

Implementation of Internal Audit Recommendations: Summary of Progress
Report by Chief Financial Officer

Summary: This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17 and 2017/18.

Recommendation: That the report be noted.

1 Introduction

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarizes the current position regarding recommendations arising out of internal audit reports which have been produced for 2016/17 and 2017/18. It sets out in the appendix details of:
 - recommendations not yet implemented;
 - recommendations not implemented at the time of the last meeting which have since been implemented: and
 - New recommendations since the last meeting.

2 Summary of Progress

- 2.1 In the previous report to this Committee in July the final recommendation relating to External Funding remains outstanding and has a revised deadline of the end of March. In addition the recommendation relating to Toll Income within the Key Controls audit is still outstanding and has a revised deadline of the end of March. Updated commentary on both these recommendations is provided in Appendix 1.

3 Internal Audit Program 2017/18

- 3.1 The first and second audit from the 2017/18 programme have now been completed, with further details below. The third audit of Key Control is due to start in December with its results reported to the next committee in March 2018.

3.2 Asset Management

3.2.1 The objective of the audit was to provide insight into the management of the Broads Authority assets, with particular regard to: the policies and procedures that are in place, acquisitions and disposals, leases, maintenance and insurance, valuations and reconciliations to the fixed asset register. This resulted in a “reasonable” audit opinion with one “important” and two “needs attention” recommendations.

3.2.2 The audit identified three areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.

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

- The Authority has an asset management strategy which sets out a clear strategy for managing its property portfolio.
- A fixed asset register is maintained by the Finance Department and regularly updated.
- Asset acquisitions and disposals are made in line with the asset management strategy and financial regulations.
- Rent is invoiced on a regular basis and action is taken to collect rent arrears.
- A planned maintenance programme has been created for all of the Authority's property assets.
- Regular inspections and maintenance of moorings is carried out to ensure that they are kept in a good state of repair.
- Assets are adequately covered by an extant insurance policy.
- Assets are revalued on a five year rolling programme.
- The fixed asset register is reconciled to other asset records and to the general ledger on an annual basis.

3.2.4 Whilst progress has been made on the “important” the other two remain outstanding but on target for completion.

3.3 Port Marine Safety Code

3.3.1 The objective of the audit was to undertake an independent audit of the Authority's Safety Management System, in line with the requirement of the Port Marine Safety Code (PMSC).

3.3.2 The audit identified nine areas for improvement. Details of these recommendations can be found in Appendix 1.

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

- The Designated Person (DP) (Head of Safety Management) has direct access to the Duty Holder, which is the full Broads Authority. There is a standing item

on every Broads Authority meeting agenda and DP has direct access to the lead member for safety, who also chairs the Navigation Committee and the Boat Safety Management Group (BSMG).

- The Harbour Masters National Occupational Standards have been reviewed and a responsibility matrix has been produced, which details those posts within the Authority where certain harbour master functions reside, such as the Director of Operations and the Head of Safety Management.
- There is a standing safety committee meeting, namely the BSMG, for which terms of reference include providing advice on the on-going maintenance and delivery of the Safety Management System (SMS) in a timely fashion.
- An annual training plan is in place for the Operation Directorate, which includes the key officers involved with the SMS.
- The approach to consultation is contained within section 4 of the SMS, which describes how consultation is undertaken with the Navigation Committee, BSMG, Broads Forum and Broads Local Access Forum. In addition, consultation is undertaken with a number of stakeholders that include other harbour authorities, statutory/legislative bodies, special interest groups and local groups.
- The Norfolk and Suffolk Broads Act 1988 gives the Broads Authority the power to make byelaws “for the good management of the navigation area”. The SMS and Broads Authority website is up to date with the latest set of byelaws.
- A Hydrographic Policy audit has been undertaken which is due to be reported to the BSMG and there is a programme of hydrographic surveys in place which feeds into the dredging programme. The results of the surveys are also placed on the Broads Authority website so that this information can be viewed by users of the broads.
- The 2015/16 hazard review log is appended to the SMS and is reviewed every three years by way of a full stakeholder review. This is also reviewed on an ongoing basis by an annual and six monthly review and report to the BSMG of incidents that have occurred. Anything significant is also reported to the BSMG, in a timely manner, such as Hazard No. 26 Obstructions to navigation, which was reviewed at the 27 February 2017 BSMG.
- The Head of Safety Management monitors the Marine Accident Investigation Branch (MAIB) website and is sent reports from a variety of sources including the UK harbour masters and Boat Safety Scheme.

3.3.4 2017 is the first time this audit has been undertaken as part of the internal audit programme. The previous recommendations that were still outstanding from September 2014 audit have now been superseded by the current recommendations. As with all internal audit recommendations their progress will be reported to each committee. All of the recommendations remain outstanding but on target for completion.

Background papers:	None
Author:	Emma Krelle
Date of report:	25 October 2017
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2016/17 and 2017/18

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

External Funding: October 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Procedural guidance To develop procedural guidance for the Broads Landscape Partnership. This procedure should cover the administrative processes, including project management, governance, systems used such as base camp, and the staff involved.</p> <p>The procedures should be version controlled.</p> <p>The compilation of such procedural guidance would enable a consistent approach to be applied with the day to day management of the service. Procedures can also be used as a training tool and to highlight process improvements and efficiencies. This will help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.</p>	Important	Broads Landscape Partnership Programme Manager	<p>Agreed. Procedural guidelines will be produced in draft by the end of January to be presented to the next Board meeting (March) for approval.</p> <p>Update: Following the Board meeting it was agreed to develop procedural guidelines following the submission of the second round application. These guidelines will include management of payments, reporting structure and evaluation requirements. There will also be a contract specific to each project which will include responsibilities related to CDM, insurance, safeguarding, etc. The board decided that we need to speak to all board members and gather a number of</p>	<p>Originally agreed by 31/01/17</p> <p>Updated to 31/03/18</p>

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			<p>organisations policies and procedures to allow us to create a bespoke set for the delivery phase of the Scheme.</p> <p>Following the successful submission of the second round application the board has yet to reconvene. A whole new board needs to be appointed who will agree the reporting structures and evaluation requirements. To be completed prior to 31 March 2018 before the first claim is submitted for the delivery phase.</p>	

Key Controls & Assurance: February 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>4. Payroll To document procedures for the payroll review/checking and submission process undertaken by the HR team, including the role the</p>	Important	Head of HR	<p>Agreed.</p> <p>Completed.</p>	By 30/04/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>Finance Team perform. This should include the documentation of all identified errors within the HR payroll checking spreadsheet.</p> <p>Documented procedures help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity. Documentation of all errors provides a clear audit trail to support the correction of errors mitigating the risk that the payroll has been calculated incorrectly.</p>				
<p>7. Toll Income To update the Toll procedure manual to reflect all changes to the system, including the changes in toll charges from 1st April 2017 and to include the toll payment enforcement process. Rationale & Risk: Up to date procedures helps to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.</p>	Needs Attention	Head of IT and Collector of Tolls	<p>Agreed.</p> <p>Update: Work on the procedure manual has been delayed following the prioritisation of the tolls checking application for the Ranger mobile phones. The new procedures will need to reflect the introduction of the application and its use as part of the enforcement process. The new staffing</p>	<p>Originally agreed by 31/08/17</p> <p>Updated to 31/03/18</p>

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			structure within Tolls will mean that this work will be completed prior to the new season commencing (31 March 2018).	

Corporate Governance: March 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Systems and processes in place for the preparation of reports requiring executive and non-executive decisions</p> <p>To maintain a clear record of the decisions made by the Broads Authority, which is made available to the public on the website. This should include:</p> <ul style="list-style-type: none"> - Compiling a register of material decisions made since 2014. - Producing a set of guidance on what should be published (to include a definition of contract and expenditure materiality and those decisions which affects the rights of an individual) and; - Production of a template document to record decisions. 	Important	Solicitor and Monitoring Officer	<p>Agreed</p> <p>Completed – link below</p> <p>http://www.broads-authority.gov.uk/broads-authority/how-we-work/transparency/record-of-decisions-and-access-to-documents</p>	By 30/09/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>The above documents are to be drafted in accordance with the Openness of Local Government Bodies Regulations 2014, which came into effect from August 2014.</p> <p>To comply with the Openness of Local Government Bodies Regulations 2014 and mitigate the risks that the Broads Authority commits an offence under this regulation and that there is incomplete transparency to the public.</p>				
<p>2. Executive and non-executive decision making in accordance with the constitution/governance arrangements</p> <p>To review standing orders, including specific reference to matters being decided by a majority vote and stipulating who has a casting vote. Alongside this, to review and update the Broads Authority Terms of Reference of Committees, specifically the Financial, Scrutiny and Audit Committee to reflect that this is a consultative committee.</p> <p>Currently, there appears to be a gap in relation to the majority and casting</p>	Needs Attention	Solicitor and Monitoring Officer	Agreed and completed. Amendments to the Standing Orders and the review of the Terms of Reference for Committees were adopted by BA on 28/07/17.	By 31/07/17

Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>voting process and inclusion of this in the standing orders would mitigate the risk that the voting process is unclear and matters decided upon are undertaken improperly.</p> <p>Financial Scrutiny and Audit Committee decisions, in some instances, do not currently reflect the committee terms of reference and therefore amendment of these would mitigate the risk that the practices applied are inconsistent with agreed governance leading to ambiguity over which practices should actually be applied.</p>				

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Asset Management: August 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Maintenance and insurance A master record of building condition monitoring surveys is created, to provide assurance that all surveys are completed when required.</p> <p>An overall record of building surveys will provide management with assurance that condition of assets is being monitored and that necessary maintenance tasks are completed. If this kind of overview is not available, it is more difficult to determine whether surveys are being completed. Hence there is a risk that the condition of properties deteriorates, potentially leading to financial and reputational loss to the Authority.</p>	Important	Asset Officer	<p>Conditioning monitoring is dependent on the IT work plan and priorities. A meeting to scope project and timescale to be undertaken by end of September 2017.</p> <p>Update: A scoping meeting was held on 31 August resulting in an agreed proposal with first stage DMS solution by the end of January.</p>	By 30/09/17
<p>2. Policies and procedures Procedures or guidance for the asset management process is produced. This should include, but not be limited to, key tasks such as acquisitions and disposals. These should incorporate the existing flowchart which document the steps involved in acquiring a new</p>	Needs Attention	Asset Officer	Agreed	By 31/01/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>property asset.</p> <p>Guidance on timescales and responsibilities for tasks will ensure that all staff involved in the process are aware of their role. Written notes will also provide information in the event that key members of staff are unavailable.</p> <p>Without written guidance, there is a risk that tasks will not be completed in a timely manner or that staff will be unaware of their responsibilities</p>				
<p>3. Leases The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays.</p> <p>Agreeing a timescale with all parties involved will help to ensure that key tasks are completed in a timely manner.</p> <p>If there is no agreed timescale, it is more difficult for the Authority to conclude lease agreements in advance.</p>	Needs Attention	Solicitor & Monitoring Officer	<p>Delayed responses from our current legal provider have been identified. This will be addressed when we go out to tender for Legal Services. The tender is due to go out by the end of September with the new contract to start 1 April 2018.</p> <p>New/extension leases are planned 12 months prior to expiry date. Control over the lessee legal services are</p>	By 01/04/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			difficult to influence due to the size and type of their organisations.	

Port Marine Safety Code: September 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. Governance To arrange for a peer review to be undertaken of the Broads Authority's Safety Management System (SMS) by the Canal and River Trust, or another suitable organisation, as a reciprocal arrangement in between external audit visits in addition to the 3 yearly external audit.</p> <p>The PMSC Guide to Good Practice advocates that the DP is independent of the SMS process and external / peer reviews would assist in mitigating the risks associated with this. This will also assist in assessing the performance of the SMS through benchmarking against other similar organisations.</p>	Important	Head of Safety Management	Agreed. The Authority has considered the issue of independence of the external auditors and the appointed designated person. The Authority is assured that the recent change in external audit providers adequately provides the assurance that the process is independent and complies with the requirements of the Port Marine Safety Code. However the recommendation of using a peer review or a MCA health check will give further assurance of independence. The Authority will	By 31/01/19

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			commence talks with possible providers, by September 2018, regarding this proposal with the aim of scheduling an interim peer review or Health check in 2019.	
<p>2. Governance To include a PMSC dedicated page on the Authority's website. This should include:</p> <ul style="list-style-type: none"> - A performance dashboard showing the status of each indicator, detailing the target, current performance against the target and the historic trend. - The Authority's SMS, highlighting the Authority's responsibilities as Duty Holder for the Broads. <p>A dedicated page on the website would increase the awareness and prominence of the PMSC and a consistent approach to reporting performance, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.</p>	Important	Head of Safety Management, Head of Communications.	Agreed. A dedicated webpage will be developed to pull together the elements that are already published but scattered around the website. This "new" page will allow for the compliance statements to be located where a clear focus exists on the PMSC and the SMS	By 31/03/18
3. Governance	Important	Head of	Agreed. The Annual report	By 30/09/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>The Authority's annual report should refer to the PMSC, including compliance with this and the standard of performance, cross referenced to the performance dashboard.</p> <p>Inclusion in the authority's annual report would increase the awareness and prominence of the PMSC, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.</p>		Safety Management, Head of Communications.	is prepared during the spring of each year and published in the Summer. A statement to reflect the recommendation will be included in the next annual report and will feature as a standing item in future reports.	
<p>4. Governance To update the Authority's SMS as follows:</p> <ul style="list-style-type: none"> - The Introduction chapter to include reference to the commitment of the Broads Authority to comply with the standards laid down within the PMSC; - Reference is made to the harbour revision order being progressed for the transfer of Mutford Lock to the Authority; - Inclusion of an overall section on contractors and their obligations in respect of the PMSC; - Inclusion of the general direction and special direction policies as supported by the Navigation Committee. 	Important	Head of Safety Management	Agreed. The SMS will be updated during the winter of 2017 for adoption by the Authority at its meeting in March 2018. All of the recommended changes and additions will be included in the new version 7 of the SMS.	By 31/03/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>This will document that the Duty Holder makes a clear published commitment to comply with the standards laid down in the Code. Clearly documented obligations of contractors mitigates the risk that contactors do not comply with the code. Inclusion of relevant policies and harbour orders mitigates the risk that the authority's powers and procedures are not transparent.</p>				
<p>5. Governance To formalise the reporting of internal audits by the Head of Safety Management to the appropriate committees / groups, e.g. the BSMG including the annual schedule / Internal Audit Programme of audits. To ensure these cover all aspects of the PMSC.</p> <p>The BSMG would receive assurance that the SMS is reviewed against all aspects of the PMSC mitigating the risk that some areas may not be in compliance.</p>	Needs Attention	Head of Safety Management	Agreed. SMS audits for 2017 will be reported to the Boat Safety Management Group in Jan 2018, Navigation Committee Feb 2018 and to the duty holders in March 2018. The SMS will be updated to reflect this formal reporting requirement at its next issue in March 2018.	By 31/03/18
<p>6 Governance The PMSC is included as a standard item in the Authority's induction</p>	Needs Attention	Head of Human Resources	Agreed. Duty Holders and operational staff have received PMSC awareness	By 30/11/17

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>pack/process.</p> <p>The requirements of the PMSC are far reaching and affects many aspects of the Boards authority work. Including this in the induction process helps reduce the risk that staff undertake tasks that are not in compliance with the code.</p>			<p>training.</p> <p>Induction programme will be updated to include mandatory PMSC SMS awareness training for new starters</p>	
<p>7. Governance</p> <p>Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes.</p> <p>Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG.</p> <p>A record of all training provides</p>	Needs Attention	Solicitor and Monitoring Officer, Head of Safety Management	<p>Agreed. All members of Boat safety management group, the stakeholder hazard review group, the navigation committee and the Broads Authority receive training on risk assessment and ALARP principles before dealing with the risk assessments process. This formal training will be recorded in the minutes of each of the groups/ committees at the next opportunity when hazards are reviewed/ assessed scheduled for Feb 2019</p> <p>Any new members to the group will be trained in this regard prior to any risk</p>	By 28/02/19

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.			review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into.	
<p>8. Governance A timescale is finalised for the roll out of the document management system in relation to the safety management team.</p> <p>Adequate document management provides a clear audit trail so that documents can be used in the right context and mitigate the risk that out of date or incomplete documents are used.</p>	Needs Attention	Head of ICT and Collector of Tolls	<p>Agreed. A Document Management System work area is to be created where the Safety Management System documents will be stored with check-in and check-out monitoring including version control and tracking.</p> <p>All SMS document will then fall under strict version control and security systems.</p> <p>Meeting to scope project scheduled for 24 October. Timescales to be determined on completion of scoping; delivery is dependent on the IT work plan and priorities</p>	By 31/12/17
<p>9. Hazards To review the SMS risk categories /</p>	Needs Attention	Head of Safety	<p>Agreed. A review of assessment</p>	By 31/03/18

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>criteria of people, environment and assets against the four criteria of: life, environment, business (reputation) and damage (port and shipping), as contained in the latest PMSC Guide to Good Practice.</p> <p>The risk categories/criteria will be based on the latest PMSC Guide to Good Practice mitigating the risk that the consequences of risks/hazards are not appropriately assessed and mitigated as required.</p>		Management	<p>criteria will be carried out by the Boat Safety management Group at its meeting in March 2018. Any "new" criteria will be used as the basis for the next formal stakeholder hazard review in February 2019.</p>	