic priorities within the Broads Plan are reported to each Broads Authority and published on the website.



### **Risk Management Framework**

- The Risk Management Policy has been recently reviewed, updated and endorsed by the Audit and Risk Committee.
- The Policy provides details of how risks are to be identified at strategic and operational level, and how they are to be assessed.
- There are currently ten risks on the Corporate Risk Register. This is a manageable number of risks. All risks are reviewed in line with the Risk Management Policy and Committee and management meeting schedules.

## **ISSUES TO BE ADDRESSED**

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The audit has highlighted the following area where one 'important' recommendation has been made.

### **Risk Management Framework**

- The risks within the Corporate and Directorate Risk Registers be linked to the organisation's objectives.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

### **Governance arrangements for decision making**

- All Members' Declarations of Interest forms be checked to ensure that they have been fully completed, returning any with blank fields to the relevant Member for completion.

### **Risk Management Framework**

- A review be undertaken of those risks within the Corporate Risk Register with scores under 16 to ensure they comply with the Risk Management Policy.
- Management to include a target risk score within the risk registers.
- Management to undertake a Training Needs Assessment in respect of Risk Management and introduce Risk Management training if deemed necessary.
- Management to instigate using a spreadsheet instead of a word document for the risk registers so that a formula can be used for the risk assessment and RAG rating.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

### Previous audit recommendations

The previous report was issued in March 2021 (BA/21/04), with a 'Reasonable' assurance, having raised one 'important' and three 'needs attention' recommendations. These have all been completed with the exception of one 'needs attention' recommendation (Recommendation 2), which refers to the update and review of the document management system (DMS), a revised date of December 2022 being provided.

### Other points noted

- The audit has concluded with the following two disagreed recommendations:

#### **Management to include a target risk score within the risk registers.**

Management response - Management Team agreed on 26.04.22 that they did not consider this necessary as the aim was always to have as low as possible risk score, through the appropriate mitigation.

#### **Management to instigate using a spreadsheet instead of a word document for the risk registers so that a formula can be used for the risk assessment and RAG rating.**

Management response: Management Team agreed on 26.04.22 to maintain the use of a Word document as this was their preference. Suitable measures were in place to check the risk rating and colour coding were aligned.

# Assurance Review of BA2202 Key Controls and Assurance Framework

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Treasury Management	0	0	1	0
General Ledger	0	0	0	0
Asset Management	0	0	0	0
Accounts Payable	0	0	0	0
Toll Income	0	0	0	0
Total	0	0	1	0

No recommendations were also raised in relation to accounts receivable, budgetary control or control accounts.

### SCOPE

This audit looked at the fundamental systems that feed into the statement of accounts to provide assurance on the key financial controls. The areas reviewed as part of this audit were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit report for Key Controls (BA/21/01) was issued in May 2021. It concluded in a 'Reasonable Assurance' opinion with five 'needs attention' recommendation being raised. This indicates a positive direction of travel.

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- Approval controls at Level 1 (L1) and Level 2 (L2) are built into the Document Management System (DMS) and invoices are not paid until L2 approval has been granted, demonstrating clear segregation of duties.
- Strong controls were evidenced with regard to BACS payment runs with a clear audit trail in place to evidence appropriate sign off in line with the documented authorised signatory list. This included the approval of cheque payments.
- Account, Investment and Fixed Asset reconciliations were found to have been appropriately signed as prepared and independently approved, demonstrating clear segregation of duties.
- The Authority provided clear evidence of budgetary control and monitoring. All variances exceeding £5k are to be explained by the budget holder and documentation was provided to support this requirement, ensuring a clear audit trail of material changes to the budget.
- Journals were raised on the system based on appropriate documentation and it was confirmed in all cases examined that journals were signed off as prepared and independently checked and approved, **indicating** that clear segregation of duties are in place.
- Toll Income Reconciliations, Batches, and Payments were shown to be completed and controls were in place. Appropriate action was evidenced on overdue toll payments when required, verifying that appropriate monitoring and action is taken as necessary

## ISSUES TO BE ADDRESSED

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The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

## Treasury Management

- The Authority should consider diversifying its investment portfolio across different banking institutions.

## Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

## Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

## Other points noted

The Authority has two PWLB loans one for £290,000 taken out in 2007 and one for £105,000 taken out in November 2020. It should be noted that the loan application for 2007 could not be obtained at the point of audit fieldwork as it has been archived, therefore no formal recommendation was raised. The Authority provided evidence of the 2020 loan application, which was confirmed to have been executed by the Director of Finance in line with the Scheme of Delegation.

Overall responsibility for the Key Controls process sits with the Director of Finance who is assisted by the Financial Accountant. Discussions with the Director of Finance confirmed that the Senior Financial Officer left and there has been staffing issues. However, a new Senior Financial Officer started in January 2022, and it was advised that a new Finance Assistant is due to start at the end of January 2022 and this will bring staffing levels back up to a full complement.

# Assurance Review of BA2203 HR and Payroll

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Staff absence	0	3	0	0
HR System	0	0	0	1
<b>Total</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>1</b>

No recommendations have been raised in respect of Payroll Key Controls.

### SCOPE

A high risk is being monitored in the Corporate Risk Register in relation to the loss of key staff. This risk has become particularly prevalent during the Covid-19 Pandemic. Our review aimed to provide assurance that staff sickness is being well managed through staff resilience plans and to ensure key services continue if sickness increases. Our review examined the robustness of Payroll processes and the implementation of the new HR software.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', 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.

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- The introduction of the iTrent system has met the objectives and has reduced the administrative burden on the HR and Payroll team.
- Detailed payroll checks, including differences from the previous month, are undertaken prior to payments being made, to ensure that all payments are correct.
- All payroll payments are reviewed by the Head of HR and Financial Accountant, and authorised by the Director of Finance, to ensure segregation of duties in the process.
- All claims for additional payments are submitted and authorised through iTrent.
- Loss of key staff knowledge and expertise' has been recorded as a risk in the Corporate Risk Register and mitigating actions put in place, to ensure that there is sufficient awareness and action in respect of this risk.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas where three 'important' recommendations have been made.

### Staff absence

- Resilience plans be reviewed, to ensure that they are fit for purpose and used consistently across the Authority.
- The Business Continuity Plan be reviewed and updated, to reduce the risk that staff loss or other business continuity events cause preventable service disruption.
- Absence levels be reported to senior management on a regular basis, to reduce the risk of trends and issues not being identified.

The audit has also highlighted the following areas where one 'needs attention' recommendations have been made.

### Policies and procedures

- HR policies be reviewed and updated, to reduce the risk of staff being provided with outdated advice and information.

### Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration be given to purchasing the reporting module for iTrent, to enable more effective and efficient reporting of HR data.

### Previous audit recommendations

This area has not been subject to previous internal audit review by TIAA. Payroll key controls are reviewed as part of the annual Key Controls audit, but there are no outstanding recommendations in this area.



# BA2204 Maturity Assessment of Cyber Security

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Data Security	0	0	2	0
Incident Management	0	2	2	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>

No recommendations were raised in the areas of Cyber Risk Management, Engagement and Training, Asset Management, Architecture and Configuration, Vulnerability Management, Identity and Access Management, Logging and Monitoring and Supply Chain Security

### SCOPE

This maturity assessment has focussed on the National Cyber Security Centre's revised 10 steps to Cyber Security framework that covers Cyber Risk Management, Engagement and Training, Asset Management, Architecture and Configuration, Vulnerability Management, Identity and Access Management, Data Security, Logging and Monitoring, Incident Management and Supply Chain Security.

## Introduction

1. Organisations are facing an increasing risk of Cyber incidents and Cyber-crime. A key step to reducing the risk and protecting organisations in this area is understanding the maturity of your organisation in terms of how Cyber risks are managed. The data within this report is derived from supporting management with a self-assessment of their maturity in the following 10 recognised areas of Cyber Security:

• Cyber Risk Management	• Identity and Access Management
• Engagement and Training	• Data Security
• Asset Management	• Logging and Monitoring
• Architecture and Configuration	• Incident Management
• Vulnerability Management	• Supply Chain Security

2. The Cyber Security world is in need of a mature approach to managing cyber risk, because attackers continue to develop new threats beyond current knowledge. The fact that emerging threats are increasing is driving organisations to adopt a predictive attitude to address these threats. In order to protect themselves all organisations information assets and ICT systems need to be secured, managed and monitored.
3. Levels of recorded Cybercrime continue to grow. The Telephone-operated Crime Survey for England and Wales (TCSEW) showed that there were 1.9 million computer misuse offences in the year ending September 2021. This was an 89% increase compared with the year ending September 2019, largely driven by a 161% increase in “Unauthorised access to personal information (including hacking)” offences. This reinforces the need for users to implement robust e-Safety, including passwords based on “Three things” and not re-using the same password within multiple IT systems or websites. The National Cyber Security Centre (NCSC) provides guidance for sectors, and for users to help address the gap between good security and dangerous practices.
4. The Covid-19 Pandemic has also been instrumental in increasing risks associated with Cyber Crime. Many attacks are thematic in nature and continue to exploit users’ interest in the latest pandemic news including around access to vaccinations. Coupled with a rapid IT transformation to enable home working with new IT systems and products, the associated likelihood of cybercrimes manifesting has also increased.
5. The potential impact from cybercrime can be of substantial damage to the operational capability of the organisation. Legislative impact is within the scope of the Data Protection Act 2018, which embodies the General Data Protection Regulations (GDPR). It requires data to be processed in a manner that ensures its security. This includes protection against unauthorised or unlawful processing, accidental loss, destruction or damage. This places a requirement on all organisations to ensure that appropriate technical and organisational measures are in place. The potential level of fines for Data Protection breaches (including as a result of hacking) are up to 20m Euros / £18m or 4% of global annual turnover whichever is the greater. In addition to the financial penalties, breaches cause significant reputational damage to affected organisations, including those using cloud based IT services.
6. In assessing maturity, the current maturity level for each of the 10 areas has been identified and management’s aspirations and appetite for improvement to manage and mitigate risk have been ascertained. This work was carried out in February and March 2022 by the Cyber Assurance team as part of the proactive Internal Audit programme for 2021/22. Note that the audited maturity levels shown reflect an acknowledgement of the reduced level of data risk that the Authority is exposed to. Hence, the audited maturity levels are higher than they might have been if the existing controls infrastructure in place here were to be applied to another larger and more complex organisation that holds large quantities of Personal Identifiable Data. Such organisations require a greater level of risk mitigation due to the data that those organisations process.

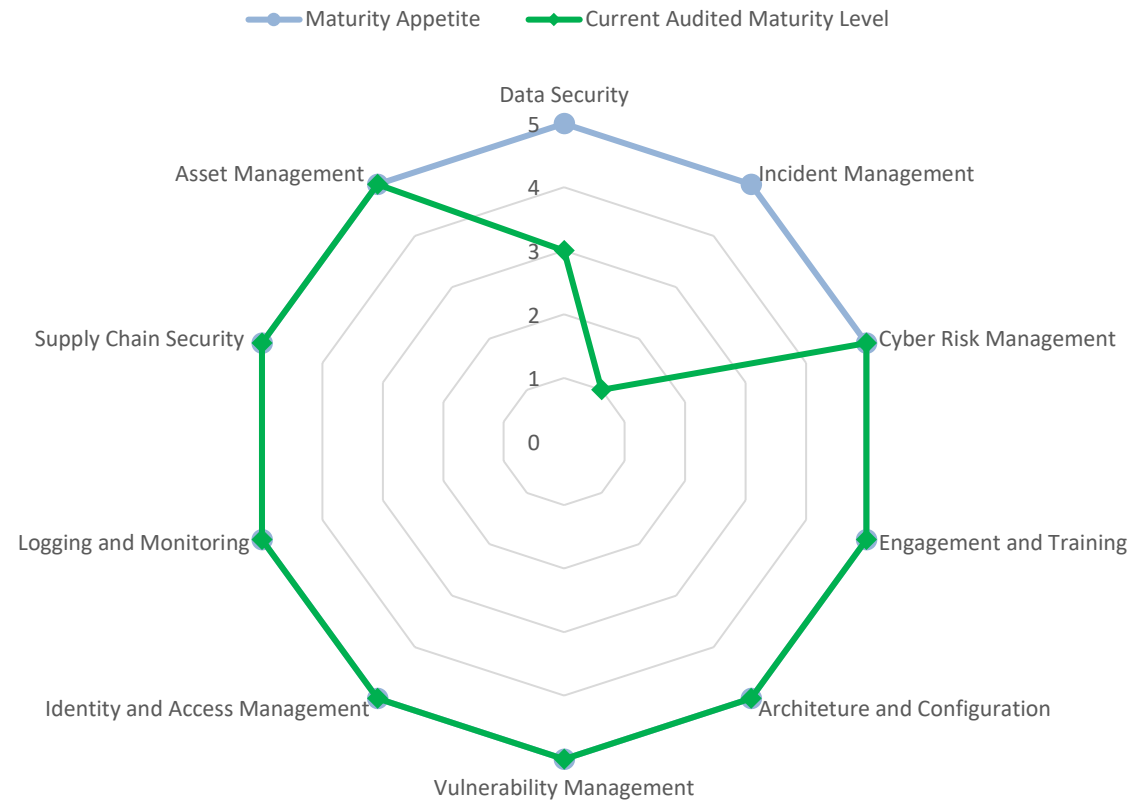
7. TIAA's Cyber Maturity model is based on the traditional maturity model, and comprises of levels 0-5 as described below:

Level	Status	Description
0	Incomplete	The process is not implemented or fails to achieve its process purpose. At this level, there is little or no evidence of any systematic achievement of the process purpose.
1	Initial	Unpredictable process that is poorly controlled and reactive
2	Managed	Process is planned, documented and monitored ad-hoc and is often reactive
3	Defined	Proactive process meant for organizations
4	Quantitative	Measured and controlled process
5	Optimising	Focus is on continuous process and improvement

**Summary**

- 8. The review noted that management rated the Broads Authority's dependency on Information technology as high and recognised that Cyber-crime is a significant risk. Management considered that untreated cyber risks were at a medium level. It was noted that the Authority had invested in improving cyber security measures in the last 12 months.
- 9. The Authority has not experienced any cyber incidents within the last 12 months.
- 10. TIAA's maturity assessment is summarised in the radar diagram below. Significant gaps of 2 or more maturity steps exist between the aspirational level of maturity and the assessed level for the following process areas: Data Security and Incident Management.
- 11. Where gaps have been identified management should consider TIAA's maturity improvement recommendations within this report (summarised at Appendix A) to further control and mitigate cyber risks.

# Broads Authority Cyber Security Maturity Assessment



Rec.	Cyber Area	Finding	Recommendation	To Achieve Maturity Level
DS 4	Data Security (Needs Attention)	Level 4 maturity is not fully achieved.	Backup integrity and recovery testing must take place annually to ensure that they can be recovered as expected during an incident. We note that there are occasional file restores on request from users. However, this cannot constitute adequate full testing as required by this level.	4
DS 5	Data Security (Needs Attention)	Level 5 maturity is not fully achieved.	Results of backup testing must be used to inform and improve the process via lessons learned sessions.	5
IM 2	Incident Management (Important)	Level 2 maturity is not fully achieved.	A formal IT incident management process must be established, including triage and escalation requirements. We have noted that this is in place, but that it requires review, having been last reviewed in January 2019 prior to the start of the COVID-19 pandemic	2
IM 3	Incident Management (Important)	Level 3 maturity is not fully achieved.	To achieve level IM3, full compliance with IM2 is required. In addition, IT staff must have a level of incident management training provided or disaster recovery/ business continuity exercises must be undertaken regularly. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	3
IM 4	Incident Management (Needs Attention)	Level 4 maturity is not fully achieved.	To achieve level IM4, full compliance with IM2 and IM3 is required. In addition, incidents must be reported and presented to senior leadership. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	4
IM 5	Incident Management (Needs Attention)	Level 5 maturity is not fully achieved.	To achieve level IM5, full compliance with IM2, IM3 and IM4 is required. In addition, incidents must include a review and 'lessons learned' sessions, as to improve the future response. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	5

## APPENDIX 4 – AUDIT RECOMMENDATIONS

Audit Ref	Audit Area	Assurance Level	Completed bt 1 April 2021 to 31 March 2022			Outstanding			Total Outstanding	Not yet due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
<b>2018/19 Internal Audit Reviews</b>												
BA1903	Branding	Reasonable			2				0			
<b>2019/20 Internal Audit Reviews</b>												
BA2003	Procurement	Reasonable						1	1			
<b>2020/21 Internal Audit Reviews</b>												
BA2101	Key Controls and Assurance	Reasonable			3				0			
BA2102	Port Marine Safety Code	Reasonable		1	5		2		2			
BA2104	Corporate Governance and Risk Management	Reasonable						1	1			
<b>2021/22 Internal Audit Reviews</b>												
BA2201	Corporate Governance and Risk Management				4				0		1	1
BA2202	Key Controls and Assurance								0			1
BA2203	HR and Payroll			2			1		1			1
<b>TOTALS</b>			<b>0</b>	<b>3</b>	<b>14</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>3</b>

Audit Title	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA2003 Procurement	Procurement training is provided to all relevant members of staff, and Members, where applicable.	3	Director of Finance	31/03/2020	30/09/2022	Outstanding	The team have been short staffed, and therefore this has not yet been completed. Now that the team are fully staffed, this recommendation is expected to be completed by 30 <sup>th</sup> September 2022.
BA2102 Port Marine Safety Code	Recommendation 5: The PMSC Performance Indicators (PIs) published within the authority's PMSC and those published on the authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns.	2	Head of Safety Management	31/10/2021	31/01/2023	Outstanding	The PI's on the website are dated 2017/2018 – The PI's reflect the Broads Plan and needs to be incorporated into the new version of the SMS.  This action is a work in progress, a meeting was arranged on 21/06/22 with Director of Operations, Head of Operations & Head of Navigation to discuss the action plan in drafting new SMS version to reflect recent changes to our SMS, with implementation by January 2023.
BA2102 Port Marine Safety Code	Recommendation 9: A briefing paper to be provided to Navigation Committee outlining requirements for a legal review to ascertain if a General Direction is required for larger vessels.	2	Head of Safety Management	31/10/2021	28/02/2023	Outstanding	This recommendation requires legal input. The Risk posed by this is low as this 'Special Direction' refers to very large vessel (commercial) accessing our waters and we have not needed to use the Special Direction for many years. Due to a high demand on the navigation and other higher priority safety requirements (additional patrolling, recruiting additional Seasonal Rangers, higher prosecutions and increased visitors on the waters) this recommendation has been deferred into 2022/23 deliver year and will be progressed with our Navigation Legal expert at NPLaw. Delivery expected by Feb 2023.
BA2104 Corporate Governance and Risk Management	Recommendation 2: In relation to the document management system (DMS), the following is undertaken: Notes are added to deferred items to explain which committee date the item has been deferred to; and to review if there is a way to match up/link the items on the forward plan to the generated items area.	3	Senior Governance Officer	31/07/2021	31/12/2022	Outstanding	Governance team liaising with IT on whether more metadata can be added to improve the link between items in the Forward Plan and in the confirmed (generated report) area - progress on hold as reliant on IT resource availability, which is currently focussed on more urgent work.

Audit Title	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA2203 HR and Payroll	Recommendation 1: Staff resilience plans be reviewed to ensure that they are being used consistently across the organisation and that the activities are sufficient and effective when they have been used in practice	2	Directors	31/03/2022	30/09/2022	Outstanding	This has not yet been completed by all directorates, so it is proposed to amend the new due date to 30 <sup>th</sup> September 2022.



## **APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES**

### **Limitations inherent to the Internal Auditor's work**

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit and Risk Committee, subject to the limitations outlined below.

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2020/21 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit briefs and reports.

### **Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future Periods**

Internal Audit's assessment of controls relating to the Broads Authority is for the year ended 31 March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA Ltd examinations as the Authority's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

# Audit and Risk Committee

26 July 2022

Agenda item number 9

## Annual Governance Statement 2021/22 and Code of Corporate Governance 2022

Report by Senior Governance Officer

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### Summary

Every year the Broads Authority reviews its governance and internal control systems, including risk management, and publishes an Annual Governance Statement and action plan, supported by a Code of Corporate Governance, to show how it is complying with the principles of good governance. The Annual Governance Statement 2021/22 and Code of Corporate Governance 2022 are appended to this report.

### Recommendation

To recommend the Annual Governance Statement 2021/22 to the Broads Authority for adoption and to note, subject to the implementation of improvements identified in the action plan, that the Authority's systems of governance and internal control are considered to be adequate and effective.

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## 1. Introduction

- 1.1. As a public body, the Broads Authority is responsible for making sure it has strong and up to date governance and internal control systems that comply with the principles of "good governance". Under the Accounts and Audit (Amendments) Regulations 2022, we must publish an Annual Governance Statement (AGS) on the effectiveness of our systems during the year, and an action plan to address any identified weaknesses. The Statement accompanies the annual Statement of Accounts and must be published no later than 30 November following the financial year to which it relates.
- 1.2. The AGS is guided by the "Delivering Good Governance in Local Government: Framework" which includes principles on integrity, ethical values and the rule of law; stakeholder engagement; sustainable economic, social and environmental benefits; leadership and resources; risk and performance; and transparency, reporting and review. Our internal and external audit, internal review and other reports, and the Code of Corporate Governance (CCG) all provide evidence for the AGS.
- 1.3. The Audit and Risk Committee is asked to review the AGS and present any suggested amendments or recommendations to the Broads Authority on 29 July. Once the

Authority approves the Statement, it is signed by the Chair and Chief Executive and the Action Plan 2022/23 is implemented.

## 2. Code of Corporate Governance (CCG)

- 2.1. The CCG helps us to develop our governance framework based on best practice and external guidance. The Code is updated annually, with significant changes reported in the AGS and any actions included in the Action Plan. The CCG is signed by the Chair and Chief Executive and published on the Broads Authority website on the [how we work](#) page.

## 3. Audit opinion

- 3.1. The Head of Internal Audit's overall audit opinion in relation to the framework of governance, risk management and control at the Broads Authority in 2021/22 is reasonable, with three of the four audits (Corporate Governance & Risk Management; HR & Payroll; and Cyber Security) having a reasonable (positive) assurance grading and Key Controls and Assurance with a "substantial" assurance. The Authority's Management Team accepted the vast majority of the recommendations raised and assigned responsibilities and deadline dates, as shown in the AGS action plan (appendix 1).
- 3.2. In providing the opinion, the Authority's risk management framework and supporting processes, the relative materiality of the issue arising from the internal audit work during the year, and management's progress in addressing any control weaknesses identified from this were taken into account. The opinion was discussed with the Section 17 Officer prior to publication.

Author: Sara Utting

Date of report: 11 July 2022

Appendix 1 – Draft Annual Governance Statement 2021/22 and Code of Corporate Governance 2022

# Annual Governance Statement 2021/22 & Action Plan 2022/23 and Code of Corporate Governance 2022

Published xx July 2022

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# Contents

About this Statement	3
1. Our governance framework	3
1.1. Purposes and duties	3
1.2. Strategy and policy	3
2. External factors influencing our governance arrangements	4
2.1. Coronavirus (Covid-19) pandemic	4
2.2. Brexit	5
2.3. Landscapes Review	5
3. Committees, staffing and financial arrangements	5
3.1. Committees	5
3.2. Officers	6
3.3. Financial arrangements	7
4. Decision making and openness	7
5. Ethics and integrity	8
Our core values	8
6. Engaging with stakeholders	9
7. Managing risk and performance	9
8. Internal and external audit	10
9. Action Plans	10
Appendix 1(a) - Audit recommendations: Action Plan 2022/23	12
Appendix 1(b) - Audit recommendations: Progress against Action Plan 2021/22	15
Broads Authority Code of Corporate Governance 2022	19
Broads Authority Code of Corporate Governance: Schedule (May 2022)	20

## About this Statement

As a public body, the Broads Authority is responsible for making sure its governance and internal control systems are robust, up-to-date and in line with the principles of good governance. This is about conducting our business in accordance with the law and with proper standards, using public money wisely and efficiently, and having the right arrangements in place to protect our assets and meet our strategic aims. It is also about our members and officers representing the shared values and culture of the organisation.

To show how we are complying with good governance, we prepare an **Annual Governance Statement**<sup>1</sup> and publish it alongside our annual Statement of Accounts. The Statement is guided by '[Delivering Good Governance in Local Government](#)', which includes principles on integrity, ethical values and the rule of law; stakeholder engagement; sustainable economic, social and environmental benefits; leadership and resources; risk and performance; and transparency, reporting and review.

The Statement includes an annual action plan to address any weaknesses identified by internal and external audit, self-assessment and other reporting including our [Code of Corporate Governance](#) (Appendix 2).

This Annual Governance Statement was adopted on 29 July 2022. Our action plan 2022/23 and a review of last year's action plan are at Appendices 1(a) and 1(b).

## 1. Our governance framework

### 1.1. Purposes and duties

The Broads Authority is a statutory body with similar responsibilities to those of the English, Welsh and Scottish National Park Authorities<sup>2</sup>. It is the local planning authority, and a harbour and navigation authority. It has a duty to manage the Broads to conserve and enhance its natural beauty, wildlife and cultural heritage, to promote opportunities for the public to understand and enjoy its special qualities, and to protect the interests of navigation.

In managing the area, the Authority must have regard to the national importance of the Broads for its natural beauty and opportunities for open-air recreation, the desirability of protecting its natural resources from damage, and the needs of agriculture and forestry and economic and social interests of those who live or work in the area. The Authority also has the duty to maintain the navigation area to such standard as appears to be reasonably required and to develop and improve it as it thinks fit.

### 1.2. Strategy and policy

The [Broads Plan](#) is the key partnership strategy for the Broads, setting out a long-term vision and short-term objectives to benefit of the environment, local communities and visitors. The

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<sup>1</sup> Regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015

<sup>2</sup> The Broads Authority was established under the Norfolk and Suffolk Broads Act 1988. Further provisions for the management of the area were made through the Broads Authority Act 2009.

current Plan (adopted in 2017) is under review, with consultation on the draft Broads Plan 2022-27 taking place in May-July 2022. The Authority hopes to adopt a final plan in Autumn 2022. Sitings under the Broads Plan are more detailed [guiding strategies](#), generally focusing on a single theme and covering a short-term period of 3-5 years.

The [Broads Local Plan](#) (adopted in 2019) sets out the policies used in determining planning applications for the plan period up to 2036. We also produce supporting supplementary planning documents such as the [Flood Risk SPD](#), and [planning design guidance](#), to help with the interpretation and implementation of policies. The Local Plan is subject to regular review, and the current review is underway, with consultation on Issues and Options planned before the end of 2022.

Our [Annual Business Plan](#) outlines our work priorities for the coming year and summarises last year's progress. The Plan is a link between the strategies for the Broads and our Directorate work plans. The [Annual Business Plan 2022/23](#) outlines our work plans for 2022/23 and 3-year financial strategy for 2022/23 to 2024/25.

Each year we also identify a small set of strategic priorities, focused on Authority-led projects that have high resource needs or a very large impact on the Broads, or that are politically sensitive. This helps us target our resources and make the most of partnership working and external funding opportunities. We report on their progress at each [Broads Authority](#) meeting.

## 2. External factors influencing our governance arrangements

### 2.1. Coronavirus (Covid-19) pandemic

Government measures in place at the start of 2020/21 to respond to the Covid-19 crisis continued to affect the Broads Authority's operations throughout the year, including its governance processes. Under the provisions of the Coronavirus Act 2020, temporary standing orders for remote meeting procedure rules were in place from 22 May 2020 to 7 May 2021, and all committee meetings were held remotely during that period using video conferencing to run and livestream proceedings. Whilst physical meetings resumed post 7 May 2021, for a number of months alternative venues were used for safety reasons (to minimise the risk of catching/spreading Covid) as the Authority's own meeting rooms had restricted capacity. Members acknowledged the benefits of holding some meetings remotely and consequently, in November 2021, the Authority agreed that its advisory, non-decision-making committees, namely Navigation Committee and Audit and Risk Committee, have the option to hold meetings virtually and new "Standing Orders – procedure rules for remote meetings" were adopted. This is subject to both the Chair and Vice-Chair of the relevant committee being consulted in advance of each meeting and does not apply to either the Planning Committee or full Authority meetings.

The main impact to the Authority in 2021/22 was the loss of staff working days. This equated to 151 FTE days which resulted in some works being delayed until 2022/23 in the form of budget carry forwards.

Covid related Risk assessments which started in March 2020 were reviewed and updated for all sections and services within the Authority, and specific measures continued to enable safe working. Most operations were able to continue during 2021/22. Agile working arrangements were developed and a trial started at the end of 2021, which will finish in 2022. A staff survey was conducted in 2021/22 which included elements of agile working arrangements

## 2.2. Brexit

Leaving the European Union was largely overshadowed by the Covid-19 crisis. However, it remains a significant change for the country and will impact on the Authority, such as closing off a source of funding for joint projects with European partners. The timescale for our EU-funded project CANAPE was extended beyond the Brexit leave date, which will enable this partnership project to be completed. Preparations for importing EU goods were also completed, although minor when compared to purchases made within the UK. There have been some minor delays in purchasing items such as wood and metal that are normally sourced by our UK suppliers from the EU.

## 2.3. Landscapes Review

The [Landscapes Review Final Report](#) was published in September 2019, setting out 27 proposals to protect and improve England's protected landscapes. The Government's response to the Review was published on 15 January 2022 and can be found at: <https://www.gov.uk/government/publications/landscapes-review-national-parks-and-aonbs-government-response>. A member workshop was held on 24 February 2022 to discuss the proposals in detail and the Authority's formal response was agreed at the Authority meeting in March 2022 and submitted to Defra on 8 April. We have considered the Landscape Review's key points as we carried out the Broads Plan review in 2021 and 2022.

# 3. Committees, staffing and financial arrangements

## 3.1. Committees

The Broads Authority has unique governance arrangements, reflecting the interests of both national and local stakeholders. Of its 21 members, ten are appointed by the Secretary of State, nine are locally elected County and District Councillors, and two are co-opted from the Navigation Committee. Other than Planning Committee and those matters specifically delegated to the Chief Executive, all matters are dealt with by the full Broads Authority as the prime decision maker. Routine decision making is delegated by members to officers of the Authority through the Scheme of Delegated Powers.

The [Broads Authority](#) (the full Board) meets six times a year. Members also get invited to site visits or workshops as required, to give members more time to interact informally outside the main business meetings and to see what is happening out in the Broads. There is a transparent process for the annual appointment of Chairs and Vice-Chairs, committee membership and appointments to outside bodies, which allows members to express their preferences for serving on particular committees and outside bodies. The Chairs' Group



gives all Chairs and Vice-Chairs an active role in maintaining an overview of the work of the various committees, and supporting the Chair and Chief Executive.

The [Audit and Risk Committee](#) is an advisory committee, meeting three times a year. It is responsible for examining our governance, internal control and risk management framework, and taking a strategic view on whether our allocated resources are being used effectively.

Our functions as a Local Planning Authority are carried out by the [Planning Committee](#), with powers delegated to officers in line with national legislation. It is a decision-making committee and normally meets every four weeks. [Planning decisions](#), whether made at Committee or through delegated powers, are published on our website.

The [Navigation Committee](#) advises the Authority's on significant matters affecting the navigation area. While it does not make decisions, if the Authority does not accept the Committee's recommendations it must give reasons. There are five meetings a year, and members are also invited to the Authority's site visits and workshops.

The [Broads Local Access Forum](#) is a semi-independent body that advises the Authority on improving public access to land within the Broads executive area. The Forum meets at least twice a year.

The Authority has two **Independent Persons**, appointed for a 4-year period, who are consulted to help the Authority achieve high ethical standards. The current postholders were appointed in January 2021 until the annual meeting in July 2024 (the appointments were delayed by the cancellation of the 2020 annual meeting and an extension to the previous terms of office). One of the Independent Persons was also appointed to the Water Skiing and Wakeboarding Appeals Panel for the same term. This role includes being consulted on the appointments of members of those panels under Schedule 3 para 3(c) of the Broads Authority Act 2009.

### 3.2. Officers

The Authority has 140.6 full-time equivalent staff. There are four statutory officers who carry out specific duties. They are the Head of Paid Service (Chief Executive), Section 17 Officer (Director of Finance), Navigation Officer (Head of Ranger Services) and Monitoring Officer.

The Chief Executive, Director of Finance, Director of Strategic Services and Director of Operations make up the Management Team. There are seven Section Heads, covering the following sections: Construction, Maintenance & Ecology; Communications; Human Resources; ICT & Collector of Tolls; Planning; Ranger Services and Safety Management. The Management Team meets weekly and liaises regularly with the Section Heads through the Management Forum. We are also required to have a Data Protection Officer, and this role is currently held by the Director of Operations as a qualified Data Practitioner.

### 3.3. Financial arrangements

It is considered that the Authority's financial management arrangements conform with CIPFA's [Statement on the Role of the Chief Financial Officer in Local Government](#) (2016). As a key member of the Management Team, the Director of Finance is actively involved in material business decisions to help the Authority develop, resource and implement its strategic plans sustainably and in the public interest.

We have a number of procedures in place to make sure we obtain best value for money in all we do, and we review them all on a regular basis. The Financial Regulations, reviewed in March 2018, were updated to reflect that the Section 17 Officer and Treasury is now managed in-house. Our Counter Fraud, Corruption and Bribery Strategy was updated in March 2018 and our Standing Orders Relating to Contracts in February 2022. We also reviewed our Procurement Strategy in July 2020 and our Capital, Treasury and Investment Strategy in March 2022. An initial assessment against CIPFA's Financial Management Code was received by Audit and Risk in July 2021 and progress is monitored against the action plan.

We monitor the effectiveness of our internal financial control systems through the consideration of regular internal audits, performance management and budget monitoring reports, and through reporting to ARC.

## 4. Decision making and openness

Our arrangements for decision making are set out in publicly available documents, published on our website at [Constitutional documents \(broads-authority.gov.uk\)](https://broads-authority.gov.uk). These include standing orders, terms of reference of committees, codes of conduct, scheme of delegated powers and protocol on member and officer relations. In 2019/2020 we commissioned Birketts LLP to review a number of our constitutional documents to make sure they are fit for purpose, in line with best practice and legislation, and easy to understand. The progress of this work was delayed by Covid-19 and rescheduled work priorities but to date, revisions of the Social Media Policy and Scheme of Delegated Powers have been adopted by the Authority. An updated Member Code of Conduct was adopted by the Authority in July 2021, based on the LGA's new model code, together with a revised Register of Interests form and both the Code of Practice for Members of the Planning Committee and Officers and the Protocol on Member and Officer Relationships were updated and adopted by the Authority in September 2021. As noted above, temporary Standing Orders were adopted to enable the Authority to hold all its committee meetings remotely from 22 May 2020 to 7 May 2021 and new Standing Orders – procedure rules for remote meetings were adopted in November 2021 for those meetings of the Audit and Risk Committee and Navigation Committee to be held remotely. Work is ongoing to complete the review of remaining documents including the complaints process under the Member Code of Conduct and our Standing Orders for Authority proceedings.

Our committees each have distinct terms of reference. Meetings are held in public, apart from agenda items that are exempt under legislative guidance, and members of the public

may ask questions. Our committee meetings are audio recorded and the public may request a copy of the recording. While meetings were held remotely, the proceedings were livestreamed for public viewing via a link on the Authority's website.

Staff roles and responsibilities are defined through job descriptions and regularly updated policies and procedures, including an officer code of conduct and annual performance appraisals. In 2019/2020 we started to use the Best Companies Employee Survey. Our first Best Companies Index score was classed as 'good', which in terms of accreditation means we are 'one to watch'. The next survey was run at the end of 2021, and the outcome was again good, "one to watch".

The Freedom of Information Act (FOIA) and the Environmental Information Regulations (EIR) give rights of public access to information held by public authorities, including the Broads Authority. Our [Publication Scheme](#) highlights the information we publish, how we make it available, and our charging policy. Our commitment to protecting people's privacy and processing personal data in accordance with data protection legislation is set out within our [Data Protection Policy](#).

## 5. Ethics and integrity

Under the Localism Act 2011 we have the duty to promote and maintain high standards, and we work to embed this throughout our governance and internal control systems. The seven principles of public life (known as the Nolan Principles) are incorporated in the Members' Code of Conduct which was reviewed and the updated version adopted in July 2021. Our Independent Persons provide external scrutiny of our standards processes.

We also have our own set of corporate core values (below), which are promoted to officers and members through posters and screen savers, codes of conduct and protocols, recruitment and appraisal processes, and development programmes.

### Our core values

- **We show commitment** - Working together for a common purpose; Showing flexibility, trust and enthusiasm; Delivering on our promises
- **We are caring** - Setting realistic and properly resourced workloads; Supporting each other to get things done; Giving praise and daring to challenge
- **We are exemplary** – Being visible, approachable and professional; Making sound judgements on strong evidence; Aiming higher, smarter and always inspiring
- **We are open and honest** – Being fair and consistent in our words and actions; Always willing to ask, listen and respond; Doing what's right and being accountable
- **We are sustainable** – Looking after our resources wisely; Understanding the impact of our choices; Doing work that adds real value

## 6. Engaging with stakeholders

We encourage our partners, interest and user groups and local communities to engage with us in various ways. This includes drop in events such as partnership working groups and Parish Forums, direct contact such as officers or members attending user group meetings, public events, digital and social media, and formal written consultations. We also seek public opinion through surveys and the user analysis of our website and Facebook and Twitter feeds.

[Broads Engage](#) brings together many of the ways people can hear about and have a say on the use and management of the Broads. In 2021/22, we re-started face-to-face engagement events. We also continued to engage with stakeholders through remote means, which can be more accessible to certain demographics.

## 7. Managing risk and performance

The Audit and Risk Committee's (ARC) responsibilities include gaining assurances, from a range of measures and reports, that the Authority is obtaining value for money in the use of its resources, and that risk and performance are being actively managed to achieve best results.

We have a **Corporate Risk Register (CRR)** and three **Directorate Risk Registers (DRRs)**, together with a Risk Management Policy. The registers are reviewed quarterly by Management Team, and at every meeting of ARC. Any mitigated risk on a DRR that scores as a 'high risk' is referred to the CRR for monitoring. The Risk Management Policy is reviewed and updated every two years, and is next due for review in January 2024.

Our **Business Continuity Plan** provides critical information to enable the Authority to continue operating during an unplanned significant event, including loss of premises, IT/telecommunications systems and utilities; national lockdown (e.g. pandemic) and major travel disruption. The plan relates to events that impact all or most of the Authority's operations and that require immediate action. Measures to respond to other identified and predictable business risks (such as significant loss of income or key staff) are covered elsewhere, including within our risk registers and individual project plans.

A **weekly recorded briefing** from officers is made available to all staff, members and volunteers every week.

We have **internal financial controls** to reflect good practice and make sure our finances are managed securely to minimise risk. These include approved budgets, separation of duties and authorised signatures. We also maintain a database of all our land and property assets and an **Asset Management Strategy** that includes an asset disposal policy, to help us plan our maintenance and replacement programme and reduce the risk of unexpected costs.

Our **performance** across our operations is assessed at regular Management Team meetings, with financial reports and budgets considered monthly and reports provided to Members at each Authority meeting.

There is a **whistleblowing policy** for our staff, with a separate policy for Members due to be adopted at the 29 July 2022 Authority meeting, and the Monitoring Officer has a duty to write a report if the Authority or any of its committees proposes action that would be unlawful or amount to maladministration.

## 8. Internal and external audit

Our **internal and external auditors** are the main independent sources of assurance on the operation of our governance framework and the Statement of Accounts.

An external provider reviews the effectiveness of our **internal control systems**, which includes our **internal audit function**. This helps to emphasise audit's key role and its connection to governance, risk management and internal control. The broad categories for internal audit are annual opinion, corporate governance, fundamental financial systems, service area audits and significant computer systems. The Head of Internal Audit (HIA) develops an annual **strategic audit plan** using a risk-based approach. The annual opinion is given on the overall adequacy and effectiveness of the Authority's internal control environment, highlighting significant issues.

The Management Team responds to each recommendation in the internal audit report, stating whether it is agreed and what action will be taken. The ARC receives a summary of internal audit work during the year and progress on implementing audit recommendations. Any significant concerns are reported up to the Broads Authority. The Authority is also informed of the work of the appointed External Auditors, including the Annual Audit letter from the External Auditors.

The **HIA's overall audit opinion** in relation to the framework of governance, risk management and control at the Broads Authority in 2021/22 is **reasonable**, with three of the four audits (Corporate Governance & Risk Management, HR & Payroll and Cyber Security) concluding with a reasonable (positive) assurance grading and Key Controls and Assurance concluding with a "substantial" assurance. The Authority's Management Team accepted the recommendations raised and assigned responsibilities and deadline dates, as shown in Appendix 1(a) below.

In providing the opinion, the Authority's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year, and management's progress in addressing any control weaknesses identified from this were taken into account. The opinion was discussed with the Section 17 Officer prior to publication.

## 9. Action Plans

Our Annual Governance Statement Action Plan 2022/23 and a summary of progress against last year's action plan are at Appendix 1. We are satisfied the Plan will address the identified weaknesses, and will report back on its implementation as part of our next Statement.

Bill Dickson (Chair of the Authority)

John Packman (Chief Executive)

xx July 2022

## Appendix 1(a) - Audit recommendations: Action Plan 2022/23

**Table 1**

Actions arising from 2021/22 audit and outstanding actions from previous audits

Audit recommendation	Lead officer	Target/status
<b>Procurement</b>		
<b>R7:</b> Procurement training is provided to all relevant members of staff, and Members, where applicable.	Director of Finance	30/09/2022
<b>Governance and Risk Management</b>		
<p><b>R2: Change to committee meetings</b> In relation to the document management system (DMS), the following is undertaken:</p> <ul style="list-style-type: none"> <li>• Notes are added to deferred items to explain which committee date the item has been deferred to; and</li> <li>• To review if there is a way to match up/link the items on the forward plan to the generated items area.</li> </ul>	Senior Governance Officer	31/12/2022
<b>Port Marine Safety Code</b>		
<p><b>R5: Governance</b> The PMSC Performance Indicators (PIs) published within the Authority's PMSC and those published on the Authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns.</p>	Head of Safety Management	31/01/2023
<p><b>R9: Pilotage</b> The General Direction for larger vehicles and navigation on works guidance be finalised</p>	Head of Ranger Services	28/02/2023
<p><b>R15: Governance</b> All relevant employees to read and sign copy of PMSC on annual basis.</p>	Head of Safety Management	31/12/2022
<b>HR &amp; Payroll</b>		

<b>R1: Staff absence</b> Resilience plans be reviewed, to ensure that they are fit for purpose and used consistently across the Authority.	Directors	30/09/2022
<b>R4: Policies and procedures</b> HR policies be reviewed and updated, to reduce the risk of staff being provided with outdated advice and information.	Head of HR	31/12/2022
<b>Key Controls</b>		
<b>R1: Treasury Management</b> Investment portfolio to be diversified to avoid loss in funds if a financial institution failed.	Director of Finance	31/07/2022
<b>Cyber security</b>		
<b>R1: Data Security</b> Backup integrity and recovery testing must take place annually to ensure that they can be recovered as expected during an incident. We note that there are occasional file restores on request from users. However, this cannot constitute adequate full testing as required by this level.	Head of ICT and Collector of Tolls	31/01/2023
<b>R2:</b> Results of backup testing must be used to inform and improve the process via lessons learned sessions.	Head of ICT and Collector of Tolls	31/01/2023
<b>R3: Incident Management</b> A formal IT incident management process must be established, including triage and escalation requirements. We have noted that this is in place, but that it requires review, having been last reviewed in January 2019 prior to the start of the COVID-19 pandemic.	Head of ICT and Collector of Tolls	31/10/2022
<b>R4:</b> To achieve level IM3, full compliance with IM2 is required. In addition, IT staff must have a level of incident management training provided or disaster recovery/ business continuity exercises must be undertaken regularly. We note that this level would have been compliant	Head of ICT and Collector of Tolls	31/10/2022



<p>in its own right had the scoring not required it to be marked as partial.</p>		
<p><b>R5:</b> To achieve level IM4, full compliance with IM2 and IM3 is required. In addition, incidents must be reported and presented to senior leadership. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.</p>	<p>Head of ICT and Collector of Tolls</p>	<p>31/01/2023</p>
<p><b>R6:</b> To achieve level IM5, full compliance with IM2, IM3 and IM4 is required. In addition, incidents must include a review and 'lessons learned' sessions, as to improve the future response. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.</p>	<p>Head of ICT and Collector of Tolls</p>	<p>31/01/2023</p>

## Appendix 1(b) - Audit recommendations: Progress against Action Plan 2021/22

**Table 1**

Actions arising from 2020/21 audit and any outstanding actions from previous audits

Audit recommendation	Lead officer	Target/status
<b>Communications and branding</b>		
<p><b>R2: Branding strategies, guidelines, procedures</b>            BA 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 currently have.</p>	Head of Comms	31/10/19  Updated to 30/09/22 (see R5 below)
<p><b>R5: Use of logos</b>            A review and update of the communications page on BA's intranet be undertaken once National Parks branding strategy and associated documents, incl. local Broads National Park strategy and BA Communications Policy, are finalised. This should be relaunched with staff, incl. provision of staff and member training in relation to branding, incorporating use of both BA logo and Broads National Parks logo. Comms intranet page should include comms team details, branding strategies and comms policy, and BA New Signs Guide.</p>	Head of Comms	31/10/19  Updated to 30/09/22 to complete overarching strategy (other actions completed)
<b>Corporate governance and risk management</b>		
<p><b>R1: Decision making</b>            The actions/key messages log is fully populated from the Covid-19 Incident Response Team minutes held to date.</p>	Head of Governance	31/05/21  Action completed

<p><b>R2: Change to committee meetings</b> In relation to the document management system (DMS), the following is undertaken:</p> <ul style="list-style-type: none"> <li>• Notes are added to deferred items to explain which committee date the item has been deferred to; and</li> <li>• To review if there is a way to match up/link the items on the forward plan to the generated items area.</li> </ul>	Senior Governance Officer	31/07/21  Updated to 31/12/22  Notes added to deferred items.  Further DMS updates dependent on ICT resources (currently focused on more urgent work).
<p><b>R3: Decision making</b> All members are contacted to ask them to confirm that their Declaration of Interests is complete, up to date and accurate for the 2020/21 financial year.</p>	Head of Governance	30/4/21  Action completed.
<p><b>R4: Use of emergency powers</b> The summary of progress table to be updated to include the delegated power used in respect of the Residential Moorings Guide second round consultation and this is reported to the BA.</p>	Head of Governance	31/05/21  Action completed.
<b>Financial systems</b>		
The Accounts Payable procedures, in particular new suppliers, should be reviewed annually.	Financial Accountant	30/09/21  Completed
<b>Planning</b>		
<p><b>R1: Enforcement</b> Complaints received to be supported by evidence retained on file and acknowledged within three working days as stated in the Local Enforcement Plan.</p>	Head of Planning	01/04/21  Completed
<p><b>R2: Enforcement</b> Complainants be provided updates of enforcement investigation carried out by the Authority within 20 working days in accordance with the Local Enforcement Plan.</p>	Head of Planning	01/04/21  Completed.
<p><b>R3: Planning applications</b> The monthly planning fees reconciliation be reviewed by a senior officer, other than the one</p>	Head of Planning	01/05/21  Completed.

preparing it, then signed and dated by preparer and reviewer on completion to evidence this.		
<b>R4: Enforcement</b> The process for new enforcements be completed incl. the timescale for completing each stage of the enforcement process.	Head of Planning	01/05/21 Completed.
<b>R5: Enforcement</b> The date the complaint is received by the BA to be recorded in the Uniform and Idox system.	Head of Planning	01/04/21 Completed
<b>R6: Enforcement</b> Performance indicators be put in place for responding to complaints and investigating enforcement cases.	Head of Planning	31/07/21 Completed
<b>Port Marine Safety Code</b>		
<b>R5: Governance</b> The PMSC Performance Indicators (PIs) published within the Authority's PMSC and those published on the Authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns.	Head of Safety Management	Action completed.  Further review of other documents that contain PI's in 2022.
<b>R6: Governance</b> The three-yearly statement of compliance with the code be signed and retained on file for future reference.	Head of Safety Management	Sept 2021 Completed
<b>R9: Pilotage</b> The General Direction for larger vehicles and navigation on works guidance be finalised.	Head of Ranger Services	Dec 2021 Updated to 28/02/2023
<b>R11: Governance</b> PMSC related documents and files, location and storage (both electronic and hardcopy) are reviewed to ensure these can be accessible to relevant members of staff on a timely basis.	Head of Safety Management	Oct 2021 Completed
<b>R12: Governance</b> BA PMSC be updated to reflect inclusion of	Head of Safety Management	Action completed.

consultation with employees forum (or equivalent) and health and safety committee.		
<b>R14: Governance</b> Documents referenced within BA PMSC be reviewed to ascertain their location and appraise if still relevant to up-to-date SMS, taking account of national PMSC and Guide to Good Practice for Marine Operations.	Head of Safety Management	Dec 2021 Completed
<b>R15: Governance</b> All relevant employees to read and sign copy of PMSC on annual basis.	Head of Safety Management	Dec 2021 Updated to 31/12/2022
<b>R18: Pilotage</b> Pilotage Policy be amended to reflect that it will be updated each time it is used, as opposed to annually, and PMSC be updated to reflect this.	Head of Ranger Services	Dec 2021 Action completed
<b>Procurement</b>		
<b>R7:</b> Procurement training is provided to all relevant members of staff, and Members, where applicable.	Director of Finance	By 30/06/20 Updated to 30/09/22. Due to extreme staff shortages during 21/22 this has been updated to 30/09/22.

## Broads Authority

### Code of Corporate Governance 2022

The Code of Corporate Governance helps the Broads Authority, as a public body, to develop its governance framework based on good practice and external guidance, and to demonstrate compliance with the principles of good governance.

Good governance is about making sure we do the right things, in the right way and for the right people in a timely, inclusive, open, honest and accountable manner. It is the systems and processes, and the values and principles, which direct and control what we do and how we relate to our communities. A key focus for good governance within the public sector is to achieve sustainable results that benefit the economy, the environment and society.

Our Code of Corporate Governance is based on the core principles in the CIPFA/SOLACE Framework [Delivering Good Governance in Local Government](#). We also have our own set of core values to underpin the behaviour of our Members and staff, who share responsibility for good governance.

We review and update the Code every year through consultation with senior staff, the Head of Internal Audit and the Chair of the Audit and Risk Committee. Any significant areas of concern raised in the review are referred to our Management Team or to the appropriate committee for comment or decision.

The Chief Executive is delegated to make necessary changes to the Code as a result of the review to keep it up-to-date. Significant changes to the Code are reported to the Authority in July as part of the Annual Governance Statement, and any new or outstanding actions are included in the Statement's Action Plan for the following year. The Code for 2022 was approved by the Authority on 29 July 2022 and signed off by the Chair and Chief Executive.

Bill Dickson (Chair of the Authority)

John Packman (Chief Executive)

Date: 29 July 2022

## Broads Authority Code of Corporate Governance: Schedule (May 2022)

This schedule represents what we do, or intend to with immediate effect, to demonstrate our compliance with the principles of good governance in local government. The core principles and sub-principles are taken from the CIPFA/ SOLACE Framework [Delivering Good Governance in Local Government](#) (2016). We will review our performance against the Code during 2022/23 and report the results to the Audit and Risk Committee and subsequently to the Broads Authority in July 2023 as part of the Annual Governance Statement.

**Table 1**

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub-principles	Our evidence to support this principle
<p><b>Behaving with integrity</b></p> <p>Behaving with integrity and leading a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting the reputation of the organisation</p> <p>Establishing and communicating specific standard operating principles or values for the organisation and its staff, building on the Seven Principles of Public Life (the Nolan Principles)</p> <p>Leading by example, embedding the above principles in effective, up-to-date policies and processes and using them as a framework for decision making and other actions</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement and Action Plan</li> <li>• Appointment of Independent Persons</li> <li>• Audit and Risk Committee oversight</li> <li>• BA Core Values</li> <li>• Codes of Conduct for Employees (HR Policy 2), Members and Planning Committee Members</li> <li>• Declaration of Gifts and Hospitality for Members and Officers</li> <li>• Disciplinary Procedures for Officers (HR Policy 11)</li> <li>• Financial Regulations, Contract Standing Orders and Procurement Strategy</li> <li>• Guide for Local Authority appointees to the Broads Authority</li> <li>• Internal and External Audit</li> <li>• Local Protocol on Member and Officer Relations</li> <li>• Member and officer induction and annual appraisals</li> <li>• Members’ Counter Fraud, Corruption and Bribery Strategy &amp; Response Plan</li> <li>• Register of Interests for Members and declarations of interests made at meetings and recorded in minutes</li> <li>• Related party declarations note as part of the Statement of Accounts.</li> <li>• Safeguarding Policy (HR Policy 22)</li> <li>• Social Media Policy</li> </ul>

	<ul style="list-style-type: none"> <li>• Standing Orders for the regulation of Authority proceedings</li> <li>• Standing Orders Relating to Contracts</li> <li>• Terms of Reference of Committees</li> <li>• Whistleblowing Policy for Members (wef July 2022)</li> <li>• Whistleblowing Policy for Officers (HR Policy 15)</li> </ul>
<p>Demonstrating strong commitment to ethical values</p> <p>Establishing, monitoring and maintaining the organisation's ethical standards and performance</p> <p>Underpinning personal behaviour with ethical values that permeate all aspects of the organisation's culture and operation</p> <p>Developing and maintaining robust policies and procedures that place emphasis on agreed ethical values</p> <p>Making sure external providers of services on behalf of the organisation act with integrity and in compliance with ethical standards expected by the organisation</p>	<ul style="list-style-type: none"> <li>• Annual performance appraisal for Members and officers</li> <li>• BA Core Values</li> <li>• Best Companies Index employee survey</li> <li>• Codes of Conduct for Employees (HR Policy 2), Members and Planning Committee Members</li> <li>• Equality Policy (HR Policy 1)</li> <li>• Guide for Local Authority appointees to the Broads Authority</li> <li>• Procurement Strategy and procedures</li> <li>• Recruitment &amp; Selection Policy (HR Policy 16) and procedures</li> <li>• Use of Independent Persons in complaints procedures</li> <li>• Whistleblowing Policy for Members (wef July 2022)</li> <li>• Whistleblowing Policy for Officers (HR Policy 15)</li> </ul>
<p><b>Respecting the rule of law</b></p> <p>Demonstrating a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</p> <p>Making sure statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p> <p>Making the best use of the full powers available for the benefit of citizens, communities and other stakeholders</p>	<ul style="list-style-type: none"> <li>• Codes of Conduct for Employees (HR Policy 2), for Members, and for Planning Committee Members and Officers</li> <li>• Committee structure in place with Terms of Reference, including powers reserved to the BA</li> <li>• Compliance with CIPFA's statement on the role of the Chief Finance Officer in Local Govt (CIPFA 2015)</li> <li>• Counter Fraud, Corruption and Bribery Strategy and Response Plan</li> <li>• Disciplinary Procedures for Officers (HR Policy 11)</li> <li>• Financial Regulations, Contract Standing Orders and Procurement Strategy</li> <li>• Internal and external audit</li> <li>• Job descriptions and recruitment process for officers</li> </ul>



Dealing effectively with breaches of legal and regulatory provisions	<ul style="list-style-type: none"> <li>• Member induction programme and development protocol</li> </ul>
Dealing effectively with corruption and misuse of power	<ul style="list-style-type: none"> <li>• Monitoring Officer appointed by BA</li> <li>• Provision of legal advice to Members and officers</li> <li>• Register of Member and officer interests and related party interests</li> <li>• Role descriptions for Members</li> <li>• Scheme of Powers delegated to Chief Executive and other authorised officers</li> <li>• Statutory Officers appointed by the Authority</li> <li>• Whistleblowing Policy for Members (wef July 2022)</li> <li>• Whistleblowing Policy for Officers (HR Policy 15)</li> </ul>

**Table 2**

Principle B: Ensuring openness and comprehensive stakeholder engagement

Sub-principles	Our evidence to support this principle
<p><b>Ensuring openness</b></p> <p>Demonstrating, documenting and communicating the organisation’s commitment to openness</p> <p>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 is provided</p> <p>Providing clear reasoning and evidence for decisions, in both public records and explanations to stakeholders, being explicit about the criteria, rationale and considerations used. In due course, making sure the impact and outcomes of those decisions are clear</p> <p>Using formal and informal consultation and engagement to determine the most appropriate</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• BA Core Values</li> <li>• BA website (includes public information about Members and their roles, Officer roles, and how the public can input to and influence BA decisions)</li> <li>• Broads Engage stakeholder events and promotion</li> <li>• Broads Local Plan - formal consultation stages (set out in Statement of Community Involvement)</li> <li>• Chairs’ briefings</li> <li>• Committee meetings held in public and audio recordings of meetings available to public on request</li> <li>• Committee meetings (non-decision making) held remotely and live-streamed, and also available to watch via YouTube</li> <li>• Corporate Partnerships Register</li> <li>• Fair and transparent data processing through privacy notices</li> <li>• Financial Regulations and Standing Orders Relating to Contracts</li> <li>• Financial statements</li> </ul>

<p>and effective interventions or courses of action</p>	<ul style="list-style-type: none"> <li>• Information published in respect of expenditure over £250</li> <li>• Member Allowances Scheme</li> <li>• Public consultation processes for strategic plan reviews (e.g. Broads Plan, guiding strategies)</li> <li>• Public question time at committee meetings</li> <li>• Publication of agendas and reports in line with Local Government Act 1972 requirements</li> <li>• Record of decisions in committee minutes</li> <li>• Use of Transparency Regulations 2015</li> </ul>
<p><b>Comprehensive stakeholder engagement</b></p> <p>Engaging effectively with all stakeholders, making sure the purpose and aims for each stakeholder relationship are clear so outcomes are successful and sustainable</p> <p>Developing formal and informal partnerships to encourage more efficient use of resources and more effective outcomes</p> <p>Basing partnerships on trust, shared commitment to change, culture that promotes and accepts challenge among partners, and clear awareness of the added value of partnership working</p> <p>Establishing a clear policy on the type of issues the organisation will meaningfully consult on or involve communities, individuals, service users and other stakeholders to make sure the service (or other) provision is contributing towards intended outcomes</p> <p>Having effective communication methods and making sure members and officers are clear on their roles in community engagement</p>	<ul style="list-style-type: none"> <li>- Annual Business Plan, Annual Report and visitor publications (e.g. Broadcaster), social media accounts</li> <li>- Appointment process to Navigation Committee and Broads Local Access Forum</li> <li>- Broads Briefing monthly newsletter from CEO</li> <li>- Broads Engage stakeholder events (e.g. workshops, Parish Forums), feedback processes and promotion</li> <li>- Broads Local Access Forum</li> <li>- Broads Local Plan - formal consultation stages (set out in Statement of Community Involvement)</li> <li>- Broads Plan 6-monthly progress update report (and continual progress monitoring on e-system)</li> <li>- Broadsheet (toll payer newsletter)</li> <li>- KPI annual reporting as part of NPA monitoring process to Defra</li> <li>- Learning resources on BA website, including Broads Curriculum materials for schools</li> <li>- Navigation Committee</li> <li>- Notices to Mariners</li> <li>- Public questions time at committee meetings</li> <li>- Regular meetings between Chairs and CEOs of BA and constituent local authorities</li> <li>- Regular officer level liaison with partner organisations</li> <li>- Visitor and user surveys</li> </ul>

<p>Encouraging, collecting and evaluating the views and experiences of stakeholders of different backgrounds, including reference to future needs</p> <p>Implementing effective feedback mechanisms to show how stakeholder views have been considered</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p> <p>Taking account of the impact of decisions on future generations of tax payers and service users</p>	
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**Table 3**

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub-principles	Our evidence to support this principle
<p><b>Defining outcomes</b></p> <p>Having a clear vision statement of the organisation’s purpose and intended outcomes, with performance indicators, that provide the basis for its overall strategy, planning and other decisions</p> <p>Specifying the intended impact on/ changes for stakeholders in the short and longer term</p> <p>Delivering defined outcomes sustainably basis within available resources</p> <p>Identifying and managing risks to achieving outcomes</p> <p>Managing service user expectations with regard to setting priorities and</p>	<ul style="list-style-type: none"> <li>• Annual Business Plan</li> <li>• BA guiding level strategies (e.g. Integrated Access, Sediment Management, Education, Biodiversity)</li> <li>• Broads Local Plan (spatial planning policy)</li> <li>• Broads Plan (key partnership strategy for the Broads, reviewed on 5-yearly cycle)</li> <li>• Corporate and Directorate Risk Registers</li> <li>• Corporate Partnerships Register</li> <li>• Norfolk &amp; Suffolk Broads Act 1998 (BA statutory purposes)</li> </ul>

making the best use of available resources	
<p><b>Considering social, economic and environmental benefits</b></p> <p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>Taking a longer-term view in 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</p> <p>Determining the wider public interest associated with balancing conflicting interests in achieving the various economic, social and environmental benefits, through consultation where possible, to ensure appropriate trade-offs</p> <p>Ensuring fair access to services</p>	<ul style="list-style-type: none"> <li>• Broads Local Plan</li> <li>• Broads Plan and guiding level strategies</li> <li>• Equalities Working Group</li> <li>• Norfolk &amp; Suffolk Broads Act 1998 (BA statutory purposes)</li> <li>• Project Development Group procedures</li> <li>• Public consultation for strategic plan reviews</li> </ul>

**Table 4**

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principles	Our evidence to support this principle
<p><b>Determining interventions</b></p> <p>Making sure decision makers receive objective and rigorous analyses of various options showing how intended outcomes would be achieved and associated risks, to achieve best value.</p> <p>Considering stakeholder feedback when making decisions about service improvements, or where</p>	<ul style="list-style-type: none"> <li>• BA and partner/stakeholder working groups</li> <li>• Budget setting process</li> <li>• Chairs' briefing sessions</li> <li>• Chairs' Group</li> <li>• Financial Regulations and Standing Orders Relating to Contracts</li> <li>• Member working groups</li> <li>• Project boards for large partnership projects (e.g. CANAPE and Water, Mills &amp; Marshes)</li> </ul>

<p>services are no longer required, to prioritise competing demands and limited resources such as people, skills and land, and bearing in mind future impacts.</p>	<ul style="list-style-type: none"> <li>• Public consultation responses informing strategic plan and policy reviews (e.g. Broads Plan, Broads Local Plan)</li> </ul>
<p><b>Planning interventions</b></p> <p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p> <p>Having flexible and agile arrangements so mechanisms for delivering goods and services can adapt to changing circumstances</p> <p>Establishing appropriate key performance indicators (KPIs) as part of the planning process to identify how the performance of services and projects is to be measured</p> <p>Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>Preparing budgets in accordance with objectives, strategies and the medium-term financial plan</p> <p>Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure, aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> <li>• Annual budget processes approved by BA with consultation by Navigation Committee</li> <li>• Financial Monitoring</li> <li>• Financial Strategy</li> <li>• Key Performance Indicator (KPI) annual reporting as part of National Park Authority monitoring process to Defra</li> <li>• Performance reporting to Committees</li> <li>• Regular monitoring undertaken by budget holders and Management Team and reported to committee</li> <li>• Review cycles for Broads Plan, guiding strategies (e.g. Integrated Access Strategy, Biodiversity &amp; Water Strategy) and Broads Local Plan</li> <li>• Risk management (see principle F)</li> <li>• Corporate Risk Register review by Audit &amp; Risk Committee</li> </ul>

<p><b>Optimising achievement of outcomes</b></p> <p>Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>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, to achieve outcomes while optimising resource use</p> <p>Ensuring ‘social value’ through service planning and commissioning</p>	<ul style="list-style-type: none"> <li>• Annual setting of tolls in consultation with Navigation Committee and through a member workshop</li> <li>• Asset Management Strategy</li> <li>• Budget and 3-year Financial Strategy agreed by BA</li> <li>• Budget reports, management procedures and training</li> <li>• Budgets monitored by Audit &amp; Risk Committee and BA</li> <li>• Capital, Treasury and Investment Strategy</li> <li>• Procurement Strategy and reference guide</li> <li>• Standing Orders Relating to Contracts</li> </ul>
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**Table 5**

Principle E: Developing the Authority’s capacity, including the capacity of its leadership and the individuals within it

Sub-principles	Our evidence to support this principle
<p><b>Developing capacity</b></p> <p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>Improving resource use through techniques such as benchmarking</p> <p>Recognising the benefits of partnerships and collaborative working where added value can be achieved</p>	<ul style="list-style-type: none"> <li>• Annual presentation to BA on major partnerships</li> <li>• Health and Safety policies and procedures</li> <li>• ICT Corporate Group review of ICT performance</li> <li>• Management Team decision in recruitment processes</li> <li>• Member and officer induction and appraisal programmes</li> <li>• Strategic Risk Register review</li> <li>• Whistleblowing Policy for Members (wef July 2022)</li> <li>• Whistleblowing Policy for Officers (HR Policy 15)</li> </ul>

<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	
<p><b>Developing leadership capacity</b></p> <p>Developing protocols to ensure 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</p> <p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p> <p>Ensuring the Chair and Chief Executive Officer have clearly defined and distinctive leadership roles within a structure whereby the CEO 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</p> <p>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</p> <p>Having structures in place to encourage public participation</p> <p>Considering the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>Holding staff to account through regular performance reviews that</p>	<ul style="list-style-type: none"> <li>• Chief Finance Officer compliance with CIPFA Statement on the Role of the Chief Finance Officer in Local Government</li> <li>• Conditions of employment and HR policies</li> <li>• Contract management in respect of externally provided services</li> <li>• Data Protection Officer in place</li> <li>• Financial Regulations and Standing Orders</li> <li>• Member and officer appraisal programmes, Member Development Protocol</li> <li>• Member workshops on key issues</li> <li>• Monitoring Officer appointed by BA</li> <li>• Scheme of Powers delegated to Chief Executive and other authorised officers</li> <li>• Standing Orders for the Regulation of Authority Proceedings</li> <li>• Terms of Reference for Committees</li> </ul>

<p>take account of training or development needs</p> <p>Maintaining the health and wellbeing of the workforce and helping individuals to maintain their own physical and mental wellbeing</p>	
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**Table 6**

Principle F: Managing risks and performance through robust internal controls and strong public finance management

Sub-principles	Our evidence to support this principle
<p><b>Managing risk</b></p> <p>Recognising risk management is integral to all activities and must be considered in all aspects of decision making</p> <p>Implementing robust and integrated risk management arrangements and making sure they work effectively</p> <p>Allocating clear responsibilities for managing individual risks</p>	<ul style="list-style-type: none"> <li>• Business Continuity Plan</li> <li>• Corporate Risk Register (reviewed every 3 months and reported to every meeting of the Audit and Risk Committee)</li> <li>• Counter Fraud, Corruption and Bribery Strategy and Response Plan</li> <li>• Risk analysis in BA reports</li> <li>• Risk Management Policy</li> </ul>
<p><b>Managing performance</b></p> <p>Effectively monitor service delivery including planning, specification, execution and independent post implementation review</p> <p>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</p> <p>Ensuring an effective scrutiny or oversight function is in place that provides constructive challenge and debate on policies and objectives before, during and after decisions are made. This will help enhance the performance of the organisation and any other organisation (or committee system) for which it is responsible</p> <p>Effectively and constructively challenging and policies and objectives to support balanced and effective decision making</p> <p>Providing members and senior management with regular reports on</p>	<ul style="list-style-type: none"> <li>• Audit and Risk Committee</li> <li>• Capital, Treasury and Investment Policy</li> <li>• Chairs’ Group</li> <li>• Financial Monitoring</li> <li>• Financial Regulations and procedures</li> <li>• Management Team and Section Head reviews of Directorate work plans and budgets</li> <li>• Procurement Strategy</li> <li>• Regular finance reports to BA, Audit &amp; Risk Committee and Navigation Committee</li> <li>• Risk and financial implications in reports to BA</li> <li>• Standing Orders Relating to Contracts</li> <li>• Statement of Accounts follows budget headings</li> <li>• Terms of Reference for Committees</li> </ul>

<p>service delivery plans and on progress towards outcome achievement</p> <p>Ensuring consistency between specification stages (such as budgets) and post implementation reporting (such as financial statements)</p>	
<p><b>Developing robust internal control</b></p> <p>Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>Regularly evaluating and monitoring risk management and internal control</p> <p>Having effective counter fraud and anti-corruption arrangements in place</p> <p>Making sure that additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>Having an audit committee or equivalent group/function, independent of the executive and accountable to the governing body</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement and Action Plan</li> <li>• Annual Internal Audit plans include key controls and corporate governance</li> <li>• Annual Report and Opinion provided by Head of Internal Audit with ref to governance, risk management and internal control arrangements</li> <li>• Audit and Risk Committee</li> <li>• Best Companies Index employee survey</li> <li>• Capital, Treasury and Investment Strategy</li> <li>• Codes of Conduct for Employees (HR Policy 2), for Members, and for Planning Committee Members Standing Orders Relating to Contracts</li> <li>• Counter Fraud, Corruption and Bribery Strategy and Response Plan</li> <li>• Disciplinary Procedures for Officers (HR Policy 11)</li> <li>• Effective internal audit function resourced and maintained</li> <li>• Financial Regulations, Contract Standing Orders and Procurement Strategy</li> <li>• Internal and external annual audit processes</li> <li>• Local Protocol on Member and Officer Relations</li> <li>• Procurement Strategy</li> <li>• Publication of reports and meeting minutes showing declarations of interest made</li> <li>• Risk Owners (e.g. reporting to Corporate Risk Register)</li> <li>• Scheme of Powers delegated to Chief Executive and other authorised officers</li> <li>• Standing Orders Relating to Contracts</li> <li>• Training for Members</li> </ul>
<p><b>Managing data</b></p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> </ul>

<p>Having effective arrangements in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>Having effective arrangements in place and operating when sharing data with other bodies</p> <p>Regularly reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> <li>• Data and Information Retention Policy</li> <li>• Data Asset Register, privacy notices and Protection policy</li> <li>• Data Protection Officer (qualified Data Practitioner), data protection training to Members and officers</li> <li>• Encryption of portable devices</li> <li>• IT security arrangements</li> <li>• Review of contracts to ensure data security provisions are incorporated</li> <li>• Statement of Accounts narrative report</li> </ul>
<p><b>Having strong public financial management</b></p> <p>Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance</p> <p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<ul style="list-style-type: none"> <li>• 3-year Financial Strategy</li> <li>• Annual budget and budget management procedures</li> <li>• Annual Business Plan</li> <li>• Annual Statement of Accounts</li> <li>• Asset Management Strategy</li> <li>• Capital, Treasury and Investment Strategy Chief Finance Officer compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government</li> <li>• Earmarked reserves for long-term replacement of assets</li> <li>• External Audit reports</li> <li>• Financial Regulations and procedures</li> <li>• Financial statements</li> <li>• Reports to BA include financial and risk considerations</li> </ul>

**Table 7**

Principle G: Implement good practice in transparency, reporting and audit to deliver effective accountability

<b>Sub-principles</b>	<b>Our evidence to support this principle</b>
<p><b>Implementing good practice in transparency</b></p> <p>Writing and communicating reports for public and other stakeholders in</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement and Action Plan</li> <li>• Information published in respect of expenditure over £250</li> </ul>

<p>fair, balanced and understandable style, appropriate to the intended audience and easy to access and interrogate</p> <p>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 or for users to understand</p>	<ul style="list-style-type: none"> <li>• Monthly data published on BA website in line with Local Government Transparency Code</li> <li>• Record of delegated decisions</li> <li>• Scheme of Powers delegated to Chief Executive and other authorised officers</li> </ul>
<p><b>Implementing good practice in reporting</b></p> <p>Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</p> <p>Ensuring members and senior management own the results reported</p> <p>Ensuring robust arrangements for assessing the extent to which principles in this Framework have been applied, and publishing the results on this assessment, including action plan for improvement and evidence to demonstrate good governance (AGS)</p> <p>Apply Framework to jointly managed or shared service organisations as appropriate</p> <p>Ensure performance information that accompanies the financial statements on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement and Action Plan</li> <li>• Broads Plan 6-monthly progress reports</li> <li>• S17 officer reporting requirements</li> <li>• Statements of Accounts narrative report</li> <li>• Strategic Direction reports (BA annual strategic priorities)</li> </ul>
<p><b>Developing assurance and effective accountability</b></p> <p>Acting upon recommendations for corrective action made by external audit</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement and Action Plan</li> <li>• Attendance of internal and external auditors at Audit and Risk Committee (ARC)</li> <li>• Audit actions formally logged, followed up and reported to ARC</li> </ul>

<p>Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements, and acting upon recommendations</p> <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>Gaining assurance on risks associated with delivering services through third parties and evidencing this in the AGS</p> <p>When working in partnership, make sure arrangements for accountability are clear and the need for wider public accountability is recognised and met.</p>	<ul style="list-style-type: none"> <li>• Best Companies Index employee survey</li> <li>• Corporate and Directorate Risk Registers</li> <li>• Follow up of internal audit recommendations by Chief Finance Officer and periodically reported to ARC</li> <li>• Head of Internal Audit compliance with CIPFA Statement on the Role of the Head of Internal Audit</li> <li>• Internal audit function delivered by contract and meets PSIAS requirements</li> <li>• Peer Review (2017) and Action Plan (reviewed 2019/20)</li> </ul>
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# Audit and Risk Committee

26 July 2022

Agenda item number 10

## External audit

Report by Director of Finance

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### Summary

This report appends the initial Audit Plan for the 2021/22 audit.

### Recommendation

That the Audit Plan is noted.

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## 1. Introduction

- 1.1. The initial Audit Plan for the 2021/22 audit by Ernst and Young (EY) is appended to this report. 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 2021/22.
- 1.2. A representative from EY 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 significant risks in 2021/22, these relate to misstatements due to fraud or error. This includes the incorrect capitalisation of revenue expenditure. These risks are consistent to the fraud risks presented for 2020/21.
- 2.2. Other inherent risks identified are the pension liability valuation, the valuation of land and buildings and recoverability of receivables. These are also consistent with last year's audit.
- 2.3. There is one new area of audit focus for 2021/22 which relates to Infrastructure Assets. This is as a result of an issue raised via the NAO's Local Government Technical group that some local authorities are not writing out gross cost and accumulated depreciation on highways infrastructure assets when a major part had been replaced or decommissioned. The Authority's infrastructure assets relate to two boardwalks at Barton Broad and Hoveton.
- 2.4. The audit approach to these risks and value for money is set out in section two and three of the Audit Plan.

### 3. Financial implications

- 3.1. Page 37 of Appendix 1 provides an overview of the scale fee chargeable (£10,736) which is consistent with the scale fee charged for 2020/21. This is what has been included in the 2021/22 budget. Members' attention is drawn to the changes in work required (£56,574), which is an increase when compared with 2019/20 fee request. This remains with the PSAA for determination.

Author: Emma Krelle

Date of report: 12 July 2022

Appendix 1 – Broads Authority Initial Audit Plan

A photograph of a meeting table with documents and hands pointing at them. The table is white, and there are several sheets of paper with text on it. A person's hand is pointing at a document on the left, and another person's hand is pointing at a document on the right. A smartphone is visible on the table. The background is slightly blurred, showing a person in a yellow shirt.

# Broads Authority

## Initial Audit Plan

Year ended 31 March 2022

12 July 2022





The Members  
Audit & Risk Committee  
Broads Authority  
Yare House  
62-64 Thorpe Road  
Norwich NR1 1RY

12 July 2022

Dear Audit & Risk Committee Members

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit & Risk Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 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 Broads Authority, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit & Risk Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 26 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

*MARK HODGSON*

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Enc

# Contents

**01** Overview of our 2021/22 audit strategy



**02** Audit risks



**03** Value for Money risks



**04** Audit materiality



**05** Scope of our audit



**06** Audit team



**07** Audit timeline



**08** Independence



**09** Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit & Risk Committee and management of Broads Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Risk Committee and management of Broads Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Risk Committee and management of Broads Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2021/22 audit strategy



## Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

### Audit risks and areas of focus

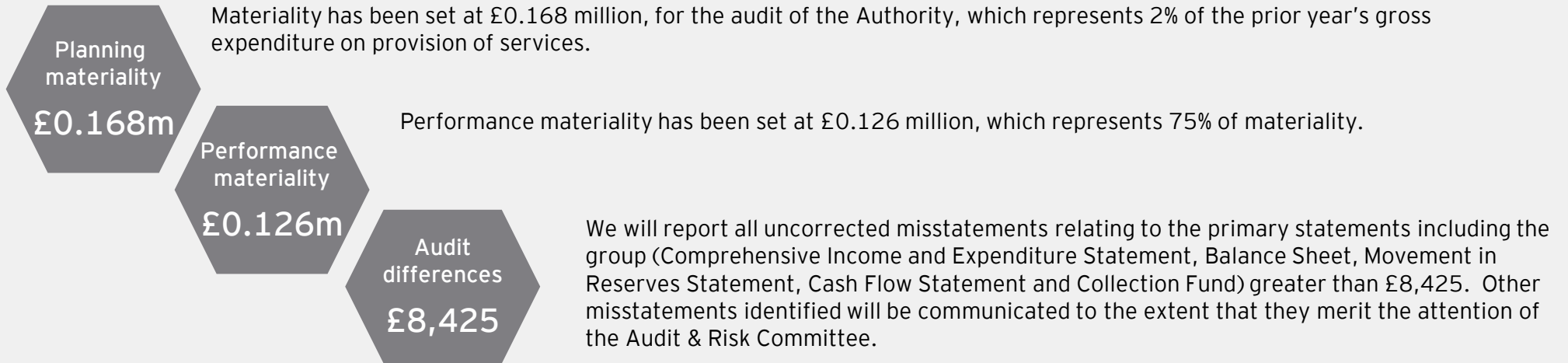
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively (Management Override).
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Authority's capital programme.
Pension Valuation and Other Disclosures	Inherent Risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the Pension Fund Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.

## Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Infrastructure Assets	Inherent Risk	New risk in 2021/22	<p>An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and the Authority hold Infrastructure Assets, with a Gross book value of £0.315 million at 31 March 2021.</p> <p>We have raised an Inherent risk in this area to ensure the correct accounting treatment is applied that takes into account any updated guidance from CIPFA and that the Authority has appropriate evidence to support that treatment.</p>
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	<p>The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land &amp; Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work last year we did not identify any material issues with the work of the external valuer. We are also not aware of any other trigger events that would give rise to a significant risk, and therefore this remains an inherent risk.</p>
Recoverability of Receivables (Debtors)	Inherent Risk	No change in risk or focus	<p>As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of Receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of ongoing uncertainty and assess the appropriateness of this estimation technique.</p>

## Overview of our 2021/22 audit strategy

### Materiality



We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

# Overview of our 2021/22 audit strategy

## Audit scope

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

- ▶ Our audit opinion on whether the financial statements of Broads Authority give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

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.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Broads Authority's audit, we will discuss these with management as to the impact on the scale fee.

### Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

# Overview of our 2021/22 audit strategy

## Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the Authority's arrangements against three reporting criteria:
  - ▶ Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
  - ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
  - ▶ Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

## Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22.

In Section 07 we include a provisional timeline for the audit. We will work with the Authority to ensure that appropriate publication wording is published by the date set out above.





# 02 Audit risks



## Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

#### Misstatements due to fraud or error \*

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

##### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consider of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
  - ▶ Assessing accounting estimates for evidence of management bias, and
  - ▶ Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure are required, as set out on the following page.

## Our response to significant risks (continued)

### Inappropriate capitalisation of revenue expenditure

#### Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements.

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Authority, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature; and
- ▶ Sample Test Property, Plant and Equipment additions, and any REFCUS additions, if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What will we do?
<p><b>Pension Liability Valuation &amp; other pension disclosures</b></p> <p>The Authority makes extensive disclosures within its financial statements regarding its membership of Norfolk Pension Fund Scheme administered by Norfolk County Authority. At 31 March 2021 the liability totalled £13.1 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Norfolk Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Broads Authority;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 considering fund assets and the Authority's liability.</li> </ul>
<p><b>Accounting for Infrastructure Assets</b></p> <p>An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and the Authority hold Infrastructure Assets, with a Gross book value of £0.315 million at 31 March 2021.</p> <p>As a result of not writing out gross cost and accumulated depreciation where components are replaced, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated. As a result, we have raised an Inherent risk in this area.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Continue to discuss the matter with the Authority as guidance on accounting for Infrastructure Assets is updated;</li> <li>▶ Understand the Infrastructure Assets balance and the individual assets comprising this balance; and</li> <li>▶ Understand the Authority's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.</li> </ul>

## Other areas of audit focus (continued)

### What is the area of focus?

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

At 31 March 2021 the net book value of PPE was £4.7 million. We note that within PPE, our focus is on Land and Buildings.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## Other areas of audit focus (continued)

### What is the area of focus?

#### **Bad debt provision and recoverability of debtors**

As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of COVID-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Authority will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Review the calculation of the Bad Debt Provision for reasonableness and accuracy; and
- ▶ Consider the recoverability of debts in testing a sample of trade receivables.



03

# Value for Money Risks





# Value for Money

## Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

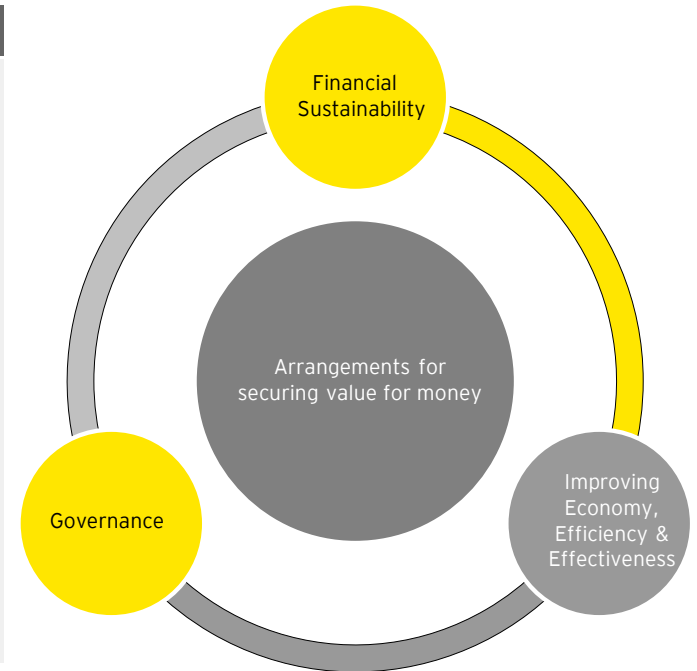
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities

Under the NAO Code of Audit Practice 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. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.







## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- ▶ The Authority's governance statement;
- ▶ Evidence that the Authority's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Authority;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Authority's reported performance;
- ▶ Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Authority has had to respond to the issue.



# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit & Risk Committee.

## Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM risk planning.

We will provide an update on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements at a future Audit & Risk Committee meeting.



04

# Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2021/22 has been set at £0.168 million for the Authority. This represents 2% of the Authority's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Authority's accounts. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit & Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.126 million for the Authority which represents 75% of planning materiality, This reflects the relatively lower level expectation of misstatements in our 2021/22 financial statement audit.

**Audit difference threshold** - we propose that misstatements identified below this threshold is deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Risk Committee, or are important from a qualitative perspective.

**Specific materiality** - We have set a materiality threshold of £5,000 for related party transactions and Members' allowances. For officers remuneration including exit packages we will apply materiality of £1,000 in line with reportable bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.

# Materiality

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.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts.
- ▶ Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

## Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper 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:

#### 1. Financial statement audit

##### Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

##### Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

##### Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, 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 and report a commentary on those arrangements.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### 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; and
- ▶ 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 Audit & Risk Committee.

#### Internal audit:

We will review internal audit plans and the results of their work. We will reflect on these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that could have a material impact on the financial statements.





06

## Audit team



## Audit team

### Audit team structure:

Mark Hodgson  
Audit Partner

Sappho Powell  
Audit Senior Manager

Andrew Paylor  
Audit Manager

Gavin Savage  
Senior

EY Real  
Estates (EYRE)

PwC (consulting  
actuary) and EY  
Actuaries

### Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

# Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Hyman Robertson - Actuary to Norfolk Pension Fund
Valuation of Land and Buildings & Investment Properties	NPS (Authority's PPE valuer) EY Real Estates (in relation to assessing the Authority's valuers and otherwise required)
Financial Instruments	The Authority's Treasury Advisor if relevant.

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 business 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 specialist 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.

# Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

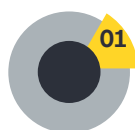


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

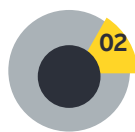
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
  - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
  - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
  - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

### 3. The six pillars of Sustainable Audit Quality are implemented.



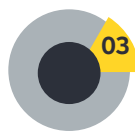
#### Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



#### Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



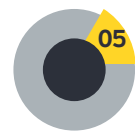
#### Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



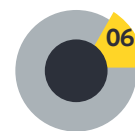
#### Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



#### Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



#### Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

#### 2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

#### We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

*“A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”*

Sir John Thompson  
Chief Executive of the FRC



07

## Audit timeline



## Audit timeline

### Timetable of communication and deliverables

#### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. From time to time matters may arise that require immediate communication with the Audit & Risk Committee and we will discuss them with the Audit & Risk Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Risk Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	June - July 2022		Audit Plan
Walkthrough of key systems and processes	October 2022		
Year end audit	October - November 2022	Audit & Risk Committee	Audit Plan Update - VFM Risk Assessment
Audit Completion procedures	November 2022	Audit & Risk Committee	Audit Results Report Audit opinion and completion certificates
	December 2022	Audit & Risk Committee (date TBC)	Auditor's Annual Report



08

# Independence



# Introduction

The FRC Ethical Standard and ISA (UK) 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 upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose 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;</li> <li>▶ Details of non-audit/additional services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement 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, analysed in appropriate categories, are disclosed.



# 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 the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit Engagement Partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we have an investment in the Authority; 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 you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 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 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 the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no 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.



## Other communications

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### **EY Transparency Report 2021**

Ernst & Young (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 in place 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 end 30 June 2021: [https://www.ey.com/en\\_uk/about-us/transparency-report-2021](https://www.ey.com/en_uk/about-us/transparency-report-2021)



09

# Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

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 requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Final Fee 2020/21
	£'s	£'s
Scale Fee - Code work	10,736	10,736
Submitted Scale Fee Variation (Note 1)	-	56,574
Baseline increase in Scale Fee from 2019/20 (Note 2)	56,574 (Note 2)	
<b>Total audit</b>	<b>67,310</b>	<b>67,310</b>

*All fees exclude VAT*

**Note 1** - Scale Fee Variation submitted to PSAA Ltd for determination.

**Note 2** - For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to annual price uplifts. This includes the recurring elements related to Value for Money, ISA540 - Estimates, impact of Covid-19 and additional Pension Procedures included in the 2020/21 Scale Fee Variation.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- 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


# Required communications with the Audit & Risk Committee

We have detailed the communications that we must provide to the Audit & Risk Committee.

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Audit & Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - July 2022 - Audit & Risk Committee	
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee; and  Auditor's Annual Report - Issued in December 2022 - Audit & Risk Committee (date TBC)	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee	




## Appendix B

# Required communications with the Audit & Risk Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> <li>▶  Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit &amp; Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit &amp; Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit &amp; Risk Committee responsibility</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:               <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul> </li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee

## Appendix B

# Required communications with the Audit & Risk Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - July 2022 - Audit &amp; Risk Committee; and</p> <p>Audit Results Report - November 2022 - Audit &amp; Risk Committee</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit &amp; Risk 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 &amp; Risk Committee may be aware of</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee

## Appendix B

### Required communications with the Audit & Risk Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Plan - July 2022 - Audit & Risk Committee; and Audit Results Report - November 2022 - Audit & Risk Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2022 - Audit & Risk Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2022 - Audit & Risk Committee
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2022 - Audit & Risk Committee Auditor's Annual Report - Issued in December 2022 - Audit & Risk Committee (date TBC)
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - July 2022 - Audit & Risk Committee; and Audit Results Report - November 2022 - Audit & Risk Committee
Value for Money	<ul style="list-style-type: none"> <li>▶ Risks of significant weakness identified in planning work</li> <li>▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Audit Plan - July 2022 - Audit & Risk Committee; Audit Results Report - November 2022 - Audit & Risk Committee Auditor's Annual Report - Issued in December 2022 - Audit & Risk Committee (date TBC)



## Additional audit information

### Objective of our audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit & Risk Committee. The audit does not relieve management or the Audit & Risk Committee of their responsibilities.

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Authority's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the Entity or business activities with in the Entity to express an opinion on the financial statements. Reading other information contained in the financial statements, the Audit & Risk Committee reporting appropriately addresses matters communicated by us to the Audit & Risk Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Other required procedures during the course of the audit (continued)

<b>Procedures required by the Audit Code</b>	<ul style="list-style-type: none"> <li>▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.</li> <li>▶ Examining and reporting on the consistency of consolidation schedules or returns with the Authority’s audited financial statements for the relevant reporting period (WGA Return).</li> </ul>
<b>Other procedures</b>	<ul style="list-style-type: none"> <li>▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.</li> </ul>

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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# Audit and Risk Committee

26 July 2022

Agenda item number 11

## Whistleblowing Policy for Members

Report by Senior Governance Officer

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### Summary

The report presents a draft Whistleblowing Policy for Members and seeks the views of the Audit and Risk Committee.

### Recommendation

To recommend to the Broads Authority the adoption of a Whistleblowing Policy for Members (attached at appendix 1).

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## 1. Introduction

- 1.1. The Broads Authority is committed to ensuring that it operates with high standards of openness, integrity and accountability. The accountability and transparency of public organisations is an essential part of maintaining trust. Whistleblowing, also known as “making a disclosure in the public interest” is an important part of that.
- 1.2. The Authority has had a whistleblowing policy in place for just over 10 years. As part of the ongoing review of the HR policies and procedures, the Authority’s solicitors reviewed the policy in late 2021, following which the management team concluded that it could cause confusion having the same policy covering employees and members, and it would be appropriate for a separate policy be written for members. The main thrust of the policy would remain the same as that for staff: the main differences would be to reflect the terminology used (e.g. no references to grievance procedures, trade unions, line manager etc) and the person to whom concerns should be raised.
- 1.3. A copy of both policies was sent to Internal Audit for review. Overall, they have no issues with the content of the policies but did raise a question on how the public should raise concerns, as neither policy specifically refers to the public. We have a page on our website called [“other complaints procedures”](#) which refers to whistleblowing and directs the public on how they should report any concerns they may have, on a range of issues. Therefore, we feel this point is adequately covered.

## 2. The policy

- 2.1. A copy of the draft policy is attached at appendix 1.

- 2.2. The intention of such a policy is to provide clear guidance on how members should raise genuine concerns they may have within the Authority, without fear of reprisals, and what they should expect in response.
- 2.3. The policy will not override the role of the Monitoring Officer who has a duty to report to the Authority any proposal or decision of the Authority they believe has, or is likely to, give rise to any illegality or maladministration. In addition, matters relating to the conduct of members should be raised under the Code of Conduct for Members.
- 2.4. A separate policy for employees, volunteers, and those contractors working for the Authority on its premises will remain, as an organisational policy.
- 2.5. The policy will be reviewed every three years or more frequently where there are significant changes to legislation within which the Authority operates.

### **3. Conclusion**

- 3.1. This report seeks the views of the Committee on the draft policy, with a recommendation to the full Authority that it is adopted, subject to any agreed amendments. The Committee's feedback will be presented verbally at the meeting on 29 July 2022.

Author: Sara Utting

Date of report: 11 July 2022

Appendix 1 – Whistleblowing policy

# Whistleblowing Policy

## Contents

1.	Introduction	2
2.	Aim and Scope of this policy	2
	What is whistleblowing?	2
3.	Safeguards	3
	Protection for Members	3
	Confidentiality	3
	Anonymous Allegations	4
	Untrue Allegations	4
4.	How to Raise a Concern	4
5.	How the Authority will Respond	5
6.	Other Action	6
	If you are not satisfied	6
	External Disclosures	6
9.	Contacts	7
10.	Review	8

# 1. Introduction

- 1.1. The Authority is committed to ensuring that it operates with high standards of honesty, integrity and accountability. The Authority encourages all members to come forward and voice any suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate. The aim of this policy is to ensure members feel comfortable raising genuine concerns without fear of reprisals, even if they turn out to be mistaken.
- 1.2. The policy applies to all members appointed to any of the Authority's committees.
- 1.3. This policy does not form part of any other contract to provide services, and the Authority may amend it at any time.

# 2. Aim and Scope of this policy

- 2.1. This policy aims to:
  - provide a procedure in the event that members wish to raise concerns, together with the appropriate contact persons for them to approach for advice and guidance;
  - inform members of their ability to take the matter further if they are dissatisfied with the Authority's response; and
  - reassure members that they will be protected from reprisals if they raise genuine concerns in line with this policy.

## What is whistleblowing?

- 2.2. "Whistleblowing" is the disclosure of information which relates to suspected wrongdoing or dangers at work. This may include:
  - Bribery;
  - Facilitation of tax evasion;
  - Failure to comply with any legal obligation;
  - Fraud or other criminal activity;
  - Miscarriages of justice;
  - Danger to health and safety;
  - Damage to the environment;
  - A breach of the Authority's Standing Orders or internal policies and procedures;

- Conduct falling below the Authority’s standards or practice which damages the Authority’s reputation; and
  - The deliberate concealment of any of the above.
- 2.3. A “whistle-blower” is a person who raises a genuine concern relating to any of the above. If members have any genuine concerns related to suspected wrongdoing or danger affecting any of the Authority’s activities, they should report it under this policy.
- 2.4. If members wish to make a complaint relating to a code of conduct issue, they should use the Authority’s Code of Conduct Complaints Procedure. If, however, their complaint also involves concerns regarding one of the bullet point reasons listed above, they should discuss their concern with the Chair of the Authority (or, if the concern is about them, the Monitoring Officer or other designated officer appointed by them). A full list of contacts is set out in section 9.
- 2.5. If members are uncertain about whether their concern falls within the scope of this policy, the Authority encourage members to seek advice from the Chair of the Authority.

### **3. Safeguards**

#### **Protection for Members**

- 3.1. Members must not suffer any detrimental treatment as a result of raising a concern and the Authority will not tolerate any such conduct. Detrimental treatment includes disciplinary action, threats or other unfavourable treatment connected with raising a concern. If members believe that they have suffered any such treatment, members should inform the Chair immediately. If the matter is not resolved, members should raise it formally under the Authority’s Code of Conduct Complaint procedure.
- 3.2. Members must not threaten or retaliate against whistle-blowers in any way. The Authority will subject members to code of conduct action if they carry out such conduct.

#### **Confidentiality**

- 3.3. The Authority encourage members to feel able to voice any concerns openly. However, if members wish to raise the concern confidentially, the Authority will respect their wish and do its best to protect their identity. It may however be appropriate for the purpose of the investigation process to reveal the source of the information and include their statement of disclosure. If this is necessary, the Authority will discuss this with them in advance.



- 3.4. If members have any particular concerns about possible reprisals if their identity is revealed, they should report this to the Monitoring Officer. Appropriate measures can be taken to preserve members confidentiality. If members are in any doubt, they can seek advice from Protect (the independent whistleblowing charity) who offer a confidential helpline. Their contact details are at the end of this policy.

#### **Anonymous Allegations**

- 3.5. This policy encourages members to raise their concerns without the need to do so anonymously. The Authority will of course try to investigate any concerns raised (even those raised anonymously) however, concerns expressed anonymously may be more difficult or impossible to investigate if the Authority are unable to obtain further information. The following will be considered to determine whether the Authority can consider a concern raised anonymously:

- the seriousness of the issue(s) raised; and
- the credibility of the concern(s).

#### **Untrue Allegations**

- 3.6. If members raise an allegation in good faith, but it is not confirmed by the investigation, action will not be taken against them. If, however, members raise a malicious or vexatious allegation they know to be untrue, then the Authority will not investigate the case further and will instigate code of conduct action against them.

## **4. How to Raise a Concern**

- 4.1. The Authority would encourage members to raise concerns with the Chair. This depends, however, on the seriousness and sensitivity of the issues involved and whether they feel comfortable raising it to them. Alternatively, members may prefer to approach the other officers listed in section 9.
- 4.2. The Authority will arrange a meeting with them to discuss the concern as soon as possible after the concern has been raised. Members may bring a companion, who may be a member, to any meetings under this policy. The companion must respect the confidentiality of the meeting and any subsequent investigation. The Authority want to ensure that members feel comfortable raising any concerns therefore, it may be possible for the meeting to be held at a 'neutral' venue (i.e. away from their normal office or other work base).
- 4.3. The Authority will take a written note of the meeting and will provide you with a copy after the meeting. The Authority will also aim to give you an indication of how the Authority propose to deal with the matter.

## 5. How the Authority will Respond

- 5.1. Once a concern is raised, the Authority will take action by carrying out an initial assessment to determine the scope of any investigation, if appropriate. The Authority will also consider whether any concerns or allegations fall within the scope of other procedures (for example discrimination issues).
- 5.2. The action taken by the Authority will depend on the nature of the concern. The matters raised may:
  - be investigated internally, in which case one of the designated officers will determine the appropriate investigatory measures. Staff with specialist knowledge of the subject matter may also be part of the investigation; or
  - be referred to an external party (for example, but not limited to, the Police or auditors).
- 5.3. The Authority aim to keep members informed of the progress of any investigation. Following the initial meeting, the Authority will write to them to:
  - acknowledge that the concern has been disclosed;
  - indicate how it proposes to deal with the matter;
  - advise them whether initial enquiries have been made;
  - advise them whether further investigations will take place, and if not, why not; and
  - give an estimate of how long it will take to provide an outcome.
- 5.4. Some concerns may be resolved by agreed action without further investigation. Alternatively, members may be required to attend additional meetings in order to provide further information.
- 5.5. At the conclusion of any investigation, a report will be produced highlighting the main findings. This will be shared with those who have a genuine and legitimate need to know. The designated officer will endeavour to keep members informed of the progress of the investigation, but will not necessarily be able to share either the final report or the conclusions of the investigation with them due to confidentiality. Members should treat any information about the investigation as confidential.

## 6. Other Action

### If you are not satisfied

- 6.1. Whilst the Authority cannot guarantee the outcome members are seeking, it will try to deal with their concern fairly and in an appropriate way.
- 6.2. If members are not satisfied with how the concern has been handled, members may raise it to one of the contacts set out at the end of this policy.

### External Disclosures

- 6.3. This policy is intended to provide members with an avenue within the Authority to raise concerns, start investigation and remedy any wrongdoing. The Authority hopes that members will be satisfied with any action taken and, in most cases, members should not find it necessary to alert anyone externally.
- 6.4. The law recognises that in some circumstances it may be appropriate for members to report their concerns to an external body such as a regulator. The Authority strongly encourages members to seek advice before reporting a concern to anyone external. An appropriate contact is the independent whistleblowing charity, Protect, who operate a confidential helpline and who also have a list of prescribed regulators for reporting certain types of concern. Their contact details are at the end of this policy.
- 6.5. Whistleblowing concerns usually relate to conduct of members at the Authority however, they may sometimes relate to actions of a third party (such as suppliers). In some circumstances, the law will protect members to raise the matter with the third party directly. However, the Authority encourages members to report such concerns internally first. Members should contact one of the designated officers to discuss this.

## 7. Support for Whistle-blowers

- 7.1. The Authority wants to support members who raise concerns as much as possible and encourages members to be open and transparent if they feel they need extra support.
- 7.2. If members do not wish to speak internally at the Authority, a confidential support and counselling hotline is available to whistle-blowers who raise concerns under this policy. The contact details are set out at the end of this policy.

## 8. Responsibility for the success of this policy

- 8.1. The Chief Executive has overall responsibility for this policy, and for reviewing the effectiveness of actions taken in response to concerns raised under this policy.
- 8.2. The Director of Finance has day to day operational responsibility for this policy, and members should refer any questions about this policy to them in the first instance. The Director of Finance must ensure that regular and appropriate training is provided to all managers and other members who may deal with concerns or investigations under this policy.
- 8.3. All members are responsible for the success of this policy and should ensure that they use it to disclose any suspected wrongdoing or danger.

## 9. Contacts

### Internal

Job Title	Contact Details
Chair	Bill Dickson <a href="mailto:Bill.Dickson@broads-authority.gov.uk">Bill.Dickson@broads-authority.gov.uk</a>
Vice-chair	Matt Bradbury <a href="mailto:Matthew.Bradbury@neneparktrust.org.uk">Matthew.Bradbury@neneparktrust.org.uk</a>
Chief Executive	John Packman 01603 756019 <a href="mailto:John.packman@broads-authority.gov.uk">John.packman@broads-authority.gov.uk</a>
Director of Finance	Emma Krelle 01603 756060 <a href="mailto:Emma.krelle@broads-authority.gov.uk">Emma.krelle@broads-authority.gov.uk</a>
Director of Operations and Data Protection Officer	Rob Rogers 01603 756085 <a href="mailto:Rob.rogers@broads-authority.gov.uk">Rob.rogers@broads-authority.gov.uk</a>
Director of Strategic Services	Marie-Pierre Tighe 01603 756027 <a href="mailto:Marie-pierre.tighe@broads-authority.gov.uk">Marie-pierre.tighe@broads-authority.gov.uk</a>
Monitoring Officer	Chris Bing <a href="mailto:Monitoring.officer@broads-authority.gov.uk">Monitoring.officer@broads-authority.gov.uk</a>

Head of Internal Audit	Faye Haywood 01508 533873 <a href="mailto:Faye.Haywood@southnorfolkandbroadland.gov.uk">Faye.Haywood@southnorfolkandbroadland.gov.uk</a>
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## External

Organisation	Contact Details
Protect (Independent whistleblowing charity)	Helpline: 0203 117 2520 Online form: <a href="#">Contact our Advice Line - Protect - Speak up stop harm (protect-advice.org.uk)</a> Website: <a href="http://www.protect-advice.org.uk">www.protect-advice.org.uk</a>
External Audit	Mark Hodgson 01223 394400 Ernst & Young LLP One Cambridge Business Park, Cowley Road, Cambridge CB4 0WZ

## 10. Review

- 10.1. This Strategy will be reviewed every three years, or more frequently where there are significant changes to legislation within which the Authority operates.

# Audit and Risk Committee

26 July 2022

Agenda item number 12

## Corporate Risk Register

Report by Senior Governance Officer

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### Summary

The Broads Authority's Risk Register is presented for the Committee's information. A small amendment, for clarification purposes, is also proposed to the Risk Management Policy.

### Recommendation

To note the updated Corporate Risk Register (appendix 1) and agree the amendment / clarification to the Risk Management Policy.

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## 1. Background

- 1.1. The Audit and Risk Committee's responsibilities for risk are set out in its [Terms of Reference](#).
- 1.2. The Corporate Risk Register (CRR) sets out the "across the board" risks that could threaten the Authority's core business and the way it operates. Below this are Directorate Risk Registers (DRR) which are managed by each Director and identify risk that could threaten day to day operational activities. Where a new risk identified within a directorate has a revised risk score above 16 (high risk) it is automatically referred to the CRR for monitoring by Management Team and this committee. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk is removed from the CRR but retained on the DRR.
- 1.3. As requested at the meeting on 21 September 2021, the Corporate Risk Register is presented at every Audit and Risk Committee meeting.
- 1.4. The Management Team has overall responsibility for the risk registers and policy and risk owners are responsible for reviewing and updating their individual risk. Every risk is reviewed regularly or when there is a significant change in circumstances.

## 2. Review of risk registers

- 2.1. The CRR was reviewed by Management Team in July 2022, following a review of the DRRs, and the updated register is at Appendix 1.
- 2.2. There have been no changes to the risk scores or additional risks added, since the register was last reviewed.

- 2.3. An addition has been made to column 1 to include reference to the relevant strategic priority. This is in response to a recommendation from the recent audit into corporate governance and risk management (separate item on this agenda).

### 3. Risk Management Policy

- 3.1. The Authority also has a Risk Management Policy, which sets out the rules and standards for managing strategic and operational risk and guides staff in assessing, monitoring and managing risk. This policy was last reviewed in February 2022 and adopted at the March full Authority meeting.
- 3.2. Following receipt of the auditor's initial report on the audit into governance and risk management, officers sought clarification from the auditors which risks from the DRR should be included on the CRR. It was confirmed that risks on a DRR which had automatically been referred to the CRR (due to scoring 16 or above), could be removed from the CRR (but retained on the DRR) "unless considered to be a corporate risk." The proposal is to include these words at the end of paragraph 5.3. This paragraph would then read as follows:

**Directorate Risk Registers** identify risks that could threaten day-to-day operational activities. The Registers are maintained by each Director. Where a new risk identified within a Directorate has a revised risk score above 16 (high risk), it will automatically be referred to the Corporate Risk Register for monitoring by the Audit and Risk Committee and MT. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk will be removed from the Corporate Risk Register, but retained on the Directorate register, unless considered to be a corporate risk.

- 3.3. The Committee is asked to endorse this slight amendment to the policy which will clarify the position on which risks should remain on the Corporate Risk Register.

Author: Sara Utting

Date of report: 05 July 2022

Appendix 1 – Corporate Risk Register

## Broads Authority Corporate Risk Register (update ~~January~~uly 2022)

Risk no. & SP*	Primary impact areas	Risk name	Risk description	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
1 <a href="#">SP-All</a>	People, performance	Loss of key staff	Loss of working knowledge, expertise and/or close partnership associations due to key staff leaving Authority or being unavailable for long periods.	19/8/2019	4	4	High risk 16	<p>Resilience plan in place for handover period when key staff leave Authority or are unavailable for significant periods.</p> <p>HR policies and procedures in place to monitor absence and to support staff retention.</p> <p>Electronic data storage under review to allow access to any officer's files.</p> <p>Business Continuity Plan in place with systems back up. Plan reviewed annually (or following significant incident).</p> <p>Remote server enables office-based staff to work from home if required (e.g. period of quarantine).</p>	3	3	Medium risk 9	<p>Implement MS Teams to share data across Authority more effectively.</p> <p>Implement hybrid working to increase flexible working options.</p> <p>Business Continuity Plan is reviewed annually.</p>	Chief Executive
2 <a href="#">SP-All</a>	Reputation	Harmful actions undermining public confidence in Broads Authority	Reputational damage caused by comments or actions by Authority members or officers, with consequent harm to relationships with stakeholders and/or undermining of public confidence in Authority.	19/8/2019	4	4	High risk 16	<p>Code of Conduct for Members in place containing Nolan Principles of Conduct, and training given to all Members.</p> <p>Code of Practice for Members of the Planning Committee and officers (Sept 21) Code of Conduct for Officers included with HR policies.</p> <p>Director trained in Data Protection and GDPR; staff have specific data protection training, refreshed annually.</p> <p>Protocol on Member and Officer Relations in place (updated 2021).</p> <p>Proactive communication policies relating to local and social media in place.</p> <p>Monitoring Officer and Deputy Monitoring Officer in place (service agreement with East Suffolk Council), with specialisms in Local Authority governance.</p>	4	4	High risk 16	<p>Complete review and update of constitutional documents (incl. Code of Conduct Complaints Process) and supporting guidance <del>by end of March 2022.</del> <a href="#">after independent investigation is complete</a></p> <p>Possible actions following a review into the handling of the the Haddiscoe planning applications</p>	Chief Executive
3 <a href="#">SP3</a>	Assets	Loss of key physical assets	Damage to, loss of or malfunction to key assets, impacting on BA	19/8/2019	3	4	Medium risk	Asset Management Strategy in place.	3	2	Medium risk 6	<a href="#">Regular review of contributions to reserves to</a>	Director of Operations



Risk no. & SP*	Primary impact areas People, assets, finance, performance, reputation	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
			operations/ duties and public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich).				12	<p>Integrated Access Strategy and Moorings Strategy in place (updated 2019).</p> <p>Rail bridges: Legal undertaking in place with Network Rail regarding bridge maintenance and operations. BA in Working Group with Norfolk County Council, New Anglia and Network Rail.</p> <p>Insurance in place for equipment and buildings over £250 - cover includes business interruption for Yare House and Dockyard.</p> <p>Landowner negotiations processes in place.</p> <p>Programmed inspection regime in place and regular maintenance carried out.</p>				<p><a href="#">ensure they remain appropriate for future purchases and repairs.</a></p> <p><a href="#">Property consultants to review repair and maintenance liability every 10 years, next scheduled for 2026/27.</a></p>	
4 SP-All	Finance	Reduction in income <a href="#">and increase in costs</a>	<p>Uncertainty about National Park and/or Navigation funding, as any reduction would affect our ability to deliver our duties, e.g.</p> <ul style="list-style-type: none"> <li>Awaiting NPG funding confirmation from Defra</li> <li>Loss of toll income due to changes to/ impacts on local tourism industry)</li> </ul> <p>Loss of money as a result of fraud incident against the BA, including cybercrime</p>	19/8/2019	3	5	<p>Medium risk 15</p> <p>Regular contact with Government (DEFRA) regarding Comprehensive Spending Review.</p> <p>Consideration of external funding opportunities to plug any gaps.</p> <p>Regular input to Government consultations.</p> <p>Prudent budgeting for Navigation and National Park expenditure. Reserves in place to mitigate against sudden drop in income.</p> <p>Significant blocks of work delivered through external funds won by Authority.</p> <p>Training in cybercrime given to all budget holders.</p>	2	3	<p>Medium risk 6</p>	<p>Model expenditure options depending on proposed grant settlement and toll increases (Sept 2022).</p> <p>Review impact of Covid-19 restrictions on boat numbers and levels of Authority reserves (monthly and in advance of tolls setting process).</p> <p><a href="#">Model inflation pressures on budget to prioritise key areas for expenditure.</a></p> <p>Review minimum reserve levels in</p>	Director of Finance	

Risk no. & SP*	Primary impact areas	Risk name	Risk description	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required	Risk owner ultimately responsible for risk
												summer 2022 to mitigate any future pandemic impacts.	
5 <a href="#">SP-All</a>	People, performance	Large-scale public health crisis	Significant public health crisis (e.g. pandemic), where Government imposed measures affect the continuity of the BA's operational services and prevent visitors accessing the Broads for prolonged periods.  (also see risk no.4)	02/07/2020	5	5	High Risk 25	<p>Strict adherence to Government guidance and mitigation measures in place for staff, volunteers and members.</p> <p>Yare House, TICs and remote offices and facilities risk assessed and WFH measures in place for staff (where role allows). Key services (Safety Management) maintained within executive area.</p> <p>Clear and concise internal and external communications in place.</p> <p>Business continuity/disaster recovery plan and incident reporting system in place and reviewed regularly. Incident response team meet as required to determine appropriate actions, services and measures to respond to crisis.</p> <p>Broads Authority convened to establish emergency powers and delegated powers needed to run the Authority.</p> <p>Communication links in place with relevant Government departments to assess measures, clarify advice and safeguard funding.</p> <p>Key services, budgets and reserves reviewed to safeguard delivery of Broads Plan priorities and externally funded projects.</p>	5	4	High Risk 20	Review opening of head office at Yare House and staff working patterns as COVID situation evolves.	Chief Executive
6 <a href="#">SP2-7</a>	Performance	Failure to meet statutory purposes or requirements of other relevant legislation	Underperformance in achieving, or conflict between, our statutory purposes resulting in legal issues or adverse impacts on the Broads and stakeholders (e.g. contravening Habitats Directive, loss of navigation access).	19/8/2019	3	5	Medium risk 15	<p>Provision of external legal services and Monitoring Officer (MO) in place.</p> <p>Constitutional documents in place and regularly reviewed.</p> <p>Strategic plans (incl. Broads Plan) and Broads Local Plan subject to review and to Sustainability Appraisal/SEA and Habitats Regulations Assessment.</p>	2	2	Low risk 4	<p>Monitor external legal and MO services on a quarterly basis.</p> <p>Launch consultation of the Draft Broads</p>	Chief Executive

Risk no. & SP*	Primary impact areas	Risk name	Risk description	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required	Risk owner ultimately responsible for risk
								<p>Detailed environmental practices in place, including Environmental Standard Operating Procedures.</p> <p>Collaborative working in place with key stakeholders to understand and address issues and risks.</p> <p>Officer level project boards in place with Wildlife Trusts, Natural England and Environment Agency to monitor progress and ensure compliance with statutory regulations.</p> <p>Scientific research and monitoring ongoing to assess impacts, and mitigation measures developed if potential harm identified.</p>				<p>Plan (BA May 2022).</p> <p>Continue review of Broads Local Plan.</p>	
7 SP3	People	Safety-related incidents (operational works) resulting in death or serious injury	Death or serious injury to officer, volunteer or member of public in relation to the carrying out of operational works.	19/8/2019	5	5	High risk 25	<p>Health and safety policies in place and reviewed regularly by H&amp;S Committee and risk owners.</p> <p>H&amp;S Committee monitors and reviews incident reports; risk assessments reviewed and updated regularly.</p> <p>All staff and volunteers trained in key H&amp;S issues; regular tool box talks given before carrying out tasks.</p> <p>Safety observations ONS system in place to catch near misses and learn from incidents. All accidents investigated; regular audits used to check control measures.</p> <p>Insurance in place for legal expenses.</p> <p>Quarterly reports on H&amp;S monitoring assessed by Management Team.</p> <p>Safety system externally audited to ensure fit for purpose and compliance.</p>	2	5	Medium risk 10	<p>Monitor changes in H&amp;S legislation.</p> <p>Monitor industry best practice and implement changes where required.</p> <p>Review Codes of Practice to maintain operational suitability and safety (end 2022).</p> <p>Carry out internal review of key H&amp;S legislation to ensure Authority processes are appropriate (end 2022).</p> <p>Internal Audit on Health and Safety scheduled for 2022.</p>	Director of Operations

Risk no. & SP*	Primary impact areas	Risk name	Risk description	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required	Risk owner ultimately responsible for risk
8 <a href="#">SP3</a>	Reputation	Safety-related incidents (boating) resulting in death or serious injury	Failure to exercise powers as a navigation authority and licencing authority, resulting in death and injury to boat hirers due to poor performance by hire boat operators.	18/06/2021	5	5	High risk 25	<p>Safety videos provided to boat hirers in advance of holiday.</p> <p>Ranger services in place (additional Rangers recruited in 2021) providing advice to waterways users.</p> <p>Survey of HBO handover procedures carried out to assess efficacy.</p> <p>Broadcaster, pre-visit training videos and other safety information provided to boat hirers.</p> <p>Hire Boat licencing and audit of licensees in place.</p> <p>Boat Safety Scheme and inspections in place.</p> <p>Compulsory 3<sup>rd</sup> party insurance in place for boats.</p> <p>Implement the new Hire Boat Code</p>	4	5	High Risk 20	Review and response to findings of MAIB investigation into incident at Great Yarmouth <a href="#">completed</a> .	Director of Operations
9 <a href="#">SP5-7</a>	Reputation, performance	Disruption to key project partnerships	Failure to deliver Defra and other funded schemes and partnership projects on time, with available resources and within budget, leading to potential financial issues, legal issues, lack of service delivery or adverse publicity.	19/8/2019	4	4	High risk 16	<p>Contractual arrangements in place for key partnerships (see Partnerships Register).</p> <p>Projects risk registers maintained for CANAPE and Water, Mills &amp; Marshes and Nature for Climate Peatland Grant Scheme (NPCGS) projects. Regular project progress reported to Broads Authority.</p> <p><del>For NPCGS, meetings with Palladium to resolve the IPRs issues in the partnership agreement.</del></p> <p>Proactive role maintained within formal and informal partnerships at officer and member level.</p> <p>Regular meetings held with funders to discuss progress and highlight issues in timing or delivery.</p>	3	4	Medium risk 12	<p>Review Partnerships Register (Nov 2022).</p> <p>Implement medium term funding model for UK National Park Comms Team from 1 April 2022.</p> <p><del>Set up internal project board and risk register for NPCGS.</del></p>	Chief Executive
10 <a href="#">SP-All</a>	Performance	Breach in data security or data protection, or loss of data.	Failure by staff to follow IT and/or GDPR processes or protocols, resulting in in-built security being bypassed	19/8/2019	4	4	High risk 16	Data/IT systems secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy.	2	4	Medium risk 8	Monitor and review case law and keep up to date with GDPR & data protection	Director of Operations

Risk no. & SP*	Primary impact areas	Risk name	Risk description	Date first entered on risk register	Initial likelihood	Initial severity	Initial risk score	Tasks to mitigate risk	Revised likelihood	Revised severity	Revised risk score	Additional actions required	Risk owner
	People, assets, finance, performance, reputation	Risk that may affect the BA	Impact on delivery of BA objectives, service delivery, reputation		Score 1-5	Score 1-5	Likelihood x severity	Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Score 1-5	Score 1-5	Likelihood x severity	What we plan to do within the next 12 months	ultimately responsible for risk
			and allowing data loss or data breach.					Bi-annual internal audit of IT systems and processes carried out. Certified GDPR Data Protection Officer(s) and GDPR Compliance Plan in place, and data protection training given to all staff. ICT security protocols reviewed in light of staff working from home to ensure compliance.				information/best practice. Provide refresher GDPR & Data Protection online training via ELMS to all staff (by end 2022).	

Prepared by: Management Team, Senior Governance Officer

Date updated: ~~January~~ July 2022

Next update due: ~~July~~ November 2022

\*Key to strategic priorities:

1. Response to the Government's proposals on the Landscapes Review
2. Broads strategy and policy review (Broads Plan and Local Plan)
3. Safety in the Broads and Hire Boat Licensing Review
4. Responding to climate change (Broadland Futures Initiative and Climate Change Action Plan)
5. Water, Mills and Marshes Landscape Partner Scheme
6. Nature for Climate Peatland Grant Scheme – Discovery Grant
7. Farming in Protected Landscapes
8. Tolls system replacement 3 (Financial Strategy 2022/23-2024/25)

# Audit and Risk Committee

26 July 2022

Agenda item number 13

## Implementation of internal audit recommendations summary of progress

Report by Director of Finance

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### Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2018/19, 2019/20, 2020/21 and 2021/22.

### Recommendation

To note the report.

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## Contents

1.	Introduction	1
2.	Summary of progress	2
3.	Internal Audit Programme 2021/22 and 2022/23	2
4.	Key Controls	2
5.	Corporate Governance and Risk Management	3
6.	Cyber Security	4
	Appendix 1 – Summary of actions and responses to Internal Audit 2018/19	7
	Appendix 2 – Summary of actions and responses to Internal Audit 2019/20	9
	Appendix 3 – Summary of actions and responses to Internal Audit 2020/21	11
	Appendix 4 – Summary of actions and responses to Internal Audit 2021/22	17

## 1. Introduction

- 1.1. This report gives an update on implementing the Authority's Internal Audit report recommendations, focusing on outstanding recommendations and timescales to complete outstanding work.

1.2. Appendices 1, 2 and 3 give details of the audits carried out in 2018/19, 2019/20 and 2020/21, in particular:

- recommendations not yet implemented;
- recommendations implemented since the last meeting; and
- new recommendations since the last meeting.

## 2. Summary of progress

2.1. Since the previous report to this committee in February, the final two recommendations of the Branding audit from 2018/19 have been completed. Three of the recommendations relating to the Port Marine Safety Code and two from the HR and Payroll audit have also been completed. The impact of COVID-19 and workloads have meant that some actions have been further delayed. These have been updated in the appendix. The rest remain as scheduled.

## 3. Internal Audit Programme 2021/22 and 2022/23

3.1. Since this report to committee in February the final three audits on Key Controls, Corporate Governance and Risk Management and Cyber Security audits have now been completed. The first audit from the 2022/23 plan, Corporate Health and Safety, has been carried out and the draft report is awaited. The result of this will be reported to this Committee in November 2022.

## 4. Key Controls

4.1. The objective of this audit was to review the fundamental systems that feed into the Statement of Accounts to provide assurance on the key financial controls. The areas reviewed as part of the audit were: Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts and Follow Up of Internal Audit recommendations. This resulted in a “substantial” audit opinion with one “needs attention” recommendation being raised (see Appendix 4).

4.2. Good practice was noted relating to sound controls that are in place and operating consistently. These are:

- Approval controls at Level 1 (L1) and Level 2 (L2) are built into the Document Management System (DMS) and invoices are not paid until L2 approval has been granted, demonstrating clear segregation of duties.
- Strong controls were evidenced with regard to BACS payment runs with a clear audit trail in place to evidence appropriate sign off in line with the documented authorised signatory list. This included the approval of cheque payments.

- Account, Investment and Fixed Asset reconciliations were found to have been appropriately signed as prepared and independently approved, demonstrating clear segregation of duties.
- The Authority provided clear evidence of budgetary control and monitoring. All variances exceeding £5k are to be explained by the budget holder and documentation was provided to support this requirement, ensuring a clear audit trail of material changes to the budget.
- Journals were raised on the system based on appropriate documentation and it was confirmed in all cases examined that journals were signed off as prepared and independently checked and approved, indicating that clear segregation of duties are in place.
- Toll Income Reconciliations, Batches, and Payments were shown to be completed and controls were in place. Appropriate action was evidenced on overdue toll payments when required, verifying that appropriate monitoring and action is taken as necessary.

4.3. The recommendation, as detailed in appendix 4, is currently being investigated.

## 5. Corporate Governance and Risk Management

5.1. The objective of this audit was the annual review of governance and risk management which is carried out to support the Head of Internal Audit Opinion. The audit provides assurance that the systems in place to control and manage the Broads Authority are operating effectively and that significant risks are being identified and managed. During the review they considered governance arrangements for decision making and the accountability and monitoring of performance during the Covid-19 Pandemic. The review also provides assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities. This resulted in a “reasonable” audit opinion, with one “important” and five “needs attention” recommendations being raised (see Appendix 4).

5.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Governance arrangements for decision making were:

- A review of Committees and a sample of decisions confirmed that Standing Orders and Terms of Reference have been complied with.
- Actions taken where Members have a conflict of interest are logged and recorded within Appendix 1 of the Authority's or Sub-Committee's minutes.
- The Authority has an up to date Members Code of Conduct. Members are required to sign and return an undertaking in respect of the Code. A sample check found this process to be in place.

5.3. Those relating to Performance Monitoring were:



- An annual business plan is published on the Authority's website containing the strategic priorities of the Authority. This underpins the 2017-2022 Broads Plan, and clearly highlights the priorities in which the Broads Authority is lead partner for. This helps demonstrate part of the 'golden thread' i.e. how the performance of the strategic priorities are aligned to the main corporate plan of the Authority.
- Progress on the strategic priorities within the Broads Plan are reported to each Broads Authority and published on the website.

5.4. Those relating to the Risk Management Framework were:

- The Risk Management Policy has been recently reviewed, updated and endorsed by the Audit and Risk Committee.
- The Policy provides details of how risks are to be identified at strategic and operational level, and how they are to be assessed.
- There are currently ten risks on the Corporate Risk Register. This is a manageable number of risks. All risks are reviewed in line with the Risk Management Policy and Committee and management meeting schedules.

5.5. Whilst Management Team disagreed with two the recommendations, the remaining four have been completed.

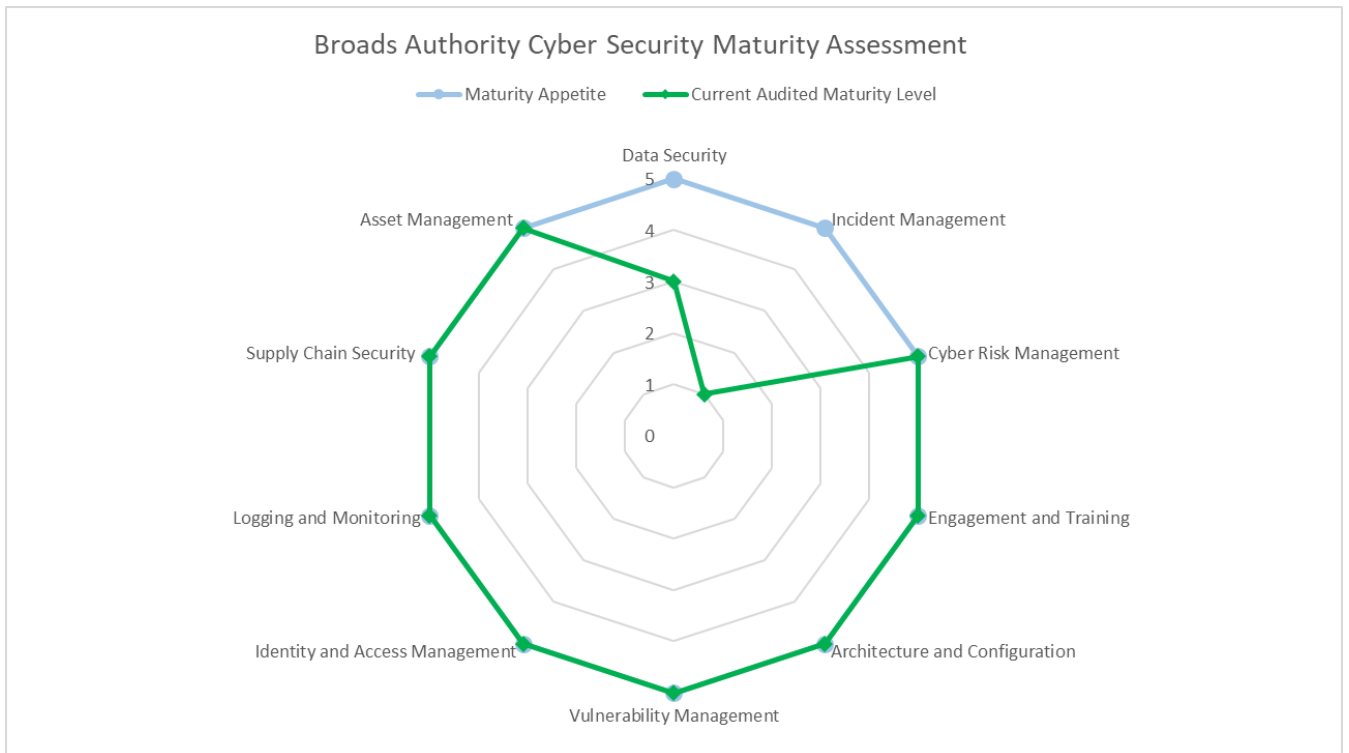
## 6. Cyber Security

- 6.1. The objective of this audit was to carry out the maturity assessment focussed on the National Cyber Security Centre's revised 10 steps to Cyber Security framework that covers Cyber Risk Management, Engagement and Training, Asset Management, Architecture and Configuration, Vulnerability Management, Identity and Access Management, Data Security, Logging and Monitoring, Incident Management and Supply Chain Security. This resulted in a "reasonable" audit opinion with two "important" and four "needs attention" recommendations (see Appendix 4). Although the report was in draft at the time of writing Management have confirmed the responses set out in appendix 4.
- 6.2. The format of this audit is slightly different to that of the two audits in paragraph 4 and 5. The ICT team completed a self-assessment against each of the ten areas above and this was reviewed by TIAA's Cyber Assurance team. It was noted that the audited maturity levels shown reflects an acknowledgement of the reduced level of data risk that the Authority is exposed to. Hence, the audited maturity levels are higher than they might have been if the existing controls infrastructure in place here were to be applied to another larger and more complex organisation that holds large quantities of Personal Identifiable Data. Such organisations require a greater level of risk mitigation due to the data that those organisations process.

- 6.3. It was also noted that the Authority has not experienced any cyber incidents within the last 12 months.
- 6.4. TIAA's Cyber Maturity model is based on the traditional maturity model, and comprises of levels 0-5 as described in the table below:

Level	Status	Description
0	Incomplete	The process is not implemented or fails to achieve its process purpose. At this level, there is little or no evidence of any systematic achievement of the process purpose.
1	Initial	Unpredictable process that is poorly controlled and reactive.
2	Managed	Process is planned, documented and monitored ad-hoc and is often reactive.
3	Defined	Proactive process meant for organisations.
4	Quantitative	Measured and controlled process.
5	Optimising	Focus is on continuous process and improvement.

- 6.5. TIAA's maturity assessment is summarised in the radar diagram below. Significant gaps of 2 or more maturity steps exist between the aspirational level of maturity and the assessed level for the following process areas: Data Security and Incident Management.



- 6.6. The recommendations remain on target for completion.

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Date of report: 08 July 2022

Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

Appendix 4 – Summary of actions and responses to Internal Audit 2021/22

## Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

**Table 1**

Branding - April 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<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 currently have. 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>	Needs Attention	Head of Communications	<p>New communications strategy delayed by COVID comms activity but many elements completed and anticipate strategy will be in place by end Sept 2022</p> <p>Update: New 'branding' area on intranet developed that incorporates updated and new documents, including:</p> <ul style="list-style-type: none"> <li>• Communications Team Guide</li> <li>• BA Brand guidelines</li> <li>• BA brand guidelines supplement</li> <li>• BA language style guide</li> <li>• Words commonly used in BA publications</li> <li>• BA signs guide</li> </ul>	<p>By 31/10/19</p> <p>Updated to 30/09/22</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<ul style="list-style-type: none"> <li>• Logos and templates for letterheads, reports and PowerPoint presentations.</li> <li>• Instructions for email signatures</li> </ul> <p>All elements of the strategy are complete and available on the intranet. We intend to complement this with an overarching strategy document by October 2022.</p> <p>Completed.</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>	Needs Attention	Head of Communications	<p>Agreed. Intranet content to be produced in conjunction with strategy, guidelines and procedures. Awaiting completion of new communication strategy (see recommendation two above)</p> <p>The intranet now features a 'branding section' which includes a 'guide to the comms team' This document is used as a comms induction for all new starters to</p>	<p>By 31/10/19</p> <p>Updated to 30/09/22</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.			the organisation. The Branding section also includes logo's, brand guidelines, brand narratives, sign guide, language guide as well as presentation and document templates to ensure correct branding and accessibility rules can be applied.  Completed.	

## Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

**Table 2**

Procurement – December 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<b>7. Procurement</b> Procurement training is provided to all relevant members of staff, and Members, where applicable. Up to date procurement training ensures that staff are aware of and are adhering to the correct guidelines, thereby mitigating the risk of non-compliance with CSOs and OJEU requirements	Needs Attention	Chief Financial Officer	Agreed. Update: Delayed originally due to ongoing work on COVID-19 response, the Statement of Accounts and budget preparation for 2021/22. This has been further delayed by this year's	By 30/06/20  Updated to 30/09/22

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>audit, 2022/23 budget planning and a number of vacancies within the Finance Team.</p> <p>Vacancies within the team have continued since March 2021 but the last post should be filled by the end of January. Once all new members of the team are fully trained then the training will be prioritised and delivered.</p>	

## Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

**Table 3**

Governance and Risk Management – March 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>2. Changes to committee meetings</b>                      In relation to the document management system (DMS), the following is undertaken:                      - Notes are added to deferred items to explain which committee date the item has been deferred to; and                      - To review if there is a way to match up/link the items on the forward plan to the generated items area. This mitigates the risk of not having a completed audit trail in place resulting in key items of business/decisions being missed if deferred matters are not assigned to the next convenient meeting.</p>	Needs Attention	Head of Governance	Agreed. Notes added to deferred items.  Update: Governance team liaising with IT on whether more metadata can be added to improve the link between items in the Forward Plan and in the confirmed (generated report) area - progress on hold as reliant on IT resource availability, which is currently focussed on more urgent work.	By 31/12/2021 Updated to 31/12/2022



**Table 4**

Port Marine Safety Code – June 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>1. Governance</b></p> <p>The PMSC Performance Indicators (PIs) published within the authority's PMSC and those published on the authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns.</p> <p>This helps reduce the risk that performance of the PMSC is not reported in a consistent and timely manner leading to ambiguity over whether the PMSC is performing well and meeting targets as planned.</p>	Important	Head of Safety Management	<p>Agreed.</p> <p>Update: Please note that this recommendation was previously marked as complete in July 2021, but a further review of documents highlighted it was out of date. The PI's on the website are dated 2017/2018 – The PI's reflect the Broads Plan and needs to be incorporated into the new version of the SMS. This action is a work in progress, a meeting has been arranged on 21/06/22 with Director of Operations, Head of Operations &amp; Head of Navigation to discuss the action plan in drafting new SMS version to reflect recent changes to our SMS.</p>	<p>By 31/10/2021</p> <p>Updated to 31/01/2023</p>
<p><b>2. Governance</b></p>	Important	Head of Safety Management	Statement being updated to reflect recent changes following	By 31/10/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>The three-yearly statement of compliance with the code be signed and retained on file for future reference.</p> <p>This assists in mitigating the risk that the authority does not formally review compliance on a three-year basis as prescribed.</p>			<p>audit. BA Chair to agree and sign completed statement.</p> <p>Update: Following (draft) recommendations within the MAIB report into aspects of the Safety Management System a fuller review of key aspects within the PMSC are now required. A new compliance date is given to reflect this additional work.</p> <p>Completed.</p>	<p>Updated to 30/06/2022</p>
<p><b>3. Pilotage</b></p> <p>The General Direction for larger vehicles and navigation on works Guidance be finalised.</p> <p>This helps mitigate the risk that sufficient navigation rules are not in place and navigation of the broads is not managed as effectively and safely as required, in relation to larger vehicles.</p>	<p>Important</p>	<p>Head of Ranger Services</p>	<p>General Directions are rarely used by Broads Authority - most directions are 'Special'. This requirement will require legal inputs and cost benefit analysis to assess its viability. Current requirements are met using Special Directions.</p> <p>Update: Due to limited use of General Direction (due to lack of commercial traffic) and more</p>	<p>By 31/10/2021</p> <p>Updated to 28/02/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			pressing Ranger Team safety priorities, this recommendation had been deferred into 2022/23 financial year.	
<p><b>4. Governance</b> PMSC related documents and files, location and storage (both electronic and hardcopy) is reviewed to ensure these can be accessible to relevant members of staff on a timely basis. This helps mitigate the risk that key documents cannot be located in a timely manner leading to gaps in the safety management system.</p>	Needs Attention	Head of Safety Management	<p>Files and documents being migrated to DMS. New MARNIS (Port marine management software) being implemented will assist with data collection and reporting.</p> <p>Update: Trials of the MARNIS system (electronic PMSC filing and recording system) has identified software issues that have been slow to resolve due to Covid and the need to re-engage the manufacturer. More testing is taking place in the hope to resolve these glitches.</p> <p>Completed.</p>	By 31/10/2021 Updated to 30/06/2022
<p><b>6. Governance</b> The documents, reference numbered within the Broads Authority (BA) PMSC, are reviewed to ascertain their</p>	Needs Attention	Head of Safety Management	Review to be undertaken.	By 31/10/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>location and to appraise whether they are still relevant to the up to date safety management system in place, taking into account the requirements of the national PMSC document and the Guide to Good Practice for Marine Operations.</p> <p>This helps mitigate the risk that the BA PMSC is out of date and refers to non-existent and/or obsolete supporting documents.</p>			<p>Update: With the Marine Accident Investigation Branch (MAIB) investigation into Diamond Emblem 1 being delayed (draft report only available in Jan 2022) and the recent changes to the Hire Boat Code and Boat Safety Certification, the review of PMSC documentation deadline has been deferred until June 2022 to allow any recommendation from the MAIB to be incorporated in our safety systems.</p> <p>Completed.</p>	<p>Updated to 30/06/2022</p>
<p><b>7. Governance</b></p> <p>All relevant employees to be required to read and sign a copy of the PMSC on an annual basis.</p> <p>This assists in reducing the risk that employees are not familiar with the PMSC, leading to non-compliance with it.</p>	<p>Needs Attention</p>	<p>Head of Safety Management</p>	<p>Refresher training to be given at team meetings and attendance and signatures to be obtained.</p> <p>Update: Health &amp; Safety Inductions for new starters now includes a PowerPoint presentation on PMSC/SMS this is also presented to new authority</p>	<p>By 31/10/2021</p> <p>Updated to 31/12/22</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>members. PMSC is a standard agenda item for the Safety Committee. Due to Covid-19 and safeguarding Operational we have had only one f2f full team meeting and other priority training was delivered at this time. The PMSC training will be delivered at the next Operational Technicians meeting in December 2022. Comment section updated and deadline extended to 31 December 2022.</p>	

## Appendix 4 – Summary of actions and responses to Internal Audit 2021/22

**Table 5**

HR and Payroll – December 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>1. Staff Absences</b></p> <p>Staff resilience plans be reviewed to ensure that they are being used consistently across the organisation and that the activities are sufficient and effective when they have been used in practice.</p> <p>This reduces the risk of inconsistent or ineffective resilience plans increase the risk of service failure in the event of staff absence.</p>	Important	Directors	<p>Agreed.</p> <p>Update: This has not been completed for all Directorates due to other priorities and staff shortages.</p>	<p>By 31/03/2022</p> <p>Updated to 30/09/2022</p>
<p><b>2. Staff Absences</b></p> <p>The Business Continuity Plan be reviewed and updated. The review of the Business Continuity Plan is listed as an action on the risk register to mitigate the risk of loss of staff or expertise. Therefore, if the Business Continuity Plan is not updated, the staff loss risk remains higher.</p>	Important	Directors	<p>Agreed.</p> <p>Completed.</p>	<p>By 31/03/2022</p>
<p><b>3. Staff Absences</b></p> <p>Data on sickness absence rates be reported to senior management on a regular basis.</p>	Important	Head of HR	<p>Agreed.</p> <p>Completed.</p>	<p>By 31/03/2022</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
Without regular, consistent information, there is a risk that significant absence issues or trends will not be identified and addressed.				
<p><b>4. Policies and procedures</b></p> <p>All HR policies be reviewed and updated to ensure that they are reflective of current arrangements and working practices.</p> <p>If policies are out of date, there is a risk of staff being given incorrect information or following outdated practices.</p>	Needs Attention	Head of HR	Agreed. Initial review by 30/06/2022 and complete review by 31/12/2022.	By 31/12/2022

**Table 6**

Key Controls – February 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>1. Treasury Management</b></p> <p>The Authority should consider diversifying its investment portfolio across different banking institutions.</p> <p>A lack of investment diversification could result in a loss of funds should the financial institution holding the investment fail.</p>	Needs Attention	Director of Finance	<p>Agreed.</p> <p>Update: Options are currently being explored however it should be noted that current investments require 95 days' notice before funds can be transferred to another institution.</p>	By 31/07/2022

**Table 7**

Corporate Governance and Risk Management – May 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>1. Risk Management</b> The risks within the Corporate and Directorate Risk Registers be linked to the organisation’s objectives. The risk is that the organisation is not clear on which objective(s) are at risk. By including links to objectives there will be better clarity of the risk and the wider impact, particularly where more than one objective is impacted.</p>	Important	Senior Governance Officer	<p>Management Team agreed on to add an additional column on both the CRR and DRRs to identify which objective(s) the risk related to.</p> <p>Completed see agenda item no. 12.</p>	By 26/07/2022
<p><b>2. Governance arrangements for decision making</b> All Members' Declarations of Interest forms be checked to ensure that they have been fully completed, returning any with blank fields to the relevant Member for completion. It is not clear that the Member has positively confirmed that they have no declarations of interest, or whether this was omitted accidentally. Results of backup testing must be used to inform and improve the process via lessons learned sessions.</p>	Needs Attention	Senior Governance Officer	<p>All member forms have been reviewed to ensure no blank fields. The form to be amended so that a response must be provided before the form can be submitted.</p> <p>Completed.</p>	By 30/06/2022
<p><b>3. Risk Management Framework</b> A review be undertaken of those risks within the Corporate Risk Register with scores under 16 to ensure they comply with the Risk Management Policy.</p>	Needs Attention	Senior Governance Officer	Management Team noted that risks such as cyber-crime were retained on the CRR, despite scoring below 16, as members	By 26/07/2022



Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>The risk is that the Corporate Risk Register could become unnecessarily overloaded, and therefore lead to a lack of strategic focus.</p>			<p>had requested sight of these. Agreed to amend wording in policy paragraph 5.3 to say: “unless considered to be a Corporate Risk”.</p> <p>Completed see agenda item no. 12.</p>	
<p><b>4. Risk Management Framework</b>  Management to include a target risk score within the risk registers.  This practice provides assurance that risk actions are having the desired impact on the inherent score and therefore assists in mitigating the risk that risks are not being reduced in line and as expected with the mitigations in place.</p>	Needs Attention	N/A	Disagreed. Management Team agreed that they did not consider this necessary as the aim was always to have as low as possible risk score, through the appropriate mitigation.	N/A
<p><b>5. Risk Management Framework</b>  Management to undertake a Training Needs Assessment in respect of Risk Management and introduce Risk Management training if deemed necessary.  This helps mitigate the risk that risks are not assessed in line with agreed policy and therefore practices may be applied incorrectly and/or inconsistently.</p>	Needs Attention	Head of HR	<p>Management Team agreed to amend the induction programme for new staff to include “To review and understand the Risk Management Policy” for all section heads.</p> <p>Completed.</p>	By 01/06/2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>6. Risk Management Framework</b></p> <p>Management to instigate using a spreadsheet instead of a word document for the risk registers so that a formula can be used for the risk assessment and RAG rating.</p> <p>This helps mitigate the risk that high risks are not highlighted as such to the Audit and Risk Committee and therefore the status of risks is unclear and misleading.</p>	Needs Attention	N/A	Disagreed. This error was rectified upon notification. Management Team agreed to maintain the use of a Word document as this was their preference. Suitable measures were in place to check the risk rating and colour coding were aligned.	N/A

**Table 8**

Maturity Assessment of Cyber Security – June 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>1. Data Security</b></p> <p>Backup integrity and recovery testing must take place annually to ensure that they can be recovered as expected during an incident. We note that there are occasional file restores on request from users. However, this cannot constitute adequate full testing as required by this level.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed.	By 31/01/2023
<p><b>2. Data Security</b></p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed.	By 31/01/2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
Results of backup testing must be used to inform and improve the process via lessons learned sessions.				
<p><b>3. Incident Management</b> A formal IT incident management process must be established, including triage and escalation requirements. We have noted that this is in place, but that it requires review, having been last reviewed in January 2019 prior to the start of the COVID-19 pandemic.</p>	Important	Head of ICT and Collector of Tolls	Agreed.	By 31/10/2022
<p><b>4. Incident Management</b> To achieve level IM3, full compliance with IM2 is required. In addition, IT staff must have a level of incident management training provided or disaster recovery/ business continuity exercises must be undertaken regularly. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.</p>	Important	Head of ICT and Collector of Tolls	Agreed.	By 31/10/2022
<p><b>5. Incident Management</b> To achieve level IM4, full compliance with IM2 and IM3 is required. In addition, incidents must be reported and presented to senior leadership. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed.	By 31/01/2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p><b>6. Incident Management</b>            To achieve level IM5, full compliance with IM2, IM3 and IM4 is required. In addition, incidents must include a review and 'lessons learned' sessions, as to improve the future response. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed.	By 31/01/2023