Audit and Risk Committee

20 July 2021
Agenda item number 13

Implementation of Internal Audit recommendations – summary of progress

Report by Chief Financial Officer

Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2018/19, 2019/20 and 2020/21.

Recommendation

To note the report.

Contents

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 and 2 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 March, one of the Procurement and four of the Planning outstanding recommendations have been completed.

3. Internal Audit Programme 2020/21 and 2021/22

3.1. The final three audits on Key Controls, Corporate Governance and the Port Marine Safety Code audit have now been completed. The first audits from the 2021/22 plan are not scheduled to start until quarter three. This includes key controls, HR and Payroll and Cyber Security. The results of these audits will be reported to this committee in February 2022.

4. Key Controls

4.1. The objective of this audit was to look at the fundamental systems that feed into the statement of accounts to provide assurance on the key controls. The areas reviewed as part of this audit 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 five "needs attention" recommendations being raised (see Appendix 3). The previous audit report for Key Controls in January 2020, with a "substantial" opinion, contained no recommendations.

4.2. Good practice was noted relating to sound controls in place and operating consistently. These were:

- Clear controls were shown to be in place with respect to Purchase Orders and authorisation, which were shown to be functioning as expected.

- Starters, leavers and change in circumstances were operating as expected.

- Reporting and data processing were operating as expected with regards to Payroll.

- Additional payment claims were shown to be processed and authorised correctly.

- Toll Income Reconciliations, Batches, and Payments were shown to be completed and controls were in place.

- Creditor and Debtor accounts were reconciled with no balancing items.

- Bank Reconciliations were prepared and subject to review.

4.3. Of the five recommendations, four have now been completed. Two of these were completed since the production of the Annual Audit opinion (agenda item 7 on this agenda).

5. Corporate Governance and Risk Management

5.1. The objective of this audit was to look at the Authority's response to Covid-19 in the administration of committee meetings, including virtual meetings and the decision-making process. The audit also covered the Authority's corporate risk management process and how the Covid-19 risk has been incorporated into this. This resulted in a "reasonable" audit opinion, with one "important" and three "needs attention" recommendations being raised (see Appendix 3).

5.2. The audit of Corporate Governance is carried out annually to support the Head of Internal Audit Opinion (see agenda item 7).

5.3. Good practice was noted relating to sound controls in place and operating consistently. Where good practice was identified, internal audit will be sharing details of these operational provisions with other member authorities in the Consortium.

5.4. Those relating to changes to committee meetings were:

- The Moderator's role at virtual meetings includes preparing pre-meeting briefing notes for remote meeting processes. To facilitate this, there is a template on the Document Management System (DMS) for each committee where notes are updated before each meeting, with the agenda running order and anything else the Chair needs to know for that meeting, including any items of urgent business, which officer will be presenting particular items, and whether any specific items are for adoption or endorsement. These notes were prepared when committees were held physically, but now tend to be more detailed due to the requirements of virtual meetings. This assists in the provision of effective committee meetings.

- The Moderator's role at virtual meetings includes: checks audio and visual connections, and assists with minor IT issues (access to IT officers if needed); advises the Chair about lost connections; mutes/unmutes participant microphones; monitors 'raised hands' feature; and supports officers with 'shared screen' presentations. This assists in the provision of effective committee meetings.

- 'Standing Orders for the Regulation of Authority Proceedings: Remote meeting procedure rules' has been produced to account for the changes made in the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020. This is, in effect, mandatory standing orders for those authorities that wish to hold meetings remotely, either wholly or partially. This therefore provides the means and guidance for the conduct of any remote meeting of the Authority.

5.5. Those relating to decision making were:

- All Members attending committee meetings have been offered 1-2-1 support from both the Governance team and the IT team and this support is ongoing. To further support members, there is a 'Lifesize remote meeting protocol and guidance for BA members' document, which is accessible to all members. This assists in the provision of effective committee meetings.

- A report detailing the 'Response to the COVID-19 emergency and the financial position of the Broads Authority and local businesses' is prepared and reported to committee (both the Broads Authority and Audit & Risk Committee) on a regular basis since the pandemic started. This provides a timely update to Members and provides the information for informed decisions to be made.

- Lessons learned are being captured on an ongoing basis, as a result of feedback from staff surveys undertaken and from the Authority's overall response to the pandemic. This provides opportunity for ways in which to increase the efficiency and effectiveness of processes and to build on experience.

5.6. Those relating to risk management were:

- The pandemic risk has been considered in the corporate risk assessment process and a risk in relation to this has been included in the corporate risk register. This provides ongoing monitoring of this risk, an assessment of the likelihood and impact, and the mitigation in place to address this risk.

5.7. All four recommendations have now been completed.

6. Port Marine Safety Code

6.1. The objective of this audit was an independent audit of the Authority's Safety Management System (SMS) (the Authority's own Port Marine Safety Code). The Port Marine Safety Code (PMSC) requires that Harbour Authorities should include provision for a systematic review of performance based on information from monitoring of the whole system. An audit and review of the marine SMS takes place every three years, informing the three-yearly publication of the marine safety plan and the Authority's performance against the previous plan, as required by the PMSC. This resulted in a "reasonable" audit opinion with three "important" and five "needs attention" recommendations being raised (see Appendix 3).

6.2. Areas where sound controls are in place and operating consistently relating to Governance were:

- The Head of Safety attends all Boating Safety Management Group (BSMG) meetings. The BSMG provides advice on the ongoing maintenance and delivery of the Marine Safety Management System, provides advice and recommendations on boating and navigational safety, and acts as a consultative forum to facilitate two-way communications between the Broads Authority and other authorities and organisations with direct involvement in safety on the waterways.

- The Broads Authority (BA) identifies itself as the Duty Holder in the BA Port Marine Safety Code (PMSC) which is published on the BA website, stating that the members are severally and collectively the Duty Holder. This facilitates the Duty Holder making a clear published commitment to comply with standards laid down in the national PMSC.

- The roles and functions of key staff are outlined in the BA PMSC including the Director of Operations, Head of Safety Management and Head of Ranger Services. This ensures the roles associated with the PMSC are clear.

- The BA has an Enforcement Policy in place for the Navigation functions which was recently reviewed and updated in the 2020/21 financial year. This assists in meeting the requirements of the national PMSC, i.e. that identified marine risks must be backed by an appropriate policy on enforcement.

6.3. Those relating to risk assessments and hazards were:

- Six monthly and annual incident reports are reported to the BSMG and Navigation Committee enabling the regular reporting of incidents and subsequent actions to address these where appropriate.

6.4. One of the recommendations has been completed with the remaining on target for completion.

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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 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
2. Broads Authority branding - strategies, guidelines / procedures 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.	Needs Attention	Head of Communications	New communications strategy delayed by COVID comms activity but many elements completed and anticipate strategy will be in place by end Sept 2020 Update: New 'branding' area on intranet developed that incorporates updated and new documents, including: • Communications Team Guide • BA Brand guidelines • BA brand guidelines supplement • BA language style guide • Words commonly used in BA publications • BA signs guide	By 31/10/19 Updated to 31/10/21

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			• Logos and templates for letterheads, reports and PowerPoint presentations. Instructions for email signatures added Nov 2020. Full strategy overview not yet written due to rescheduled priorities in 2020; due to be completed by October 2021.	
5. Broads Authority branding - use of the Broads Authority logo 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. The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.	Needs Attention	Head of Communications	Agreed. Intranet content to be produced in conjunction with strategy, guidelines and procedures. Awaiting completion of new communication strategy (see recommendation two above) Update: As per recommendation 2 above – all completed except overarching strategy document, now due October 2021.	By 31/10/19 Updated to 31/10/21

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
6. Procurement To consolidate the standard terms document with the contract conditions outlined in the CSOs to have an overall set of terms and conditions. These should be consolidated in conjunction with the Broads Authority's legal advisor and included within the CSOs. A consolidated set of terms and conditions protect the purchaser against unforeseen financial losses, e.g. goods not delivered as agreed, mitigating the risks of delay in services/goods and quality of goods which could also lead to a poor reputation.	Needs Attention	Chief Financial Officer	Agreed. Standard terms and conditions to be drawn up with legal provider, including conditions for contracts over £5k. Work initiated with our Legal provider. Completed.	By 31/03/20 Updated to 31/03/21
7. Procurement 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 due to ongoing work on COVID-19 response, the Statement of Accounts and budget preparation for 2021/22.	By 30/06/20 Updated to 31/08/21

Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

Table 3
Planning – February 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Enforcement Where complaints are received these should be retained on file and acknowledged within three working days as stated in the Local Enforcement Plan Acknowledging complaints on time provides early reassurance that the complaint has been received and is being dealt with. This helps to reduce the risk of the Authority receiving the same complaint multiple times thereby wasting resources in handling them.	Important	Head of Planning	Agreed. Process note from 01/03/2021 completed.	By 01/04/2021
2. Enforcement Complainants should be provided updates of the enforcement investigation being carried out by the Authority within 20 working days as stated in the Local Enforcement Plan. Providing complainant with timely updates on progress of enforcement complaint investigation will reassure the public of work carried on by the Authority in enforcing planning breaches.	Important	Head of Planning and Planning Officer (Compliance and implementation)	Agreed. Process note from 01/03/2021 completed.	By 01/04/2021
3. Planning Applications The monthly planning fees reconciliation should be	Needs Attention	Senior Planning Officer	Agreed.	By 01/05/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
reviewed by a senior officer, other than the one preparing it, which is then signed and dated by both the preparer and the reviewer on completion to evidence this. Reviewing the planning fees reconciliation by a senior officer other than the one preparing it will ensure completeness and accuracy of the application fees received by the Authority and provides segregation of duties. This will mitigate the risk of financial loss to the Authority.			Process note from 01/03/2021 completed.	
4. Enforcement The process for new enforcements be completed including the timescale for completing each stage of the enforcement process. Having a documented process for process enforcement cases will ensure uniformity in the services provided to customers. This will mitigate against irregularity in staff handling of enforcement cases.	Needs Attention	Head of Planning	Agreed. Process note from 01/03/2021 completed.	By 01/05/2021
5. Enforcement The date the complaint is received by the Authority to be recorded in the Uniform and Idox system. The actual complaints received date should be recorded on the system to ensure the performance indicators stated in the Local Enforcement Plan are being adhered to. This is reduced the risk of delay in	Needs Attention	Planning Technical Support Officer	Agreed. Process note from 01/03/2021 completed.	By 01/04/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
investigating and responding to complainant.				
6. Enforcement Performance indicators be put in place for responding to complaints and investigating enforcement cases. Having a performance measures in place will help in determining the Authority progress against set standards in relation to the management of complaints and enforcement cases.	Needs Attention	Head of Planning	Agreed. Update: First report to Management Team due in July (to cover April – June quarter)	By 01/05/2021 Updated to 31/07/2021

Table 4

Key Controls – May 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Treasury Management Investment authorisation via email should be documented and evidenced on the investment record. Without authorisation on the investment, evidence of authorisation may be lost or misunderstood by those viewing the investment. A complete record, including the authorisation, demonstrates mitigation against lack of segregation of duties and compliance with policy.	Needs Attention	Chief Financial Officer	Agreed. An email authorisation will be included in investment folder the next time an investment is made. Completed.	By 30/06/2021
2. General Ledger	Needs Attention	Senior Finance Assistant/	Agreed and completed. The email authorisation is already being	Completed.

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
Journal authorisation via email should be recorded on the journal. A complete record, including the authorisation, demonstrates mitigation against lack of segregation of duties.		Financial Accountant	included within the journal file and stored centrally on the S Drive.	
3. Asset Management Documented procedures are produced for the quarterly identification of assets and update of the Fixed Asset register. This helps reduce the risk that procedures are not applied consistently and the update of the fixed asset register is delayed.	Needs Attention	Financial Accountant	Agreed and completed.	Completed.
4. Asset Management The asset management annual reconciliation is signed and dated by the preparer - the Chief Financial Officer. This mitigates the risk that the reconciliation is not undertaken in a timely manner and segregation of duties are not in place.	Needs Attention	Chief Financial Officer	Agreed. This will be completed for the 20/21 reconciliation. Completed.	By 31/05/2021
5. Accounts Payable New supplier procedures should be reviewed and updated annually, with the review recorded, to ensure they remain reflective of current practise. Without annual review the procedures risk becoming outdated and not reflective of current practices.	Needs Attention	Financial Accountant	Agreed. Annual review has been scheduled.	By 30/09/2021

Table 5

Governance and Risk Management – March 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Decision Making The Actions/Key Messages Log is fully populated from the covid-19 Incident Response Team minutes held to date. This assists in mitigating the risk that there is an incomplete record of actions and decisions which could lead to key actions not being completed or not being completed in a timely manner.	Important	Head of Governance	Agreed. The process of transferring key actions and other relevant updates to the BCP Covid-19 log is in progress. Completed.	By 31/05/2021
2. Changes to committee meetings 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.	Needs Attention	Head of Governance	Agreed. Notes added to deferred items. 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.	By 31/07/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
3. Decision making 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. Without robust management of conflicts of interest there is a risk of lack of transparency in objective decision-making. Further there is risk that the decision will be retrospectively disputed and a risk to the reputation of the Authority.	Needs Attention	Head of Governance	Agreed. Completed.	By 30/04/2021
4. Use of Emergency Powers 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 Broads Authority. This helps mitigate the risk that the constitution is not followed and the route by which decisions are made is not transparent.	Needs Attention	Head of Governance	Agreed. Completed.	By 31/05/2021

Table 6

Port Marine Safety Code – June 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Governance 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. 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.	Important	Head of Safety Management	PMSC indicators reviewed against Authority's IRIS system and reported to Broads Authority on 30 April 2021.	Completed
2. Governance The three-yearly statement of compliance with the code be signed and retained on file for future reference. This assists in mitigating the risk that the authority dose not formally review compliance on a three-year basis as prescribed.	Important	Head of Safety Management	Statement being updated to reflect recent changes following audit. BA Chair to agree and sign completed statement.	By 31/10/2021
3. Pilotage The General Direction for larger vehicles and navigation on works Guidance be finalised.	Important	Head of Ranger Services	General Directions rarely used by Broads Authority - most directions are 'Special'. This	By 31/10/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
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.			requirement will require legal inputs and cost benefit analysis to assess its viability. Current requirements are met using Special Directions.	
4. Governance 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.	Needs Attention	Head of Safety Management	Files and documents being migrated to DMS. New MARNIS (Port marine management software) being implemented will assist with data collection and reporting.	By 31/10/2021
5. Governance The BA PMSC be updated to reflect the inclusion of consultation with employees' forum (or equivalent) and health and safety committee. To reduce the risk that key aspects of the PMSC are not communicated with the Authority's employees and contributes towards the Authority demonstrating its commitment to engaging with users.	Needs Attention	Head of Safety Management	New standing item added to Health & Safety Committee agenda to capture and disseminate highlighted organisation-wide issues.	By 31/07/2021
6. Governance The documents, reference numbered within the Broads Authority (BA) PMSC, are reviewed to ascertain their	Needs Attention	Head of Safety Management	Review to be undertaken.	By 31/10/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
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. This helps mitigate the risk that the BA PMSC is out of date and refers to non-existent and/or obsolete supporting documents.				
7. Governance All relevant employees to be required to read and sign a copy of the PMSC on an annual basis. This assists in reducing the risk that employees are not familiar with the PMSC, leading to non-compliance with it.	Needs Attention	Head of Safety Management	Refresher training to be given at team meetings and attendance and signatures to be obtained.	By 31/10/2021
8. Pilotage The Pilotage Policy be amended to reflect that it will be updated each time it is used, as opposed to annually and the PMSC is updated to reflect this. This reduces the risk that the policy is not updated in a practical and timely manner.	Needs Attention	Head of Ranger Services	Review to be undertaken on Pilotage Policy to reflect current operations.	By 31/10/2021