

Risk, Audit and Governance Committee

Agenda 12 March 2024

10.00am

Dragonfly House, 2 Gilders Way, Norwich NR3 1UB

John Packman, Chief Executive – Tuesday, 05 March 2024

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. Appointment of Chair
Nominations for Chair have been received for:
Tristram Hilborn, proposed by Bill Dickson, seconded by Tony Grayling
2. Appointment of Vice-Chair
Nominations for Vice-Chair have been received for:
Siân Limpenny, proposed by Tristram Hilborn, seconded by Bill Dickson
3. To receive apologies for absence
4. Introduction of members and declarations of interest
5. To note whether any items have been proposed as matters of urgent business
6. **To receive and confirm the minutes of the Audit and Risk Committee meeting held on 25 July 2023** (Pages 3-12)

Financial direction

7. **Investment Strategy and Performance Report 2023/24 and Draft Capital, Treasury and Investment Strategy 2024/25** (Pages 13-35)
Report by Director of Finance
8. **Consolidated income and expenditure – 1 April to 31 January 2024 actual and 2023/24 forecast outturn** (Pages 36-53)
Report by Senior Accountant
9. **International Financial Reporting Standards – IFRS 16 Leases** (Pages 54-59)
Report by Director of Finance /Senior Accountant

Audit and Governance

10. **Internal Audit Strategic and Annual Plans 2024/25** (Pages 60-81)
Report by Head of Internal Audit
11. **External Audit** (Pages 82-159)
Report by Director of Finance
12. **Implementation of internal audit recommendations – summary of progress**
(Pages 160-173)
Report by Senior Accountant
13. **Recommendations from external review into formal complaint – update**
(Pages 174-179)
Report by Senior Governance Officer
14. **Risk Management update** (Pages 180-201)
Report by Senior Governance Officer

Other Matters

15. Other items of business
Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 100B (4)(b) of the Local Government Act 1972
16. To answer any formal questions of which due notice has been given
17. **To note the date of the next meeting – Tuesday 23 July 2024 at 10.00am at Yare House, 62/64 Thorpe Road, Norwich**

For further information about this meeting please contact the [Governance team](#)

Audit and Risk Committee

Minutes of the meeting held on 25 July 2023

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Please note these are draft minutes and will not be confirmed until the next meeting.

Present

Tristram Hilborn – in the Chair, Bill Dickson, Paul Hayden, Michael Scott, Matthew Shardlow and Fran Whymark.

In attendance

Jason Brewster – Governance Officer, Jonathan Goolden – Monitoring Officer, Faye Haywood – Head of Internal Audit, Emma Krelle – Director of Finance, John Packman – Chief Executive, Ellie Richards – Senior Accountant, Sara Utting – Senior Governance Officer and Erika Voinic – Internal Auditor.

1. Apologies and welcome

The Chair welcomed everyone to the meeting.

Apologies were received from Alan Goodchild.

It was noted that this would be the last meeting for the Head of Internal Audit and the Chair thanked her for the help and support she provided to the Authority during her tenure.

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 interests were declared in addition to those already registered.

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 14 March 2023 were approved as a correct record and signed by the Chair.

Please note these are draft minutes and will not be confirmed until the next meeting.

6. Draft Statement of Accounts 2022/23

The Senior Accountant (SA) thanked those Members who attended the recent Finance briefing and reminded Members that a link to a recording of the briefing had been emailed to them.

The SA introduced the report that provided an update on the Authority's Statement of Accounts and its audit for the year ended 31 March 2023. The SA reminded Members that this was the draft version of the SoA and that no start date for the audit of 2022/23 accounts had been agreed. The delay in agreeing the 2022/23 audit plan was due to the external auditor having to deal with a backlog of 2021/22 audits. The Authority's external auditor was not alone in dealing with a backlog of audits and the Department of Levelling-Up, Housing and Communities (DLUHC) had recently made an announcement detailing a series of proposals to resolve this back log. The external auditor had yet to respond to these proposals and the SA agreed to share their response with Members at the earliest opportunity.

Since the deficit was reported to Members at the Authority meeting on 12 May 2023, the SA confirmed that it had increased by approximately £49,000 due to further accruals and the deferral of the unspent access grant from Defra. Table 3 showed how the deficit differed from the net position shown on the provision of services. The SA stated that the most significant adjustment related to the staff pension fund and accounted for the majority of the figure shown under Employee expenses. This adjustment might vary between the draft and final versions of the Statement of Accounts due to Norfolk Pension Fund being audited during the intervening period resulting in the finalisation of these figures.

The figure under Other Services expenses related to capital expenditure which had previously been reported as expenditure throughout the year, via the Authority's Financial Performance and Direction reports; at year end this was transferred to the balance sheet. Included in this transfer is the debt interest associated with leases and loans from the Public Works Loan Board which was intended to reduce outstanding capital movements.

A Member noted the DLUHC communication regarding audit backlogs and suggested that it would be timely to repeat the Authority's previous representations regarding reducing the scope of the audit requirements to reflect the small scale of the Authority in comparison to Local Authorities. The Member recommended contacting both Defra and DLUHC on this matter.

The Director of Finance indicated that the external auditor was expected to commence the 2022/23 audit early in 2024. Members were keen to avoid being included in the audit backlog and urged the Authority to be persistent with the external auditor in agreeing the 2022/23 audit plan.

The report and Draft Statement of Accounts were noted.

7. Investment Strategy and Performance annual report 2022/23

The Director of Finance (DoF) introduced the report setting 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 2023.

The DoF explained that during 2022/23 the Authority utilised the Debt Management Office (DMO) deposit with its higher interest rates which resulted in approximately £117,000 of interest received in 2022/23, considerably higher than the previous year.

The DoF added that the interest was allocated across the National Park, Navigation and Earmarked reserves was calculated at year end and this could result in increased balances at the end of the financial year. Since 31 March 2023, the Authority had placed an additional £1 million with the Debt Management Office for six months.

The DoF confirmed that the market engagement with Treasury advisers, as requested at the previous Audit and Risk Committee meeting, would be undertaken over the summer and the resulting findings would be reported at a future meeting.

The arrangements regarding the investment of the Authority's unallocated cash were noted.

8. Financial Management Code

The Director of Finance (DoF) provided an update on the action plan associated with the CIPFA Financial Management Code (FMC) since it was last reviewed in July 2021. The DoF stated that good progress had been made and sought Members' views on the frequency of reporting on this action plan.

A Member noted the reference to the creation of common Key Performance Indicators (KPIs) across ten National Parks; the Member was wary of KPIs as, in his experience, they required careful formulation to ensure they provided the desired outcome and without this initial effort tended to be of little value. The Chief Executive (CE) responded that Defra had struggled to define KPIs for several reasons:

- The variance across the National Parks themselves; a sensible indicator for the Lake District may not be applicable to Northumberland.
- It was difficult to assess the ability of a National Park to impact a desired outcome, let alone identify an appropriate measure.
- The Broads was distinct from other National Parks; an indicator relating to the length of footpaths might be a common measure for most National Parks but it would not be applicable to the Broads.

The CE confirmed that the Authority would be consulted on the outcome of Defra's analysis and Members would be kept informed of any proposed response by the Authority.

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There was a discussion on the frequency of progress reporting on the FMC actions. The DoF indicated that she had envisaged these actions being reviewed by an external body (either internal or external audit) and believed that, given the size of the Authority, a review every two years would be appropriate. Given the number of items flagged for completion in the autumn it was agreed to have an update at the next meeting and then updates every two years thereafter.

Progress on the revised Financial Management Code action plan was noted.

9. Finance Strategy and Policy updates

The Director of Finance (DoF) introduced the report which detailed the final results from the ongoing programme of finance documentation reviews.

Standing Orders Related to Contracts

The DoF highlighted the key change to this document was for low value waivers for contract extensions to consider a fixed monetary limit of £25,000 as well as the existing 10% of original contract (whichever is the greater); below these limits a contract would be approved by the Chief Executive otherwise it would require approval by the Broads Authority.

The DoF indicated that a further change was required to the document. Since the report was published the DoF had received a Public Procurement Notice that required the contract thresholds stated in the document to be updated to include VAT:

- Where a limit was stated as £5,000 this would be amended to state £6,000.
- Where a limit was stated as £25,000 this would be amended to state £30,000.

The DoF explained that consideration had been given to creating another threshold above the current upper threshold of £25,000 which would be consistent with other Local Authorities' Standing Orders Related to Contracts. Unlike Local Authorities, the Broads Authority did not have a procurement department and the creation of a new limit would require more administrative support by the Finance Team. Given the use of Contract Finder was mandated for contracts of £25,000 and above and the Finance Team currently administered the use of this system on behalf of budget holders, the DoF saw little benefit to creating a new threshold.

Procurement Strategy

The DoF explained the main changes had been to update job titles, reflect legislation changes following the UK leaving the EU and to incorporate the updated themes from the National Procurement Strategy for Local Government in England 2022 (14.1).

A Member welcomed the changes to the Procurement Strategy to reflect the aim of reducing carbon emissions and asked how this was balanced with the Value For Money criteria. The DoF explained that price was a consideration along with quality and ordinarily it would account for 50% of the decision. There was scope, in consultation with the Chief Executive, to vary the weighting given to price; for example, quality may, in some situations, be of greater importance than the price.

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The DoF explained that new legislation, the Procurement Bill, was scheduled for early 2024 that would require both these documents to be reviewed again.

Bill Dickson proposed, seconded by Michael Scott and

It was resolved unanimously to approve the updated Standing Orders Related to Contracts and Procurement Strategy documents.

10. Internal Audit Annual Report and Opinion 2022/23

The Internal Auditor (IA) gave a summary of the report, highlighting an overall 'reasonable' opinion (positive) on the framework of governance, risk management and control at the Authority and confirmed that Internal Audit was compliant with the Public Sector Internal Audit Standards. The IA indicated that since the report was issued the HR and Payroll audit recommendation (Audit title BA2203 in Appendix 4) had been completed.

Members welcomed the reasonable assurance, noted the substantial assurance for both Key Controls and Assurance and Corporate Health and Safety and congratulated those involved.

A Member expressed their disappointment that the Port Marine Safety Code recommendation (Audit title BA2102 in Appendix 4) had not yet been completed, and that a report regarding the relevance of General Direction for larger vessels had still not been presented to the Navigation Committee nearly two years after the original due date. The Chief Executive (CE) clarified that this item related to the Authority piloting large vessels, a situation which had not arisen for a number of years and was not anticipated to arise in the immediate future. The report would require specialist advice and the CE confirmed that this advice was being commissioned and the recommendation was expected to be completed in late 2023.

Michael Scott proposed, seconded by Matthew Shardlow and

It was resolved unanimously to receive and approve the contents of the Internal Audit Annual Report and Opinion 2022/23.

11. Annual Governance Statement 2022/23 and Code of Corporate Governance 2023

The Senior Governance Officer introduced the report that demonstrated how the Authority was complying with the principles of good governance and included the Annual Governance Statement 2022/23 and Code of Corporate Governance 2023.

It was resolved to recommend the Annual Governance Statement 2022/23 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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12. Terms of reference for Audit & Risk Committee - revised

The Senior Governance Officer (SGO) introduced the report that detailed changes to the Terms of Reference (ToR) to the Audit and Risk Committee. The SGO reminded Members that these revisions to the ToR related to the implementation of recommendations from an external review as agreed by the Broads Authority (20 January 2023) and asked Members to note progress on these recommendations as stated in Appendix 3. The SGO added a correction to the note in section 7.3 of the ToR; the reference to “auditors” should state “internal auditors”. The SGO indicated that section 2.3 of the report provided a summary of the ToR revisions and welcomed Member’s feedback on these changes before they were presented for adoption by the Broads Authority at the 28 July 2023 meeting.

The Monitoring Officer (MO) added that the Director of Finance, Senior Governance Officer, Deputy Monitoring Officer and Monitoring Officer had all contributed to the amended ToR. This work had been guided by the external review recommendation to consider ongoing governance improvements and this was reflected by the proposed committee name change to include Governance. The MO indicated that the next area of focus would be the creation of a Standards Committee, to replace the Hearings Committee, which would enable a proactive stance to Code of Conduct matters.

Members supported the proposed substantive changes and agreed with the Acting Chair’s suggestion that the committee’s name include the term “risk” to better reflect the committee’s remit. It was agreed to recommend to the Broads Authority that the committee’s name would be Risk, Audit and Governance.

Members’ views on the revised terms of reference were noted and would be included when the terms of reference were presented to the Broads Authority meeting on 28 July for adoption. Members noted progress on the implementation of the external review recommendations.

13. Implementation of Internal Audit Recommendations: Summary of progress

The Senior Accountant (SA) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2020/21, 2021/22 and 2022/23. The SA indicated that the annual review of Corporate Governance & Risk Management had received a “reasonable” audit opinion. Four “needs attention” recommendations had been raised and the SA confirmed that one had been completed, two were planned for completion September 2023 and the remaining one would be completed before the end of the financial year.

The report was noted.

14. Corporate Risk Register

The Senior Governance Officer (SGO) introduced the report which provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The

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SGO confirmed that, since the last meeting, no new risks had been added or existing risks deleted and highlighted that there had been no change to any risk scores.

A member asked why the score for risk number 2 remained unchanged and the SGO indicated that the score would not be revisited until all the recommendations from the VVV report had been completed.

Members indicated that it was not easy to identify whether there had been a change or no change to the score for a given risk. The SGO agreed to add a new data attribute to the CRR to indicate whether the score had increased, decreased or not changed since the last report.

The report was noted.

15. 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.

16. Formal questions

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

17. Date of next meeting

Due to the uncertainty over the commencement of the external audit, it was agreed to cancel the meeting scheduled for 21 November. As the next scheduled meeting was not until March 2024, it was agreed to hold an informal meeting instead on 21 November to welcome new members to the Audit and Risk Committee. The next Audit and Risk Committee meeting would be on **Tuesday 12 March 2024** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

18. Exclusion of the public

Proposed by Bill Dickson, seconded by Fran Whymark.

It was resolved unanimously to exclude the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighed the public benefit in disclosing the information.

There were no members of the public present and the recording was suspended.

19. Medium-Term Financial Planning Reserve

The Chief Executive (CE) introduced the report that detailed proposals for spending the Medium-Term Financial Planning (MTFP) reserve. The CE reminded members that this reserve was derived from the additional Defra National Park Grant funding to support increasing costs during 2022/23. This additional grant was announced and received very late in the financial

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year and resulted in a surplus for 2022/23. This surplus had been allocated to the MTFP reserve while a decision was taken on how best to utilise this money following members' suggestions at the previous committee meeting (14 March 2023).

As laid out in the report the key efficiency was the reduction in office space at Yare House. The CE explained the costs associated with the move that would result in the loss of the first floor, a move to the rear of the second floor and the reconfiguration of the Waveney meeting room to house additional desk space and a smaller meeting room.

The Management Team (MT) had consulted budget holders on how, once the cost of the Yare House move had been deducted, the remainder of the MTFP reserve could best be utilised which resulted in the three proposed options: External Funding & Partnership Working, Education and Access, and Hoveton Riverside Park.

The CE indicated that the MT favoured the External Funding & Partnership Working option as the Authority had a good track record of bidding and winning external funding, there was potential to work with existing partners on a Landscape Recovery Project and the Heritage Fund's new 10 year strategy provided more opportunities for the Authority.

There was a discussion whether the proposed spending associated with Yare House could be classed as spending on navigation and therefore not permitted under the terms of the additional National Park grant funding (section 1.4 of the report stated "cannot be used to support navigation expenditure" which related to a stipulation of the Change Control Notice (CCN) associated with the additional grant funding March 2023).

A Member believed that the spending on Yare House included navigation and therefore this cost should be apportioned to navigation on the same basis as other common running costs and recouped over a number of years via a loan arrangement. The Director of Finance (DoF) confirmed that spending on Yare House would be classed as spending on "service management & support services" which was permitted under the CCN criteria. The DoF added that this proposal was equivalent to the purchasing of the new plant cutter that was facilitated via Defra capital funding August 2022 and was permissible under National Park grant guidelines. The DoF clarified that the CCN had been fulfilled when funds were allocated towards costs in 2022/23 and therefore section 1.4 was incorrect (this would be noted at the Broads Authority meeting on 28 July 2023).

A number of Members acknowledged that the Education and Access option had initially looked appealing before recognising that the External Funding & Partnership Working provided the long term potential to deliver the other two options and more. A Member was concerned how the spending on Yare House could be perceived and recommended careful messaging to ensure it was understood to be part of a wider programme to improve the Authority's efficiency and reduce its costs. Members noted that the External Funding & Partnership Working would deliver themes within the Broads Plan and the intention to self-fund the associated new Partnership and External Funding Manager role within two years.

Proposed by Michael Scott, seconded by Paul Hayden and

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It was resolved unanimously to recommend to the Broads Authority to use the additional National Park expenditure, in reducing the long-term costs of occupation at Yare House and increasing the capacity of the Authority to develop partnerships and seek external funding, as set out in the External Funding & Partnership Working option.

The meeting ended at 11:45 am.

Signed by

Chair

DRAFT

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 7

Investment Strategy and Performance Report 2023/24 and Draft Capital, Treasury and Investment Strategy 2024/25

Report by Director of Finance

Summary

This report contains two items:

- i. Details of the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the ten months to 31 January 2024.
- ii. The Draft Capital, Treasury and Investment Strategy 2024/25.

Recommendation

- i. To note the current arrangement regarding the investment of surplus cash.
 - ii. To recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval.
-

1. Introduction

- 1.1. It was previously agreed that a report on the performance of the Broads Authority's investments would 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 surplus cash is governed by the Authority's Treasury and Annual Investment Strategy 2023/24. Details of this strategy renewal are in paragraph 3.1.
- 2.2. As detailed in the strategy, the Authority's primary concern is to safeguard its capital and the liquidity of its investments. Surplus cash sums are monitored on a weekly basis by the Authority's Finance staff and transferred as and when required to appropriate institutions listed in the Strategy. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the ten months to 31 January 2024 were as shown in Table 1.

Table 1

Investment Holdings 2023/24

Type	Opening Balance £'000s	Closing Balance £'000s	Highest Sum £'000s	Lowest Sum £'000s
Instant Access	1,097 ¹	1,195	2,556	508
32 Day Notice	513 ²	534	534	512
95 Day Notice	2,500	2,500	2,500	2,500
DMO Fixed Deposits ³	2,000	2,000	3,000	2,000

2.3. Since April funds have been returned from the Debt Management Office (DMO) and reinvested. During this period there have been seven transfers to the DMO for periods ranging from two weeks to six months. Each transfer has been for £1 million, and all returned deposits have been reinvested depending on cashflow.

2.4. The figures for the previous year (2022/23) were as shown in Table 2.

Table 2

Investment Holding 2022/23

Type	Opening Balance £'000s	Closing Balance £'000s	Highest Sum £'000s	Lowest Sum £'000s
Instant Access	1,244	1,097	2,702	70
32 Day Notice	503	513	513	503
95 Day Notice	4,500	2,500	4,500	2,500
DMO Fixed Deposits	0	2,000	2,000	0

2.5. 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. This is important for the Heritage Lottery Fund, Peat Restoration and Paludiculture Exploration Fund projects, which are claimed three months in arrears. Payment can then be a further three to six months after submission.

¹ Correction 12.03.2024: Opening balance amended to be consistent with Table 2 – ~~1,178~~ 1,097

² Correction 12.03.2024: Opening balance amended to be consistent with Table 2 – ~~512~~ 513

³ Investments can be made over night or up to 6 months. Current balance is equally split and invested for 182 days.

- 2.6. Interest earned to the end of January is £220,077.93 and is forecast to increase to £280,000 by the end of March. This is based on interest rates that range from 1.6% to 5.3%.
- 2.7. The amount of interest received during 2022/23 was £117,140.62 based on interest rates ranging from 0.2% to 4.3%. Forecast interest for 2022/23 was £105,000.

3. Draft Capital, Treasury and Annual Investment Strategy 2024/25

- 3.1. The Prudential Code requires local authorities to produce an Annual Investment and Capital Financing (borrowing) Strategy. This must be approved before the start of each financial year, by the Broads Authority.
- 3.2. The Treasury Strategy is on pages 7-13. Paragraph 2.22 states that the Authority does not currently use external providers as part of the treasury management process. In the past this has been based on the costs of such providers exceeding the returns on investments and the level of risk the Authority was prepared to accept. However, Members may recall that the committee asked for this to be reviewed during 2023/24 for potential implementation during 2024/25. This work has not been completed due to other commitments, including Yare House downsizing, supporting the payroll tender, IFRS 16 and preparation for the finance system tender.
- 3.3. External treasury advisors are used by a number of local authorities and any change to the arrangements would impact the production of the next Investment Strategy as consideration would need to be given to the Authority's risk appetite. As stated above the Authority's risk profile is currently low, with the main priority as security of capital and liquidity, this is limited to one year or less for specified investments. The Authority does not currently invest in non-specified investments (more than one year). Once a tender process has been worked up in the forthcoming financial year, what a change in the Authority's risk appetite might mean and the options for a potential contractor being in place for the start of 2025/26 will be bought back to members in due course.
- 3.4. The Annual Investment Strategy has been updated to reflect current holdings in paragraph 3.1. Paragraph 4.2 sees the forecast of the Authority's Capital Financing Requirement (CFR) over the next three years. The CFR measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. Although historically reported as part of the Authority's Statement of Accounts the Code requires its inclusion here. Prior to 2024/25 the CFR did not include Rights of Use (ROU) assets following the introduction of IFRS 16 (see agenda item 9). Paragraph 4.3 highlights the impact the introduction of IFRS 16 Leases will have on the Authority. Where leases are included under the adoption of IFRS 16, it will increase the Authority's assets as well as its other long-term liabilities (borrowings). As a result, the authorised level of capital expenditure and debt has increased for 2024/25 when compared to those quoted in 2023/24 strategy.

- 3.5. The revised Prudential Code sets out the indicators relevant to the Authority and these are set out in paragraphs 4.1 and 4.2. It should be noted that the figure quoted for capital expenditure in 2024/25 is based on the maximum amount that maybe be spent if a £500k capital grant from DEFRA is received. This figure will reduce by £60,000 if the capital grant is not forthcoming. As with previous capital grants the full amount will need to be spent in 2024/25 and the Authority has focused on purchasing items that would have been funded by earmarked reserves. This will result in higher balances on the earmarked reserves at years end.
- 3.6. The authorised and operational boundary for external debt has increased from £500k and £400k to £900k and £800k respectively. The main driver for this increase is the need to recognise the lease liability for ROU assets. Whilst some asset valuations have been completed an estimate has been made for the peppercorn leases which may require these values to be revisited during 2024/25.
- 3.7. Paragraph 4.11 discusses the liability benchmark which was a new requirement under the code in 2021. The benchmark was introduced so that the debt maturity profile of the Authority could be compared with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement. As it currently stands the benchmark matches our existing levels of debt.
- 3.8. The Capital Receipts Reserve balance is set out in paragraph 4.4. The reserve can be used to fund capital expenditure or the repayment of debt. The overall balance is split 59% National Park and 41% Navigation. Members have indicated that the Navigation proportion of the Ludham field base receipt (40% of £405k) will be used to help fund the new tolls system. Significant improvements to existing (new facilities) or the purchase of new sites/assets may be funded from this reserve, subject to member approval.
- 3.9. Members' views are sought on the draft prior to the Broads Authority meeting on 15 March 2024.

Author: Emma Krelle

Date of report: 23 February 2024

[Broads Plan](#) strategic objectives: All

Appendix 1 – [Capital, Treasury and Investment strategy 2024/25](#)

Capital, treasury and investment strategy 2024/25

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Capital Strategy

1. Introduction

- 1.1. The update of CIPFA's Prudential Code in December 2021 and Capital Finance guidance notes in September 2018 introduced the need for Local Authorities to have a Capital Strategy from 2019/20. It is intended to provide a high-level overview of how capital expenditure; capital financing and treasury management contribute to the provision of services and how the risks of these activities are managed and what impact it may have for future financial sustainability.
- 1.2. The Capital Strategy will be renewed annually. Monitoring and approval of the strategy will remain with the Authority.
- 1.3. The Capital Strategy provides a link between The Broads Plan, Strategic Priorities, the Asset Management Strategy and the Financial Strategy.
- 1.4. The current Broads Plan covers the period of 2022-2027. It is a partnership strategy for the whole of the Broads and sets out guiding actions not just for the Authority but all partners. Its success very much depends on a common vision, strong partnership working and the best use of shared resources. The plan is available on the website [Broads Plan 2022 - 2027 \(broads-authority.gov.uk\)](https://broads-authority.gov.uk). This plan will be monitored through an annual meeting with key delivery partners and to maximise joint partnership working.
- 1.5. 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 Broads Authority and details can also be found on the website.
- 1.6. The Asset Management Strategy sets out the Authority's practices and procedures which have been established to ensure that the Authority's land, property and other assets are managed and maintained as effectively as possible. It also sets out a series of key principles which will be adhered to in the management of the asset base and guidance on the procurement and disposal of land and property. A copy is also available on the website.
- 1.7. The annual Budget and Financial Strategy includes capital expenditure for the forthcoming year and the following two financial years. The earmarked reserves appendix identifies what capital expenditure will be funded in each year. Although the later years are based on the replacement programmes the last two financial years should be seen as estimates. These estimates maybe updated as a result of refining the costings during budget setting for those years.

2. Core principles

- 2.1. All capital expenditure and investment decisions will be affordable, proportionate, prudent and sustainable.
- 2.2. Decisions to invest or dispose of capital items will comply with the Authority's delegated powers, standing orders and financial regulations.
- 2.3. Capital expenditure will reflect the aspirations set out in the Broads Plan, Strategic Priorities and the authority's environmental and carbon policies.
- 2.4. New areas of major capital expenditure (£250,000 plus) will be supported by a fully costed appraisal over the lifetime of the scheme and incorporated into the annual budget. Risks will be fully considered, not just during initiation but over the lifetime of the asset including its potential disposal.

3. Capital expenditure

- 3.1. Whilst other Local Authorities have large capital expenditure programmes to fund housing and regeneration projects the Authority's expenditure remains modest and focuses on operational need. Items of major capital expenditure are identified through the Asset Management Strategy replacement programme and as part of the budget setting process. Items of expenditure over £5,000 that have a useful economic life of more than one financial year are classified as capital expenditure.
- 3.2. Capital Expenditure can be funded via a number of methods. These include revenue budgets, earmarked reserves, capital grants, finance leases, long-term borrowing and capital receipts. All capital expenditure on physical assets is held on the Balance Sheet under Property, Plant and Equipment. At the end of 2022/23 the value of these items was £5.5m, of which £29k was funded by finance leases.
- 3.3. Traditionally revenue budgets tend to fund the smaller items such as tools and equipment. However larger Navigation items can be funded through revenue as a result of tolls setting. For 2018/19 the level of tolls was increased to facilitate the purchase of Tree Shears. In 2017/18 the moorings maintenance programme was rescheduled to enable the purchase of Acle Bridge moorings from revenue. The ongoing maintenance of assets is funded by revenue budgets and is not capitalised. Cost estimates are made on the basis of forecast maintenance required to keep assets in operational use.
- 3.4. Through identification of the Asset Management Strategy annual contributions are made from the revenue budget to the earmarked reserves to cover the cost of future replacements. Balances are built up and then drawn down in future years. Expenditure from the earmarked reserves is considered annually alongside the revenue budget, with a forecast for the following two financial years. Replacement

costs are regularly monitored to ensure that the contributions remain appropriate to the earmarked reserves. Where adjustments are required this will be passed to the Authority as part of the annual budget setting process.

- 3.5. Although long term borrowing remains an option to the Authority it is not regularly utilised for capital expenditure. At the end of 2022/23 the balance sheet contained one long term loan which had an outstanding balance of £65.25k. Further details can be found in the Treasury Management Policy Statement on borrowing principles (section 2.3).
- 3.6. The Authority currently holds two capital receipts. The first following the disposal of Ludham Field base in August 2018 and the second following the disposal of a JCB in March 2023. Capital receipts can be used to fund new capital expenditure or the repayment of debt. It is currently being held on the balance sheet with the Navigation share earmarked for the new toll system. New long-term capital projects will consider utilising the balance.

4. Short, medium and long term capital priorities

Short and medium term priorities (1-3 Years)

- 4.1. The Authority's short to medium term priorities is delivering the asset replacements detailed within the Asset Management Strategy and Earmarked reserves. The focus is on continued operations but with the potential to remain flexible as new opportunities for efficient working arise or if urgent items arise. Replacement items to be funded over the next three years include vehicles, excavators, wherries and Ranger launches. All of which will be funded from the Earmarked reserves.
- 4.2. It is expected that during the short to medium term that the potential options around Visitor Services and facilities will be explored. As options for improvements at existing site or new sites are developed these will be brought back to members with a business case. The key issue for new sites remains initial funding which will be explored through potential funding bids and partnership. As this progresses papers highlighting risks will be taken to the Authority for members to make the final decision.
- 4.3. The use of reserves other than earmarked reserves will require approval from the Authority. The impact of loss of investment income will need to be offset by the benefits of such a capital project.

Long term priorities (4 years plus)

- 4.4. The Authority's long-term priorities will be shaped by future funding agreements received from DEFRA in the form of National Park Grant and potential toll increases. Reductions to either forms of income could impact the potential to replace assets as

they near the end of their useful lives and ongoing maintenance programmes. Long term priorities will need to ensure that they will generate income to fund their upkeep and any reduction in investment income.

- 4.5. Larger items of equipment such as the wherries and launches can be operational anywhere between 20 and 50 years. It is essential that their ongoing maintenance is incorporated into the revenue budget and the contributions to the earmarked reserves continue.
- 4.6. The moorings refurbishment programme remains a key area of maintenance to ensure that moorings remain safe to use by the public. Where the Authority is responsible for future piling and upkeep it will seek to own sites or minimise rental payments in recognition for this ongoing responsibility.

5. Risk appetite

- 5.1. The Authority's risk appetite towards capital expenditure remains low and will be based around the core principles. Funding of capital items will continue mainly through existing resources but on occasion finance leases or other borrowing maybe appropriate. Borrowing principles are set out in the Treasury Strategy (section 2.2) and the forecast of capital expenditure and borrowing limits is in the Investment Strategy (section 4).
- 5.2. The Authority recognises the importance of ensuring that all staff involved in the capital strategy are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual appraisal.
- 5.3. It is recognised decisions surrounding land and buildings carry a higher degree of risk. Where opportunities arise of acquisition or disposal the Authority will make use of its property consultants and legal advisers to ensure these risks are fully understood.

Treasury strategy

1. Introduction

- 1.1. Both CIPFA's Treasury Management Code of Practice (2021 Edition) and the Prudential Code requires the Authority to produce a strategy which explains the Authority's borrowing and investment activities and the effective management and control of those risks. This strategy seeks to incorporate the best practice recommendations from this guidance whilst also bearing in mind the Guidance for Smaller Public Service Organisations (2014 Edition).

2. Treasury management policy statement

- 2.1. The Authority defines its treasury management activities as:

- The Management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those.
- The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Authority acknowledges that effective treasury management will provide support towards the achievement of its strategic objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

Borrowing principles

- 2.2. The Authority intends to fund all of its capital expenditure from either its earmarked reserves, capital receipts or from its revenue accounts. However if any of those accounts hold insufficient funds borrowing maybe considered.
- 2.3. The Authority currently has one long term loan from the Public Works Loan Board (PWLb) that was utilised to purchase the dredging operation from May Gurney in November 2007 for £290,000. This is to be paid over a 20-year period at a fixed interest rate of 4.82%. Repayments are incorporated into the revenue budget. The Authority also has the option to enter into finance leases to purchase capital items. Typically this has included the purchase of large pieces of equipment such as the

JCB, the Doosan excavator and the concrete pump. International Financial Reporting Standards include these types of leases as borrowing due to the risk and reward of the asset transferring to the Authority. During 2020 the Authority took out a short-term loan from the PWLB for £105,000 to fund the purchase of a new excavator. This is to be repaid over 5 years at a fixed interest rate of 2%. This was considered the most cost-effective form of borrowing when compared to a finance lease.

- 2.4. If additional borrowing was deemed necessary following committee consultation then the Authority would need to minimise the costs to the revenue budgets including future year repayments and undertake new borrowing at the cheapest cost.

Investment principles

- 2.5. The Authority's main objective is the prudent investment of its treasury balances. Investments are made purely for treasury management purposes, not to support service and commercial purposes. The main priorities are the security of capital and the liquidity of its investments. It will be only after these have been satisfied that it will aim to achieve optimum return on its investments. The Authority will not engage in borrowing purely to invest or to on-lend to make a return. Such activity is considered unlawful.

Treasury management practices

Risk management

- 2.6. The Authority adopts a low-risk appetite to its treasury management but is not totally risk averse. It will invest with other institutions with appropriate credit ratings rather than just making use of government deposits. If additional borrowing should be required it will seek to borrow on a fixed rate basis to build in assurance for future year liabilities.
- 2.7. As part of the Authority's corporate and directorate risk registers, risks are monitored and managed on a regular basis. This includes investment risks. Corporate risks are reported to every meeting of the Risk, Audit and Governance Committee. Responsible Officers review these throughout the year and are discussed at Directorate meetings.
- 2.8. Risks specific to treasury management include:
- **Credit and Counterparty:** The main objective of the Authority is to secure the principal sum it invests and therefore takes a prudent approach as to whom it invests funds with. This is limited to organisations who meet minimum criteria and is covered in more detail within the investment strategy. The Authority also faces this risk through the default of its debtors. Payment terms are limited to 30

days or where appropriate payment is asked for in advance. Corrective action is taken as required to secure outstanding debts. Bad debts are kept to a minimum.

- **Liquidity:** The Authority will maintain adequate but not excessive cash balances and borrowing arrangements to enable it to achieve its strategic objectives. The Authority will only borrow in advance of need where there is a clear business case to do so and will only do so for the current capital programme. Debt repayments are included in the annual revenue budget.
- **Interest rate:** The Authority will manage its exposure to fluctuations to interest rate risks in line with its budgets. It will achieve this through the prudent use of its approved instruments, methods and techniques to create stability and certainty of costs and revenues, whilst remaining sufficient flexibility to take advantage of unexpected changes to interest rates. The Authority will limit fixed term deposits to a period of no longer than one year to limit risks to liquidity.
- **Exchange rate:** The Authority will manage its exposure to fluctuations in exchange rates to minimise any impact on its budgeted income/expenditure levels. External advice will be sought to manage this in the most appropriate way as it could have a significant impact; this is particularly important in regard to EU grants.
- **Inflation:** The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.
- **Re-financing:** If the Authority was in a position to re-finance its borrowing it will ensure that such arrangements are negotiated, structured and documented and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or re-financing. These will be competitive and as favourable to the organisation that can be reasonably achieved in the light of market conditions at the time. It will manage its relationships with its counterparties to secure this objective and will avoid the over reliance on any one source of funding if this might jeopardise achievement of the above.
- **Legal and regulatory:** The Authority will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonable to do so, will seek to minimise any adverse risks.

- **Operational risk, including fraud, error and corruption:** The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. It will employ suitable systems and procedures to ensure segregation of duties and will maintain effective contingency management arrangements to do so. In addition, the Authority holds Fidelity Guarantee Insurance with Zurich Municipal as part of its overall insurance management arrangements.
- **Price:** The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from such fluctuations.

Performance measurement

- 2.9. Treasury management will be subject to regular review of its value for money and if other alternative methods of delivery will become more appropriate. The Risk, Audit and Governance Committee will receive reports twice a year detailing performance. It will also review the Treasury Strategy prior to the Authority meeting which remains responsible for its adoption. Further details of those performance measures are included within the Investment Strategy.

Decision making and analysis

- 2.10. The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account at that time.

Approved instruments, methods and techniques

- 2.11. The Authority will undertake its treasury management activities by only employing those instruments, methods and techniques as detailed in the Investment Strategy. The Authority does not intend to use derivative instruments to manage risk. However if it chose to do so in the future it would seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

Organisation, clarity & segregation of responsibilities, and dealing arrangements

- 2.12. In order for there to be effective control and risk management it is essential that there is clear segregation of duties for the reduction of the risk of fraud and error and for the pursuit of optimum performance. This will be subject to regular review by Internal Audit as part of its key control test. If at any time there is a lack of resources that does not allow this, it will be reported to the Risk, Audit and

Governance Committee. Such duties are detailed in the Finance department's job descriptions and are reviewed annually.

- 2.13. The Director of Finance is responsible for the development of the strategy, whilst cash flow monitoring is undertaken by the Senior Finance Assistant and reviewed by the Senior Accountant. The Director of Finance will remain responsible for identifying appropriate counter parties in line with agreed criteria. Funds to be transferred will be carried out by the Senior Finance Assistant, Financial Accountant and Senior Accountant following approval by the Director of Finance. All funds will be automatically transferred back into the Authority's main bank account. The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

Reporting requirements and management information

- 2.14. The Director of Finance will prepare regular reports for consideration on the implementation of its policies, the effects of decisions taken and transactions executed. The reports will also consider the impact of any changes on the budget or other regulatory, economic and market factors.
- 2.15. The Broads Authority will receive an annual report on the strategy and the plan for the coming year. The Risk, Audit and Governance Committee will review this strategy and receive a mid-year review and an annual report on activity over the last year. Any impact on investment income will be reported throughout the year to the Broads Authority as part of its Finance Performance and Direction reports.

Budgeting, accounting and audit arrangements

- 2.16. The Director of Finance will prepare the annual budget which will include the costs of the treasury function as well as the investment income as deemed by statute and regulation. The Director of Finance will be responsible for exercising control over these items and will report any changes as required as detailed above.

This Authority will account for its treasury management activities, decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Cash and cash flow management

- 2.17. The Director of Finance will be responsible for all monies in the hands of the Authority and will be reviewed for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis to ensure that liquidity risk is monitored. This will be undertaken on a weekly basis by the Senior Finance Assistant and reviewed by the Senior Accountant. This weekly forecast will

also look at predictions for the current month. Annual cash flow predictions will be prepared by the Director of Finance following preparation of the annual budget.

Money laundering

- 2.18. The Authority is aware that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Further details can be found in the Authority's Counter Fraud, Bribery and Corruption policy and its Financial Regulations. Copies are available to all staff on the Intranet.

Training and qualifications

- 2.19. The Authority recognises the importance of ensuring that all staff involved in the treasury management are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual appraisal.
- 2.20. The Director of Finance will ensure that the Risk, Audit and Governance Committee who have treasury management/scrutiny responsibilities have access to training relevant to their needs and responsibilities.
- 2.21. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

Use of external providers

- 2.22. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times. It recognises that there may be value in employing external providers in order to access specialist skills and resources. However the use of external providers is not currently used based on the Authority's limited amount of surplus funds and the costs associated. If this position changed it would ensure a full evaluation had been undertaken as to the costs and benefits through the Authority's Standing Orders.

Corporate Governance

- 2.23. Treasury Management activities will be undertaken with openness and transparency, honesty, integrity and accountability. This together with the other arrangements detailed in the Investment Strategy are considered vital to the achievement of proper corporate governance in treasury management. The Director of Finance will monitor and report upon the effectiveness of these arrangements.

Management practices for non-treasury investments

- 2.24. The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

2.25. The Authority will ensure that all investments are covered in the investment strategy, and will set out, where relevant, the Authority's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. Where the Authority holds non-treasury investments a schedule of these types of investments will be included.

Annual Investment Strategy 2024/25

This strategy builds on those principles and practices as laid out in the Treasury Management Strategy. It continues to give priority to the security of capital and liquidity before returns are considered.

The Authority will continue to invest in Sterling and will consider the bodies environmental, social and governance (ESG) practices.

1. Specified investment

1.1. These investments are made in Sterling and have a duration of 1 year or less.

Typically, these are low risk investments due to being made with high credit rating bodies, examples include:

- UK government or local authorities.
- UK/European banks and building societies.
- Money Market funds (AAA rated by credit rating agency)
- Debt Management Agency deposit facility

1.2. This list is not exhaustive but highlights where the Authority is most likely to place its funds.

1.3. To mitigate against the risks of credit and counterparty the Authority will only seek investments with bodies that have at least a short-term rating of F-1 as stated by Fitch credit ratings.

1.4. The Authority will monitor these ratings monthly through online credit watches and use these to determine any new investments. This may mean those failing to meet the criteria will be removed from the list, whilst those new counterparties who do may be added. Other market information including the financial press will be monitored.

2. Non-specified investments

2.1. These investments tend to be any other type of permitted investment which have durations of more than a year. This also includes equity-type investments. At this point the Authority does not consider these types of investments as appropriate but may do so in the future if surplus funds permit.

2.2. Longer term investments will only be considered with those institutions that have a Fitch credit rating of A (+/-). In addition institutions ethical and environmental

activities will also be taken into consideration to compliment the Authority’s strategic objectives, including responding to climate change and sustainability.

- 2.3. The Authority will seek proper advice and will consider that advice when entering into arrangements on derivatives to ensure that it fully understands those products.

3. Liquidity

- 3.1. The Authority will seek to try and spread its investments to avoid over reliance on one institution. Funds held at Barclays are automatically swept each day into its Business Premium. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £5.0m and £8.1m.

Current Holdings as at 31/01/24

Counterparty	Holding/ Investment	Interest rate	Investment date	Maturity date
Barclays Notice Account	2,500,000	Base rate + 0.05%	n/a	95 days’ notice
Barclays Notice Account	537,000	Base rate – 0.05%	n/a	32 days’ notice
Debt Management Office (DMO)	1,000,000	5.15%	24/01/2024	24/07/2024
Debt Management Office (DMO)	1,000,000	5.18%	22/11/2023	21/02/2024
Barclays Premium Account	1,195,013	2%	n/a	Instant access

4. Capital financing (borrowing) principles

- 4.1. The following table shows the current forecast for capital expenditure for the next three years. Commentary is also provided below.

Prudential indicator 2024/25-2026/27

Prudential indicator	2024/25	2025/26	2026/27
Estimate of capital expenditure	£1,482,000	£225,000	£390,000
Authorised limit for external debt	£900,000	£900,000	£900,000
Operational Boundary	£800,000	£800,000	£800,000

- 4.2. The Capital Financing Requirement (CFR) is reported annually in the Authority’s statement of accounts. It measures the amount of capital spending that has not yet

been financed by capital receipts, capital grants or contributions from revenue income. The table below sets out the estimate CFR for the next three years.

Capital Financing Requirement

Movement	2024/25	2025/26	2026/27
Opening CFR 01/04	£92,510	£693,500	£593,473
Capital expenditure	£1,482,000	£225,000	£390,000
Capital expenditure funded from revenue	(£783,000)	(£225,000)	(£210,000)
Repayment of debt (MRP)	(£98,010)	(£100,027)	(£80,134))
Closing CFR 31/03	£693,500	£593,473	£693,339

- 4.3. From 2024/25 the Authority will recognise Right Of Use (ROU) assets on the balance sheet through the adoption of IFRS 16. A ROU asset is typically where the Authority has the right to use an asset through a lease. Prior to 2024/25 these were recognised as operating leases and although declared in the Statement of Accounts were not recognised as an asset. Of the £1,482,000 capital expenditure £857,000 relates to leases, the most significant being Yare House. The inclusion of these ROU assets, but excluding peppercorn leases, increases the Capital Financing Requirement (CFR) and the operational and authorised debt limits when compared to 2023/24.
- 4.4. The use of reserves to finance capital expenditure will have an impact on level of investments. However budgeted contributions to earmarked reserves should mitigate this as well as the sale of assets. The table below shows estimates of year end balances for each resource.

Estimated year end reserves 2024/25-2025/26

Estimated Year-End reserves	2024/25	2025/26	2026/27
General and Navigation Reserves	£1,545,000	£1,303,000	£1,019,000
Earmarked Reserves	£1,755,000	£1,897,000	£2,036,000
Capital Receipts Reserve	£422,000	£422,000	£422,000
Total Investments 31 March	£3,722,000	£3,622,000	£3,477,000

Affordability

- 4.5. The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to net revenue stream. The Authority's current borrowing

consists of the Public Works Loan Board (PWLB) loans and leases. The first PWLB Loan was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid to contract out to May Gurney in the past. Lease interest repayments are also charged directly to the revenue budget. Whilst both of these remain less than - 1.33% of National Park Grant and Navigation income it is felt that this indicator is not appropriate for use by the Authority in this instance. Any increases to debt will require this indicator to be reviewed.

External debt

- 4.6. Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.
- 4.7. Therefore, the Authority will at this time only borrow long term to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.
- 4.8. Actual debt as at 31 March 2023 was £129,499 which consists of the PWLB loans.

Authorised limit

- 4.9. The Authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, separately identifying borrowing from other long-term liabilities (excluding pension liability and government grants deferred). It should be noted that the Authority does not have any other long-term liabilities at present or plans to have any in the future. This prudential indicator is referred to as the authorised limit and is shown in the table above.

Operational Boundary

- 4.10. The authority will set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt. This Prudential indicator is referred to as the operational boundary and is shown in the table above. The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario.

Liability Benchmark

- 4.11. The revision of the code in 2021 included a liability benchmark. The benchmark compares the debt maturity profile of the Authority with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement.

Whilst other local authorities have high value consisting of mixed debt profiles the Authority's debt is fixed term, relatively low value and repaid in full without the need to refinance. The loan relating to the purchase of the dredging operation will be repaid in full in 2027/28. This combined with the forecast level of investment balances means that the benchmark equals the existing level of debt. Levels of debt can be found in the capital financing requirement table. If the Authority's debt structure changed then the benchmark would be revisited.

Capital expenditure

- 4.12. The Authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. This Prudential indicator will be referred to as estimate of capital expenditure and is included in the table above.

Treasury management

- 4.13. The Prudential Code requires authorities to set upper limits for its exposure to the effects of changes in interest rates. However, as explained above under paragraph 4.5, the current borrowing costs will not be an additional cost to the Authority. The Authority has borrowed at a fixed interest rate, thus reducing its exposure to changes in interest rates. This Prudential indicator is therefore not considered necessary in this instance.
- 4.14. There remains a small risk to the Authority in using fixed term deposits that interest rates may increase in the short term. This is minimised by the structuring of how investments are placed. By minimising fixed term deposits to a minimum of 1 year and staggering them it will allow the Authority to take advantage of any increase as funds become available for re-investment. Funds in instant access will be able to take advantage of any increase in rates.

Maturity structure of borrowing

- 4.15. The Prudential Code requires authorities to set upper and lower limits with respect to the maturity structure of its borrowing. However, as the Authority only has a single long-term loan this indicator is not considered relevant.

5. Non-treasury investments

- 5.1. Previously the Authority held one non-treasury investment in the form of an Investment Property (Ludham Field base). This was disposed of in August 2018, the proceeds of which are currently held in the Capital Receipts Reserve. There are currently no plans for additional non-treasury investments.

6. End of year investment and capital financing report

- 6.1. The Authority will provide a report on its investments and capital financing activity at the end of the financial year, as part of its final accounts reporting procedure.

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 8

Consolidated income and expenditure – 1 April to 31 January 2024 actual and 2023/24 forecast outturn

Report by Senior Accountant

Purpose

This report provides details of actual income and expenditure for the ten-month period to 31 January 2024, and a forecast of the projected expenditure at the end of the financial year (31 March 2024).

Recommendation

To note the income and expenditure figures.

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1. Introduction

- 1.1. This financial monitoring report summarises details of the forecast outturn and actual expenditure for both National Park and Navigation.

2. Overview of actual income and expenditure

Table 1

Actual consolidated income and expenditure by directorate to 31 January 2024.

Directorate	Profiled latest available budget £	Actual income and expenditure £	Actual variance £
Income	(7,771,805)	(7,965,703)	+193,898
Operations	4,132,847	3,644,073	+488,414
Strategic Services	1,404,098	1,554,856	-150,759
Finance & Support Services	1,964,780	1,988,487	-23,707
Projects, Corporate Items and Contributions from Earmarked Reserves	(899,170)	(402,988)	-496,182
Net (Surplus) / Deficit	(1,169,610)	(1,181,274)	+11,664

- 2.1. Core navigation income is below the profiled budget at the end of month ten. The overall position as at 31 January 2024 is a favourable variance of £11,664 or a 1.0% difference from the profiled LAB. This is principally due to:

- An overall favourable variance of £193,898 within income:
 - National Park grant is £150,000 above the profiled budget due to the previously capital grant unapplied for Hulver Ground has been released to fund the purchase.
 - Hire Craft Tolls is £9,052 below the profiled budget.
 - Private Craft Tolls is £70,498 below the profiled budget.
 - Short Visit and Other Tolls is £7,020 above the profiled budget.
 - Investment income is £116,428 above the profiled budget.
- An underspend within Operations relating to:

- Equipment, Vehicles & Vessels is over the profiled budget by £13,116 due to urgent repairs on the concrete pump and an overspend on fuel. This is partially offset by the delays in expenditure from earmarked reserves.
- Land Management is under the profiled budget by £41,956 due to receiving the majority of the RPA income.
- Practical Maintenance is under the profiled budget by £240,240 partly due to electricity charges and usage not being as high as predicted and delays in expenditure from earmarked reserves. In addition a grant has been received for the installation of electric charging points, the expenditure has yet to take place. Work at Hoveton Riverside Park has also been deferred until 2024/25.
- Ranger Services is under the profiled budget by £23,656 due to an underspend in Salaries.
- Premises is under the profiled budget by £76,403 due to delays in expenditure at the Dockyard from the earmarked reserves.
- Project Funding is under the profiled budget by £97,487 due to delays in expenditure on Yare House downsizing. The balance will be transferred to the earmarked reserves at the end of the 2024/25 as agreed by the Broads Authority 26/01/24.
- An overspend within Strategic Services relating to:
 - Development Management is under the profiled budget by £12,020 due to underspends in Consultancy fees.
 - Strategy and Project Salaries is over the profiled budget by £135,461 which is primarily due to a delay in the FiPL income from DEFRA, which is expected to be received in March 2024.
 - Communications is under the profiled budget by £27,812 due to receiving additional grant income from Forest Holidays, Green Pathways and Rails, Trails and Sails.
 - Visitor Centres and Yacht Stations is over the profiled budget by £64,299 which is due to a decrease in mooring income being less than budgeted and the lease at Reedham Quay not being finalised so charging this season could not commence.
- An overspend within Finance and Support Services relating to:
 - National Park Grant is over the profiled budget due to the delayed purchase of Hulver Ground, which is offset with additional National Park Grant income.
 - Legal is over the profiled budget by £69,547 due to increased costs for Reedham Quay, Monitoring Officer recharges and increased prosecution costs.

- Asset Management is under the profiled budget by £29,416 due to budget from earmarked reserves being spent later than originally planned.
- Premises Head Office is under the profiled budget by £109,764 due to a delay in budget from earmarked reserves being spent on the Yare house reduction.
- ICT is under the profiled budget by £31,644 due to an underspend in Computer Hardware and budget from earmarked reserves being spent later than originally planned.
- An adverse variance within earmarked reserves relating to:
 - Medium Term Planning is under the profiled budget due to a delay in the Yare House downsize taking place.
 - Premises is under the profiled budget due to delays on Dockyard expenditure.
 - Property is under the profiled budget due to works at Hoveton Riverside Park not going ahead this year and being transferred to 2024/25.
 - Catchment Partnership is above the profiled budget due to a delay in receiving income
 - Computer Software is under the profiled budget due to delays in the toll system replacement project.
 - Upper Thurne is under the profiled budget due to delays on expenditure.
 - UK Communications Team is under the profiled budget to the additional income received for the extension.

2.2. The charts at Appendix 1 provide a visual overview of actual income and expenditure compare with both the original budget and the LAB.

3. Latest available budget

3.1. The Authority's income and expenditure is monitored against the latest available budget (LAB) for 2023/24. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Full details of movements from the original budget are set out in Appendix 2.

Table 2

Adjustments to consolidated LAB

Item	Authorisation reference	Amount £
Original budget 2023/24 – deficit	Broads Authority 20/01/23 Agenda item number 11	18,222
LAB as at 31 January 2024	n/a	18,222

4. Overview of forecast outturn 2023/24

- 4.1. Budget holders have been asked to comment on the expected income and expenditure at the end of the financial year in respect of all budget lines for which they are responsible.
- 4.2. A summary of these adjustments is given in the table below:

Table 3

Adjustments to Forecast Outturn

Item	Amount £
Forecast outturn deficit per LAB	18,222
Decrease to Hire Craft Tolls	9,053
Decrease to Private Craft Tolls	69,048
Increase to Investment Income	(155,000)
Increase to Bank charges	9,150
Increase to salary costs for pay award	96,480
Staff recharges to externally funded Peat grants	(33,272)
Increased external funding grants & planning income	(75,750)
Expenditure increases for additional grant and other savings	41,828
Increased legal fees	60,000
Forecast outturn deficit as at 31 January 2024	39,759

5. Reserves

- 5.1. As in previous years, the Authority's contributions to the reserves have all been made in full at the end of quarter one. This has resulted in some reserves showing increased balances. These will reduce as planned purchases take place throughout the year.
- 5.2. Items funded from the Property Reserve include the deposit for the replacement hut at Reedham Quay less the income from land rental at Oulton Broad. The Plant, Vessels and Equipment reserve has funded six new vehicles and presale inspection on a crane. The Premises Reserve has funded the architect and QS fees for the Yare House alterations. The Heritage Lottery Fund, Catchment Project, CANAPE, UK Communications and Match Funding contains the income and expenditure relating to those projects. The Medium-Term Planning reserve has funded the additional expenditure for the delayed reconfiguration of Yare House and External Funding & Partnership working.

Table 4

Consolidated earmarked reserves

Reserve name	Balance at 1 April 2023 £	In-year movements £	Current reserve balance £
Property	(936,361)	(72,796)	(1,009,157)
Plant, Vessels and Equipment	(635,878)	77,980	(557,898)
Premises	(376,578)	(28,613)	(405,191)
Planning Delivery Grant	(261,209)	0	(261,209)
Upper Thurne Enhancement	(213,533)	(21,000)	(234,533)
HLF	(171,017)	239,205	68,188
Catchment Partnership	(84,887)	5,827	(79,060)
CANAPE	(463,385)	19,528	(443,857)
Computer Software	(152,592)	(20,000)	(172,592)
UK Communications	(4,820)	1,120	(3,700)
Match Funding (EXPERIENCE)	(17,466)	15,874	(1,592)
Medium-Term Planning	(449,623)	82,504	(367,119)
Total	(3,767,349)	299,629	(3,467,720)

6. Conclusion

- 6.1. The forecast position for the year suggests a surplus within the National Park and a deficit within the Navigation budget. This would result in a National Park Reserve balance of approximately £691,000 and a Navigation Reserve balance of £491,000 at the end of 2023/24 (before any year-end adjustments). This would mean that both reserves would be above the recommended levels, with National Park at 19.1% and Navigation at 11.1%. Year-end transfers of interest to the earmarked reserves and closure of the CANAPE reserve mean it will rise to approximately 23.0% and 12.0%. This will be highly dependent on the level of interest received.

Author: Ellie Richards

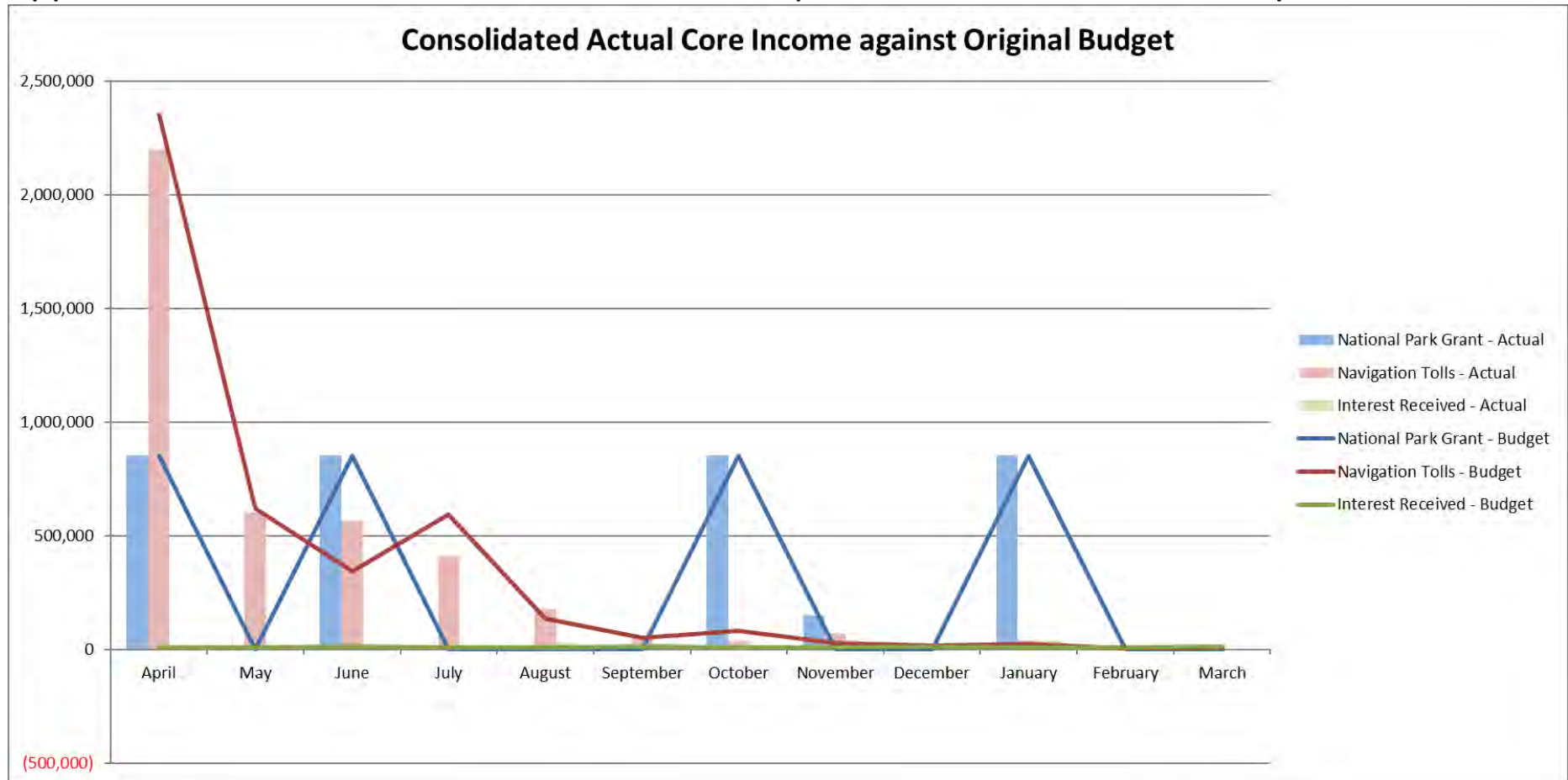
Date of report: 23 February 2024

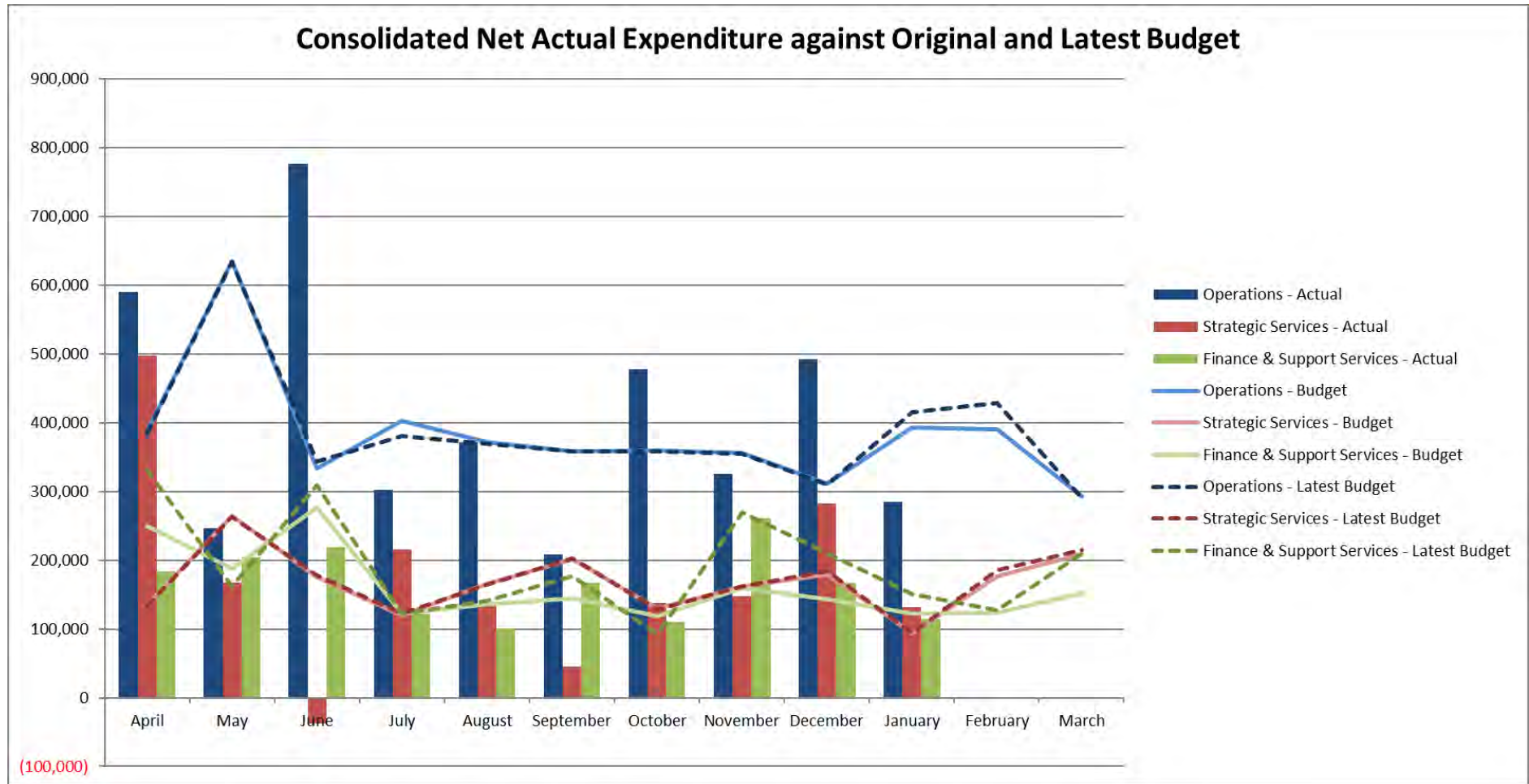
[Broads Plan](#) strategic objectives: All

Appendix 1 – Consolidated actual income and expenditure charts to 31 January 2024

Appendix 2 – Financial monitor: Consolidated income and expenditure 2023/24

Appendix 1 – Consolidated actual income and expenditure charts to 31 January 2024





Appendix 2 – Financial monitor: Consolidated income and expenditure 2023/24

Table 1
Income

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Income	(7,803,688)	0	(7,803,688)	(8,030,587)	226,899
National Park Grant	(3,414,078)	0	(3,414,078)	(3,564,078)	150,000
Hire Craft Tolls	(1,333,000)	0	(1,333,000)	(1,323,947)	-9,053
Private Craft Tolls	(2,844,000)	0	(2,844,000)	(2,774,952)	-69,048
Short Visit Tolls	(55,000)	0	(55,000)	(55,000)	0
Other Toll Income	(32,610)	0	(32,610)	(32,610)	0
Interest	(125,000)	0	(125,000)	(280,000)	155,000

Table 2
Operations

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Operations	4,861,285	35,100	4,896,385	4,700,692	195,693
Construction and Maintenance Salaries	1,549,230	0	1,549,230	1,570,557	-21,327
Salaries	1,549,230	0	1,549,230	1,574,610	-25,380
Expenditure	0	0	0	(4,053)	4,053
Equipment, Vehicles & Vessels	769,670	0	769,670	769,670	0
Income	(1,000)	0	(1,000)	(1,000)	0
Expenditure	770,670	0	770,670	770,670	0
Water Management	88,700	0	88,700	88,700	0
Expenditure	88,700	0	88,700	88,700	0
Land Management	(31,145)	0	(31,145)	(32,145)	1,000
Income	(87,500)	0	(87,500)	(87,500)	0
Expenditure	56,355	0	56,355	55,355	1,000
Practical Maintenance	592,475	0	592,475	442,475	150,000
Income	(56,185)	0	(56,185)	(56,185)	0
Expenditure	648,660	0	648,660	498,660	150,000
Waterways and Recreation Strategy	55,920	0	55,920	54,380	1,540

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Income	0	0	0	0	0
Salaries	47,920	0	47,920	46,380	1,540
Expenditure	8,000	0	8,000	8,000	0
Ranger Services	1,117,940	32,050	1,149,990	1,165,800	-15,810
Income	0	0	0	0	0
Salaries	986,990	0	986,990	1,002,800	-15,810
Expenditure	130,700	32,050	162,750	162,750	0
Pension Payments	250	0	250	250	0
Safety	143,315	3,050	146,365	146,385	-20
Income	(500)	0	(500)	(500)	0
Salaries	87,870	0	87,870	87,890	-20
Expenditure	55,945	3,050	58,995	58,995	0
Premises	294,450	0	294,450	214,450	80,000
Income	(2,600)	0	(2,600)	(2,600)	0
Expenditure	297,050	0	297,050	217,050	80,000
Project Funding	130,600	0	130,600	130,600	0
Expenditure	118,100	0	118,100	118,100	0
Pension Payments	12,500	0	12,500	12,500	0

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Operations Management and Administration	150,130	0	150,130	149,820	310
Salaries	144,030	0	144,030	143,720	310
Expenditure	6,100	0	6,100	6,100	0

Table 3
Strategic Services

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Strategic Services	1,722,479	43,167	1,765,646	1,773,158	-7,512
Development Management	419,510	14,000	433,510	434,830	-1,320
Income	(87,500)	0	(87,500)	(90,500)	3,000
Salaries	459,380	0	459,380	471,920	-12,540
Expenditure	42,930	14,000	56,930	48,710	8,220
Pension Payments	4,700	0	4,700	4,700	0
Strategy and Projects Salaries	264,590	7,478	272,068	243,393	28,675
Income	(209,000)	0	(209,000)	(401,833)	192,833
Salaries	215,230	21,478	236,708	301,650	-64,942

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Expenditure	258,360	(14,000)	244,360	343,576	-99,216
Biodiversity Strategy	9,300	0	9,300	20,988	-11,688
Expenditure	9,300	0	9,300	20,988	-11,688
Human Resources	161,810	(3,050)	158,760	158,900	-140
Salaries	102,110	0	102,110	102,250	-140
Expenditure	59,700	(3,050)	56,650	56,650	0
Volunteers	75,360	0	75,360	75,950	-590
Salaries	61,860	0	61,860	62,450	-590
Expenditure	13,500	0	13,500	13,500	0
Communications	393,974	0	393,974	427,154	-33,180
Income	(250)	0	(250)	(49,895)	49,645
Salaries	312,910	0	312,910	346,090	-33,180
Expenditure	81,314	0	81,314	130,959	-49,645
Visitor Centres and Yacht Stations	265,175	24,739	289,914	284,704	5,210
Income	(306,550)	0	(306,550)	(306,550)	0
Salaries	444,070	0	444,070	438,860	5,210
Expenditure	127,655	24,739	152,394	152,394	0

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Strategic Services Management and Administration	132,760	0	132,760	127,239	5,521
Salaries	130,260	0	130,260	129,960	300
Expenditure	2,500	0	2,500	(2,721)	5,221
Strategy and Projects	0	0	0	0	0
Expenditure	0	0	0	0	0

Table 4

Finance & Support Services

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Finance & Support Services	1,937,520	364,056	2,301,576	2,523,174	-221,598
National Park Grant	0	0	0	150,000	-150,000
Expenditure	0	0	0	150,000	-150,000
Legal	104,000	0	104,000	164,000	-60,000
Income	(6,000)	0	(6,000)	(6,000)	0
Expenditure	110,000	0	110,000	170,000	-60,000
Governance	245,350	0	245,350	241,250	4,100

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Salaries	185,750	0	185,750	185,450	300
Expenditure	59,600	0	59,600	55,800	3,800
Chief Executive	133,060	0	133,060	130,786	2,274
Salaries	132,060	0	132,060	130,600	1,460
Expenditure	1,000	0	1,000	186	814
Asset Management	153,880	0	153,880	146,100	7,780
Income	(24,300)	0	(24,300)	(24,300)	0
Salaries	53,320	0	53,320	53,740	-420
Expenditure	124,860	0	124,860	116,660	8,200
Premises – Head Office	161,940	364,056	525,996	525,996	0
Expenditure	161,940	364,056	525,996	525,996	0
Finance and Insurance	495,510	0	495,510	507,850	-12,340
Income	0	0	0	-10,000	10,000
Salaries	268,010	0	268,010	268,200	-190
Expenditure	227,500	0	227,500	249,650	-22,150
Collection of Tolls	208,680	0	208,680	210,930	-2,250
Salaries	198,080	0	198,080	200,330	-2,250
Expenditure	10,600	0	10,600	10,600	0

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
ICT	435,100	0	435,100	446,262	-11,162
Salaries	224,000	0	224,000	235,520	-11,520
Expenditure	211,100	0	211,100	210,742	358

Table 5

Projects and Corporate items

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Projects and Corporate Items	28,625	0	28,625	18,405	10,220
Partnerships / HLF	21,925	0	21,925	11,705	10,220
Income	(91,535)	0	(91,535)	(91,535)	0
Salaries	96,460	0	96,460	86,240	10,220
Expenditure	17,000	0	17,000	17,000	0
Corporate Items	6,700	0	6,700	6,700	0
Expenditure	6,700	0	6,700	6,700	0

Table 6

Contributions from earmarked reserves

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Contributions from Earmarked Reserves	(727,999)	(442,323)	(1,170,322)	(945,082)	-225,240
Earmarked Reserves	(727,999)	(442,323)	(1,170,322)	(945,082)	-225,240
Expenditure	(727,999)	(442,323)	(1,170,322)	(945,082)	-225,240

Table 7

Net (Surplus) / Deficit

Row labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Grand Total	18,222	0	18,222	39,759	-21,537

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 9

International Financial Reporting Standards- IFRS 16 Leases

Report by Director of Finance and Senior Accountant

Summary

To update members on the implementation of IFRS 16 and provide a draft accounting policy for consideration

Recommendation

- i. To note progress on implementation.
 - ii. To recommend approval of the new IFRS 16 accounting policy to the Broads Authority for approval from 1 April 2024.
-

1. Introduction

- 1.1. The International Accounting Standards Board (IASB) first published IFRS 16 Leases back in 2016. Private companies had to implement the new standard from 1 January 2019 and public sector was initially scheduled for 1 April 2022. The implementation for public sector had been delayed over a number of years partly due to COVID-19 but also in recognition to finance teams struggling with the external audit backlogs. In April 2022 CIPFA confirmed that adoption would be mandatory from 1 April 2024.
- 1.2. IFRS 16 Leases replaces the previous standard International Accounting Standard (IAS) 17 which dealt with how leases were categorised within the balance sheet. Under the old standard, leases were split between finance and operating leases. The main distinction being that finance leases were where the risk and reward transferred to the Authority and were included within the balance sheet. Operating leases were where the asset remained in the ownership of the landowner and rents were recognised via the income and expenditure statement. Although disclosed as note to the Statement of Accounts these were not recognised as assets or as a liability of the remaining lease payments.
- 1.3. IFRS 16 approaches leases from a slightly different angle and identifies assets where there is a right to use, including peppercorn leases. It removes the distinction between operating and finance leases for the Authority, where it is the lessee and excludes leases that run for less than 12 months.

2. Implications for the Broads Authority

- 2.1. As members are aware the Authority leases a proportion of its moorings. Under the old standard, some of these were considered as operating leases around the fact the land is normally considered a perpetual asset and the benefit of ownership remained with the landowner. A number of leases were classed as peppercorn leases which meant annual rent of £1 was considered immaterial and not recognised.
- 2.2. The Senior Accountant has undertaken a review of leases in preparation for 1 April 2024 implementation and 36 land/building leases have been identified. Under the transitional arrangements for the implementation of the standard leases can be recognised using the cost model (Initial lease liability + payments made before the lease start date – lease incentives received + Authority's direct costs + dismantling, removal and restoration costs) but only where lease is considered short term (under five years) and the lease provides for rent reviews for the amount payable to be updated to reflect current market conditions. Where these conditions are not met, including peppercorn leases the Authority's property advisors Norfolk Property Services (NPS) have been requested to value them at their current market value.
- 2.3. As highlighted in the Draft Capital, Treasury and Investment Strategy 2024/25 the introduction of IFRS 16 impacts the Authority's prudential indicators. The Right of Use (ROU) asset becomes an asset on the balance sheet and an unfunded liability of the outstanding lease payments. This in turn increases the Authority's Capital Financing Requirement (CFR) and its authorised debt limits.
- 2.4. At the time of writing NPS have completed the valuations for those leases that are revalued via CPI/RPI, but the peppercorn leases remain outstanding. This means a judgement has been made for those outstanding leases to calculate the CFR and debt limits for 2024/25. Of those valued £698,649 ROU assets and lease liabilities will need to be identified in the balance sheet. The most significant being Yare House (£470k) under the revised lease which is assumed to be in place for 1 April 2024. An additional £158,061 has been estimated for the peppercorn leases. This gives a total of £857,000 additional capital spend in 2024/25 and a liability of £699,000. The balance of the peppercorn leases will be identified as donated assets within the balance sheet and do not impact the CFR. All of the valuations will be subject to external audit review and any variations may require the estimates in the strategy to be revisited.
- 2.5. Previously, the Authority's authorised debt level had been £500,000 and the operational boundary debt set at £400,000. The previous Capital, Treasury and Investment Strategies had indicated that this may need to increase once the full implications of IFRS 16 was understood. The 2024/25 strategy proposes to increase these to £900,000 and £800,000, respectively. This is due to the current level of debt (PWLB) being predicted to be £94,000, which when combined with the £699,000 gives a potential opening balance of £793,000 which whilst it will reduce as payments are made the level may remain constant when leases are renegotiated.

3. IFRS 16 accounting policy

- 3.1. In order to formally implement the new accounting standard then the accounting policy within the statement of accounts needs to be updated and adopted. This would replace the existing wording for leases in the accounting policies. The 2022/23 wording can be found from [pages 27-28](#).
- 3.2. The policy looks to quantify low value leases, in line with the Authority's capital de minimis level of £5,000 and does not include leases of less than 12 months. The draft wording for the new policy can be found in Appendix 1.

4. Conclusion

- 4.1. The preparation of IFRS 16 has required a large effort to understand and analyse the financial requirements of each of the leases. As with the introduction of any new standard there is always an element of judgement by the preparer in line with any guidance issued. As a new item in the 2024/25 Statement of Accounts this will be subject to external audit scrutiny.

Author: Emma Krelle and Ellie Richards

Date of report: 26 February 2024

[Broads Plan](#) strategic objectives: All

Appendix 1 – Leases accounting policy

Appendix 1 – Leases accounting policy

xiv. Leases

The Authority as lessee

At inception of an arrangement, the Authority determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Authority the right to control the use of the underlying asset.

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable.
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Authority under residual value guarantees.
- The exercise price of a purchase option if the Authority is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.
- Lease payments to be made under certain extension options.

The lease payments are discounted using the Authority's incremental borrowing rate, being the rate, the Authority would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

For the current year, the Authority's incremental borrowing rate for each tenor consists of Public Works Loan Board (PWLB) as this is the source of borrowing previously used.

The Authority is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Comprehensive Income and Expenditure Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Authority will exercise a purchase option, then the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Comprehensive Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items under £5,000 and comprise of IT equipment, small items of office furniture and low value land.

Peppercorn leases

Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

- Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
- The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services

The Authority has a number of leases over land and property under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements through use of its property consultant, and these have been recorded in the financial statements, in respect of these leases.

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.

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 10

Internal Audit Strategic and Annual Plans 2024/25

Report by Head of Internal Audit

Summary

This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2024/25.

The annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provides the basis upon which the Head of Internal Audit will subsequently give an Annual Audit Opinion for 2024/25.

Recommendation

The Committee is requested to approve:

- i. The Internal Audit Charter 2024/25.
 - ii. The Internal Audit Strategy for 2024/25.
 - iii. The Annual Internal Audit Plan for 2024/25.
-

1. Introduction

- 1.1. The Authority is required by the Accounts and Audit Regulations 2015 to ensure “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 are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.3. The formulation of the Annual Internal Audit Plans for 2024/25 is described in the attached report, and the resulting plan contained therein.

Author: Teresa Sharman

Date of report: 23 February 2024

[Broads Plan](#) strategic objectives: All

Appendix 1 – [Annual Internal Audit Plans 2024/25](#)

Eastern Internal Audit Services



BROADS AUTHORITY

Annual Internal Audit Plans 2024/25

Responsible Officer: Head of Internal Audit for the Broads Authority

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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 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities; this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also considered when developing the internal audit plan:
 - The risk profile and maturity of the Authority;
 - Previous assurance gradings given in each area;
 - Any declarations to avoid conflicts of interest;
 - The requirements of the use of specialists e.g., IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example, systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at the Audit, Risk and Governance Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Audit, Risk and Governance Committee should ‘*review and assess the annual internal audit work plan*’.

2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 17 Officer, senior management and the Audit, Risk and Governance Committee annually. The Charter is

provided as part of this report for approval at **Appendix 1**. Please note that no significant changes have been made to the Charter this year.

2.2 As part of the review of the Charter, the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Senior Internal Auditor adhere to these, specifically regarding integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Eastern Internal Audit Services.

3. **INTERNAL AUDIT STRATEGY**

3.1 The purpose of the Internal Audit Strategy (**see Appendix 2**) is to confirm:

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit Charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed and how they will be enhanced.

4. **ANNUAL INTERNAL AUDIT PLAN**

4.1 As agreed in prior years, the Broads Authority's Internal Audit Plan is revisited on an annual basis to ensure that this is both responsive and reflective of the developments, new risks, emerging issues and any other changes.

4.2 The annual Internal Audit Plan for 2024/25 is attached at **Appendix 3**. The first section highlights the areas being reviewed in the forthcoming financial year, with the number of days identified for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.

4.3 The second section confirms the audits that have been undertaken in previous years and the assurance opinion awarded on conclusion of the review, alongside areas for consideration in future financial years, thus ensuring that awareness is maintained of the services provided by the Authority. This approach will also continue to ensure that sufficient coverage is provided to enable the Head of Internal Audit to provide an opinion at financial year end.

4.4 Information Technology audit coverage is typically reviewed every two years and a Cyber Security audit is scheduled for 2024/25.

4.5 The Key Controls and Assurance audit and the Corporate Governance & Risk Management audits will continue to be undertaken on an annual basis. This work will inform the Head of Internal Audit annual opinion and determine the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

4.6 For 2024/25, there are 36 days in total, encompassing four assignments, and audit verification work to confirm the implementation of audit recommendations.

4.7 The Head of Internal Audit role will continue to be provided by South Norfolk Council. The Head of Internal Audit will work with senior management and the Audit, Risk and Governance Committee to develop the annual Internal Audit Plan, provide an annual report and opinion to the Authority, and ensure the Committee continues to follow best practice through the

completion of a self-assessment exercise, providing training as requested to new members of the Committee.

5. ASSURANCE MAPPING

- 5.1 The 2022/23 External Quality Assessment of the Internal Audit function concluded, and a that the internal audit service is delivered in conformance with the Public Sector Internal Audit Standards. Assurance Mapping was highlighted as an area requiring development.
- 5.2 Assurance mapping is an emerging area of internal audit practice which involves mapping a visual representation of assurance activities as they apply to a specific set of risks or compliance requirements facing an organisation.
- 5.3 This exercise is particularly useful to undertake as part of internal audit planning as it allows the function to determine to what extent it can rely on and co-ordinate its activities with other assurance providers to enhance value and prevent duplication.
- 5.4 Following discussions with senior management during the 2023/24 audit planning process, the Internal Audit Team mapped the types of assurance available for the top five strategic risks facing the Council at this time in each of the three assurance categories listed below.

5.5 Three lines of assurance

The first line of assurance (functions that own and manage risks)	The second line of assurance (functions that oversee or who specialise in compliance o the management of risk)	The third line of assurance (functions that provide independent assurance)
Assurances in this area are provided by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives.	Assurances in this area are provided by those that monitor frameworks, enable risk and compliance to be managed in the first line. Second line assurance functions are often involved in monitoring the effectiveness in the first line ensuring risks are managed consistently.	Assurances at this level are typically provided by internal audit. Sitting outside the risk management processes of the first two lines of defence. The main role of this defence line is to provide an evaluation of the effectiveness of the organisations approach to governance, risk management and control.

- 5.6 The assurance map provided at **Appendix 4** of this report highlights what assurances are available in each of the three lines for the current highest risk, 'Safety related incidents (boating) resulting in death or serious injury' (risk score – 15).

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT CHARTER FOR 2023/24

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The Charter also displays a formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e., the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
 - Breckland District Council;
 - Broadland District Council;
 - Great Yarmouth Borough Council;
 - North Norfolk District Council;
 - Norwich City Council;
 - South Norfolk Council; and
 - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter and the Chief Audit Executive is the Head of Internal Audit.

1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”

- 1.7 This charter:
 - Establishes the position and reporting lines of internal audit;

- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;
- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

1.8 The Charter is to be periodically reviewed and presented to Senior Management and the Board for approval annually. The Charter will be reviewed by the Chief Audit Executive to confirm its ongoing completeness and validity and presented to senior management and the Board.

2 Purpose, Authority and Responsibility

2.1 Purpose

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.3 Responsibility

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive being responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards for all consortium members.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject them. Any advice that is rejected will be formally reported to senior management and the respective Audit Committee.

3 Key Relationships and Position in the Organisation

3.1 The standards require the terms 'Chief Audit Executive', 'Board' and 'Senior Management' to be defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members.

At South Norfolk Council, the Chief Audit Executive reports to the Chief of Staff who reports to the Managing Director of South Norfolk and Broadland.

3.2.2 The Head of Internal Audit also report functionally to each Section 151 Officer or Section 17 Officer at all other members of the Consortium.

3.2.3 The Head of Internal Audit has a direct line of reporting and unfettered access to each Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority.

3.2.4 The delivery of the Annual Audit Plans for all consortium members and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2022. The Head of Internal Audit manages this contract.

3.3 Board

3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.

3.3.2 This functional reporting includes: -

- Approving the audit charter, audit strategy and risk based annual plans on an annual basis;
- Receiving regular reports on the outcomes of internal audit activity and performance;
- Receiving regular reports on management action in relation to agreed internal audit recommendations;
- Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
- Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.

3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains and provides for a critical challenge.
- 3.4.2 The Head of Internal Audit meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and responds as required.
- 3.5 External Audit
- 3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.
- 3.6 Other Internal Audit Service Providers
- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach and enable reliance on each other's outcomes. Where formal arrangements are entered into, a protocol will be determined and agreed by both Chief Audit Executives.
- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4 Rights of Access

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5 Objective and Scope

- 5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.
- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.

- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management; however, this scope will not be unduly bias nor shall it be restricted.
- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk-based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however, internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit is either responsible for, or is consulted on, related policy and strategy. These include for example, Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd, there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

6 Independence and Objectivity

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 The Internal Audit Team at South Norfolk Council, consisting of the Head of Internal Audit and the Senior Internal Auditor, do not have any responsibility or authority over any activities outside of Internal Audit.
- 6.3 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to senior management. The nature of the disclosure will depend upon the impairment.

7 Professional Standards

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

8 Internal Audit Resources

- 8.1 The Head of Internal Audit is professionally qualified (CMIIA, CCAB or equivalent) and has wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Senior Internal Auditor in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

9 Audit Planning

- 9.1 The Head of Internal Audit develops a strategy, alongside a strategic and annual internal audit plan, using a risk-based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk-based approach, discussed with Senior Management and approved by the Audit Committee. The Head of Internal Audit is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

10 Audit Reporting

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to Senior Management and the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.
- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The annual opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together

with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.

- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

11 Quality Assurance and Improvement Programme

- 11.1 The Standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit, including both internal and external assessments.

- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Head of Internal Audit will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

11.3 Internal Assessment

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Head of Internal Audit for review.

- 11.3.2 On conclusion of audit reviews, a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.

- 11.3.3 The Standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the Internal Audit Service is operating in accordance with best practice.

11.4 External Assessment

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

- 11.4.2 An external assessment will:

- Provide an assessment on the internal audit function's conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In October 2022, Eastern Internal Audit Services was fully assessed by the Chartered Institute of Internal Auditors. The conclusion of the review was:

“EIAS conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing”.

11.4.4 The next External Quality Assessment is scheduled for October 2027.

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT STRATEGY FOR 2024/25

1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
 - How the internal audit service will be delivered;
 - How internal audit services will be developed in accordance with the Internal Audit Charter;
 - How internal audit services links to the organisational objectives and priorities; and
 - How the internal audit resource requirements have been assessed.
- 1.2 The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the Standards).
- 1.3 The purpose of the strategy is to define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.4 Throughout this strategy the term 'The Council' or 'Council' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Council's Audit Committee or equivalent.

2. How the internal audit service will be delivered

- 2.1 The role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, and South Norfolk District Councils, Great Yarmouth Borough Council, the Broads Authority and from April 2022, Norwich City Council. All Councils are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Council is provided by an external audit contractor, who reports directly to the Head of Internal Audit at South Norfolk Council. Following a successful procurement exercise the new contract with TIAA Ltd commenced from 1 April 2022 and ends on 31 March 2027, with the option to extend for a further term of two plus two.

3. How internal audit services will be developed in accordance with the Internal Audit Charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by

bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.1.2 The outcomes of the Internal Audit Service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk-based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit Committee and the Section 17 Officer also receive: -

- The annual Internal Audit Plan, which is risk based and forms the next financial year's plan of work; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

3.2 Internal Audit Planning

3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.

3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering: -

- Stakeholder expectations, and feedback from senior and operational managers;
- Objectives set in the strategic plan and business plans;
- Risk maturity in the organisation to provide an indication of the reliability of risk registers;
- Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
- Legal and regulatory requirements;
- The audit universe – all the audits that could be performed; and
- Previous internal audit plans and the results of audit engagements.

3.2.3 In order to ensure that the internal audit service adds value to the Council, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.

3.2.4 Risk based internal audit planning starts with the Council's Corporate Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Council.

3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Council's priorities; an opportunity to engage with stakeholders; the Audit Committee and senior management better understand how the Internal Audit Service helps to accomplish its objectives; and this ensures that best practice is followed.

- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 151 Officer and senior management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates the annual Internal Audit Plan, which is discussed with and approved by senior management prior to these being endorsed by the Audit Committee. In addition, External Audit is also provided with details of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides senior management and the Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon: -

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- 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: -
 - A statement on conformance with the Public Sector Internal Audit standards 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.

3.3.3 In order to achieve the above, Internal Audit operates within the Standards and uses a risk-based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. How internal audit services links to the organisational objectives and priorities

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the Council's objectives and priorities and thereby through the risk-based approach adds value, Internal Audit also ensures an awareness is maintained of local and national issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Council in respect of risks and issue logs and registers, reports that are taken through the Council Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular

focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Chartered Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

- 4.4 The Council's risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will be suggested for approval to ensure that internal audit coverage continues to focus on providing assurance over key risks.
- 4.5 Coverage and testing plans for each audit are determined using the following principles: -
- The number of days allocated to each review is considered based on the complexity of the area being audited factoring in audit scoping, testing time and quality assurance processes.
 - Key management assurance controls will be prioritised during testing to confirm that risks identified by the service area and internal audit during scoping are being monitored and managed.
 - Ordinarily, samples for each control tested will be selected to cover a 12-month period to ensure that internal audit coverage supports the annual internal audit opinion.
 - Testing sample sizes will ordinarily be based on the frequency of the control. By way of example; for each key financial control carried out weekly, a sample of four, one in each quarter across the year will be selected.
 - Testing samples will be selected randomly and objectively to provide a balanced view on the strength of the controls in place.
 - Where applicable, data analytics will be used to test 100% of the available sample. The Internal Audit team will aim to increase the opportunities to adopt data analytics in their work to provide greater levels of assurance.

5. How internal audit resource requirements have been assessed

- 5.1 The in-house Internal Audit Team at Eastern Internal Audit Service (EIAS) Consortium consists of a Head of Internal Audit who is a Chartered internal audit professional and a Senior Internal Auditor, currently training to become a Certified Internal Auditor.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The Team also provides internal audit management support to one other Council outside of the Consortium.
- 5.3 The Senior Internal Auditor is a recent appointment to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 Through utilising a contractor, the risk-based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Council's needs and not tied to a particular resource.
- 5.5 A core team of staff is provided by the contractor to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g., information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

- 5.6 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract, the contractor needs to ensure that each member of staff completes a day's training per quarter.
- 5.7 The External Quality Assessment in 2022/23 highlighted that that the Internal Audit Service needs to invest in skills relating to data analytics to ensure audits are carried out to take full advantage of the benefits that can be realised from this audit technique.
- 5.8 The new Head of Internal Audit and Senior Internal Auditor are both trained in data analytics using MS PowerBi. The contractor has also been developing data analytic capabilities within its auditing of financial key controls audits. A commitment has been made to ensure that by 2025/26 each internal audit review regardless of area will incorporate some data analytics testing. Where systems data is not available to support such tests, a recommendation will be highlighted with the aim of encouraging the development of data maturity. A Data Analytics Strategy will be developed in 2024/25.
- 5.9 In addition to the above, in order to support the internal audit function to deliver the service using the latest best practice from the internal auditing profession, subject matter leads have been assigned to each new subject area such as climate and sustainability, culture and AI data analytics. Each subject matter lead will proactively seek training and guidance for their assigned area and will be responsible for upskilling the rest of the team.
- 5.10 The above-mentioned arrangements ensure that the Internal Audit Service is able to respond effectively to the assurance needs of the Council whilst ensuring that the core team used are sufficiently qualified and experience.

APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN 2024/25

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5				5	<p>Our annual review of governance and risk management will be carried out to support the Head of Internal Audit Opinion. This audit will provide 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.</p> <p>During our review we will consider governance arrangements for decision making and the accountability and monitoring of performance. Our review will also provide assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities.</p>
Key Controls and Assurance Framework	15			15		<p>This audit looks 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 are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts, Payroll and Follow Up of Internal Audit Recommendations.</p>

Service Area audits						
Farming and Protective Landscapes (FiPL) Grant Programme	8		8			Assurance that the controls in place for the grant programme for farmers, land managers and people in National Parks and Areas of Outstanding Natural Beauty (AONBs) are adequate and effective.
Cyber Security	8	8				Assurance that the Authority has adequate and effective IT security controls in place to prevent and manage any form of cyber attack.
Total number of days	36	8	8	15	5	

Audits Previously Undertaken			Future areas for consideration for audit review		
Service area audits			Asset Management		
Partnership Working	2022/23	Reasonable	Disaster Recovery		
Corporate Health and Safety	2022/23	Substantial			
Fens Ecological Project	2009/10	Reasonable			
Procurement	2019/20	Reasonable			
Consultation Activities and partn	2014/15	Reasonable			
Planning	2020/21	Reasonable			
HR and Payroll	2021/22	Reasonable			
External Funding - HLF Bid and National Parks Partnership	2019/20	Reasonable			
Asset Management	2017/18	Reasonable			
Branding	2018/19	Reasonable			
Procurement	2023/24	Reasonable			
Port Marine Safety Code*	2023/24	Reasonable			* this is a 3 yearly review and is next due in 2026/27
IT audits					
Disaster Recovery	2018/19	Reasonable			
IT Governance and Strategy	2010/11	Reasonable			
Cyber Security	2021/22	Reasonable			
Toll Income Application Review	2011/12	Limited			
Network Security	2013/14	Limited			
End User Controls	2014/15	Reasonable			
Anti-Virus, Malware, Backups & Firewall Administration	2016/17	Reasonable			

APPENDIX 4 –ASSURANCE MAP 2024/25

Risk	First Line Assurance	Second Line Assurance	Third Line Assurance
<p>1. Safety-related incidents (boating) resulting in death or serious injury (Amber)</p>	<p>The Authority ensures - Safety videos provided to boat hirers in advance of holiday. Ranger services in place. Survey of HBO handover procedures carried out to assess efficacy. Broadcaster, pre-visit training videos and other safety information provided to boat hirers. Hire Boat licensing and audit of licensees in place. Boat Safety Scheme and inspections in place. Compulsory 3rd party insurance in place for boats.</p>	<p>Findings and recommendations from independent investigation into recent accident adopted by the Authority.</p>	<p>Port marine safety code audits are undertaken by Internal Audit every three years. In 2023/34 a reasonable assurance was given.</p>

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 11

External Audit

Report by Director of Finance

Summary

The report provides an update on external audit. This includes the government consultation on addressing the audit backlog, the 2022/23 interim Value For Money (VFM) report and the 2023/24 Audit Plan.

Recommendation

To note:

- i. the Government consultation;
 - ii. the interim 2022/23 VFM report; and
 - iii. the audit plan for 2023/24.
-

1. Introduction

- 1.1. This report covers three items: an update on Financial Reporting and Audit in Local Authorities, the 2022/23 interim Value For Money (VFM) report and 2023/24 Audit Plan.
- 1.2. A representative from EY will be attending the meeting to introduce the 2022/23 VFM and 2023/24 Audit Plan.

2. Financial Reporting and Audit in Local Authorities

- 2.1. Members will be aware that there have been significant pressures within the local government auditing sector resulting in a backlog of audits across the country. During 2023 the Department for Levelling Up, Housing and Communities (DLHUC) explored options with Finance Reporting Council (FRC) and the National Audit Office (NAO) on how to reset the system.
- 2.2. On 8 February 2024 the government issued a consultation which will run until 7 March 2024. The consultation looks at a three-phase approach to addressing the backlog:
 - Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.

- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
 - Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
- 2.3. For the government to facilitate phase 1 this would result in modified or disclaimed opinions for those years. If modified/disclaimed opinions are issued, then the auditors would be required to rebuild assurance in future years.
- 2.4. As part of phase 2 the Accounts and Audit Regulations 2015 would be amended so that Category 1 authorities would be required to publish audited accounts by the following dates:
- 2023/24: 31 May 2025
 - 2024/25: 31 March 2026
 - 2025/26: 31 January 2027
 - 2026/27: 30 November 2027
 - 2027/28: 30 November 2028
- 2.5. Under the proposals the Authority would still be required to publish draft Statement of Accounts by 31 May of each year.
- 2.6. The NAO is also proposing changes to the Code of Audit Practice and CIPFA LASAAC on temporary changes to the Code of Practice on Local Authority Accounting. The Authority will be responding the consultation. A copy of the consultation can be found in appendix 1.

3. 2022/23 Interim Value for Money

- 3.1. Appendix 2 contains the interim value for money report from EY. As highlighted above the NAO is consulting on the code and this may result in a change of scope. Page 8 of the appendix highlights at this stage that across the three reporting criteria (financial sustainability, governance and improving economy, efficiency and effectiveness) no significant risks or weaknesses have been identified. Pages 11-13 provides additional commentary on these.

4. 2023/24 Audit Planning

- 4.1. Appendix 3 contains the audit plan for 2023/24 Statement of Accounts. The report considers the likely impact of government proposals to clear the audit backlog and is covered on page 6-7 of the appendix.
- 4.2. Page 8 highlights key risks that the audit will focus on. This includes misstatement due to fraud or error, inappropriate capitalisation of revenue expenditure, pension

valuation and valuation of land and buildings. These remain consistent with those set out in the 2021/22 audit plan.

- 4.3. A timeline for the 2023/24 audit is on page 32 and fees are set out on page 40. The scale fee is consistent with that published by the PSAA on 28 November 2023 and has been included in the budget. Any additional works identified required under the revised standards will increase the total amount charged.

Author: Emma Krelle

Date of report: 27 February 2024

[Broads Plan](#) strategic objectives: All

Appendix 1 – [DLUHC Local Audit Consultation](#)

Appendix 2 – [Value for Money Interim Report 2022/23](#)

Appendix 3 – [Audit Planning report 2023/24](#)



Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief Financial Officers,
Local Authority Leaders and Local Audit Firm
Partners

8 February 2024

Dear Colleagues,

Local Audit Consultation

I am delighted that today the Government is launching a consultation and Joint Statement, progressing the commitments made by the previous Minister for Local Government to work with the Financial Reporting Council (FRC), and other organisations in the local audit system on cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. A significant number of local audits in England are outstanding. The issues facing local audit are widely recognised as multi-faceted and complex. Delays are to an extent affecting Scotland and Wales as well as England. They also impact different sectors, not just local government. It is widely recognised that many organisations in the local audit system have contributed to the delays experienced since 2017/2018 and that audits have become more challenging, with firms responding to a changing regulatory environment. In addition, pressures on the system were compounded during the COVID-19 pandemic and by an aging workforce.

The consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). We have published a draft statutory instrument alongside the consultation which covers the core elements of the proposed amendments. These, along with the Joint Statement are available at www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation.

These cross-system proposals have been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

These are not proposals we take lightly, but these are exceptional times. Key organisations across the local audit system, including the Government, share the conviction that bold steps are necessary to reset the system.

The Joint Statement provides vital context, and explains the package of measures and how the various elements are intended to interact and explains that the wider package of measures consists of three stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation itself covers questions on:

- Phase 1: 'Backstop' Proposals for Financial Years 2015/2016 to 2022/2023 and
- Phase 2: 'Backstop' Proposals for the Recovery Period, Financial Years 2023/2024 - 2027/2028

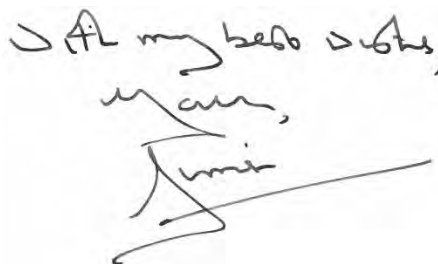
This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework. You can respond to this call for evidence through our online consultation platform Citizen Space: <https://consult.levellingup.gov.uk/local-audit-and-conduct/addressing-the-local-audit-backlog-in-england> .

The NAO is also consulting in parallel to this consultation, on related changes to the Code of Audit Practice. A link to the NAO consultation can be found here: www.nao.org.uk/code-of-audit-practice-consultation. Further detail on the NAO's proposals can also be found in the Joint Statement. The CIPFA LASAAC Board will be consulting shortly on related changes to the Code of Practice for Local Authority Accounting.

While I recognise the challenges there have been I would like to encourage you to continue undertaking existing work to produce and audit local authority financial statements while the consultations take place. Any slowdown in activity would lead to further issues in the future and, ahead of the first proposed backstop date. Please do continue to work together to ensure that as many audits can be completed in full as possible.

These proposals are an important step in restoring timely and high-quality financial reporting and audit for local bodies and I am grateful for the hard work and collaboration of system organisations in developing these measures. Please let us know your views so that we can work closely together to refine and implement measures to clear the backlog of local audit opinions, and develop the long-term reforms required to prevent a backlog recurring.

I look forward to seeing your responses.



With my best wishes,
Yours,
Simon

SIMON HOARE MP
Minister for Local Government



Broads Authority

Value for Money Interim Report

Year ended 31 March 2023

27 February 2024



Broads Authority
Risk, Audit and Governance Committee
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

27 February 2024

Dear Risk, Audit and Governance Committee Members

2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for the Broads Authority. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

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

We welcome the opportunity to discuss the contents of this report with you at the Risk, Audit and Governance Committee meeting on 12 March 2024.

Yours faithfully

David Riglar

Partner

For and on behalf of Ernst & Young LLP

Enc.

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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/audit-quality/statement-of-responsibilities/>). 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 Risk, Audit and Governance Committee and management of Broads Authority in accordance with our engagement letter. Our work has been undertaken so that we might state to the Risk, Audit and Governance 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 Risk, Audit and Governance 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 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

Appendix B sets out the Authority responsibilities for value for money, and the Auditor's responsibilities.

The purpose of this interim commentary is to explain the work we have undertaken during the period 01/04/2022 to 31/03/2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)


Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Authority committee reports;
- meetings with management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Authority management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Authority's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.



Executive Summary (continued)

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 Risk, Audit and Governance Committee. We completed our risk assessment procedures and did not identify any significant weaknesses in the Authority's VFM arrangements.

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 2022/23 VFM work

We have completed our Value for Money risk assessment procedures, where we have considered:

- Entity level controls and our understanding the business assessment
- The Authority's Risk Register
- The Annual Governance Statement and Statement of Accounts review procedures
- Authority meeting minutes
- Our planning meetings with management
- Key financial and budget information
- Key performance reports
- Internal audit reports
- Information from local, national and specialist media.
- Findings of other inspectorates, review agencies and other relevant bodies.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 is set out over pages 10 to 13. The commentary on these pages summarises our conclusions over the arrangements at the Authority in relation to our reporting criteria (see table below) throughout 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

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 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

During 2022/23 the Authority continued to manage the impact on finances of a number of issues such as general inflation, pay increases and uncertainties in relation to the amount of National Park Grants to be received in the future.

The final outturn position for general income and expenditure for the 2022/23 year was a deficit of £317,000 (£186,000 National Park and £131,000 Navigation).

During the year, the Authority have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through budget monitoring reports to each Broads Authority meeting. The Authority recognises the financial challenges ahead. In 2022/23, the budget setting exercise for 2023/24 forecast a £0.119 million surplus over the 3 year MTFS period to 2025/26.

The Authority also performed budget sensitivity analysis against key assumptions to remain aware of the downside savings requirements for 2023/24. This shows an additional potential deficit of £0.228 million for a 1% adverse change in these assumptions.

The Authority has faced a number of inflationary pressures in the current economic environment. As at 31st March 2023, the authority has a total of £3.712 million in the consolidated earmarked reserves (£2.241 million National Park and £1.471 million Navigation). This is adequate to absorb the adverse variance in 2022/23. This also provides a strong level of resources if future savings are not identified or achieved in each of the 3 financial years of the Medium Term Financial Strategy, to allow the Authority to continue to deliver services.

The Authority should continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Authority has continued to manage governance considerations including partnership working. The Authority reviewed the 2022/23 Budget Setting Report and Medium Term Financial Strategy in January 2022, with further updates during 2022/23. The documents were taken to the Broads Authority Committee for approval, which ensures that all Members are kept well informed of the process.

The Authority's Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Authority's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2022/23 financial year, reasonable assurance may be awarded over the adequacy and effectiveness of the Authority's overall internal control environment.

The risk register and risk management policy were also updated in 2022/23 to focus on both strategic risks through the Corporate Risk Register and operational risks through the Directorate Risk Register. Risks on the Corporate Risks Register are reviewed at every Risk, Audit and Governance Committee meeting with elevation to full Authority meetings for significant risks identified.

The Authority published their draft 2022/23 financial statements for audit on the 31 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2022/23 to enable it to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

The '*Broads Plan*' for 2022 to 2027 has been introduced in the previous year, which sets the vision, principles, and strategic objectives for the Authority.

An Annual Business Plan integrating strategic priorities based on the '*Broads Plan*' is agreed each year by the full Authority. Performance reporting is maintained against the identified strategic priorities, with regular reporting on performance and finances taken to the full Authority throughout the year to continuously monitor performance.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial year 2022/23 (01/04/2022 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Authority produces an annual budget and an update to the financial strategy at the start of each financial year. Significant financial pressures to the Authority, based on the nature of income and expenditure, are salary increases and the number of boats within the system that will require a toll. The Authority include an element of prudence within the estimates in the annual budget setting for salary increases, and monitors boat numbers through discussion with boat yards and review of annual toll payments.
How the body plans to bridge its funding gaps and identifies achievable savings	<p>Funding gaps are considered as part of the budget setting process. In the short term funding gaps are balanced through the use of reserves, whilst appropriate savings plans and further external funding opportunities are investigated as a more long term solution.</p> <p>The budgeted savings are baked into the annual budget, and the tracking of delivery is reviewed against the budget monitoring reports. Management have no significant concerns over the savings plan. We note the medium term financial plan does include ongoing receipt of DEFRA grant income at a flat rate, which is still subject to some uncertainty whilst the outcome of a new settlement is awaited.</p> <p>A reserves policy has been put in place to ensure that minimum levels are adequate to manage future uncertainty until the end of 2025/26.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The budget is monitored with respect to minimum levels of reserves as set by the Chief Finance Officer, which is based on net expenditure totals. This ensures that delivery of services can be maintained into the future. The annual budget is produced on a zero base to ensure it is in line with strategic priorities, assuming no rollover of previous budgets. Spending is split between essential and desirable expenditure in line with key priorities of the Authority.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Workforce planning is considered by the Directors as part of the budget setting process. Capital expenditure is funded via revenue or the earmarked reserves, dependent on the capital programme strategy. This is considered at the same time as looking at the forecast future year replacements to consider the adequacy of earmarked reserves levels and contributions. The financial plan is taken to the Broads Authority at the same time as a strategic direction update which sets priorities for the financial year.</p> <p>The outturn position for 2022/23 was a deficit of £317,000 (£186,000 National Park and £131,000 Navigation). The Authority has faced a number of inflationary pressures in the current economic environment. As at 31st March 2023, the authority has a total of £3.712 million in the consolidated earmarked reserves (£2.241 million National Park and £1.471 million Navigation). This is adequate to absorb the adverse variance in 2022/23.</p>

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial year 2022/23 (01/04/2022 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Income and expenditure is monitored on a monthly basis with budget holders providing updates on any variances. Tolls income is carefully monitored against profile so that drops in demand can be quickly identified and expenditure plans can be reprioritised. Financial position updates are taken to each Risk, Audit and Governance Committee and Broads Authority Committee which provides members with the latest financial information to inform decision making.</p> <p>Risk management is imbedded within the Authority's financial planning arrangements. The Medium Term Financial Strategy includes prudent assumptions regarding cost inflation, future funding uncertainties and service demand pressures. These assumptions are reviewed by the management team and subsequently approved by Members. Regular budget monitoring reports are then taken to the Risk, Audit and Governance Committee throughout the year. Any unplanned budget issues identified are discussed and appropriate action is taken to address the issue.</p> <p>A reserves policy is also in place to ensure that the minimum agreed reserve levels are adequate to manage future uncertainty until the end of 2025/26. This supports financial resilience for the Authority over the medium term.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the financial year 2022/23 (01/04/2022 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risks are monitored through the Corporate and Directorate registers. The Corporate Risk Register is reviewed by the Management Team, following a review of the Directorate Risk Registers prior to each Risk, Audit and Governance Committee with the Corporate Risk Register being reported to each Risk, Audit and Governance Committee meeting. Internal Audit's plan is carried out through a risk based approach to help determine which service areas should be reviewed. Key controls and corporate governance are always reviewed annually, with IT audits on specific areas every 2 years, in line with the Internal Audit strategy. The Head of Internal Audit provides an annual opinion on the effectiveness of controls and highlights if any areas require improvement. For 2022/23, a 'reasonable assurance' opinion was issued by Internal Audit.
How the body approaches and carries out its annual budget setting process	The Authority produces an annual budget alongside an update to the financial strategy at the start of each financial year. The budget is produced by the Chief Finance Officer based on information from relevant budget holders. The budget is prepared on a zero-budget basis which does not roll over any assumptions from the previous years' budgets. The Medium Term Financial Strategy includes prudent assumptions regarding cost inflation, future funding uncertainties and service demand pressures. These assumptions are reviewed by the management team and recommendations around the level of charges required are formed. The reports are then taken to the full Authority meeting for approval.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>Monthly monitoring of income and expenditure is performed, with explanations for variances obtained from relevant budget holders. These are followed up at monthly meetings with the Chief Finance Officer to ensure corrective action has been taken where required, or where savings can be re-distributed elsewhere within the Authority to relieve financial pressures. Budget monitoring is lead through the finance system, and Internal Audit include Budgetary Control within their scope of work for the year. This is included within the internal audit report of 'Key Controls and Assurance Framework' which resulted in a substantial assurance for 2022/23.</p> <p>The Chief Finance Officer Officer was responsible for the preparation of the Statement of Accounts. The accounts and its disclosures were produced in accordance with the CIPFA code and published in compliance with the relevant legislation. The Risk, Audit and Governance Committee then approved the Statement of Accounts.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the financial year 2022/23 (01/04/2022 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	Decisions are made in line with the delegated powers, budgetary provision, strategic priorities and the wider Broads Plan. Decisions made by the membership are supported by Committee reports and openly debated at Committee. Planning delegated decisions are published and expenditure is disclosed for transparency regulations. Risk, Audit and Governance Committee terms and reference are guided by CIPFA's guidelines. All members are provided annual training in relation to their responsibilities with the Statement of Accounts.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The 'Code of Conduct for Employees' and the 'Code of Conduct for Members and Complaints Procedure' sets out regulatory requirements and behaviour expectations. This also provides guidance on accepting gifts and hospitality. There are terms of reference for each Committee setting out responsibilities. Members interests are recorded and maintained within a formal register and any conflicts of interest must be declared at the start of each meeting so that the member does not participate in decision making for any item for which they have a conflict of interest. The Monitoring Officer is available to provide advice to members on meeting the appropriate requirements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial year 2022/23 (01/04/2022 to 31/03/2023).

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Financial outturn is compared against budget to identify areas of improvement and potential saving or service improvement. Directors are responsible for raising improvement areas where they are then investigated and discussed with the Chief Finance Officer.</p> <p>Performance is assessed against progress made towards the Broads Plan, Strategic Priorities and the Budget with regular updates being provided to the Authority. Any areas tracking below target will be investigated further to identify improvements. The Authority also uses various other sources of information to identify areas for improvement, including internal and external audit findings and recommendations.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The 'Broads Plan' is the overarching management plan for the Broads executive area as a whole, produced by the Broads Authority as a partnership plan. Strategic priorities are aligned to the plan and this is reinforced through the Business Plan. The strategies developed reinforce the day to day delivery and these are reviewed on a regular basis by the Board and improvements identified.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Authority maintains a partnership register which is reviewed annually to ensure it remains appropriate and up to date. The most significant partnerships are those in respect of external funding where partnership agreements are in place. Performance for these agreements is assessed against agreed expectations and modified where required.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Authority has 'Financial Regulations', 'Standing Orders Relating to Contracts' and a 'Procurement Strategy' that follow the relevant legislation and are updated regularly. All tenders are reviewed by the Chief Finance Officer to ensure the procurement meets the required standard. Contract templates build in monitoring throughout the contract against key performance indicators to ensure the contract is delivering as expected.</p>

Appendix B – Authority and Auditor Responsibilities

Authority 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.

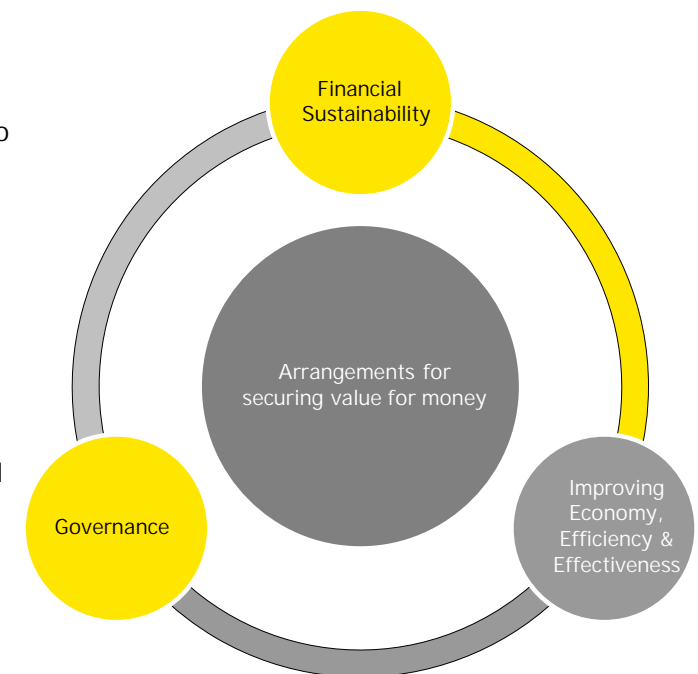
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect 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.



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Broads Authority Audit planning report

Year ended 31 March 2024

27 February 2024

27 February 2024

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

Dear Risk, Audit and Governance Committee

Members

Broads Authority Audit planning report Year ended 31 March 2024

Attached is our audit planning report for the forthcoming meeting of the Risk, Audit and Governance Committee. The purpose of this report is provide the Risk, Audit and Governance Committee of Broads Authority with a basis to review our proposed audit approach and scope for the 2023/24 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, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Authority. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Risk, Audit and Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Risk, Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

(continued)

We draw Risk, Audit and Governance Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Risk, Audit and Governance Committee Members, 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 12 March 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar

Partner

For and on behalf of Ernst & Young LLP

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Contents



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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). 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.psaa.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 Risk, Audit and Governance Committee and management of Broads Authority. Our work has been undertaken so that we might state to the Risk, Audit and Governance 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 Risk, Audit and Governance 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 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:


- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Authority and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely that we will disclaim the Broads Authority's 2022/23 accounts. The proposed disclaimer of the Authority's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Risk, Audit and Governance Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Authority's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Authority resources are readily available to support the audit process, within agreed deadlines. The Risk, Audit and Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Authority's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Authority financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

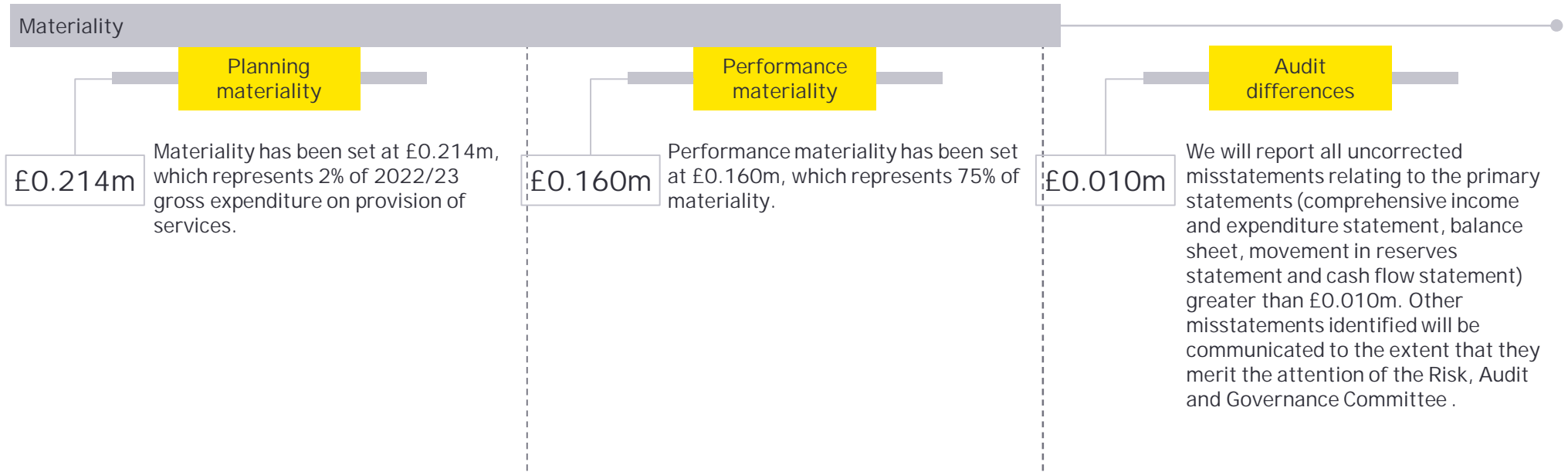
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Risk, Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus


Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	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 Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Valuation	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 its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The valuation of land and buildings included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions.

The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Risk, Audit and Governance Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the *Authority's* 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Risk, Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2024 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 3.

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 planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. 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". Therefore to the extent any of these or any other risks are relevant in the context of the Authority's audit, we set those within this Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

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 the Authority. 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.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Risk, Audit and Governance Committee where necessary to do so.

Overview of our 2023/24 audit strategy

Value for Money

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 prepare a commentary under three reporting criteria. 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 the Authority's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable will be agreed with management to complete the audit by 30 September 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Engagement Partner (David Riglar)

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor's report that is issued on behalf of EY
- The overall quality of the audit



Manager (Takudzwa Masanzu)

The Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.



02 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) 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?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ 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.
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determine an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required

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.

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 (PPE) 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 Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Authority.

The Authority's pension valuation is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2023 the Net Asset was £2.467 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake Committee where procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority.
- 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 considering any relevant reviews by the EY actuarial team.
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) land and buildings represent significant balances in the Authority's accounts and are 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 balances recorded in the balance sheet.

We note that not all of the Authority's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Authority's PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Authority's valuers, 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 valuers 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 2023/24 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.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.



03 Value for Money risks

Value for Money

Broads 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.

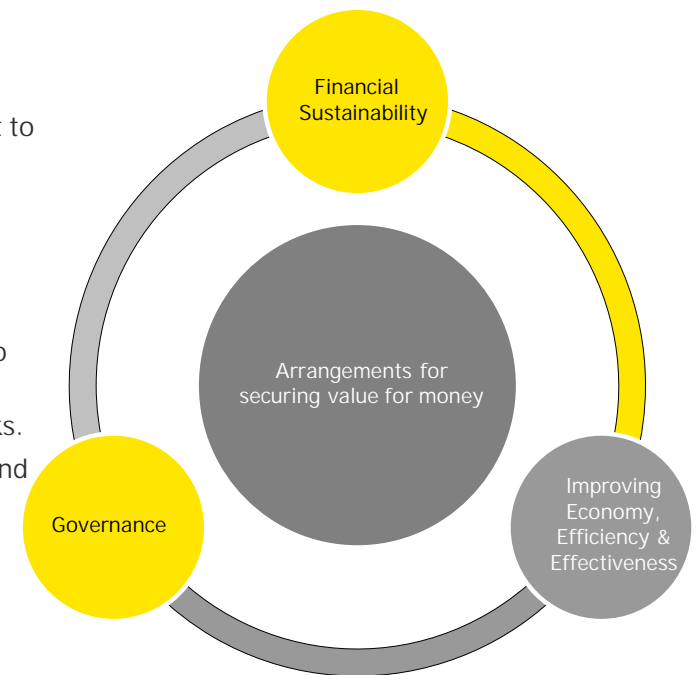
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect 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 regards 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 Risk, Audit and Governance 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 a commentary on your value for money 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 may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will 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 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Authority has in place in relation to financial sustainability.

We will update the next Risk, Audit and Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

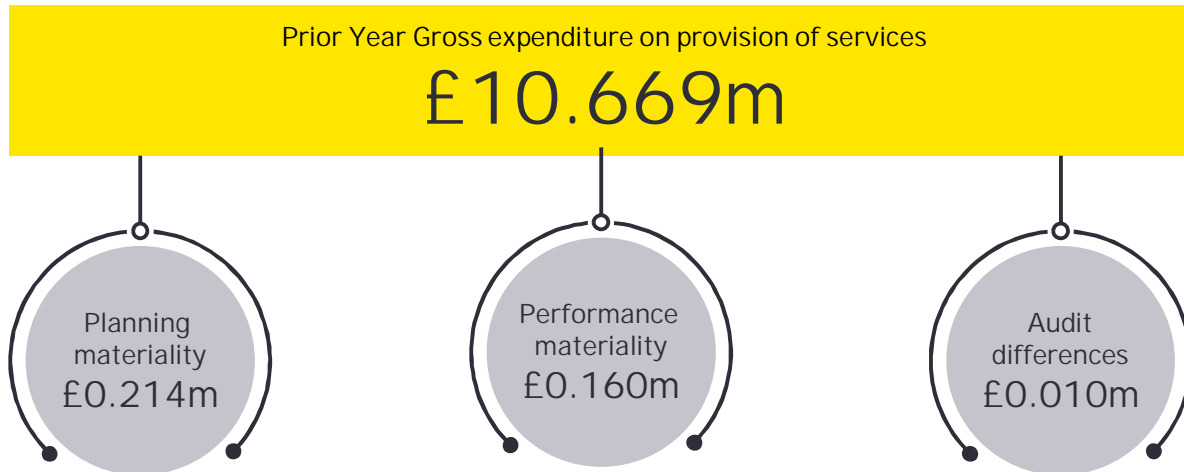


04 Audit materiality

Materiality

Broads Authority materiality

For planning purposes, materiality for 2023/24 has been set at £0.214 million. This represents 2% of the Authority's 2022/23 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 F.



The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Risk, Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Risk, Audit and Governance 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.

Specific materiality – We have set a materiality threshold of £5,000 for related party transactions, and officers remuneration including exit packages. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.160 million which represents 75% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are 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 income 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 or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Risk, Audit and Governance Committee, or are important from a qualitative perspective.



05 Scope of our audit

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 them Authority 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 National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Risk, Audit and Governance Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Authority has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining 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 Risk, Audit and Governance Committee.

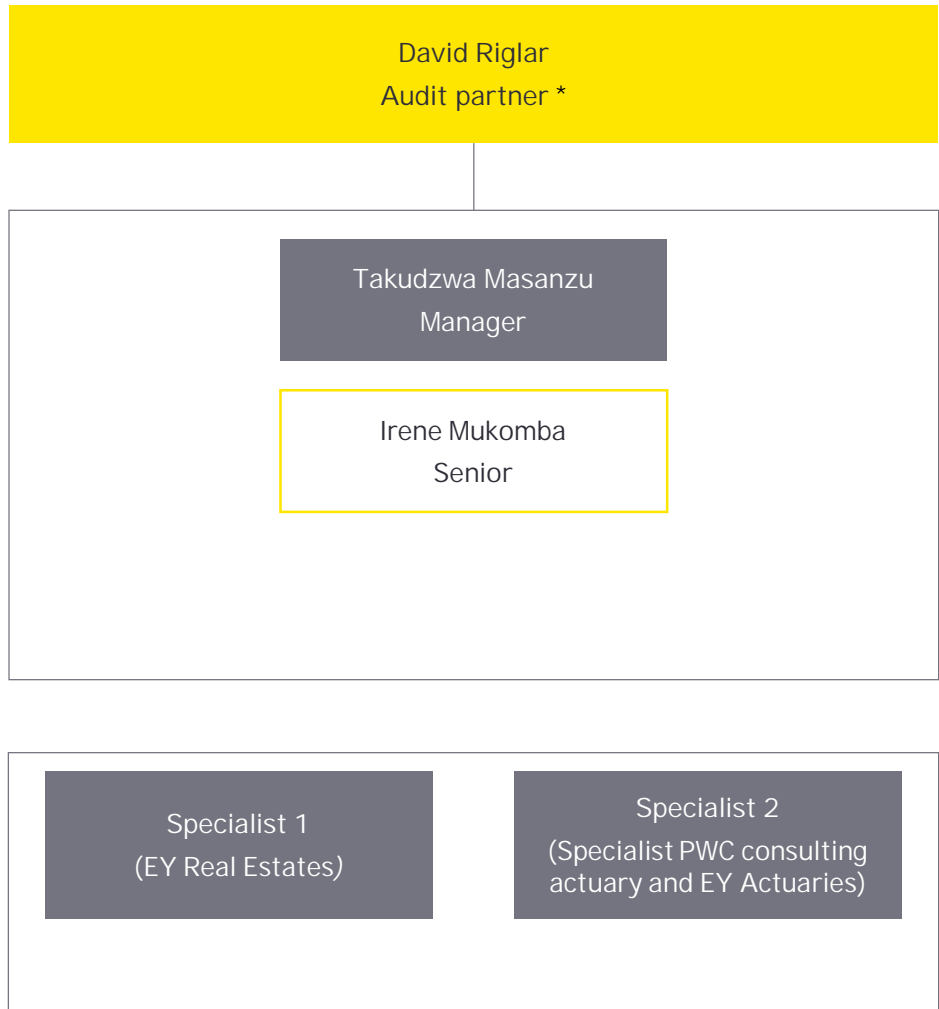
Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team



* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work

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 EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and	Management Specialist – Norfolk Property Services EY Specialist - EY Real Estates (if deemed required)
Pensions disclosure	Management Specialist – Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries

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
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



07

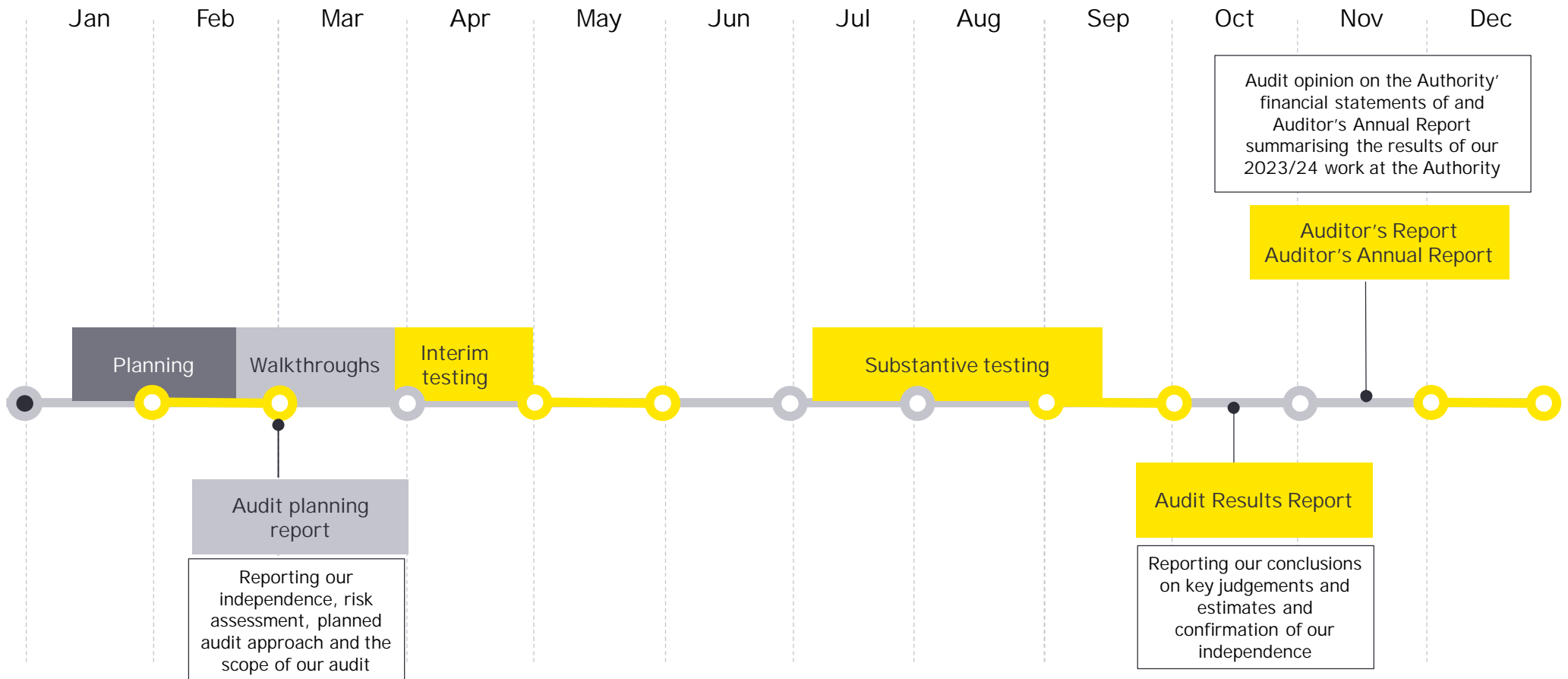
Audit timeline

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 2023/24.

From time to time matters may arise that require immediate communication with the Risk, Audit and Governance Committee and we will discuss them with the Risk, Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Independence

Introduction

The FRC Ethical Standard 2019 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ 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;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ 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;
- ▶ 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
- ▶ 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;
- ▶ 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
- ▶ An opportunity to discuss auditor independence issues.

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 David Riglar, 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 your company. Examples include where we have an investment in your company; 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.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, 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.

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

Relationships, services and related threats and safeguards

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 your company. 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 - EY Transparency Report 2023

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 period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – 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.

The agreed fee presented on the next page 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;
- ▶ The Authority has an effective control environment; and
- ▶ The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

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.

Appendix B – Fees

	Current Year 2023/24	Note Reference	Prior Year 2022/23
	£		£
Scale fee	67,107	(1)	TBC
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(2)	
Additional work not considered by the scale fee to assess the Authority's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	0
Total audit	0		TBC
Other non-audit services not covered above	0		0
Total other non-audit services	TBC		0
Total fees	TBC		TBC

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Authority have to pay for the prior years 2021/22 and 2022/23 audits.

2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example preparedness and additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Modified financial statement opinions
- New identified risks and/or issues in year

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.• Lease liabilities and right of use assets will be subject to more frequent remeasurement.• The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">• The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.• The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.• Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> • Risk Assessment • Understanding the entity's internal control • Significant risk • Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> • Drive consistent and effective identification and assessment of risks of material misstatement • Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') • Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> • how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and • how auditors understand the entity's use of information technology relevant to financial reporting. • Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced Audit Committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E – Required communications with the Risk, Audit and Governance Committee

We have detailed the communications that we must provide to the Risk, Audit and Governance Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Risk, Audit and Governance 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	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>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</p>	Audit Planning Report – March 2024 - Risk, Audit and Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	<p>Audit Results Report – TBC- Risk, Audit and Governance Committee; and</p> <p>Auditor's Annual Report – TBC- Risk, Audit and Governance Committee</p>

Appendix E – Required communications with the Risk, Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Risk, Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Risk, Audit and Governance Committee responsibility 	Audit Results Report - TBC - Risk, Audit and Governance Committee

Appendix E – Required communications with the Risk, Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. 	<p>Audit Plan – March 2024 - Risk, Audit and Governance Committee; and</p> <p>Audit Results Report – TBC - Risk, Audit and Governance Committee</p>

Appendix E – Required communications with the Risk, Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ Enquiry of the Risk, Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Risk, Audit and Governance Committee may be aware of 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - TBC - Risk, Audit and Governance Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - TBC - Risk, Audit and Governance Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - TBC - Risk, Audit and Governance Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - TBC - Risk, Audit and Governance Committee
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - TBC - Risk, Audit and Governance Committee

Appendix F – Additional audit information

Regulatory update

Our objective is to form an opinion on the Authority's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, 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 . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Risk, Audit and Governance Committee. The audit does not relieve management or the Risk, Audit and Governance 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, company law 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 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 entities or business activities within the Authority's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Risk, Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Risk, Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ 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 National Audit Office.

We have included in Appendix E 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 locations at which we conduct audit procedures to support the opinion given on the Authority financial statements
- ▶ 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.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

“It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity’s financial statements.”

ISA 250A, para 3

“The directors’ report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company’s auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.”

ISA 250A, para 3

“Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ...”

Audit Engagement Letter

Management’s responsibilities are also set out in the International Ethics Standard Board of Accountants’ International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants’ International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

“If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and
Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor’s risk assessment and the reliability of written representations, and take appropriate action.”

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis – do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline – discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary regulators

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Risk, Audit and Governance Committee

12 March 2024

Agenda item number 12

Implementation of internal audit recommendations- summary of progress

Report by Senior Accountant

Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2020/21, 2021/22, 2022/23 and 2023/24.

Recommendation

To note the report.

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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 2020/21, 2022/23 and 2023/24, 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 report to this committee in July 2023, five of the recommendations from the Procurement audit, one of the recommendations from the Port Marine Safety Code audit and two of the recommendations from the Key Controls audit, all in 2023-24, have now been complete. The impact of workloads has meant that some of the other actions have been further delayed. These have been updated in the appendix. The rest remain as scheduled.

3. Internal Audit Programme 2023/24

3.1. Since this report to the Committee in July 2023 the reports from the Procurement, Port Marine Safety Code, Key Controls Audit and Corporate Governance and Risk Management in 2023/24 has now been completed.

4. Port Marine Safety Code

4.1. The objective of this audit was to complete an independent review of the Broads Authority Safety Management System (SMS). The Port Marine Safety Code (PMSC) requires that Harbour Authorities should include provision of a systematic review of performance based on information from monitoring of the whole system. This resulted in a “reasonable” audit opinion with five “important” recommendations being raised (see Appendix 3).

4.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Port Marine Safety Code arrangements for decision making were:

- The roles and functions of key staff are well outlined in the MSMS including the Director of Operation, Head of Safety Management and Head of Ranger Services. This ensures the roles associated with the PMSC are clear.
- Incident reports are presented to the Boating Safety Management Group and Navigation Committee, enabling trends to be identified and subsequent actions taken to address these where appropriate.

5. Procurement

5.1. The objective of this audit was to review the compliance against the Broads Authority Contract Standing Orders has been undertaken. This area was last reviewed in 2019/20

and given a reasonable assurance grading. Compliance with Contract Standing Orders allows the Authority to demonstrate good governance and ensures legislation is followed therefore safeguarding reputation. This resulted in a “reasonable” audit opinion with one “important” and four “needs attention” recommendations being raised (see Appendix 3).

5.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Procurement arrangements for decision making were:

- An annual accumulative spend analysis is undertaken to confirm a contract is in place for all suppliers with spend over £5k and that the contract covers the reviewed time period and value. Outcomes are reported to management team who take further action where required.

6. Key Controls

6.1. 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 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, Payroll and Follow Up of previous Internal Audit Recommendations. This resulted in a “reasonable” audit opinion with two “important” and one “needs attention” recommendations being raised (see Appendix 3).

6.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Key Controls arrangements for decision making were:

- The Authority has increased investments from one in the previous financial year to five in the current financial year, this has led to increased returns both due to the higher number of investments along with higher interest rates.

7. Corporate Governance and Risk Management

7.1. The objective of this audit was to carry out a review of governance and risk management to support the Head of Internal Audit’s opinion. The review considered governance arrangements for decision making and the accountability and monitoring of performance. 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 “substantial” audit opinion.

7.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Corporate Governance and Risk Management arrangements for decision making were:

- The key principles for managing risk from the International Standard for Risk Management (ISO 31000) are evident in the Broads Authority’s risk management processes.

- Directorate Risk Registers and the Corporate Risk Register are reviewed and updated cyclically, for presentation at each meeting of the Risk, Audit and Governance (RAG) Committee.

Author: Ellie Richards

Date of report: 27 February 2024

[Broads Plan](#) strategic objectives: All

Appendix 1 – Summary of actions and responses to Internal Audit 2020/21

Appendix 2 – Summary of actions and responses to Internal Audit 2021/22

Appendix 3 – Summary of actions and responses to Internal Audit 2022/23

Appendix 1 – Summary of actions and responses to Internal Audit 2020/21

Table 1

Governance and Risk Management – March 2021

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>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.</p>	Needs Attention	Senior Governance Officer	<p>Agreed. Notes added to deferred items.</p> <p>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.</p> <p>Update: Due to IT resource availability, this recommendation has been delayed to 31/12/2023.</p> <p>Update: Due to IT resource availability, this recommendation has been delayed to 31/12/2024.</p>	<p>By 31/12/2021 Updated to 31/12/2022 Updated to 31/12/2023 Updated to 31/12/2024</p>

Table 2

Port Marine Safety Code – June 2021

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>3. Pilotage Finalise the arrangements for General Directions for larger vessels. 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 vessels</p>	Important	Head of Ranger Services	<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 the lack of large vessels navigating our waters the need for a General Direction has not arisen for a number of years and, if it did, we could deal with it under Special Directions. This item has been deferred to allow for a review of what is appropriate which will need specialist maritime legal advice.</p> <p>Update: The factors driving this work have changed since the paper went to committee in 31/10/2021. Updated to 28/02/2023. Updated to 31/12/2023 Audit and Risk Committee, 14 March 2023, agenda item number 12 6 Recommendations Priority rating Responsible Officer(s) BA response/action Timetable 2019, with COVID-19 and the long term closures of bridges on the lower Yare both affecting this. Control measures remain in place to</p>	<p>By 31/10/2021 Updated to 28/02/2023 Updated to 31/12/2023 Updated to 31/03/2024.</p>

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
			<p>control the risk through Special Directions which can be given ahead of each vessel movement. With very limited vessel movement over the last few years the requirement to put in place a General Direction to cover all larger vessel movements is now less of a priority against other projects. The Pilotage Policy is currently being reviewed as part of the wider Safety Management System review.</p> <p>Update: Full review of Pilotage undertaken by Marico Marine. A paper was taken to Navigation committee and Broads Authority, both in January accepting recommendation that a General Direction be put in place to restrict vessel size subject to a risk assessment being carried out to determine if the vessel size subject to a risk assessment being carried out to determine if the vessel can be safely accommodated on the system. Legal advice is currently being sought on this proposal and what a general direction would need to include.</p>	

Appendix 2 – Summary of actions and responses to Internal Audit 2022/23

Table 3

Corporate Health and Safety – July 2022

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>1. Health & Safety at Work policy The Health and Safety at Work Policy be reviewed and updated, if necessary, in line with the defined cyclical timescales. This will mitigate the risk of Health and safety issues arising due to outdated policy.</p>	Needs Attention	Head of Safety Management	<p>Agreed. Whilst reading documentation for the H&S audit we recognised that our current policy required updating. This review has started and we have carried out the initial scoping to understand what the new H&S policy needs to achieve. The task has been identified as a priority IPR objective in 2022/23 performance year.</p> <p>Update: Currently being reviewed with the aim that the policy will be implemented on 1st April 2023.</p> <p>Update: The review date has been updated to December 2023.</p> <p>Update: The Health & Safety Policy is still in its draft stage as it needs to incorporate the BA's SMS.</p>	<p>By 01/04/2023 Updated to 31/12/2023 Updated to 30/06/2024</p>

Table 4

Corporate Governance & Risk Management – May 2023

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
1. Governance Framework The ToRs of the Authority and Committees be updated following consideration of the report by VWV.	Needs Attention	Monitoring Officer/Senior Governance Officer	At its meeting on 14/3/23 the Audit & Risk Committee agreed a set of actions to implement the recommendations of the VWV report and a relevant timetable. This included reviewing the ToR for committees. Complete.	By 22/09/2023
2. Governance Framework Following the publication of the VWV report; include the Hearings Committee (or similar committee) in the published Committee Structure, given its roles and responsibilities, albeit an ad-hoc committee.	Needs Attention	Monitoring Officer/Senior Governance Officer	At its meeting on 14/3/23 the Audit & Risk Committee agreed a set of actions to implement the recommendations of the VWV report and a relevant timetable. This included reviewing the ToR for committees and the establishment of a Standards Committee to replace the Hearings Committee. Complete.	By 22/09/2023
4. Risk Management Framework During the service plan refresh exercise, the Authority to identify, link, record and manage risks that threaten the achievement of operational objectives.	Needs Attention	Senior Governance Officer	In preparation for the next business plan, risks will be identified for each of the Directorate work plans and cross referenced to the Directorate risk registers.	By 31/03/2024

Appendix 3 – Summary of actions and responses to Internal Audit 2023/24

Table 5

Port Marine Safety Code – November 2023

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>1. Review and Audit The internal Audit cycle and reporting process to be re-established in line with the process set out in the Authority's Marine Safety Management System (MSMS).</p>	Important	Head of Safety Management	<p>Although internal audits had been carried out by the Head of Safety Management and action points raised and resolved, the reporting aspect did not happen.</p> <p>Complete</p>	By 11/01/2024
<p>2. Review and Audit Action to be taken to ensure that an appropriate statement about the standard of the organisation's performance against the PMSC is included in the Duty Holder's annual report. An annual PMSC report should also be presented to the Authority (as Duty Holder) which provides an overview of performance, to enable to the Duty Holder to make such a statement.</p>	Important	Head of Safety Management	The reviews and actions to ensure compliance to the PMSC have been taking place, it is the reporting of this and the overall compliance that needs reviving.	By 11/04/2024
<p>3. Review and Audit Website data requires updating to reflect the correct PIs (as per the MSMS) and a process put in place to ensure the monthly monitoring of PI data and the data published on the website is up to date and its accuracy substantiated with supporting documentary evidence.</p>	Important	Head of Safety Management	The KPI data is captured and much of the data is reported to the Navigation Committee at each session they meet. This data is an appendix in the Chief Executives Summary report.	By 31/05/2024

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>4. Review and Audit Action to be taken to ensure that an appropriate compliance statement is made by the Duty Holder when this is next required by the MCA (likely to be in March 2024). This includes ensuring that appropriate reporting mechanisms are in place in line with the recommendations above, to enable the Duty Holder to make such a statement.</p>	Important	Head of Safety Management	We will contact the MCA and discuss the compliance report, the timing and format to ensure we are consistent with other PMSC duty holders.	By 31/07/2024
<p>5. Plan Action be taken to ensure that the Authority complies with the requirement for a marine safety plan and associated reporting process, either in the form of a separate safety plan, or through relevant provisions being added to the MSMS and/or associated policies.</p>	Important	Head of Safety Management	Because of the statute and the way safety and improvements are planned within the broads, the details within a Marine Safety Plan are detailed and reported within the Broads Plan.	By 31/10/2024

Table 6

Procurement – November 2023

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>1. Publishing of invoice data Publish the details of how many invoices were paid within 30 days for as required by the Public Contracts Regulations 2015. Going forward, ensure the information is published at the end of each financial year.</p>	Important	Senior Accountant	Agreed. Complete.	By 31/01/2024

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
2. Guidance Update Procurement Quick Reference Guide in accordance with the reviewed CSO and Procurement Strategy.	Needs Attention	Senior Finance Assistant	Agreed. Complete.	By 31/05/2024
3. Contracts Register Ensure that the information on 'Value Added Tax that cannot be recovered' is included in the published register in accordance with the requirements of the Local Government Transparency Code 2015.	Needs Attention	Senior Accountant	As the Authority is able to reclaim VAT a note will be added to the register rather than an additional column being added. Complete.	By 31/12/2023
4. Contract Standing Orders Review the CSOs and add reference to document retention including what documents need to be retained and for how long.	Needs Attention	Director of Finance	This is detailed in the Authority's data retention and information management policy which is available on the intranet. This will be cross referenced in SORC. Complete.	By 31/05/2024
5. Sustainability Review the tender procedures, evaluate and incorporate how they can support the Authority's intention to become carbon neutral by 2030, as well as the objectives stated in the Procurement Strategy.	Needs Attention	Director of Finance	Director of Finance to update SORC as part of annual review in 2024. Complete.	By 31/05/2024

Table 7

Key Controls – January 2024

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
<p>1. Asset Management Management to ensure that all procedures are followed correctly including the relevant forms to be completed in full, and that disposals are authorised appropriately, with a clear audit trail retained.</p>	Important	Director of Finance	<p>All responsible Officers will be reminded of the importance of completing the asset disposal forms. The forms have been updated to highlight which form should be used as the Asset Officer is only responsible for land and property oversight. This will be reflected in the Asset Management Strategy review.</p> <p>Complete.</p>	By 31/01/2024
<p>2. Accounts Payable Management to strengthen this control by updating the new supplier setup form with a field indicating how the number was obtained and procedural guidance updated accordingly and conducting additional website searches to verify the supplier's details where possible. For supplier amendments, management to ensure that a process is in place to record how the number was obtained.</p>	Important	Senior Accountant	<p>The new supplier set up form has been updated following the debrief meeting. Training to be delivered to all staff in the Authority on how to complete this by end of February.</p> <p>Complete.</p>	By 28/02/2024
<p>3. Asset Management The Asset Management Strategy to be reviewed annually, with the date of last review and when due next, and the reviewer and approver clearly indicated within the document.</p>	Needs Attention	Asset Officer	Despite the Strategy being subject to an internal review during 2023 it was not reviewed by MT. The strategy will be updated in 2024 and taken to MT for approval.	By 31/03/2024

Table 8

Corporate Governance and Risk Management – February 2024

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/action	Timetable
1. The Local Government Act 1972 Add expectations for attendance and consequences for non-attendance to the Members' Code of Conduct.	Needs Attention	Senior Governance Officer	This will be reviewed as part of the next members code of conduct update. The next review is due within the next 12 months. Governance will continue to monitor absence and notify members where they maybe in risk of breaching the 6-month rule. It will continue to be highlighted to new members via the terms and conditions.	By 31/03/2025

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 13

Recommendations from external review into formal complaint- update

Report by Senior Governance Officer

Summary

To update Members on progress with implementing the recommendations from the external review into the formal complaint.

Recommendation

To note that all the recommendations which require action by the Broads Authority have been completed.

1. Introduction

- 1.1. At its meeting on 20 January 2023, the Authority received a [report](#) by the Monitoring Officer on the findings and recommendations of the independent review into the formal complaint.
- 1.2. Members adopted in full the recommendations for improvements in the Authority's governance and procedures and referred the recommendations to this Committee for detailed consideration and implementation.
- 1.3. Subsequently, at its meeting on 14 March, the Committee considered a [report](#) summarising the recommendations from the report and agreed the actions and accompanying timetable to progress the recommendations.
- 1.4. A copy of the recommendations and timetable can be found at appendix 1. This also identifies the action which has been taken.

2. Progress

- 2.1. Members will have seen various reports over the past year on progressing the recommendations. These include: amending the terms of reference for this committee to include having oversight of the Authority's governance arrangements; establishing a Standards Committee and amending the Scheme of powers delegated to the Chief Executive and other authorised officers.

2.2. Officers are pleased to confirm that all the recommendations have now been implemented.

3. Conclusion

3.1. Whilst all the recommendations have been implemented, officers will continue to review the Authority's governance arrangements and constitutional documents on a regular basis.

Author: Sara Utting

Date of report: 13 February 2024

Background papers: none

Appendix 1 – [Independent review recommendations, the Authority's response, proposed actions and progress](#)

Appendix 1

Independent review recommendations, the Authority's response, proposed actions and progress

February 2024

	Recommendation	Response	Action, person/committee responsible and timescale	Progress
1	The Authority's ongoing statutory duty to achieve Best Value (continuous improvement) provides a suitable approach to address the specific issues raised in relation to the planning function.	Continue to report to Planning Committee on performance statistics and feedback from satisfaction survey of applicants.	<ul style="list-style-type: none"> • Head of Planning (HoP) • Regular quarterly performance and stats reports to planning committee as required by DLUHC plus annual customer satisfaction report annually to May meeting. Next report due May 2023. • Agreed no need to change, but Senior Governance Officer (SGO) to ask HoP if there are any minor improvements that could be made. 	SGO raised with HoP. No additional items were identified to improve upon existing reporting. Open to suggestions of best practice in reporting demonstrated by other LPAs.
2	We recommend that the existing "call-in" arrangements should be reviewed and that when the interpretation of delegated powers is challenged it should be a matter that the CEO and Chairman jointly take a role on, and if they cannot resolve the issue (or feel that it should be placed before members of the Authority), the matter is placed before members.	Agree. Adopt in revised arrangements	<ul style="list-style-type: none"> • MO/SGO/DM • Docs to be reviewed – Delegations for Planning Committee and Protocol for Planning Committee • SGO to draft initial wording, review with DMO/MO • Consult with DM and Chair, Cllr Harry Blathwayt or Vice-Chair Cllr Tim Jickells, if Cllr Blathwayt not re-elected in May. • Report changes to Planning Committee on 21 July (EC to attend) • Final report to BA meeting 28 July 	Revised Scheme of Powers delegated to Chief Executive and other officers adopted by BA on 28 July 2023 and revised Code of Practice for members of the Planning Committee and officers adopted by PC on 21 July 2023.

	Recommendation	Response	Action, person/committee responsible and timescale	Progress
3	We consider that the effective consolidation of the key documentation will be of benefit.	Agree and adopt	<ul style="list-style-type: none"> All documents including amended documents arising out of these recommendations to be brought together on the website in one location, under the heading of “Constitution” Consider including other relevant documents, such as management structure, Protocol for MO. Documents to contain hyperlinks to other relevant documents etc Deadline – Autumn/end of year once all other work is complete SGO to work with DMO and MO 	MO Protocol adopted by BA 22 Sept. 2023. Constitutional documents page updated and refreshed plus amendments made to other relevant pages in Nov. 2023.
4	Code of Conduct matters should be separated from the Audit and Risk Committee. The Audit and Risk Committee should also take on the explicit role of considering members’ concerns regarding governance and generally oversight of the Authority’s governance arrangements.	Agree and adopt	<ul style="list-style-type: none"> MO to work with SGO and the Audit and Risk Committee to review terms of reference for Audit and Risk Committee – also for recommendations 7 – 9. SGO to draft initial changes to ToR and review with DMO/MO. To discuss all changes with Vice-Chair of ARC, Cllr Tristram Hilborn (As Chair is on long term sick) Aim to report to ARC on 25 July and BA on 28 July Re Standards Committee, DMO to consider appropriate ToR and arrangements to ensure sufficient membership to allow three members to form a sub-committee. To consider how the Standards Committee will interact with ARC Consider independent member for committee. SGO to consider arrangements from other national parks. Aim to bring to BA meeting 22 Sept 	<p>Revised terms of reference for the Audit & Risk Committee adopted by BA on 28 July 2023 (also renamed Risk, Audit & Governance Committee).</p> <p>Establishment of a Standards Committee agreed by BA 22 September 2023 incl. terms of reference and a Hearings Sub-Committee.</p>

	Recommendation	Response	Action, person/committee responsible and timescale	Progress
5	The Monitoring Officer should consider issuing additional guidance / training regarding members interests and how the policing of behaviour and Code of Conduct matters is best addressed	Agree and adopt	<ul style="list-style-type: none"> MO to work with CEO and Chairman and/or new Chair of Standards Committee to review training and provide refresher training and other training about interests / declarations / code of conduct etc. Possible programme of regular training to be provided by MO, DMO and SGO. MO to consider with SGO practical 1-hour session on interests etc for lunchtime on 28 July Other training – e.g. induction for newly appointed members etc – to be considered Regular reports to be provided to the new Standards Committee on conduct issues. New committee to have oversight of training Deadline – ongoing 	First meeting of new Standards Committee scheduled for 7 March 2024.
6	Local Authority appointees should be appointed through a similar merit-based process to that used by the Government for Secretary of State appointments. This reflects our view that there should be parity of treatment for all members, whether LA appointees or SoS appointees. The issue of an independent chair is also worthy of reflection provided s/he has a regional rather than national focus.	Agree and refer to Defra for consideration in the context of the Landscape Review.	<ul style="list-style-type: none"> This was one of four main themes to emerge from the workshop held on 24 February 2022 to consider the Authority's response to the public consultation on the Government's response to the Landscape Review, and on which the Chairman wrote to Lord Benyon on 7 April 2022. Deadline is subject to Defra's considerations and action 	Response from Defra received and reported to BA on 26 Jan 2024 .
7	Audit and Governance Committee, with their oversight of governance, should reflect upon issues regarding relationships and the underlying governance mechanisms behind those.	Agree	<ul style="list-style-type: none"> Actions as for No. 4 above MO to work with SGO and this Committee to review terms of reference for Audit and Risk Committee. The Authority to agree changes to terms of reference To report to ARC 25 July and to BA 28 July. 	See item 4 above.

	Recommendation	Response	Action, person/committee responsible and timescale	Progress
8	The Authority should review and change their complaints process removing the automatic obligation on the Monitoring Officer to investigate where there is a concern about unlawful behaviour or activity.	Agree and adopt change to Complaints Process	<ul style="list-style-type: none"> • CEO to work with MO and SGO to draft an amended process • To be considered in line with changes to ARC ToR • To be reported to BA meeting 28 July 	Amended wording agreed by Management Team on 22 August 2023. NB: does not require BA approval.
9	Members can raise governance concerns with Audit & Governance Committee and so should be able not to raise such concerns through the complaints process or any other route. Indeed, the ability for members to raise any issue when acting in their capacity as a member of the Authority through the Authority's complaints is something to review.	Agree	<ul style="list-style-type: none"> • Actions as for No 4 above • MO to work with SGO to review terms of reference for Audit and Risk Committee and revised arrangements. • To be reported to ARC 25 July and BA 28 July 	See 4 above.

Risk, Audit and Governance Committee

12 March 2024

Agenda item number 14

Risk Management update

Report by Senior Governance Officer

Summary

This report covers (1) the Broads Authority's Risk Register for information and (2) the Broads Authority's Risk Management Policy for review and adoption.

Recommendation

- i. To note the updated Corporate Risk Register (appendices 1 and 2) and
 - ii. To approve the Risk Management Policy (appendix 3) and recommend its adoption by the Authority at its meeting on 15 March.
-

1. Introduction

- 1.1. The Risk, Audit and Governance 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 are implemented which 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 Risk, Audit and Governance 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. Given the delay to the external audit schedule, the meeting of this Committee scheduled for November (postponed from September), was cancelled. However, the registers were still reviewed by Management Team. The updated register is at Appendix 1. The registers were reviewed again by Management Team prior to this meeting and the latest version of the CRR is at Appendix 2. This incorporates the amendments made previously in November and identifies any changes since then.
- 2.2. Changes to the register are made using tracked changes. With the first review, the score for risk 1 has increased and for risk 2 it has decreased. With the second review, there are no changes to the risk scores. Overall, there have been no new risks added to, or any risks deleted from, the register. Any changes to the risk scores are identified with the relevant arrow, e.g. ↔ ↓↑

3. Risk Management Policy

- 3.1. The Authority also has a Risk Management Policy (RMP), which sets out the rules and standards for managing strategic and operational risk and guides staff in assessing, monitoring and managing risk on a day-to-day basis when planning or implementing activities.
- 3.2. The RMP is scheduled to be reviewed and updated every two years. It was last reviewed in February 2022 and adopted at the March Authority meeting.
- 3.3. Management Team recently reviewed the policy and the only changes made were to reflect the change in the Committee's name.
- 3.4. A copy of the updated policy (with tracked changes) is attached at Appendix 3.

Author: Sara Utting

Date of report: 28 February 2024

Appendix 1 – [Corporate Risk Register \(November 2023\)](#)

Appendix 2 – [Corporate Risk Register \(February 2024\)](#)

Appendix 3 – [Risk management policy](#)

Broads Authority Corporate Risk Register (Updated ~~June~~ November 2023)

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
1 SP-All	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	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	912 ↑	<p>Implement MS Teams to share data across Authority more effectively.</p> <p>Monitor the implementation of hybrid working which was introduced to increase flexible working options.</p> <p>Annual review of Directorate resilience plans.</p> <p>Business Continuity Plan is reviewed annually.</p> <p>Recruit Head of Planning</p>	Chief Executive
2 SP-All	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	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 and Senior Governance Officer 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>Scheme of Powers Delegated to CEO and other authorised officers (updated July 2022)</p> <p>Proactive communication policies relating to local and social media in place.</p>	3	42	126 ↓	<p>Implement the recommendations from the VWV report adopted by Members in January 2023.</p> <p><u>The vast majority of these have been implemented – of particular significance is amending the ToR for the Risk, Audit & Governance Committee and establishing a Standards Committee.</u></p>	Chief Executive

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
							12	Monitoring Officer and Deputy Monitoring Officer in place (service agreement with Wilkin Chapman LLP), with specialisms in Local Authority governance and Code of Conduct issues. Monitoring Officer Protocol adopted by the Authority in September 2023. In January 2023, Members received findings and recommendations of an independent investigation into a formal complaint about a planning matter.			6		
3 All	Assets	Loss of key physical assets	Damage to, loss of or malfunction to key assets, impacting on BA operations/ duties and public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich).	19/8/2019	3	4	12	Asset Management Strategy in place. Integrated Access Strategy and Moorings Strategy in place (under review 2023 with consultation updated 2019). 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 BA in contact with key Network Rail Officers to respond to bridge issues. Insurance in place for equipment and buildings over £250 - cover includes business interruption for Yare House and Dockyard. Landowner negotiations processes in place. Programmed inspection regime in place and regular maintenance carried out.	3	2	6 ↔	Regular Review of contributions to reserves to ensure they remain appropriate for future purchases and repairs. Review of Working with Network Rail Contractors (Murphy's) to facilitate access and works licensing required for swing bridge capital project 2024/25 delegated powers to ensure limits remain appropriate and potential acquisitions can be acted upon swiftly. Review fresh of integrated access strategy scheduled for 2023/24. Property consultants to review repair and maintenance liability every 10	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
												years, next scheduled for 2026/27.	
4 SP-All	Finance	Reduction in income and increase in costs	<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"> Awaiting NPG funding confirmation from Defra Loss of toll income due to changes to/ impacts on local tourism industry) <p>Loss of money as a result of fraud incident against the BA, including cybercrime</p>	19/8/2019	3	5	15	<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>Annual training in cybercrime given to all staff.</p> <p>Review of minimum reserves undertaken and reviewed by MT prior to 2023/24 budget setting.</p> <p>Energy insights used in budget setting process to determine impact of potential changes in the price cap.</p> <p>Change of splits between National Park and Navigation recommended as part of 2023/24 toll and budget setting.</p> <p>Finance monthly review of actuals compared to the latest available budget to assist budget holders to take appropriate action.</p>	2	3	6 ↔	<p>Model expenditure options depending on proposed grant settlement and toll increases (SeptAug 2023/4).</p> <p>Explore options on income generation prior to 20245/256 budget setting.</p> <p>Toll/Budget workshop to be held with members October 2023-Autumn 2024.</p> <p>Training for all staff to be delivered via ELMs on Counter fraud, bribery and corruption during 2023/24.</p>	Director of Finance
5 SP-All	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.	02/7/2020	5	5	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>	2	4	8 ↔	Regular monitoring through the Public Sector Leaders Board	Chief Executive

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
			(also see risk no.4)					<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>					
6 SP1-3 & 4	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	15	<p>Provision of external legal services and Monitoring Officer (MO) in place.</p> <p><u>Monitoring Officer Protocol adopted by the Authority in September 2023.</u></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> <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>	2	2	4 ↔	<p>Monitor external legal and MO services on an <u>annual-quarterly</u> basis.</p> <p>Continue review of Broads Local Plan.</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
								Scientific research and monitoring ongoing to assess impacts, and mitigation measures developed if potential harm identified.					
7 SPAll	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	25	<p>Health and safety policies in place and reviewed regularly by H&S Committee and risk owners.</p> <p>H&S Committee monitors and reviews incident reports; risk assessments <u>are</u> reviewed and updated regularly.</p> <p>All staff and volunteers trained in key H&S issues; regular tool-box<u>toolbox</u> talks given before carrying out tasks.</p> <p><u>Health Screening and Assessments for Noise and hand-arm vibration were provided to the appropriate staff.</u></p> <p>Safety observations ONS system in place to catch near misses and learn from incidents. All accidents <u>are</u> investigated; regular audits <u>are</u> used to check control measures.</p> <p>Insurance <u>is</u> in place for legal expenses.</p> <p>Quarterly reports on H&S monitoring assessed by <u>the</u> Management Team.</p> <p>Safety system externally audited to ensure fit for purpose and compliance.</p> <p><u>External review of Hazard logs under the PMSC carried out in 2023, using the- Boat Safety Management Group (next scheduled review- in 2026)</u></p>	2	5	10 ↔	<p>Monitor changes in H&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&S legislation to ensure Authority processes are appropriate (end 2022).</p> <p>Internal Audit on Health and Safety scheduled for 2022.</p> <p><u>Report on Health & Safety, Audit results from PMSC and internal H&S Audit programme due to Navigation Committee in 2024</u></p>	Director of Operations
8 SPAll	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	18/6/2021	5	5	25	<p>Safety videos <u>were</u> provided to boat hirers in advance of <u>the</u> holiday.</p> <p><u>Improved safety information provided by Broads Authority webpages.</u></p>	3	5	15 ↔	<p>Review and response to findings of MAIB investigation into incident at Great</p>	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
			performance by hire boat operators.					<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><u>Joint training for fast water locations provided by Rangers and safety partners at GYYS.</u></p> <p>Hire Boat licensing and audit of licensees in place. <u>A program of spot checks and handover observations carried out.</u></p> <p>Boat Safety Scheme and inspections in place.</p> <p>Compulsory 3rd party insurance in place for boats.</p> <p>Implemented the new Hire Boat Code, <u>which includes the Quality Boatyard Accredited scheme, as well as HB licencing requirements for hirers of paddle craft (introduced in 2022)</u></p>				<p>Yarmouth completed.</p> <p><u>Refresher training for Hire Operator staff on fast tidal waters by Rangers and safety Partners in 2024 at GYYS.</u></p> <p><u>Review of safety incident data from 2023/24 so trends and key areas to review can be determined due early 2024.</u></p> <p><u>Program of summer 2024 spot check HB operators to be developed.</u></p>	
9 SP4&6	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	16	<p>Contractual arrangements in place for key partnerships (see Partnerships Register).</p> <p>Projects risk registers maintained for CANAPE and Water, Mills & Marshes and Nature for Climate Peatland Grant Scheme (NPCGS) FibreBroads projects.</p> <p>Regular project progress reported to Broads Authority.</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	12 ↔	<p>Partnerships Register reviewed regularly (Nov 2023²).</p> <p>Implement medium term <u>medium-term</u> funding model for UK National Park Comms Team from 1 April 2023⁴.</p>	Chief Executive

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
10 SP-All	Performance	<u>Breach-A breach</u> 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 and allowing data loss or data breach.	19/8/2019	4	4	16	<p>Data/IT systems <u>are</u> secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy.</p> <p><u>Additional/Refresher Accredited Data Protection Training provided by external supplier in Dec 2023.</u></p> <p>Bi-annual internal audit of IT systems and processes carried out.</p> <p>Certified GDPR Data Protection Officer(s) and GDPR Compliance Plan in place, and data protection training given to all staff.</p> <p>ICT security protocols <u>were</u> reviewed in light of staff working from home to ensure compliance.</p> <p><u>ICT protocols on automatic deletion were instigated within Microsoft Office 365 as well and the removal of the autofill email tool to reduce message-sending errors.</u></p> <p><u>All new staff to the Authority are inducted on Data Protection and the principles of GDPR.</u></p>	2	4	8 ↔	<p>Monitor and review case law and keep up to date with GDPR & data protection information/best practice.</p> <p>Provide refresher GDPR & Data Protection online training via ELMS to all staff.</p>	Director of Operations

Prepared by: Management Team, Senior Governance Officer
Date updated: ~~June~~ November 2023
Next update due: ~~Nov~~ March 2024

*Key to strategic priorities for 2023/24:

1. Climate Change crisis response
2. Bio-diversity crisis response
3. Navigation IT
4. Water Mills and Marshes
5. Local Plan for the Broads
6. Farming in Protected Landscapes (FiPL)
7. Budget pressures

Risk score matrix

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
			1	2	3	4
		Severity				

Broads Authority Corporate Risk Register (Updated ~~November 2023~~ February 2024)

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
1 SP-All	People, performance	Loss of key staff	Impact on delivery of BA objectives, service delivery, reputation 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	16	<p>Controls/safeguards/precautions to date, noting any other factors that may influence the risk</p> <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>	4	3	12 ↔	<p>Implement MS Teams to share data across Authority more effectively.</p> <p>Monitor the implementation of hybrid working which was introduced to increase flexible working options.</p> <p>Annual review of Directorate resilience plans.</p> <p>Business Continuity Plan is reviewed annually.</p> <p>Recruit Head of Planning</p>	Chief Executive
2 SP-All	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	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 24 July 2023)</p> <p>Code of Conduct for Officers included with HR policies.</p> <p>Director and Senior Governance Officer 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>Scheme of Powers Delegated to CEO and other authorised officers (updated July 2022 Sept 2023)</p>	3	2	6 ↔	<p>Implement the recommendations from the VWV report adopted by Members in January 2023.</p> <p>The se vast majority of these have <u>all</u> been implemented. — e Of particular significance is amending the ToR for the Risk, Audit & Governance Committee and establishing a Standards Committee.</p>	Chief Executive

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
								Proactive communication policies relating to local and social media in place. Monitoring Officer and Deputy Monitoring Officer in place (service agreement with Wilkin Chapman LLP), with specialisms in Local Authority governance and Code of Conduct issues. Monitoring Officer Protocol adopted by the Authority in September 2023. In January 2023, Members received findings and recommendations of an independent investigation into a formal complaint about a planning matter.					
3 All	Assets	Loss of key physical assets	Damage to, loss of or malfunction to key assets, impacting on BA operations/ duties and public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich).	19/8/2019	3	4	12	Asset Management Strategy in place. Integrated Access Strategy and Moorings Strategy in place (under review 2023 with consultation). Rail bridges: Legal undertaking in place with Network Rail regarding bridge maintenance and operations. BA in contact with key Network Rail Officers to respond to bridge issues. Insurance in place for equipment and buildings over £250 - cover includes business interruption for Yare House and Dockyard. Landowner negotiations processes in place. Programmed inspection regime in place and regular maintenance carried out.	3	2	6 ↔	Review of contributions to reserves to ensure they remain appropriate for future purchases and repairs. Working with Network Rail Contractors (Murphy's) to facilitate access and works licensing required for swing bridge capital project 2024/25. Review of integrated access strategy scheduled for 2023/24. Property consultants to review repair and maintenance liability every 10 years, next scheduled for 2026/27.	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
4 SP-All	Finance	Reduction in income and increase in costs	<p>Impact on delivery of BA objectives, service delivery, reputation</p> <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"> • Awaiting NPG funding confirmation from Defra • Loss of toll income due to changes to/ impacts on local tourism industry) <p>Loss of money as a result of fraud incident against the BA, including cybercrime</p>	19/8/2019	3	5	15	<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>Annual training in cybercrime given to all staff.</p> <p>Review of minimum reserves undertaken and reviewed by MT prior to 2023/24 budget setting.</p> <p>Energy insights used in budget setting process to determine impact of potential changes in the price cap.</p> <p>Change of splits between National Park and Navigation recommended as part of 2023/24 toll and budget setting.</p> <p>Finance monthly review of actuals compared to the latest available budget to assist budget holders to take appropriate action.</p>	2	3	6 ↔	<p>Model expenditure options depending on proposed grant settlement and toll increases (Aug 2024).</p> <p>Explore options on income generation prior to 2025/26 budget setting.</p> <p>Toll/Budget workshop to be held with members Autumn 2024.</p> <p>Training for all staff to be delivered via ELMs on Counter fraud, bribery and corruption during 2023/24.</p> <p>Regular review of impacts of additional delays to Yare House downsizing.</p>	Director of Finance
5 SP-All	People, performance	Large-scale public health crisis	<p>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.</p> <p>(also see risk no.4)</p>	02/7/2020	5	5	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>	2	4	8 ↔	Regular monitoring through the Public Sector Leaders Board	Chief Executive

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
								<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>					
6 SP1-3 & 4	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	15	<p>Provision of external legal services and Monitoring Officer (MO) in place.</p> <p>Monitoring Officer Protocol adopted by the Authority in September 2023.</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> <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</p>	2	2	4 ↔	<p>Monitor external legal and MO services on an annual basis.</p> <p>Continue review of Broads Local Plan.</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
								measures developed if potential harm identified.					
7 SPAll	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	25	<p>Health and safety policies in place and reviewed regularly by H&S Committee and risk owners.</p> <p>H&S Committee monitors and reviews incident reports; risk assessments are reviewed and updated regularly.</p> <p>All staff and volunteers trained in key H&S issues; regular toolbox talks given before carrying out tasks.</p> <p>Health Screening and Assessments for Noise and hand-arm vibration were provided to the appropriate staff.</p> <p>Safety observations ONS system in place to catch near misses and learn from incidents. All accidents are investigated; regular audits are used to check control measures.</p> <p>Insurance is in place for legal expenses.</p> <p>Quarterly reports on H&S monitoring assessed by the Management Team.</p> <p>Safety system externally audited to ensure fit for purpose and compliance.</p> <p>External review of Hazard logs under the PMSC carried out in 2023, using the Boat Safety Management Group (next scheduled review in 2026)</p>	2	5	10 ↔	<p>Monitor changes in H&S legislation.</p> <p>Monitor industry best practice and implement changes where required.</p> <p>Report on Health & Safety, Audit results from PMSC and internal H&S Audit programme due to Navigation Committee in 2024</p>	Director of Operations
8 SPAll	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.	18/6/2021	5	5	25	<p>Safety videos were provided to boat hirers in advance of the holiday.</p> <p>Improved safety information provided by Broads Authority webpages.</p> <p>Ranger services in place providing advice to waterways users.</p> <p>Survey of HBO handover procedures carried out to assess efficacy.</p>	3	5	15 ↔	<p>Refresher training for Hire Operator staff on fast tidal waters by Rangers and safety Partners in 2024 at GYYS.</p> <p>Review of safety incident data from 2023/24 so trends and key areas to review can be</p>	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
								<p>Broadcaster, pre-visit training videos and other safety information provided to boat hirers.</p> <p>Joint training for fast water locations provided by Rangers and safety partners at GYYS. Hire Boat licensing and audit of licensees in place. A program of spot checks and handover observations carried out.</p> <p>Boat Safety Scheme and inspections in place.</p> <p>Compulsory 3rd party insurance in place for boats.</p> <p>Implemented the new Hire Boat Code, which includes the Quality Boatyard Accredited scheme, as well as HB licencing requirements for hirers of paddle craft (introduced in 2022)</p>				determined due early 2024. Program of summer 2024 spot check HB operators to be developed.	
9 SP4&6	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	16	<p>Contractual arrangements in place for key partnerships (see Partnerships Register).</p> <p>Projects risk registers maintained for Water, Mills & Marshes and FibreBroads projects. Regular project progress reported to Broads Authority.</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	12 ↔	<p>Partnerships Register reviewed regularly (Nov 2023).</p> <p>Implement medium-term funding model for UK National Park Comms Team from 1 April 2024.</p>	Chief Executive
10 SP-All	Performance	A 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 and allowing data loss or data breach.	19/8/2019	4	4	16	<p>Data/IT systems are secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy.</p> <p>Additional/Refresher Accredited Data Protection Training provided by external supplier in Dec 2023.</p> <p>Bi-annual internal audit of IT systems and processes carried out.</p>	2	4	8 ↔	<p>Monitor and review case law and keep up to date with GDPR & data protection information/best practice.</p> <p>Provide refresher GDPR & Data Protection online</p>	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
							25	<p>Certified GDPR Data Protection Officer(s) and GDPR Compliance Plan in place, and data protection training given to all staff.</p> <p>ICT security protocols were reviewed in light of staff working from home to ensure compliance.</p> <p>ICT protocols on automatic deletion were instigated within Microsoft Office 365 as well and the removal of the autofill email tool to reduce message-sending errors.</p> <p>All new staff to the Authority are inducted on Data Protection and the principles of GDPR.</p>			10	training via ELMS to all staff.	

Prepared by: Management Team, Senior Governance Officer
Date updated: ~~November 2023~~ February 2024
Next update due: ~~March~~ July 2024

- *Key to strategic priorities for 2023/24:
1. Climate Change crisis response
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 6. Farming in Protected Landscapes (FiPL)
 7. Budget pressures

Risk score matrix

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
			1	2	3	4
		Severity				

Risk management policy

1. Introduction

- 1.1. This document sets out the Broads Authority's rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk on a day-to-day basis.

2. Defining risk

- 2.1. In this context, 'risk' refers to an uncertain event, or set of events, which may affect the Authority's ability to operate its business or achieve its aims and objectives. An 'uncertain event' is one that might happen, rather than one that will definitely happen or is happening already.
- 2.2. Each risk has the key dimensions of 'likelihood' and 'severity'. Likelihood is the probability the event will happen, while severity is the impact the event would have if it happened.

3. Managing risk

- 3.1. The Authority must be able to consider the risks that may threaten or affect the running of its business and delivery of its aims and objectives, and make sure it has controls and mitigation measures in place to minimise those risks.
- 3.2. The international standard for risk management (ISO 31000) sets out useful guidance on risk management, emphasising that it should be integral to all processes and for all staff. Good principles for managing risk are that:
 - It needs to be systematic, structured and timely.
 - It is based on the best available information, including historical data, stakeholder and customer feedback, forecasting and expert judgment. It should be tailored to the organisation's internal and external context and risk profile.
 - It takes human and cultural factors into account, recognising that people's capabilities, behaviours and intentions can either help or hinder the organisation's objectives.
 - It is transparent and inclusive, needing the timely and appropriate involvement of stakeholders and decision makers at each stage, and ensuring proper representation of all those affected.
 - It needs to be iterative, dynamic and responsive to change, taking account of changes in the internal and external environment.
 - It needs to demonstrate continuous improvement.

3.3. Not having risk management procedures in place could result in a failure to identify and monitor risks, or apply appropriate and proportionate mitigation measures. It is also important to bear in mind:

- Our stakeholder and public expectations that we manage risk effectively;
- the demands of legislation and external bodies, such as regulators and auditors;
- the value of risk management in making informed decisions about the effective use of capital and resources, and in reducing costly mistakes or firefighting;
- the desire to make the organisation a better and safer place to work, and for others to work with.

4. Roles and responsibilities

Risk, Audit and Risk-Governance Committee

4.1. The Risk, Audit and Risk-Governance Committee oversees the development and operation of risk management at a strategic level, and regularly reviews the Corporate Risk Register. The Committee does not review the Directorate Risk Registers.

Management Team

4.2. Management Team (MT) is responsible for monitoring and managing risk across the organisation and making sure we have effective policies and procedures in place. MT oversees the review of the Risk Management Policy and Corporate Risk Register, with support from the Senior Governance Officer. Any significant corporate issues relating to risk management are brought to the Risk, Audit and Risk-Governance Committee's attention.

Directors

4.3. Directors are responsible for making sure risk management is embedded into the work of their Directorates, that risk owners and all other staff are aware of its importance, and that appropriate mitigation measures are in place. Directors are also responsible for their Directorate Risk Registers, which focus on day-to-day operational activities. They will bring MT's attention to any concerns or instances where ineffective risk management is impacting on the Authority's business or the achievement of its key aims and objectives.

Risk owners

4.4. Risk owners are responsible for monitoring and managing their assigned risks on a day-to-day basis. They will review their risks at least every six months and make sure the registers are updated accordingly. Risk owners will bring their Director's attention to any concerns or instances where ineffective risk management may be impacting on the Authority's business or the achievement of its key aims and objectives.

Other staff

- 4.5. Risk management is not a specialist activity or only for nominated 'risk owners'. It is a core part of everyone's job and should be embedded throughout the organisation and its activities. A risk management assessment should be part of planning and implementing all activities, with risks identified and mitigation measures put in place.

5. Risk Registers

Types of register

- 5.1. The Authority maintains a strategic Corporate Risk Register. This is supported by operational Risk Registers for its Strategic Services Directorate, Operations Directorate and Finance & Support Services Directorate.
- 5.2. The **Corporate Risk Register** sets out the 'across the board' risks that could threaten the Authority's core business and the way it operates. ~~The Corporate Risk Register is maintained on the Authority's intranet.~~
- 5.3. **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 Risk, Audit and Risk Governance 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.
- 5.4. MT has overall responsibility for the registers, and risk owners are responsible for reviewing and updating their individual risks. Every risk should be reviewed before every Risk, Audit and Risk Governance Committee meeting, or earlier where there is a significant change in circumstances, with a note in the register of the date the risk was last reviewed.

Format

- 5.5. All registers have the following information:
 - Area impacted by the risk (people, finance, performance, reputation or assets)
 - Risk name and description
 - Date entered on risk register
 - Initial risk scores (likelihood and severity)
 - Tasks to mitigate the risk (controls/safeguards/precautions)
 - Revised risk scores (likelihood and severity)
 - Additional actions required

- Risk owner (by job title)

6. Assessing risk tolerance levels

6.1. The Authority assesses risk against the matrix and scoring descriptions in Tables 1 to 4. For each risk, the dimension scores of **likelihood** and **severity** are multiplied to produce an **initial risk score**. When mitigation measures are identified, the two dimensions are scored and multiplied again to produce a **revised risk score**. This score is categorised as being a low, medium or high **level of tolerance**.

Table 1

Risk scores matrix

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
			1	2	3	4
Severity						

Table 2

Likelihood definitions

Rating	Definition	Value
Highly likely	The event is expected to occur	5
Probable	The event will probably occur	4
Possible	The event may occur at some time	3
Unlikely	The event is not expected to occur in normal circumstances	2
Rare	The event may occur only in exceptional circumstances	1

Table 3

Severity definitions

Schedule	Cost	Performance and quality	Value
<2 weeks delay	<1% of budget	Cosmetic impact only	1 Insignificant
2 weeks to 1 month's delay	1%-<2%	Some minor elements of objectives affected	2 Minor
1 month to <2 months delay	2%-<8%	Significant areas of some objectives affected	3 Moderate
2 months to <4 months delay	8%-<12%	Wide area impact on some objectives	4 Major

Schedule	Cost	Performance and quality	Value
>4 months delay	>12% of budget	Significant failure resulting in the project not meeting its objectives	5 Extreme

Table 4

Risk level tolerance

Total score	Risk treatment
High 16-25 Red risk	Risks are so significant that risk treatment is mandatory
Medium 6-15 Amber risk	Risks require a cost benefit analysis to determine the most appropriate treatment
Low 1-5 Green risk	Risks can be regarded as negligible, or so small that no risk treatment is required

- 6.2. When a potential new action or objective is assessed for risk, MT will review the revised risk score suggested by the risk owner to make sure it is robust and reasonable.
- 6.3. Where a risk score is above the tolerance level of 16 (high risk), the Chief Executive will immediately bring the risk to the attention of the Chair~~man~~ of the Authority and the Chair~~man~~ of the Risk, Audit and Risk-Governance Committee.

7. Risk management tools

Risk identification

- 7.1. Identifying a new risk can happen at any time, but is most likely:
- when the Authority takes on a new responsibility, scheme or project;
 - as a result of an unforeseen incident or event; or
 - as part of the annual review of risks by MT or Directorate teams.
- 7.2. A number of tools can help with risk identification, including those outlined below.
- PESTLE looks at factors outside the organisation that can influence it, and stands for:
- Political – government policy and stability
 - Economic – employment rates, material costs and interest/exchange rates
 - Social – demographics, cultural trends and changes in lifestyle
 - Technology – innovation and development
 - Legal – employment, health and safety legislation and regulations
 - Environmental – climate, carbon footprint, sustainability, recycling, waste disposal

APRICOT looks at factors within the organisation that may be affected, and stands for:

- Assets – land, buildings, contents, materials and equipment
- People – safe working systems, health and welfare
- Reputation – poor media coverage, political embarrassment
- Information – IT failures
- Continuity of Operations – failure to deliver or poor service
- Targets – failure to meet strategic objectives and achieve value for money

Risk mitigation

- 7.3. Once a risk is identified, mitigation measures need to be considered. Initially, this can be defined simply as ‘tolerate, transfer, treat or terminate’.
- 7.4. A new risk should be reported to the appropriate Director as soon as possible by any officer so it can be entered in the relevant Directorate Risk Register. The Director will then assess whether the risk should be entered in the Corporate Risk Register.
- 7.5. When a new corporate risk is identified, MT will assess the mitigating measures in place or proposed, and whether these will manage the risk to ‘as low as reasonably practicable’. This process looks at whether the likelihood and severity of the risk is addressed adequately, and whether the Authority needs to enter into the risk, assuming it is optional, bearing in mind how the activity itself will further the Authority’s objectives and the level of risk associated with it.

8. Review timetable

- 8.1. In addition to the regular review by risk owners, MT will review the Corporate Risk Register regularly to consider whether:
 - the identified risks are appropriate and up-to-date
 - the actions and controls in place are adequate and appropriate
 - the revised risk score is appropriate
 - any additional action is needed to help mitigate the risk
 - any new risks should be added to the Register, either for new activities or for existing activities where the risk level may have increased.
- 8.2. The Corporate Risk Register will be reviewed at every meeting of the [AuditRisk, Audit and Risk-Governance](#) Committee. Where a risk score has increased, the reasons for the change will be set out.

Policy updated: March [2022-2024](#)

Next update due: March [2024-2026](#)

Contact officer: Senior Governance Officer