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 November the final recommendation relating to External Funding remains outstanding. The recommendation relating to Toll Income within the 2016/17 Key Controls audit has been completed. Two of the recommendations relating to the Asset Management Audit and two of the Port Marine Safety Code have been completed. Commentary on the outstanding recommendations is provided in Appendix 1.

3   Internal Audit Programme 2017/18

3.1   The third audit from the 2017/18 programme has now been completed, with further details below. The fourth audit of Corporate Governance is due to start 20 February with its results reported to the next committee in July 2018.

3.2   Key Controls

3.2.1   The objective of the audit was to look at the fundamental systems that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts and Follow Up of Internal Audit Recommendations. This resulted in a "reasonable" audit opinion with two "important" and two "needs attention" recommendations.

3.2.2   The audit identified four 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:

- All invoice payments require two stage authorisation, thereby ensuring that only accurate and approved payments are processed.
- Starters, leavers and amendments to the payroll are checked to ensure that they have been actioned correctly by the payroll provider, thus ensuring the Authority's payroll is accurately maintained.
- There is a clear audit trail of actions taken to recover unpaid tolls, ensuring that debt recovery follows a prescribed and effective process and with all monies due to the Authority being pursued / received.
- Toll payments can be checked on the Tolls Management System by Rangers in the field, reducing the Authority's costs for printing plaques.

3.2.4   Both of the "important" recommendations have been completed. The two "needs attention" remain outstanding but on target for completion.

Background papers: None
Author: Emma Krelle
Date of report: 14 February 2018
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
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. The procedures should be version controlled. 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.	Important	Broads Landscape Partnership Programme Manager	Agreed. Procedural guidelines will be produced in draft by the end of January to be presented to the next Board meeting (March) for approval. 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, safe-guarding, etc. The board decided that we need to speak to all board members and gather a number of	Originally agreed by 31/01/17 Updated to 31/03/18

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

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			organisations policies and procedures to allow us to create a bespoke set for the delivery phase of the Scheme. 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. The new board is due to meet week commencing 19/02/18.	

Key Controls & Assurance: February 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
7. **Toll Income**	Needs	Head of IT	Agreed.	Originally agreed by

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

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
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.	Attention	and Collector of Tolls	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 structure within Tolls will mean that this work will be completed prior to the new season commencing (31 March 2018).	31/08/17 Completed.

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

Asset Management: August 2017

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Maintenance and insurance** A master record of building condition monitoring surveys is created, to provide assurance that all surveys are completed when required. 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.	Important	Asset Officer	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. Completed: First stage DMS solution now live and available for use.	By 30/09/17
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	Needs Attention	Asset Officer	Agreed	By 31/01/18 Completed.

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	property asset. 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. 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				
3.	**Leases** The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays. Agreeing a timescale with all parties involved will help to ensure that key tasks are completed in a timely manner. If there is no agreed timescale, it is more difficult for the Authority to conclude lease agreements in advance.	Needs Attention	Solicitor & Monitoring Officer	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. New/extension leases are planned 12 months prior to expiry date. Control over the lessee legal services are	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
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. 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.	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. Update: Initial contact made with both the MCA and an external independent consultant who offer PMSC health checks.	
2.	**Governance** To include a PMSC dedicated page on the Authority's website. This should include: - 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. A dedicated page on the website would increase the awareness and prominence of the PMSC and a	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. Update: New webpage under development, will be in place after the updated Safety management system is considered by the	By 31/03/18

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	consistent approach to reporting performance, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.			Authority in March 2018.	
3.	**Governance** 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. 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.	Important	Head of Safety Management, Head of Communications.	Agreed. The Annual report 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.	By 30/09/18
4.	**Governance** To update the Authority's SMS as follows: - 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;	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. Update: All elements	By 31/03/18

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	- 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. 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.			included in the draft update currently being consulted on which will be considered by the Authority at its meeting on the 16th March.	
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. The BSMG would receive assurance that the SMS is reviewed against all	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.	Originally agreed by 31/03/18 Updated to 31/05/18

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	aspects of the PMSC mitigating the risk that some areas may not be in compliance.			Update: This has slipped due to the development and update of the Safety Management System however the Audit will be taken to the groups and committees at the next committee cycle. March April and May respectively	
6	**Governance** The PMSC is included as a standard item in the Authority's induction pack/process. 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.	Needs Attention	Head of Human Resources	Agreed. Duty Holders and operational staff have received PMSC awareness training. Induction programme will be updated to include mandatory PMSC SMS awareness training for new starters.	By 30/11/17 Completed.
7.	**Governance** Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs in relation to the risk	Needs Attention	Solicitor and Monitoring Officer, Head of Safety Management	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	By 28/02/19

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	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. A record of all training provides confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.			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 Any new members to the group will be trained in this regard prior to any risk review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into.	
8.	**Governance** A timescale is finalised for the roll out of the document management system in relation to the safety management team. 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.	Needs Attention	Head of ICT and Collector of Tolls	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. All SMS document will then fall under strict version	By 31/12/17 Completed.

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
				control and security systems. 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. DMS site now in operation.	
9.	**Hazards** To review the SMS risk categories / 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. 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.	Needs Attention	Head of Safety Management	Agreed. A review of assessment 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. Update: Proposed assessment criteria are set out in the draft update to the Safety Management System, BSMG are being	By 31/03/18

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

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			consulted as part of the SMS update. It is proposed that the new criteria will be considered by the Authority in March 2018	

Key Controls: December 2017

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Accounts Receivable** Invoices are to be raised promptly upon receipt of invoice requisition forms within Finance. Prompt raising of invoices will ensure that the Authority is able to collect money owed as early as possible. If there is a delay in the raising of invoices, there will be unnecessary delays in receipt of payment, which will negatively affect the Authority's cash flow.	Important	Chief Financial Officer	Agreed. Reminder to finance staff about raising invoices promptly and to log reasons for delays beyond our control.	Implemented and verified - 20/12/17
2.	**Accounts Payable** Changes to supplier bank details are confirmed with the supplier using existing contact details, with records of this check retained.	Important	Chief Financial Officer	Agreed. Changes will be verified with existing contact details on Dimensions. Date and name to be recorded on notification.	Implemented and verified - 20/12/17

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

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	Confirming changes with suppliers will ensure that all changes made are legitimate. If there is no such check, there is an increased risk of fraudulent payments being made resulting in financial loss to the Authority.				
3.	**Budgetary Control** The limit for reporting on variances identified through budget monitoring is reviewed and reduced if necessary, to reduce the risk of potentially significant variances going unchallenged. The review could consider introducing a percentage in addition to an amount. Reviewing the limit for variances will ensure that it is set at an appropriate level so that all significant variances are addressed. If this threshold is not reviewed, then there is a risk that some significant variances will not be challenged or reported on.	Needs Attention	Chief Financial Officer	Agreed for a review to be undertaken with members whilst taking into account variance reporting levels at other National Parks.	By 31/03/18
4.	**Accounts receivable** The Scheme of Powers Delegated to Officers is updated to remove outdated references to the Treasurer and Financial Advisor to the Authority	Needs Attention	Solicitor and Monitoring Officer	Agreed. Scheme of Powers to be updated and adopted by the Authority.	By 16/05/18

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

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
and to replace them with current references including the Chief Financial Officer (Section 17 Officer). Updating the Scheme of Powers Delegated to Officers will align governance arrangements to the Authority's current officer structure. If the document is not up to date, there is a risk of confusion over the decision making arrangements which could also lead to decisions being made by unauthorised members of staff.				