

## Financial Scrutiny and Audit Committee

### AGENDA

27 September 2016

2:00pm

	Page
1. <b>To receive apologies for absence</b>	
2. <b>Appointment of Chair</b>	
3. <b>Appointment of Vice Chair</b>	
4. <b>To note whether any items have been proposed as matters of urgent business</b>	
5. <b>To receive declarations of interest</b>	
6. <b>To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meetings held on 5 July 2016 (herewith)</b>	3 – 11
7. <b>To note the Terms of Reference of the Financial Scrutiny and Audit Committee (herewith)</b>	12 – 13
8. <b>Public Question Time</b> To note whether any questions have been raised by members of the public	
<b>AUDIT</b>	
9. <b>Annual Audit Results</b> Report by Head of Finance (herewith)	14 – 39
10. <b>External Audit Committee Briefing</b> Report by Head of Finance (herewith)	40 – 52
11. <b>Implementation of Internal Audit Recommendations – Summary of Progress</b> Report by Head of Finance (herewith)	53 – 59
12. <b>Appointment of External Auditors</b> Report by Head of Internal Audit (Internal Audit Consortium Manager) (herewith)	60 – 68

## FINANCIAL SCRUTINY

- |     |  |         |
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| 13. | <b>Consolidated Income and Expenditure – 1 April to 31 July 2016 Actual and 2016/17 Forecast Outturn</b><br>Report by Head of Finance (herewith) | 69 – 80 |
| 14. | <b>Preparation for the 2017/18 Budget</b><br>Report by Chief Executive and Head of Finance (herewith)  | 81 – 83 |

## RISK MANAGEMENT

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| 15. | <b>Risk Register</b><br>Report by Chief Executive (herewith) | 84 – 85 |
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## OTHER MATTERS

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| 16. | <b>Review of Code of Conduct for Members</b><br>Report by Solicitor and Monitoring Officer (herewith)   | 86 – 111  |
| 17. | <b>Financial Regulations</b><br>Report by Head of Finance (herewith)  | 112 – 140 |
| 18. | <b>To consider any other 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</b>   |           |
| 19. | <b>To answer any formal questions of which due notice has been given</b>  |           |
| 20. | <b>To note the date of the next meeting – Tuesday 7 February 2017 at 2.00pm at Yare House, 62-64 Thorpe Road, Norwich</b>   |           |
| 21. | <b>Exclusion of the Public</b><br>The Committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the item below on the grounds that it involves the likely disclosure of exempt information as defined by Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Act as amended, and that the public interest in maintaining the exemption outweighs the public benefit in disclosing the information |           |
| 22. | <b>Appointment of Chief Finance Officer Section 17 of the Norfolk and Suffolk Broads Act 1988</b><br>Report by Chief Executive.   | 141 - 146 |

## **Broads Authority**

### **Financial Scrutiny and Audit Committee**

Minutes of the meeting held on 5 July 2016

#### **Present:**

Mr Guy McGregor (Chairman)  
Mr Louis Baugh  
Prof. Jackie Burgess  
Mr Nigel Dixon  
Sir Peter Dixon  
Mr Michael Whitaker

#### **In Attendance:**

Ms Esmeralda Guds – Administrative Officer  
Mr David Harris – Solicitor and Monitoring Officer  
Miss Emma Krelle – Head of Finance  
Ms Andrea Long – Director of Planning & Resources  
Dr John Packman – Chief Executive

#### **Also in Attendance:**

Ms Emma Hodds - Head of Internal Audit Consortium  
Ms Jill Penn – Treasurer and Financial Adviser

#### **2/1 Apologies for Absence**

There were no apologies for absence.

#### **2/2 Matters of Urgent Business**

There were no items being proposed as matters of urgent business.

#### **2/3 Declarations of Interests**

Members expressed declarations of interests as set out in Appendix 1 to these minutes.

#### **2/4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 9 February 2016 (herewith)**

The minutes of the meeting held on 9 February 2016 were approved as a correct record and signed by the Chairman.

## 2/5 Public Question Time

No questions were raised by members of the public.

## 2/6 Annual Governance Statement 2015/16

Members received a report which explained the legal requirement, background and purpose of the Annual Governance Statement, and the requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements.

While taking the Members through the report, the Solicitor and Monitoring Officer pointed out that the few actions which were outstanding had been included in this year's Action Plan. It was further highlighted that no weaknesses were identified and that the Authority had received a *Substantial* assurance level in respect of *Corporate Governance & Risk Management* for 2015/16.

It was confirmed that compared to previous years the number of formal complaints had decreased, were broadly similar and mainly planning related. It was suggested to include more information about the complaints, illustrating what sort of complaints the Authority attracts and how they were being dealt with.

In regards to the Strategic Risk Register the Chief Executive explained that instead of the register being considered at each FSAC Committee as previously recommended by the internal auditors, he would like to suggest that risk owners and Management Team look at the risk register collectively on a regular basis and report back to the FSAC meeting twice a year, as this had been proven sufficient. The Members were assured that the reviewed Risk Register would incorporate a process which would trigger an alert should there be a significant change in the occurrence of risk.

It was further suggested that the Business Continuity Plan should be brought to the FSAC meeting to ensure it stays up to date.

After considering the wording in paragraph 3.10 of the report it was agreed to change the wording from '*All Matters*' to '*All decision, other than the planning committee and those matters specifically delegated to the Chief Executive, are dealt with by the full Broads Authority*'.

### RESOLVED

- (i) The Annual Governance Statement for 2015/16 and Action Plan for 2016/17 were approved, subject to any amendments or additions recommended by the Internal Audit report due by 8 July 2016 or as the Authority may wish to make.
- (ii) the Committee confirmed, subject to implementation of the improvements identified in the Action Plan, that the Authority's internal

control systems and governance arrangements were considered to be adequate and effective.

- (iii) the Committee noted the likely forthcoming changes to the CIPFA/SOLACE governance framework during 2016 and that these were likely to require a consequential review and update of key Authority governance documents.

## **2/7 Draft Unaudited Statement of Accounts 2015/16**

Members received a report which summarised the Broads Authority's Statement of Accounts for the year ended 31 March 2016.

Members were informed that the audit had been completed including the Statement of Accounts and this had not identified any significant issues but the auditors had suggested removing lines with a zero balance to shorten the report.

While looking at the Related Party Transactions the auditors pointed out that declarations would need tightening up and that it was important for Members to identify any (financial) relation they might have with the Authority in their declaration. It was made clear that this was as much about protecting the individual as the Authority and that it was recognised that it was more often about perception.

The matter of pension liability was raised as a concern. Although the Authority had increased its rate of contribution, it was believed that the liability was still considered to be substantial and therefore could in future prove a difficult matter for the Authority to service.

It was explained that the loan from the Public Works Loan Board could not be paid off from National Park Reserves as this was a navigation debt. In addition there would be a fee for paying it off early.

The Head of Finance corrected a minor inaccuracy in paragraph 2.3 regarding the Navigation Reserves. She explained that the Navigation Reserve indeed increased. She also cleared up an error on page 109 which should read £2 million and not £22 million.

The Treasurer and Financial Advisor praised the work of the Finance Team in completing the accounts on the new shorter timetable. It was noted that Members of the Committee were interested in receiving audit committee training.

**RESOLVED**

that the Statement of Accounts for 2015/16 was recommended to the Broads Authority for approval.

## **2/8 Internal Audit Annual Report and Opinion 2015/16**

The Members received a report which provided the Authority with an Annual Report and Opinion for 2015/16, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

While going through the report the Head of Internal Audit highlighted that the overall opinion was that the framework of governance, risk management and control was deemed to be reasonable.

It was pointed out that the audit of IT would be undertaken every other year rather than every year to take account of the resource implications.

It was noted that the Head of Internal Audit believed the report to be very encouraging and very positive and that Management was on top of the recommendations and so it was suggested that members of staff should be congratulated on the outcome.

When queried, the amount of the internal audit bill was confirmed and so was the 35 days of work delivered.

The Committee was grateful for the good work of the internal auditors and believed that working with the consortium had proved to be an effective way of using the Authority's resources.

### **RESOLVED**

that the Committee

- (i) receive and approve the contents of the Annual Report and Opinion of the Internal Audit Consortium Manager;
- (ii) note that a reasonable audit opinion (positive) is given in relation to the framework of governance, risk management and control for the year ended 31 March 2016;
- (iii) note that the opinions expressed together with significant matters arising from internal audit work and contained within this report are given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2015/16.
- (iv) note the conclusions of the Review of the Effectiveness of Internal Audit.

## **2/9 Investment Strategy and Performance Annual Report 2015/16**

The Committee received a report which set out details of the Authority's investment of surplus cash, including the investment principles and performance during the twelve months to 31 March 2016.

Paragraph 2.5 was highlighted where the sum paid in 2015/16 was compared to 2014/15. The Treasurer mentioned that while she was aware that there was some concern about the level of income received, security was still a prime driver rather than risking funds in volatile areas. The current investment strategy would be reviewed.

The Head of Finance confirmed that the Authority would have further discussion with officers of Broadland District Council to see whether they could arrange a fixed term investment to increase the Authority's interest.

RESOLVED

the contents of the report be noted.

## **2/10 External Funding Strategy**

Members received a report which updated them on the recent progress made in developing an approach to securing more funding and support from external sources.

Two key issues were highlighted, the need for clarity as to the priorities for external funding and the benefit of a standalone charitable vehicle to maximise fundraising income.

Five priorities for the Broads Authority external funding were identified, the top priority being to ensure the success of the second stage of the Landscape Partnership bid.

Members of the Committee were in agreement that the External Funding Strategy was the right approach as it highlighted the need to use project management techniques to develop fully worked up and costed proposals.

Members agreed that before applications for funding were made it was necessary to determine what it was needed for and so it would be practical to have a list with projects available, ready to be implemented when the opportunity arises.

RESOLVED

- (i) that Members note the conclusions from the workshop led by the South Downs National Park;
- (ii) that Members support the national and local priorities identified in Section 4 of the report.

## **2/11 Tolls Review and Proposed New Structure for Navigation Charges**

Members received a report which briefed Members of the Committee on the proposals for the restructuring of navigation charges and the potential

impacts and risks.

The Chief Executive highlighted the different categories of vessels in both Commercial and Private Crafts. It was explained that the proposal by Members was that in future the toll structure would provide a more flexible system where small boats overall would be paying less and larger boats more. Overall more boats would be seeing a reduction.

The Head of Internal Audit believed that this was a good opportunity for the FSAC to look at the proposals at an early stage and be able to put any comments towards it with a fresh pair of eyes from Members who had not been that deeply involved.

Members were informed that some of the main proposals from the Tolls Review Group involved the removal of the hire boat multiplier and reducing the number of categories from 199 to 65. Another major element was to acknowledge that the different fleets operating on the Broads needed to be treated differently. It was said that by simplifying the toll structure it created greater transparency.

Some Members expressed concerns that although income from private boats was increasing, this was being undermined by the continuing trend of losing revenue on the hire fleet side. It was therefore thought that the Authority should take this into account.

It was however mentioned that compared to the rest of the UK, the tolls in the Broads were low which meant there was room for manoeuvre. It was explained that reducing tolls would mean reducing services but surveys had shown that toll payers wanted more, i.e waste facilities, more rangers, more dredging and more moorings.

**RESOLVED**

that the Committee support the revised Guiding Principles and the key elements of the suggested way forward.

## **2/12 External Audit**

Members received a report which appended the annual audit fee letter from Ernst & Young for undertaking the 2016/17 audit. The fee would be maintained at £13,943. It further appended the Local Government Audit Committee Briefing by Ernst & Young.

Attention was drawn to the fact that authorities had to appoint their own auditors under new regulations, which meant the Authority would have to go through a procurement process.

The Members agreed that to undertake a joint audit procurement and appointing exercise with other local authorities was the most logical option. The alternative would be a national audit procurement.



RESOLVED

- (i) that the details of the annual audit fee letter be noted.
- (ii) that the briefing, including the key questions for Audit Committees as set out on page 9, be noted.

### **2/13 Implementation of Internal Audit Recommendation and Summary of Progress**

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out since 2015/16.

It was highlighted that two audits had been undertaken since the last meeting in February 2016 which were Key Controls and Members Governance. It was noted that both audits had received a reasonable assurance and that most of the issues identified had been completed.

RESOLVED

that Members note the report.

### **2/14 Code of Conduct**

Members received a report which updated the position regarding the new draft Code of Conduct for Members.

The Solicitor and Monitoring Officer highlighted that the two main requirements coming out of the Localism Act were that the Code of Conduct would need to be based on the "Nolan Principles" of public life and secondly it would require the Authority to appoint an independent person. In addition the internal audit recommendations required the Code to incorporate an assessment criterion in relation to the complaints process, and guidance for informal complaints against Members.

While reviewing the Code of Conduct comments were received and taken into account, especially in regards to paragraph 1.7 about social media and in terms of the sanctions in paragraph 6.5.

Members agreed that the draft updated Code of Conduct was a big improvement.

It was agreed that the Code of Conduct would come back to the FSAC September meeting before it would go to the Broads Authority meeting on 30 September.

## **2/15 Risk Analysis**

Members received a report which updated them on risk analysis and reporting and it was

RESOLVED

- (i) that the revised timescale for the review of the Strategic Risk Register set out in paragraph 2.1 be adopted.
- (ii) that a risk analysis be incorporated in future reports to the Broads Authority where a significant financial or reputational risk had been identified.
- (iii) that the risk analysis for the Authority's Strategic Priorities be noted.

## **2/16 To consider any other 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**

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.

## **2/17 Formal Questions**

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

## **2/18 Date of the next meeting**

Members noted that the date of the next Committee meeting would be held on Tuesday 27 September 2016 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 4.10 pm

CHAIRMAN

### Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 5 July 2016

<b>Name</b> <b>Please Print</b>	Agenda/ Minute No(s)	<b>Nature of Interest</b> (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
Guy McGregor		Member of SCC	
M J Whitaker		Toll Payer, Hire Boat Operator, Chair of BHBF	
J A Burgess		Toll Payer	
P Dixon			

## **Broads Authority**

### **Terms of Reference of Committees**

#### **Financial Scrutiny and Audit Committee**

##### **Financial Scrutiny**

- (19) To review and recommend the Annual Statement of Accounts to the Authority for approval, to ensure that appropriate accounting policies have been followed and to consider whether there are any specific concerns which need to be brought to the attention of the full Authority.
- (20) To review and recommend the Annual Governance Statement to the Authority for approval, and to consider whether there are any specific concerns which need to be brought to the attention of the full Authority.
- (21) To approve the Authority's Financial Regulations, Standing Orders relating to Contracts and counter fraud, corruption and bribery arrangements.

##### **Financial Planning**

- (22) To monitor and oversee the Authority's medium term financial planning, including the annual Business Plan, and to bring to the attention of the full Authority any specific issues or concerns.

##### **Audit**

- (23) To oversee the scope and depth of internal and external audit work and ensure it is appropriate and provides value for money.
- (24) To consider the external auditor's Annual Audit Letter, and any other reports to the Authority and those charged with its governance.
- (25) To receive and consider the Head of Internal Audit's Annual Written Report and Opinion.
- (26) To consider Internal Audit's Terms of Reference, Code of Ethics and Strategy, together with the 5 year Strategic Internal Audit Plan and Annual Internal Audit Plan.
- (27) To consider specific reports from external and internal auditors.

- (28) To consider any reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (29) To receive regular updates on progress in implementing the recommendations of external and internal auditors.
- (30) To monitor the performance of the providers of the internal audit service, and advise on whether effective systems of internal control are in operation.

### **Risk Management**

- (31) To monitor the effective development and operation of risk management, and review the Authority's Strategic Risk Register.

### **Other**

- (32) To determine any payments or honoraria to staff which are not within the scope of the powers delegated to the Chief Executive up to a maximum of £50,000 per event.
- (33) To consider any matters referred to the Committee by the Broads Authority or the Chief Executive which are appropriate to its Terms of Reference.

**Annual Audit Results**  
Report by Head of Finance

**Summary:** This report appends the Annual Audit Results for 2015/16 prepared by the External Auditors, Ernst & Young.

**Recommendations:**

- (i) That the Annual Audit Results 2015/16 be noted.
- (ii) That the Letter of Representation in connection with the Audit of the Financial Statements for 2015/16 be signed by the Treasurer and Financial Adviser and the Chairman of the FSAC.

**1 Annual Audit Results 2015/16**

- 1.1 The External Audit of the Authority's 2015/16 Statement of Accounts was undertaken during June 2016 and the final Audit Results by Ernst & Young for 2015/16 is appended.
- 1.2 The External Auditors will be attending the meeting to present this item and answer any questions.
- 1.3 Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2015/16, which is presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Background papers: Statement of Accounts 2015/16  
Annual Governance Statement 2015/16

Author: Emma Krelle  
Date of report: 10 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Annual Audit Results 2015/16  
APPENDIX 2 – Draft Letter of Representation 2015/16

# The Broads Authority

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

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 from 1 April 2015’ issued by PSAA 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure –** If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Executive summary

The National Audit Office’s Code of Audit Practice (the Code) requires us to report to those charged with governance – the Financial Scrutiny & Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

<p>Status of the audit</p>	<p>We have substantially completed our audit of the financial statements of the Broads Authority for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in Appendix C:</p> <ul style="list-style-type: none"> <li>• completion of subsequent events review</li> <li>• receipt of the signed management representation letter</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority’s financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
<p>Audit differences</p>	<p>There are no unadjusted or adjusted audit differences.</p>
<p>Scope and materiality</p>	<p>In our audit plan presented at the 9 February 2016 Financial Scrutiny and Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £148k. We have reassessed this based on the actual results for the financial year and have increased this amount to £150k due to the increase in gross expenditure in 2015/16 upon which materiality is based.</p> <p>The threshold for reporting audit differences which impact the financial statements has increased from £7k to £7.5k. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We carried out our work in accordance with our Audit Plan</p>

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Significant audit risks	We identified the following audit risk during the planning phase of our audit, and reported this to you in our audit plan: <ul style="list-style-type: none"><li>• Risk of management override.</li></ul> The 'addressing audit risks' section of this report sets out how we have gained audit assurance over this issues.
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Other reporting issues	We have no other matters we wish to report.
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Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls.
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We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Kevin Suter

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Authority's responsibilities

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Reviewed accounting estimates for pensions liabilities and property, plant and equipment valuations for evidence of management bias; and</li> <li>• Evaluated the business rationale for any significant unusual transactions.</li> <li>• Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>	<p>The results of our audit testing did not identify any instances of management bias in accounting estimates reviewed or identified any inappropriate journal entries.</p> <p>No significant unusual transactions were identified during the course of the audit.</p> <p>All tested capital expenditure met the relevant accounting requirements and were appropriately capitalised.</p>

#### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Authority's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

During the course of our audit of the financial statements we identified a number of disclosure amendments which were fully amended by the Authority, these included:

- No disclosures had been made in the draft financial statements in relation to the newly adopted accounting standard, IFRS 13 Fair Value Measurement, under which the Authority's investment property is valued.
- We identified a number of immaterial notes and nil balance disclosures that could be removed from the financial statements to assist in de-cluttering the accounts.

## **Control themes and observations**

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

## **Request for written representations**

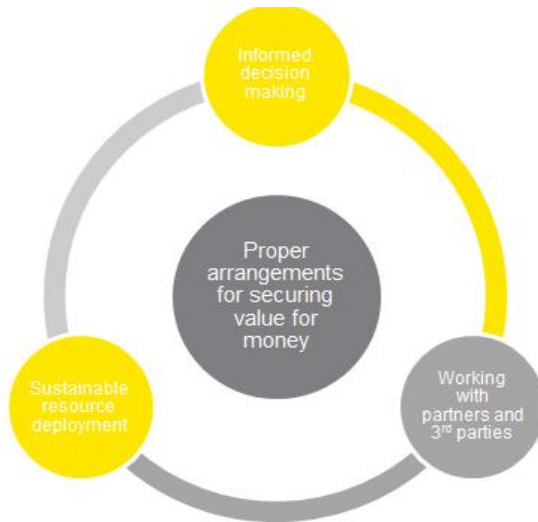
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix [D].

## **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We have concluded our work in this area and have no matters to raise to the Financial Scrutiny and Audit Committee.

## 4. 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. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

### Overall conclusion

We identified the following significant risk in relation to these arrangements:

- Medium term financial planning

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Authority’s arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore conclude that you have put in place proper arrangements to secure value for money in your use of resources.

### Significant risks

The table below presents the findings of our work in response to the risk areas in our audit plan.

VFM risk identified within our audit plan	Impacts arrangements for:	Key findings
<p><b>Medium term financial planning</b></p> <p>The recent grant settlement communicated that national parks would remain with consistent funding to previous years. However, we note the level of uncertainty relating to the specific allocation of the National Parks Grant to the relevant Authorities in 2016/17 and in future years. Management have taken the view that 2016/17 financial planning will involve the use of reserves to support any budget shortfall, with the plan to develop a more detailed medium term response once the funding has become more certain.</p>	<ul style="list-style-type: none"> <li>• Taking informed decisions;</li> <li>• Deploying resources in a sustainable manner;</li> </ul>	<p>Upon receipt of confirmation as to the level of National Parks grant funding over the medium term, the Authority prepared its 2016/2017 to 2018/2019 budget.</p> <p>Our review of the 2015/16 outturn, the medium term financial plan and the budget setting process has not identified any issues with the Authority’s response to the changes in funding and assess the arrangements put in place to be adequate.</p>

## Appendix A – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 30 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of February 2016.



## Appendix B – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/2016 £	Scale Fee 2015/2016 £	Variation comments
Total Audit Fee – Code work	13,943	13,943	

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

## Appendix C – Draft audit report

### Independent auditor's report to the members of the Broads Authority

#### Opinion on the Authority's financial statements

We have audited the financial statements of the Broads Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 35

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Broads Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Finance Director and auditor

As explained more fully in the Statement of the Treasurer and Financial Adviser Responsibilities set out on page 7, the Treasurer and Financial Adviser is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Broads Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Opinion on other matters**

In our opinion the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on the Broads Authority arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Broads Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Broads Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Broads Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Broads Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of the Broads Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Kevin Suter** (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
September 2016

## Appendix D – Management representation letter

*[To be prepared on the entity's letterhead]*

*[Date]*

Kevin Suter  
Ernst & Young  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

Dear Kevin,

### **Broads Authority Letter of Representations**

This letter of representations is provided in connection with your audit of the financial statements of the Broads Authority ("the Authority") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Broads Authority as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16].
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements

in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and its relevant committees or summaries of actions of recent meetings for which minutes have not yet been prepared held through the to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Accounting Estimates**

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**I. Use of the Work of an Expert**

1. We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

**J. Specific Representations**

We do not require any specific representations in addition to those above.

*Yours Sincerely,*

---

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Financial Scrutiny and Audit Committee on 27 September 2016

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Chairman of Financial Scrutiny and Audit Committee



## Appendix E – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Broads Authority's ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <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"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have not matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>We have received all requested confirmations.</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Annual Audit Letter/Audit Results Report</p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Annual Audit Letter/Audit Results Report</p>

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Kevin Suter  
Ernst & Young  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

27 September 2016

Dear Kevin,

**Broads Authority  
Letter of Representations**

This letter of representations is provided in connection with your audit of the financial statements of the Broads Authority (“the Authority”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Broads Authority as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16].
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16]. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

**B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

**C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and its relevant committees or summaries of actions of recent meetings for which minutes have not yet been prepared held through the to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Accounting Estimates**

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **I. Use of the Work of an Expert**

1. We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or

amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

**J. Specific Representations**

We do not require any specific representations in addition to those above.

*Yours Sincerely,*

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Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Financial Scrutiny and Audit Committee on 27 September 2016

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Chairman of Financial Scrutiny and Audit Committee

**External Audit Committee Briefing**  
Report by Head of Finance

**Summary:** This report appends the latest Local Government Audit Committee briefing issued by the Authority's External Auditors, Ernst & Young.

**Recommendation:** That the briefing, including the key questions for Audit Committees as set out on page 7, be noted.

**1 Introduction**

1.1 This report appends the Local Government Audit Committee Briefing issued by the Authority's External Auditors, Ernst & Young (EY).

**2 Key Issues**

2.1 This briefing is presented to Members "for information".

2.2 The items of relevance to the Authority are:

- EU Referendum (page 2);
- Off-Payroll working in the public sector: update (page 2);
- Government lending to local authorities (page 3); and
- Whole of Government Accounts (2014/15) (Page 4).

Background papers: None

Author: Emma Krelle  
Date of report: 12 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 - Ernst & Young Local Government Audit Committee Briefing (July 2016)



# Local government audit committee briefing

## Contents at a glance

### Government and economic news

### Accounting, auditing and governance

### Regulation news

### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



# Government and economic news

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## EU Referendum

24 June saw the outcome of the referendum concerning the United Kingdom's membership of the European Union. The result was a narrow decision to leave, precipitating the resignation of David Cameron as Prime Minister, and the appointment of Theresa May. David Davis (Secretary of State for Exiting the EU) has been tasked with negotiating the UK's exit from the EU.

EY recognises that our clients will be planning to navigate what lies ahead. As a firm, we have been considering the consequences of both possible outcomes both for ourselves and for our clients.

Some considerations for local authorities include:

- ▶ Local authorities and LEPs are central to driving the growth of the economy in supporting the balance of payments in their localities. There will be a high level of uncertainty for businesses to invest and recruitment following the immediate impact of Brexit
- ▶ There may be an impact on migration. Migration is always an issue for Local Authorities who are usually the end point for housing and location of migrants to the UK as well as employing large numbers in social care
- ▶ Where the workforce of a local authority is made up of significant numbers of staff from EU member countries their working rights post Brexit may be impacted

- ▶ Business rates revenue may reduce if companies that were planning to set up in the UK now choose to set up in an EU member country instead

If you have any questions arising from the referendum result, please don't hesitate to contact your engagement manager.

## Off-Payroll working in the public sector: update

As noted in the previous briefing (March 2016) changes have been proposed to the way that individuals who are contracted to work for local authorities by another company pay their tax. Currently, the obligation rests with the intermediary company who is responsible for assessing whether their engagements are subject to IR35 and accounting for PAYE and NIC. From 6 April, this responsibility, and the liability for paying the correct tax will be shifted to the public sector body which pays the company.

In order to simplify this and increase the likelihood of compliance, the Government has suggested that workers are automatically considered to fall within the scope of the new rules if there is the right to personal service and the engager decides, or has the right to decide how the work should be done. In addition, for more complex cases, an online tool will be provided to help engagers in determining whether or not IR35 applies to a particular engagement. In practice, this will require local authorities to collect more personal data from workers who have been contracted via an intermediary company.



## Government and economic news

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### Election data

The government published their Open Government National Action Plan in May 2016. In addition to twelve other commitments designed to improve the transparency of the current government, there is a pledge to develop a common data standard for the reporting of election results throughout the UK. This move is being led by the Local Government Association, and aims to support electoral administrators to adopt this common standard in order to reduce errors and wasted time in aggregating election results.

This is a developing initiative which will require some local authorities to take part in a pilot programme, after which local authorities will be encouraged to take up the process in the 2017 local elections.

### Government lending to local authorities

Changes to the way that the central government will lend money to local authorities are currently being consulted on. Following the devolution of borrowing powers in 2004, local authorities take the lead in identifying projects for which they require funding and assessing how much they can afford to borrow, meaning that the decision-making body Public Works Loan Board is no longer required.

The government have suggested the transferral of powers from the now obsolete PWLB to HM Treasury to increase the efficiency of lending to local authorities and ensure more accountability to ministers.



# Accounting, auditing and governance

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## Whole of Government Accounts (2014/15)

The National Audit Office (NAO) has issued a report on the state of the Whole of Government Accounts (WGA) which was released in May 2016. Covering the financial year 2014-15, the annual accounts show that net expenditure has grown from £145.7bn to £152bn. This is in contrast to the government's own fiscal measure, as reported in the National Accounts, which states the deficit as having decreased from £71bn to £57bn.

The increase in net expenditure has been attributed to the decommissioning in the oil, gas and nuclear fields, increases in net interest on pension scheme liabilities and the impact of the triple lock policy on state pensions.

Government expenditure on wages experienced a small increase, from £148.2bn to £148.3bn, in spite of government job losses totalling 20,346. The government also experienced a slight increase in revenue from £652.9bn to £659.3bn, largely attributable to the increases in value added tax.

It should be noted however, that the NAO signalled there were shortfalls in the reporting from a number of departments and organisations.

## Government Internal Audit Agency Corporate Plan 2016-17

The Government Internal Audit Agency (GIAA) released their Corporate Plan in May 2016, highlighting their increasing scope in Central Government audit. The GIAA is targeting increased investment in the Agency in order to improve the level of service they provide, as well as providing audit advice across the central government which best targets their needs.

By bringing together several departmental audit functions in their first year of existence, the Agency reached its target of becoming responsible for 50% of central government internal audit. The GIAA will seek to increase this percentage, and has also set the objective of improving Cost Effectiveness by 15%.

Through the establishment of the Internal Audit Framework, the GIAA is continuing to utilise collective buying power to secure access to private sector resources, in order to leverage a specialist service. This allows individual departments to receive auditing services at a lower cost than when they had to seek contracts on a single department basis.

Although the GIAA's priorities remain HM Treasury and the MoD, current customers include six sub-departments encompassed in the Department for Communities and Local Government.

## New Highways Network Asset Code of Practice

CIPFA consulted on a Code of Practice on the Highways Network Asset (HNA Code) to replace the Transport Infrastructure Code of Practice in late March/early April this year. Following that process proposed revisions to the consultation draft are to be taken to CIPFA/LASAAC for approval.

CIPFA have announced that the HNA Code will be published in August 2016. Following on from that publication CIPFA will subsequently issue HNA Guidance Notes and HNA Accounting Guidance. These documents will supersede all previously issued Codes and guidance and will therefore be the definitive approach that authorities must follow and auditors will audit to.



# Accounting, auditing and governance

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## DREAM approach to Highways Network Asset

The introduction of Depreciated Replacement Cost accounting for the Highways Network Asset (HNA) in 2016/17 is a major task for both authorities and their external auditors. By following the DREAM approach set out below we believe the task will run smoother.

**Document highways systems:** almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

**Reports and reconciliations:** assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

**Evidential based:** the quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.

**Audit:** early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

**Materiality:** this is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the HNA is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with EA at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team.



## Regulation news

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### Financial sustainability

The NAO published a report on 15 June which examined the financial sustainability of local authorities, given that government funding has been reduced since 2010 and a previous report by the NAO found that local authority revenue income fell by 25.2% in real terms from 2010-11 to 2015-16.

The report focuses on three areas of risk and opportunity for local authorities in the current climate: their ability to service debt costs from revenue; their ability to ensure adequate investment in local authority assets; and the government's ability to balance local autonomy and national oversight.

It concludes that although the fall in revenue income has placed pressure on local authorities, their capital programmes have not been under the same pressure. Despite prudent action by local authorities to minimise the cost of debt servicing, this accounts for a significant part of revenue spending: 9.9% on average in single tier and county councils. This in turn has an impact on the ability of local authorities to adequately maintain and invest in core assets.

The NAO offers several recommendations for the Department for Communities and Local Government: the most crucial of which is that the Department should improve its understanding of capital expenditure and resourcing issues and work with CIPFA to review the current capital framework in order to promote decision making which is more appropriately adjusted to consider the long term given expected financial pressures.

### Ofsted social care annual report 2016

Her Majesty's Chief Inspector has recently published his annual report into social care, seeking to provide a clear representation of state of the system in the UK. Currently, a quarter of local services are deemed inadequate. The key message of the report is that this inadequate provision is not the result of a lack of funding, size nor deprivation of the area, rather a shortage of quality leadership within the social care sector. The report highlights examples of where excellent leadership in local authorities has resulted in the quality of care significantly improving, leaving those authorities without such leadership behind.

The report also points towards the importance of local political leadership as a key driver of success, and shows how the best-performing local authorities have been aided by political actors with an active and positive attitude towards social care. It concludes that it is the behaviour of these politicians, twinned with strong leadership from managers which gives staff more confidence, resulting in a higher overall level of care.

A further area for improvement noted is that of training of staff. The report notes the high commitment of those working in the sector, but recognises that often staff are not given the adequate training opportunities to deal with the complex and ranging problems with which they are faced.



## Key questions for the audit committee

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### **What questions should the Audit Committee be asking itself?**

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Have we considered the increase in personal data collection which we will be responsible for as a result of changes to off-payroll working?

Are we prepared to undergo a review of our processes for reporting election results?

Have we considered how the increasing scope of the Governmental Internal Audit Agency could impact on local government audits in the future?

Have we considered the impact of the new highway network asset code of practice and the impact on our local authority?

Have we given consideration to the need to minimise revenue spend on debt servicing and maximise revenue spend on assets?



## Find out more

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### **EU Referendum**

For more news about the EU referendum result and its implications: <http://www.ey.com/UK/en/Issues/Business-environment/EU-Referendum>

### **Off-Payroll working in the public sector: update**

See the full EY report at: [http://www.ey.com/Publication/vwLUAssets/EY-tax-news-2016-05-31-07/\\$FILE/EY-tax-news-2016-05-31-07.pdf](http://www.ey.com/Publication/vwLUAssets/EY-tax-news-2016-05-31-07/$FILE/EY-tax-news-2016-05-31-07.pdf)

### **Election data**

See the full action plan at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/522781/UK\\_Open\\_Government\\_National\\_Action\\_Plan\\_2016-18.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522781/UK_Open_Government_National_Action_Plan_2016-18.pdf)

### **Government lending to local authorities**

See the government announcement at: <https://www.gov.uk/government/news/government-takes-next-step-to-modernise-the-governance-of-lending-to-local-authorities>

### **Whole of Government Accounts (2014/15)**

See the NAO's analysis of the Whole of Government Accounts at: <https://www.nao.org.uk/highlights/whole-of-government-accounts/>

### **Government Internal Audit Agency Corporate Plan 2016-17**

Read the GIAA's Corporate Plan – visit: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/526224/GIAA\\_Corporate\\_Plan\\_2016-17\\_\\_final\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526224/GIAA_Corporate_Plan_2016-17__final_.pdf)

### **Financial sustainability**

Find the full report the NAO at: <https://www.nao.org.uk/wp-content/uploads/2016/06/Financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing.pdf>

### **Ofsted social care annual report 2016**

Read the full report at: <https://www.gov.uk/government/publications/ofsted-social-care-annual-report-2016>









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**Implementation of Internal Audit Recommendations: Summary of Progress**  
Report by Head of Finance

**Summary:** This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out since 2015/16.

**Recommendation:** That the report be noted.

**1 Introduction**

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarizes the current position regarding recommendations arising out of internal audit reports which have been produced for 2015/16. It sets out in the appendix details of:
- recommendations not yet implemented
  - recommendations not implemented at the time of the last meeting which have since been implemented
  - New recommendations since the last meeting.

**2 Summary of Progress**

- 2.1 In the previous report to this Committee in July the final recommendation relating to Key Controls has now been completed and is under agenda item 15 of this Committee. Three of the recommendations relating to the members governance will be complete following the Authority's adoption of the new code of conduct for members on 30 September 2016.

**3 Internal Audit Programme 2016/17**

- 3.1 At the date of this report the first two audits from the 2016/17 programme have yet to commence. The first audit is focusing on External Funding, in particular the HLF bid and the National Parks Partnership. Work on site is due to start on 4 October 2016. The second audit is an IT audit and will be focusing on controls around the management of Anti-Virus/Malware protection, Backups and Firewalls Management. This audit is due to commence on 5 October 2016. The results from these audits will be reported to the next FSAC meeting on 7 February 2017.

Background papers: None

Author: Emma Krelle  
Date of report: 2 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2015/16

## Summary of Actions / Responses to Internal Audit Recommendations 2015/16

## Key Controls: April 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. <b>Approval of Budget Virements</b> The current process of approving virements to be reviewed, and either be brought in line with the Broads Authority Financial Regulations or a request to change these regulations be made to the Management Team, to modify the approval requirement. If the correct approval process is not followed for budget virements there is a risk that budgets may be used for inappropriate purposes. By ensuring that all budget virements are approved in accordance with the Broads Authority Financial Regulations	Needs Attention	Head of Finance	The Management Team have agreed that the regulations should be updated, to be completed by the implementation date shown.  Completed. Please see updated Financial Regulations later on this agenda under item no. 15.	By 31/08/16

## Review of Members Governance: April 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
2. <b>Members Conduct</b> Guidance to be produced for informal treatment of complaints against Members which should include a set	Important	Solicitor & Monitoring Officer	Agreed. BA to Review Members of Conduct, Complaints Process and timescales, Member/Officer	By 30/11/16

## Summary of Actions / Responses to Internal Audit Recommendations 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>of criteria to determine if the incident is to be treated informally or whether it should follow the formal process. In conjunction with this, the formal complaints process should be reviewed and updated to also incorporate the process for dealing with Broads Authority Members and staff if they are the complainant. This should refer to the Protocol on Member and Officer Relations in the Broads Authority.</p> <p>To ensure the complaints process for Members captures all eventualities including decisions to treat certain incidents in an informal matter. This should contribute to the transparency of the process and help mitigate the risk that complaints/misconduct are treated inconsistently, unfairly and not in accordance with policy.</p>			<p>Protocol when new Solicitor and Monitoring Officer takes up post, by 31/10/16.</p> <p>To be approved By Broads Authority on 18/11/2016.</p> <p>Completed. Included in the Members Code of Conduct to be adopted by the Authority 30/09/2016.</p>	
<p>3. <b>Members Training &amp; Support</b> Management to conduct a review of the training strategy and to ensure that the strategy is reviewed on a regular basis going forward. Version control details to be added to ensure it is clear when the strategy was last updated.</p>	Needs Attention	Solicitor & Monitoring Officer	<p>Agreed. BA to Review Training Strategy for Members when new Solicitor and Monitoring Officer takes up post, by 31/10/16.</p> <p>To be approved By Broads</p>	By 30/11/16



## Summary of Actions / Responses to Internal Audit Recommendations 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
Regular review of the Members Training Strategy will help to ensure that the strategy remains appropriate to the Authority's changing requirements.			Authority on 18/11/2016.  Update: Once the code of conduct has been approved training will be carried out and regularly reviewed.	
<p>4. <b>Members Conduct</b> To review and update as necessary, the existing Code of Conduct associated documentation, including ensuring the current officers are referred to such as the Solicitor and Monitoring Officer. This should include incorporation of the Hearings Committee terms of reference so that their role and make up is clear and included within the main documentation. Appropriate updating of the Code of Conduct guidance should reduce the risk that out of date guidance is applied and processes are not carried out correctly and in an untimely manner.</p>	Needs Attention	Solicitor & Monitoring Officer	<p>Agreed.BA to Review Members of Conduct, when new Solicitor and Monitoring Officer takes up post, by 31/10/16.</p> <p>To be approved By Broads Authority on 18/11/2016.</p> <p>Completed. Included in the Members Code of Conduct to be adopted by the Authority 30/09/2016.</p>	By 30/11/16
<p>5. <b>Members Conduct</b> Code of Conduct policies and practices adopted by other authorities were reviewed against those in use at the Broads Authority. As a result of</p>	Needs Attention	Solicitor & Monitoring Officer	Agreed. BA to Review Members of Conduct, Complaints Process and timescales, Member/Officer Protocol when new Solicitor	By 30/11/16

## Summary of Actions / Responses to Internal Audit Recommendations 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>this review the following is recommended:</p> <ul style="list-style-type: none"> <li>- To update the Code of Conduct to refer to disclosing a "public service interest" including the definition of a public service interest.</li> <li>- To include a section, in the Code of Conduct, on 'Disclosable Pecuniary Interests' which includes descriptions of interests such as contracts and corporate tenancies and, a section on non-pecuniary interests.</li> <li>- Assessment criteria to be applied in the initial assessment of the complaints process to act as a form of checklist. This can then determine if the complaint needs to be investigated or not.</li> <li>- Review the terms of reference for the Hearings Committee against those of other authorities such as South Downs to ensure they are robust enough.</li> <li>- Include timeframes for certain parts of the process including initial assessment of the complaint, notification of no action taken and, time taken for the actual decision to</li> </ul>			<p>and Monitoring Officer takes up post, by 31/10/16.</p> <p>To be approved By Broads Authority on 18/11/2016</p> <p>Completed. Included in the Members Code of Conduct to be adopted by the Authority 30/09/2016.</p>	

Summary of Actions / Responses to Internal Audit Recommendations 2015/16

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>be made. Consider if the performance in meeting these timeframes can then be reported within the annual report to the Broads Authority. Code of Conduct documents are more comprehensive and robust which mitigates the risk that they are not fit for purpose.</p>				

### **Appointment of External Auditors**

Report by Head of Internal Audit (Internal Audit Consortium Manager)

**Summary:** This report outlines the Local Audit and Accountability Act (2014) and the necessity for local authorities to establish an auditor panel and manage their own procurement. The report explores the options available, the associated benefits, and concludes with a preferred route for the authority for the appointment of the External Auditor.

**Recommendations:**

- (i) That the Financial Scrutiny and Audit Committee recommend to the Full Authority, that the authority agrees to join the national collective scheme, led by the Public Sector Audit Appointment (PSAA).
- (ii) That delegated authority be given to the Section 17 Officer to communicate the willingness of the authority to join the scheme to PSAA and to enter into the scheme after a satisfactory examination / negotiation of the proposed terms and conditions is concluded.

## **1 Introduction**

- 1.1 The Local Audit and Accountability Act 2014 (the Act) introduced the necessity for local authorities to establish an auditor panel and manage their own procurement.
- 1.2 Therefore all local authorities will need to decide how their auditors will be appointed in the future, whether they make the appointment themselves, or in conjunction with other bodies, or join a national collective scheme.
- 1.3 The current audit contracts are administered by Public Sector Audit Appointments (PSAA), which is a not-for-profit organisation established by the Local Government Association (LGA). These powers are time limited and will cease when these contracts with audit firms expire with the completion of the 2017/18 audits.
- 1.4 Thereafter the Authority will need to have exercised a choice about whether to opt in to the authorised national scheme, or whether to make arrangements to appoint their own auditors.
- 1.5 The LGA has played a leadership role in anticipating the changes and influencing the range of options available to local bodies. In particular it had lobbied to ensure that, irrespective of size, scale, responsibility or location,

local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

- 1.6 PSAA is leading the development of this national option and ideally are looking for principal bodies to give firm commitment to join during autumn 2016.
- 1.7 High quality independent audit is one of the cornerstones of public accountability, it gives assurance that taxpayers' money has been well managed and properly expended. It helps inspire trust and confidence in the organisations and people responsible for managing public money.

## **2 Options**

- 2.1 The Authority can appoint auditors directly but this is not recommended as it would be costly to run our own procurement exercise, and being an individual authority we would be unlikely to benefit from economies of scale and achieve a competitive price. In addition an auditor panel would need to be set up to undertake the functions as set out in the Act.
- 2.2 Auditors can be appointed in conjunction with other local authorities. This was initially explored with Norfolk County Council leading on a potential County-wide procurement exercise. However again this is not recommended as it would incur procurement costs for the authorities involved and would also mean each authority would need to manage and monitor the performance of the contract that was entered into. Again an auditor panel would need to be set up.
- 2.3 To avoid prohibitive costs and ensure a sound contractual framework is in place for the assessment of auditors it is recommended that the Authority join the national collective scheme, subject to the applicable terms and conditions being acceptable to the Authority.
- 2.4 To do nothing is not recommended as this would contravene the Act.

## **3 Expected Benefits**

- 3.1 Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way which commands public confidence. PSAA will ensure that every auditor appointment passes this test.
- 3.2 The scheme will endeavor to appoint the same auditor to bodies which are involved in formal collaboration / joint working initiatives or within combined authority areas thereby avoiding duplication or effort wherever possible.
- 3.3 PSAA will only contract with firms which have a proved track record in undertaking public audit work. In accordance with the Act the firms must be

registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB), and the quality of the work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC).

#### **4 Reasons for Chosen option / Recommendation**

- 4.1 A top priority for PSAA is to seek to obtain the best possible price; the current thinking is that this can be achieved by letting a three year contract, with the option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contracts nationally. By having contracts with a number of firms PSAA will be able to ensure independence and avoid dominance of the market by one or two firms.
- 4.2 The procurement strategy will prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used.
- 4.3 PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own cost. PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling therefore means that everyone within the scheme will benefit from the most competitive prices (current fees are set on this basis).

#### **5 Conclusion**

- 5.1 Due to the expected benefits, as outlined in the report, the authority should agree to join a national collective scheme for the appointment of the External Auditors.

Background papers: PSAA Corporate Plan 2015-2018

Author: Emma Hodds, Internal Audit Consortium Manager  
Date of report: 7 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 - Objectives of PSAA

**Full Council  
19 September 2016**

**Agenda Item No**

## Appointment of External Auditors

**Report of the Internal Audit Consortium Manager  
Cabinet Member: Cllr Edney**

**CONTACT  
Emma Hodds 01508 533791  
ehodds@s-norfolk.gov.uk**

## **1. Introduction**

- 1.1 This report outlines the Local Audit and Accountability Act (2014) and the necessity for Local Authorities to establish an auditor panel and manage their own procurement. The report explores the options available, the associated benefits, and concludes with a preferred route for the Council for the appointment of the External Auditor.
- 1.2 The report was emailed, in August 2016, to Members of the Finance, Resources, Audit and Government Committee who were in favour of the recommendations.

## **2. Background**

- 2.1 The Local Audit and Accountability Act 2014 (the Act) introduced the necessity for local authorities to establish an auditor panel and manage their own procurement.
- 2.2 Therefore all local authorities will need to decide how their auditors will be appointed in the future, whether they make the appointment themselves, or in conjunction with other bodies, or join a national collective scheme.
- 2.3 The Local Government Association (LGA) has played a leadership role in anticipating the changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibility or location, local government bodies can if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.
- 2.4 Public Sector Audit Appointments Limited (PSAA), which is a not-for-profit company established by the LGA is leading the development of this national option and ideally is looking for principal bodies to give firm commitment to join the scheme during Autumn 2016.
- 2.5 High quality independent audit is one of the cornerstones of public accountability, it gives assurance that taxpayers' money has been well managed and properly expended. It helps inspire trust and confidence in the organisations and people responsible for managing public money.



### **3. Current Position/Findings**

- 3.1** The current audit contracts are administered by PSAA. These powers are time limited and will cease when these contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies.
- 3.2** Thereafter the Council will need to have exercised a choice about whether to opt in to the authorised national scheme, or whether to make other arrangements to appoint their own auditors.
- 3.3** The first option, for the Council to appoint auditors directly is not recommended as it would be costly to run our own procurement exercise, and being an individual Authority we would be unlikely to benefit from economies of scale and achieve a competitive price. In addition an auditor panel would need to be set up to undertake the functions as set out in the Act.
- 3.4** Secondly auditors could be appointed in conjunction with other local authorities. This was initially explored with Norfolk County Council leading on a potential County-wide procurement exercise. However again this is not recommended as it would incur procurement costs for the authorities involved and would also mean each Authority would then need to manage and monitor the performance of the contract that was entered into. Again an auditor panel would need to be set up.
- 3.5** The third option is for the Council to join the National Scheme proposed by the PSAA.
- 3.6** To do nothing is not recommended as it would contravene the Act.

### **4. Proposals**

- 4.1** To avoid prohibitive costs and ensure that a sound contractual framework is in place for assessment of Auditors, it is recommended that the Council joins the National Scheme, subject to applicable terms and conditions being acceptable to the Council and within the Constitution.

### Reasons for proposal

- 4.2** A top priority for PSAA is to seek to obtain the best possible price; the current thinking is that this can be achieved by letting a three year contract, with the option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. By having contracts with a number of firms, PSAA will be able to ensure independence and avoid dominance of the market by one or two firms.
- 4.3** The procurement strategy will prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used.
- 4.4** PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling therefore means that everyone within the scheme will benefit from the most competitive prices (current fees are set on this basis).

### Expected Benefits

- 4.5** Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA will ensure that every auditor appointment process passes this test and the Committee will be informed of the parameters used in this assessment.
- 4.6** The scheme will endeavour to appoint the same auditors to bodies which are involved in a formal collaboration / joint working initiatives or within combined authority areas, thereby avoiding duplication of effort wherever possible.
- 4.7** PSAA will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the Act firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB) and the quality of the audit work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC).
- 4.8** Opting in to the appointing person arrangement will remove the need to set up an auditor panel. This is set out in the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

## **5. Risks and implications arising**

- 5.1** Constitution and Legal – In Part 3 – Rules of Procedure, of the Constitution, the Finance, Resources, Audit and Governance Committee specifically reviews, and makes recommendations to Cabinet where appropriate, on the following external audit matters:

The external auditors report on the statement of accounts, and the external auditors annual plans.

- 5.2** Contracts – the current contract is with Ernst Young and this will expire after the end of the 2017/18 Audit.
- 5.3** Financial – Scale fees are currently set by PSAA and the fee for 2015/16 audit of the accounts is proposed to be £50,949, the final actual fee will exceed the scale fee set by the PSAA due to the additional work on group accounts, which are included in the financial statements for the first time in 2015/16.
- 5.4** Risk Management – The national framework will be subject to scrutiny at all levels to ensure that it is acceptable to the Council and all other Authorities who choose to enter into the scheme. This will ensure that the appropriate level of competence for Auditors is assured.

In the event that there are onerous terms and conditions in the National Framework these will be reported back to the Committee before any decision by the Section 151 Officer is taken in respect of joining the scheme.

## **6. Recommendation**

- 6.1** That South Norfolk Council agrees to join a national collective scheme for the appointment of the Auditors, led by the Public Sector Audit Appointments (PSAA).
- 6.2** That delegated authority be given to the Section 151 Officer to communicate the willingness of the Council to join the scheme to PSAA and to enter into the scheme after satisfactory examination / negotiation of the proposed terms and conditions is concluded.

## **Appendix A – Objectives of PSAA**

### **Background Papers:**

PSAA Corporate Plan 2015-18 (available from Internal Audit Consortium Manager)

Local Audit and Accountability Act 2014 - <http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted/data.htm>

The Local Audit (Appointing Persons) Regulations 2015 - <http://www.legislation.gov.uk/uksi/2015/192/body/made>

**Consolidated Income and Expenditure:  
1 April to 31 July 2016 Actual and 2016/17 Forecast Outturn**  
Report by Head of Finance

**Summary:** This report provides the Committee with details of the actual income and expenditure for the four month period to 31 July 2016, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2017).

**Recommendation:** That the report be noted.

**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 I&E by Directorate to 31 July 2016

	<b>Profiled Latest Available Budget</b>	<b>Actual Income and Expenditure</b>	<b>Actual Variance</b>
Income	(4,544,855)	(4,491,204)	- 53,651
Operations	1,271,793	1,150,790	+ 121,003
Planning and Resources	1,139,842	1,114,260	+ 25,582
Chief Executive	148,551	143,096	+ 5,455
Projects, Corporate Items and Contributions from Earmarked Reserves	(132,684)	(134,316)	+ 1,632
<b>Net (Surplus) / Deficit</b>	<b>(2,117,353)</b>	<b>(2,217,374)</b>	<b>+ 100,021</b>

2.1 Core navigation income is behind of the profiled budget at the end of month four. The overall position as at 31 July 2016 is a favourable variance of £100,021 or 4.72% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £54,178 within toll income:
  - Hire Craft Tolls £57,430 below the profiled budget.
  - Private Craft Tolls £2,824 above the profiled budget.
- A favourable variance within Operations budgets relating to:

- Equipment, Vehicle and Vessels is under the profiled budget by £29,039 due to delays in repairs, in particular relating to the linkflotes and grab 7 barge that have both been deemed beyond economical repair. A report will be made to the Authority to request to spend additional funds from the Plant, Vessels and Equipment Reserve to replace these items at a cost of £166,000. This approach was supported by Navigation committee on 8 September 2016 (item 9)
- Practical Maintenance is under the profiled budget by £27,488 due to timing differences on various projects
- Ranger Services is under profiled budget by £13,827 mainly due to the trial of the revised Ranger structure
- Asset Management is under profiled budget by £11,743 due to the change in property consultancy contractor at the beginning of the financial year and the delay in the new contractor starting
- Premises is under profiled budget by £22,947 due to delayed invoicing on Buttles Barn and Dockyard invoicing
- A favourable variance within Planning and Resources budgets relating to:
  - Development Management is under profiled budget by £12,822 due to additional income being received for Section 106 agreements
  - Strategy and Projects is under profiled budget by £29,804 due to timing differences
  - Heritage Lottery Fund (Landscape Partnership) is above profiled budget by £31,705 due to the delayed quarterly grant receipt
  - Planning and Resources Management and Administration is under profiled budget by £13,759 due to the delayed franking machine contract which has delayed the top ups to the machine on postage

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

### 3 Latest Available Budget

3.1 The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2016/17. 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. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

	<b>Ref</b>	<b>£</b>
Original budget 2016/17 – deficit	Item 12 18/03/16 (BA)	10,347
Approved budget carry-forwards	Item 13 13/05/16 (BA)	26,031
<b>LAB at 31 July 2016 – deficit</b>		<b>36,378</b>

3.2 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £36,378 in 2016/17 as at 31 July 2016.

#### 4 Overview of Forecast Outturn 2016/17

4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.

4.2 As at the end of July 2016, the forecast outturn indicates:

- The total forecast income is £6,348,644, or £24,997 behind the LAB
- Total expenditure is forecast to be £6,360,739
- The resulting deficit for the year is forecast to be £12,095

4.3 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the changes shown in Table 3. The forecast surplus represents an favourable variance of £24,283 against the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
<b>Forecast outturn deficit per LAB</b>	<b>36,378</b>
Increase in Private Craft Income	(8,743)
Decrease in Hire Craft Income	28,740
Decrease in Interest Income to reflect current rates	5,000
Decrease in Vehicle expenditure for decrease lease & fuel costs	(9,000)
Increase in Electric card income	(1,500)
Decrease to Boat Safety Income	8,000
Increase to Safety Staff costs for Standby	2,400
Decrease to Boat Safety Expenditure	(5,000)
Decrease to Health & Safety Expenditure	(3,350)
Decrease to Pool Vehicle Expenditure for decreased repairs & fuel costs	(4,000)
Increase to Asset Management Staff costs	3,620
Increase to Planning Income	(20,000)
Increase to Finance Staff costs	1,750
Decrease to ICT expenditure for new photocopier lease	(8,200)
Increase to HR Staff costs	1,370
Decrease to Legal Staff costs following a vacancy	(13,070)
Decrease to Governance costs due electronic papers	(2,300)
<b>Forecast outturn deficit as at 31 July 2016</b>	<b>12,095</b>

- 4.4 The main reason for the difference between the forecast outturn and the LAB is the change in predictions for navigation toll income and interest. There is also additional income predicted for planning income and a number of smaller savings within other budgets.

## 5 Reserves

Table 4 – Consolidated Earmarked Reserves

	<b>Balance at 1 April 2016</b>	<b>In-year movements</b>	<b>Current reserve balance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Property	(360,603)	(76,518)	(437,121)
Plant, Vessels and Equipment	(302,225)	(119,888)	(422,113)
Premises	(201,675)	(29,974)	(231,649)
Planning Delivery Grant	(290,865)	89,072	(201,792)
Upper Thurne Enhancement	(56,552)	(18,930)	(75,481)
Section 106	(76,469)	(31,972)	(108,440)
Heritage Lottery Fund	(55,956)	(3,474)	(59,430)
<b>Total</b>	<b>(1,344,343)</b>	<b>(191,684)</b>	<b>(1,536,027)</b>

- 5.1 £791,322 of the current reserve balance relates to navigation reserves.
- 5.2 At the end of 2015/16 the PRISMA reserve was closed and the balance transferred to the Plant, Vessels and Equipment reserve which initially helped set it up.
- 5.3 This year the Authority's contributions to the reserves have all been made in full at the end of quarter 1 instead of quarterly. This has resulted in the reserves showing increased balances at the end of July. This will reduce as planned purchases take place throughout the year.

## 6 Summary

- 6.1 The current forecast outturn position for the year suggests a deficit of £19,175 for the national park side and a surplus of £7,080 on navigation resulting in an overall deficit of £12,095 within the consolidated budget, which would indicate a general fund reserve balance of approximately £1,025,000 and a navigation reserve balance of approximately £340,000 at the end of 2016/17 before any transfers for interest. This will mean that the navigation reserve will be slightly above the recommended level of 10% of net expenditure during 2016/17.



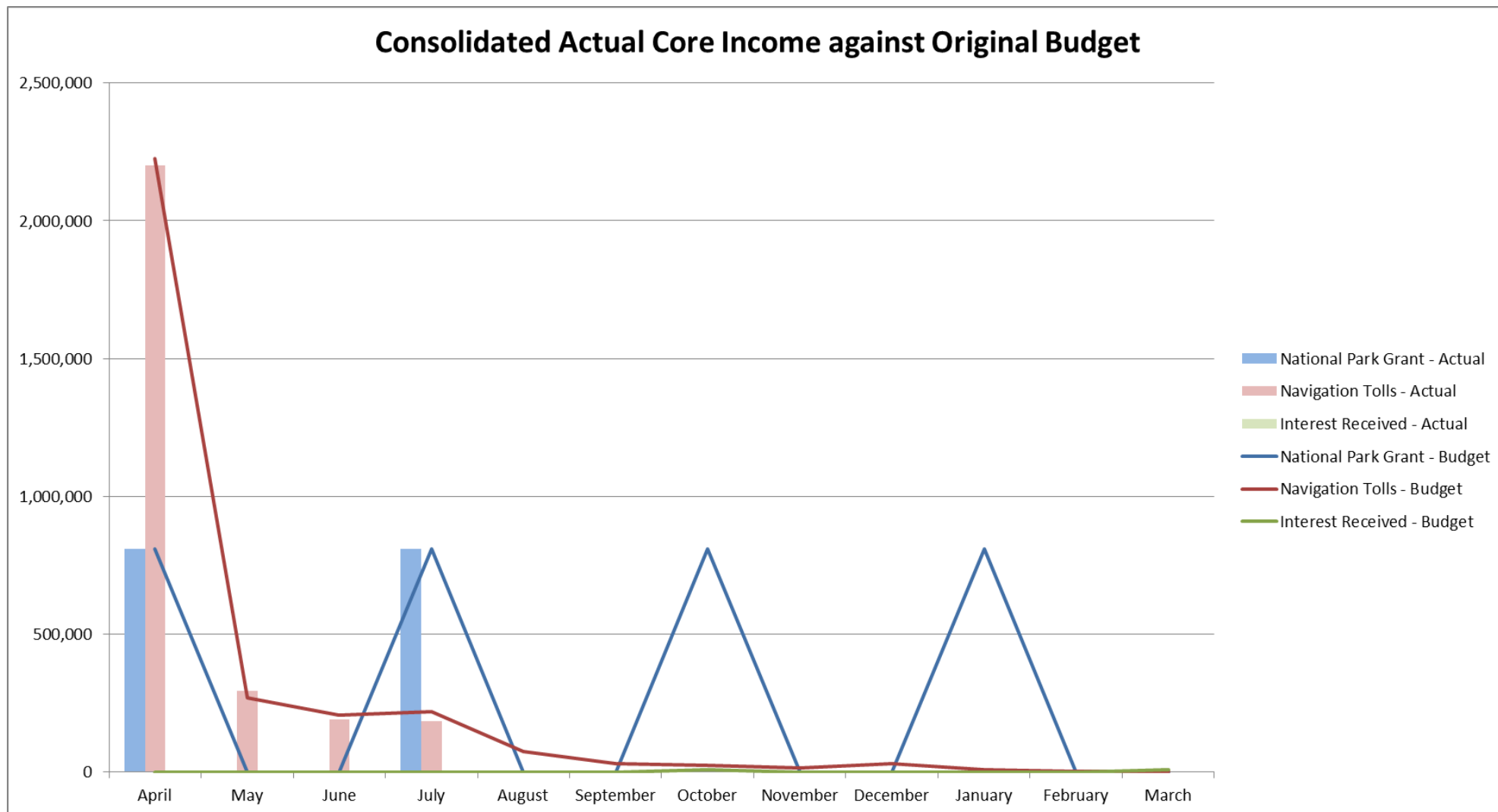
Background papers: None

Author: Emma Krelle  
Date of report: 10 September 2016

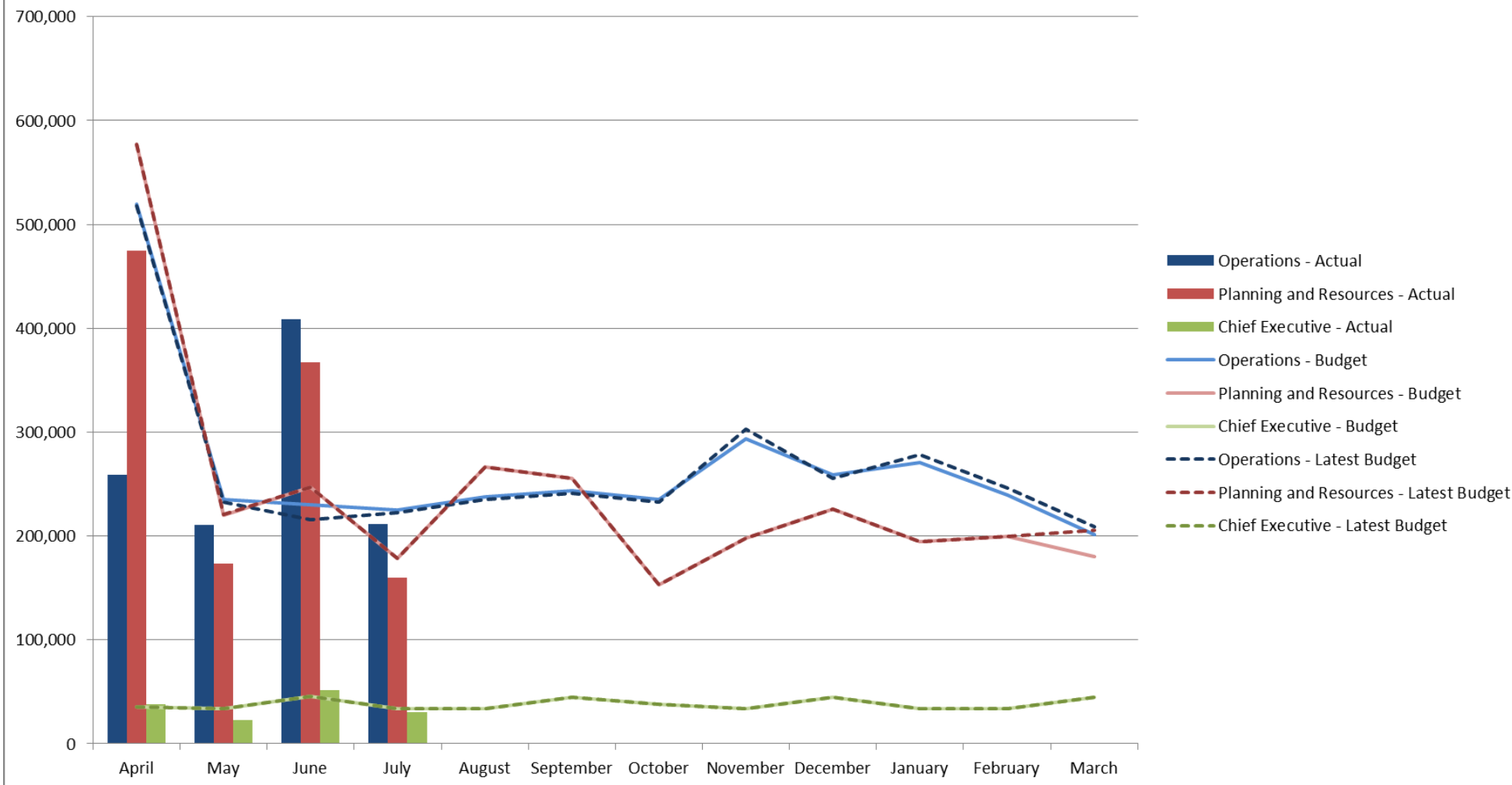
Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure  
Charts to 31 July 2016

APPENDIX 2: Financial Monitor: Consolidated Income and  
Expenditure 2016/17



### Consolidated Net Actual Expenditure against Original and Latest Budget



To 31 July 2016

Budget Holder (All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,373,641)		(6,373,641)	(6,348,644)	-24,997
National Park Grant	(3,243,802)		(3,243,802)	(3,243,802)	0
Income	(3,243,802)		(3,243,802)	(3,243,802)	0
Hire Craft Tolls	(1,079,000)		(1,079,000)	(1,050,260)	-28,740
Income	(1,079,000)		(1,079,000)	(1,050,260)	-28,740
Private Craft Tolls	(1,972,000)		(1,972,000)	(1,980,743)	8,743
Income	(1,972,000)		(1,972,000)	(1,980,743)	8,743
Short Visit Tolls	(40,089)		(40,089)	(40,089)	0
Income	(40,089)		(40,089)	(40,089)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(20,000)		(20,000)	(15,000)	-5,000
Income	(20,000)		(20,000)	(15,000)	-5,000
Operations	3,347,498	(2,570)	3,344,928	3,336,098	8,830
Construction and Maintenance Salaries	1,122,050		1,122,050	1,122,050	0
Salaries	1,122,050		1,122,050	1,122,050	0
Expenditure			0		0
Equipment, Vehicles & Vessels	419,833		419,833	410,833	9,000
Income			0		0
Expenditure	419,833		419,833	410,833	9,000
Water Management	147,500		147,500	147,500	0
Income			0		0
Expenditure	147,500		147,500	147,500	0
Land Management	(38,000)		(38,000)	(38,000)	0
Income	(95,000)		(95,000)	(95,000)	0
Expenditure	57,000		57,000	57,000	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Practical Maintenance	419,200		419,200	417,700	1,500
Income	(9,000)		(9,000)	(10,500)	1,500
Expenditure	428,200		428,200	428,200	0
Ranger Services	721,315		721,315	721,315	0
Income	(47,000)		(47,000)	(47,000)	0
Salaries	596,860		596,860	596,860	0
Expenditure	171,455		171,455	171,455	0
Pension Payments			0		0
Safety	125,600		125,600	123,650	1,950
Income	(9,000)		(9,000)	(1,000)	-8,000
Salaries	59,600		59,600	62,000	-2,400
Expenditure	75,000		75,000	62,650	12,350
Asset Management	151,280	2,880	154,160	157,780	-3,620
Income	(1,000)		(1,000)	(1,000)	0
Salaries	41,530	2,880	44,410	48,030	-3,620
Expenditure	110,750		110,750	110,750	0
Premises	152,170		152,170	152,170	0
Income	(20,000)		(20,000)	(20,000)	0
Expenditure	172,170		172,170	172,170	0
Operations Management and Administration	126,550	(5,450)	121,100	121,100	0
Income			0		0
Salaries	114,050	(5,450)	108,600	108,600	0
Expenditure	12,500		12,500	12,500	0
Planning and Resources	2,738,835	28,159	2,766,995	2,763,895	3,100
Development Management	249,550	6,710	256,260	259,610	-3,350
Income	(60,000)		(60,000)	(80,000)	20,000
Salaries	284,550	6,710	291,260	291,260	0
Expenditure	25,000		25,000	48,350	-23,350
Pension Payments			0		0
Strategy and Projects Salaries	286,990	(4,140)	282,850	282,850	0
Income	(3,500)		(3,500)	(3,500)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	202,490	(4,140)	198,350	198,350	0
Expenditure	88,000		88,000	88,000	0
Biodiversity Strategy	10,000	600	10,600	10,600	0
Income			0		0
Expenditure	10,000	600	10,600	10,600	0
Strategy and Projects	113,030	24,989	138,019	138,019	0
Income			0		0
Salaries	76,530		76,530	76,530	0
Expenditure	36,500	24,989	61,489	61,489	0
Waterways and Recreation Strategy	144,460		144,460	144,460	0
Salaries	69,960		69,960	69,960	0
Expenditure	74,500		74,500	74,500	0
Project Funding	105,500		105,500	105,500	0
Income	(19,000)		(19,000)	(19,000)	0
Expenditure	124,500		124,500	124,500	0
Pension Payments			0		0
Partnerships / HLF	50,000		50,000	50,000	0
Income	(231,846)		(231,846)	(231,846)	0
Salaries	48,960		48,960	48,960	0
Expenditure	232,886		232,886	232,886	0
Volunteers	66,620		66,620	66,620	0
Income	(1,000)		(1,000)	(1,000)	0
Salaries	47,620		47,620	47,620	0
Expenditure	20,000		20,000	20,000	0
Finance and Insurance	337,750		337,750	339,500	-1,750
Salaries	137,750		137,750	139,500	-1,750
Expenditure	200,000		200,000	200,000	0
Communications	268,250		268,250	268,250	0
Income			0		0
Salaries	188,750		188,750	188,750	0
Expenditure	79,500		79,500	79,500	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Visitor Centres and Yacht Stations	214,930		214,930	214,930	0
Income	(232,500)		(232,500)	(232,500)	0
Salaries	315,430		315,430	315,430	0
Expenditure	132,000		132,000	132,000	0
Collection of Tolls	122,230		122,230	122,230	0
Salaries	109,530		109,530	109,530	0
Expenditure	12,700		12,700	12,700	0
ICT	300,117		300,117	291,917	8,200
Salaries	143,730		143,730	143,730	0
Expenditure	156,387		156,387	148,187	8,200
Premises - Head Office	254,548		254,548	254,548	0
Expenditure	254,548		254,548	254,548	0
Planning and Resources Management and Administration	214,860		214,860	214,860	0
Income			0		0
Salaries	133,660		133,660	133,660	0
Expenditure	81,200		81,200	81,200	0
Chief Executive	454,630	442	455,072	441,072	14,000
Human Resources	117,730	442	118,172	119,542	-1,370
Salaries	58,230		58,230	59,600	-1,370
Expenditure	59,500	442	59,942	59,942	0
Legal	109,970		109,970	96,900	13,070
Income			0		0
Salaries	49,970		49,970	36,900	13,070
Expenditure	60,000		60,000	60,000	0
Governance	123,290		123,290	120,990	2,300
Salaries	69,090		69,090	69,090	0
Expenditure	54,200		54,200	51,900	2,300
Chief Executive	103,640		103,640	103,640	0
Salaries	103,640		103,640	103,640	0
Expenditure			0		0
Projects and Corporate Items	137,000		137,000	137,000	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Corporate Items	137,000		137,000	137,000	0
Pension Payments	137,000		137,000	137,000	0
Contributions from Earmarked Reserves	(293,975)		(293,975)	(317,325)	23,350
Earmarked Reserves	(293,975)		(293,975)	(317,325)	23,350
Expenditure	(293,975)		(293,975)	(317,325)	23,350
<b>Grand Total</b>	<b>10,347</b>	<b>26,031</b>	<b>36,378</b>	<b>12,095</b>	<b>24,283</b>



**Preparation for the 2017/18 Budget**  
Report by Chief Executive and Head of Finance

**Summary:** Work has begun on the background information necessary for preparing the draft budget for 2017/18. Officers would like to update the Committee on the financial position and seek the views and guidance of the Members of the Committee.

**Recommendation:** The Committee considers the information provided by officers and gives its feedback and advice to officers to help them in the preparation of the budget for 2017/18.

## **1 Introduction**

- 1.1 At this time of the year officers start work on the budget for 2017/18 and updating the three-year financial strategy to help inform the process of setting the navigation charges at the November Broads Authority meeting following consultation with the Navigation Committee in October.
- 1.2 The timetable is to consult the Navigation Committee on a draft budget in December and seek approval from the Authority at its January meeting. This allows members and officers to take account of the pension information which is due to be available in November.

## **2 Overall Financial Position**

- 2.1 In simple terms the Authority is in a good financial position but there are very different issues in relation to the National Park income and expenditure and the Navigation side of the Authority's finances.
- 2.2. In terms of National Park income there has been a very significant reduction. Crudely the Authority has had its National Park Grant (NPG) reduced by about 25%, a loss of £1 million. This forced the organisation to instigate a large scale review of expenditure, major reorganisation to reduce costs, making staff redundant, reducing services and closing of facilities. The position now is that the organisation is smaller and National Park income and expenditure are broadly in line with each other and the Authority has more than adequate reserves in hand. The certainty of a four year settlement with an annual 1.72% inflationary increase included means that the normal pressures from cost of living increases for staff salaries and other inflationary pressures can be accommodated within the 3-year financial strategy.
- 2.3 The officer view is that going forward it is important to maintain income and expenditure broadly in line with each other and to use the reserves for judicious expenditure, in particular to match external funding bids that are in

line with the Broads Plan priorities and to fund areas of activity which are priorities for members and investment in initiatives that can improve efficiency. Work is underway to prepare background information on a range of initiatives with a view to convening a member workshop to evaluate them in November.

- 2.4 The same pressures acting on the National Park side of the budget, cost of living increases for salaries, increased pension contributions and upward pressure on the costs of equipment and materials acts on Navigation expenditure. The current financial strategy assumes a 2.5% increase per annum in Navigation income which creates a smooth path for accommodating these pressures. Officers are investigating whether this is still appropriate. Although the Authority has earmarked reserves for specific purchases, for examples vessels and equipment, or to account for major risks, such as Mutford Lock, it has been a challenge to maintain the 10% of Gross Expenditure target for general reserves.
- 2.5 The Navigation Committee, key stakeholder organisations such as the Broads Hire Boat Federation (BHBF) and Norfolk and Suffolk Boating Association (NSBA), and boat owners in general, as evidenced through the stakeholder survey, all want more work carried out and more services delivered. The additional costs of the Hickling Project (£60,000 per annum split equally between National Park and Navigation expenditure] is also putting pressure on the budget.
- 2.6 However, there is considerable pressure on navigation income. While income from private boats has generally been above the budgeted figure, that from the hire boat fleet is continuing to fall. In the current year provision was made for a reduction of £20,000 in hire boat income, and even so that has proved to be too optimistic with a reduction of 24 registered weekly hire boats from 812 to 788. Information from the BHBF suggests that pattern will continue.
- 2.7 The hire boat fleet continues to rationalise and this year we have seen two patterns continue. The first is that the larger operators are investing in new boats, some of which are longer than average, of a very high specification and consequently attracting above average bookings and presumably a good rate of return. However, the same yards are also selling their older boats where the number of weeks booked is lower. The second is that some of the smaller yards, that are unable to compete in the new internet, late-booking age are going out of business. All the available information suggests that the pattern of agglomeration and amalgamation will continue with the bigger yards continuing to invest in both new profitable boats and web based and social media marketing while the number of smaller yards declines.
- 2.8 The number of passenger boats, never very large, but, because of their size, important contributors to the income line, has also declined with two boats no longer in use.
- 2.9 These trends will put pressure on navigation income and on the Authority to look for savings and efficiencies. The scope for any activity or investment beyond that already planned is going to be limited unless other sources of income can be found. Explaining these patterns to our toll payers will be crucial.

### **3 Conclusions**

- 3.1 The Authority's finances have always been highly sensitive to relatively minor change. The Head of Finance will update the Committee on the latest financial forecasts and seek the views and advice from members.

Background papers: Letter from the Broads Hire Boat Federation with forecasts of boat numbers

Author: John Packman, Emma Krelle  
Date of report: 14 September 2016

Broads Plan Objectives: None

Appendices: None

**Risk Register**  
Report by Chief Executive

**Summary:** Following the discussion and decisions on the content of the Risk Register at the last meeting, officers have reviewed the format used and are seeking the Committee's views on a different layout.

**Recommendation:** That the Committee considers the proposed revised format for the Risk Register.

**1 Introduction**

1.1 At the Committee's last meeting the Risk Register and the timetable for its review was discussed. This has prompted officers to review the format used and an alternative is proposed which is in line with that employed for risk assessments throughout the Authority. A copy of a sample analysis of one of the risks is appended for Members' comments. If this format is adopted officers will review all risks and translate them into the new layout for the next meeting.

Background papers: None

Author: John Packman  
Date of report: 14 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Sample analysis

## Strategic Risk Register

<b>Description of Risk Vulnerability:</b> Death or serious injury to a member of staff										
<b>No. 1</b>	<b>Risk Owner/Assessor:</b> Head of Safety Management					<b>Assessment Date:</b> 15 July 2016				
						<b>Review Date:</b> July 2017				
Specific Hazards  Describe the vulnerability & Impact		Initial Risk			Controls / Safeguards / Precautions	Revised Risk			Additional Actions Required	Timescale
		S	P	R		S	P	R		
<p>The use of heavy plant and equipment heightens the risk of damage to property, utility services and harm to individuals. The impact could be heavy fines from utility companies, death to employees, loss of expertise, increased insurance contributions and lengthy delays to services whilst HSE investigate.</p>		3	3	9	<p>Health &amp; Safety at Work Policy            A training plan ensuring only qualified Operatives operates plant &amp; equipment.            Generic Risk Assessments identifying risk and placing control measures.            Regular Staff briefing &amp; Toolbox talks highlighting best practice.            Regular review of performance of staff and review of training requirements.</p>	3	1	3	<p>Review of all hazards and control measures/methods by HSM</p>	Ongoing Audit process
		3	3	9		<p>Codes of practice for lifejacket and Personal protective Equipment.            Regular servicing and review of servicing for lifejackets.            Broads Control and a documented procedure for logging on &amp; off.            Stand-by Manager protocols to manage out of normal working hour issues.            Mobile Phone &amp; VFH radio communication.            Training and review on lone worker policy and procedures for all vulnerable staff.            Staff trained in First Aid with training updated as required.</p>	3	1		

**Any other relevant information:**

**Review of Code of Conduct for Members**  
Report by Solicitor and Monitoring Officer

<p><b>Summary:</b> This report updates the position regarding the new draft Code of Conduct for Members.</p> <p><b>Recommendation:</b> That the Committee's views on the revised draft Code of Conduct prior to consideration by the Authority would be appreciated.</p>
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**1 Introduction**

- 1.1 Within the Annual Governance Statement for last year, was a requirement for the Members' Code of Conduct to be reviewed as part of this year's Action Plan.
- 1.2 A report and draft Code of Conduct was considered by the Financial Scrutiny and Audit Committee on 5 July 2016 and the Broads Authority meeting on 8 July 2016. At those meetings comments were invited on the draft.
- 1.3 Changes from the comments received were incorporated and minor corrections were undertaken. Review to the draft will be continued to benchmark it by comparison with other Codes of Conduct and guidance.
- 1.4 The changes, other than minor corrections, are highlighted for ease of reference. Once finalised, the index will then be inserted.
- 1.5 There will need to be an updating of the Protocol for Staff and Member Relations as well as a new Handbook for members to be introduced.

Background paper: None

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Broads Plan Objectives: None

Appendices: APPENDIX 1 – Draft Code of Conduct for Members



Code of Conduct for Members and  
Complaints Procedure

September 2016

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# 1 Introduction and Overview

- 1.1 This revised Code of Conduct for Members (“the Code”) sets out the conduct which is expected of members and co-opted members (“Members”) of the Broads Authority (“the Authority”) when they are acting in that capacity, as required by section 27 of the Localism Act 2011.
- 1.2 The Nolan Report set out the seven Principles of Public Life, which are incorporated into the Code as required by section 28 Localism Act 2011. The Authority also has a statutory duty under section 27 of the Act to promote and maintain high standards of ethics and conduct by its Members.
- 1.3 Members will be offered training on the Code whether by the Monitoring Officer or from a representative body and the Authority expects all Members to take advantage of such training, including refresher courses, to ensure that they are fully aware of the provisions of the Code and the standards expected of them in public.
- 1.4 Members are also urged to avail themselves of the Local Resolution Procedure under the Code for dealing with Member versus Member complaints and other disagreements and to ensure the effective use of the Authority’s resources. The aim of Local Resolution is to resolve matters at an early stage so as to avoid the unnecessary escalation of the situation which may damage personal relationships within the Authority and the Authority’s reputation.
- 1.5 The following pages set out the Code and guidance and it is intended to be consistent with the seven principles. It is also not an exhaustive list of all legal obligations which fall upon Members and does not discharge members from their duty to ensure that at all times they act within the seven principles attached to the Code. The Authority also has its core values, which Members are asked to observe and follow. These are set out in section 2.
- 1.6 Members should ensure that they take appropriate action in relation to any Disclosable Pecuniary Interest. Failure to do so may result in a criminal conviction and a fine of up to £5,000 and/or disqualification from office for a period of up to 5 years.
- 1.7 Members should comply with the Code whenever they are acting in their official capacity as a Member including at full meetings, committee meetings and sub-committee meetings. The Code also applies to Members’ dealings with each other, with outside bodies, briefing meetings with officers, site visits, use of social media and in communication with the Authority, other than in a private capacity.
- 1.8 Freedom of expression is a right which applies to all Members of the Authority. A Member’s freedom of expression attracts enhanced protection where the comments are political in nature. The criticism of opposing ideas and opinion is considered to be part of democratic debate and it is unlikely that such comments would amount to a breach of the Code. **Comments which breach the principle in paragraph 2.8 below may, in contrast, be a potential breach of the Code.**

- 1.9 Members' attention is drawn to the Protocol on Member and Officer Relations in the Broads Authority which sets out expectations of Members' conduct towards staff. The Authority has a Staff Code of Conduct for its staff which includes guidance on staff relations with Members, including on social media.
- 1.10 Members' attention is also drawn to the Authority's Standing Orders which includes guidance on conduct within meetings of the Authority and its committees including sanctions for disorderly conduct by Members within such meetings.

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## 2 Principles of Conduct and Core Values

### Principles of Conduct

2.1 The Code promotes the highest standards of ethics and conduct and draws upon the Nolan principles of conduct as follows:

2.2 **Selflessness.**

Members must act solely in the public interest. They must never use their position as Members improperly to confer an advantage on, or to avoid a disadvantage for, themselves or improperly to confer an advantage or disadvantage on others.

2.3 **Integrity and propriety.**

Members must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. Members should not act or take decisions in order to gain financial or other material benefits for themselves, their families or friends. Members must declare and resolve any interests and relationships.

Note: Members should avoid putting Authority staff in breach of their own Code of Conduct, such as adding them as friends on social media platforms such as “Facebook”. Members should familiarise themselves with the Protocol on Member and Officer Relations in the Authority.

2.4 **Objectivity in decision making**

In carrying out their responsibilities including making appointments, awarding contracts, or recommending individuals for rewards or benefits, Members must make decisions on merit. Whilst Members must have regard to the professional advice of officers and may properly take account of the views of others, including their political groups, it is their responsibility to decide what view to take and, if appropriate how to vote on any issue.

2.5 **Accountability**

Members are accountable to the public generally for their actions and for the way they carry out their responsibilities as a Member. They must be prepared to submit themselves to such public scrutiny as is appropriate to their responsibilities.

2.6 **Openness**

Members must be as open as possible about all their actions and those of the Authority. They must seek to ensure that disclosure of information is restricted only in accordance with the law. Members should be transparent through being prepared to give reasons for their decisions and actions.

2.7 **Honesty**

Members must declare any private interests relevant to their public duties and take steps to resolve any conflict in a way that protects the public interest. Interests must be registered and declared in a manner which conforms to the procedures set out below.

## 2.8 Leadership

Members must promote and support these principles by leadership and example so as to promote public confidence in their role and in the Authority. They must respect the impartiality and integrity of the Authority's statutory officers and its other employees. Members should be willing to support the Code and willing to challenge poor behaviour whenever it occurs.

Note: The Protocol on Member and Officer Relations section 3 provides that officers can expect from Members leadership and that they take responsibilities for decisions made by the Authority and for defending them publicly.

## 2.9 Stewardship

In discharging their duties and responsibilities, Members must ensure that the Authority's resources are used both lawfully and prudently. They must ensure that the Authority's resources are not used improperly for political purposes (which include any party political purposes). Expenses must be claimed in accordance with the Authority's guidance and supported by receipts, where appropriate and claimed reasonably promptly.

## 2.10 Confidentiality

Members must not disclose any information given to them which should reasonably be regarded to be of a confidential nature, including items discussed in the confidential sections of meetings. This duty of non-disclosure may no longer apply where either the consent of the person authorised to give it has been obtained, or there is a legal requirement to disclose. If in doubt, you are encouraged to seek the views of the Monitoring Officer.

Note: The Protocol on Member and Officer Relations in the Broads Authority section 8 on Disclosure of Information by Members sets out the procedure in relation to disclosure of confidential information, which involves 72 hours prior notification in advance to the Chief Executive or Solicitor and Monitoring Officer. The Information Commissioner has issued helpful guidance on the Freedom of Information Act and Data Protection Act which is available on the ICO website [www.ico.gov.uk](http://www.ico.gov.uk) or by calling 0303 123 1113.

## 2.11 Equality and respect

Members must treat others with respect and promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, race, age, religion, gender, sexual orientation or disability. You should respect the impartiality and integrity of the Authority's statutory officers and its other employees.

Note: The Protocol on Member and Officer Relations sets out in detail the roles and responsibilities and the working relationships between Members and officers. Section 3 sets out expectations that each can expect from the other respect and courtesy and the highest standards of integrity.

## Core Values

- 2.12 In addition to the principles of conduct, Members should, so far as possible, reflect the Authority's Core Values, which have been drawn up by the Authority's staff and adopted by the Authority:
- 2.13 **Commitment** – We are committed to making a difference to the Broads for the benefit of all and we will have the courage of our convictions when faced with difficult decisions.
- 2.14 **Caring** – We are considerate and respectful of each other, working together to provide the best service we can.
- 2.15 **Open and honest** – We are open, honest and inclusive in our communication and in making decisions. We are approachable and available, reaching out to all groups.
- 2.16 **Sustainable** – We take the long-term view, are passionate about our environment and its ability to provide for a vibrant local economy and the well-being of local people.
- 2.17 **Exemplary** – We strive for excellence in all we do. We are ambitious, innovative and lead by example

### **3 Registering and declaring disclosable pecuniary and other non-pecuniary registrable interests and gifts**

- 3.1 A Member must within 28 days of taking office as a Member notify the Monitoring Officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State. This applies whether that interest is their own, their spouse's or civil partner's, or is the interest of someone with whom they are living with as a husband or wife, or as if you were civil partners. The interest will be included in the Authority's register of interests (a copy of which is available for public inspection and published on its web site).
- 3.2 In addition to 3.1, Members must within 28 days of taking office as a Member notify the Monitoring Officer of any disclosable pecuniary or non-pecuniary interest which the Authority has decided should be included in the register.
- 3.3 If an interest above has not been notified or entered in the register, then the Member must disclose the interest to any meeting of the Authority at which they are present, where they have disclosable interest in any matter being considered and where the matter is not a "sensitive interest" as described in the Localism Act 2011. In relation to sensitive interests, which include any concern that disclosure might lead to the Member being subject to violence or intimidation, you should speak to the Monitoring Officer, who may agree to exclude details from any publicly available version of the register of interests.
- 3.4 Following disclosure of an interest not on the Authority's register or the subject of pending notification, you must notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.
- 3.5 Unless dispensation has been granted, a Member may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as set out in 3.1 above. In addition a Member must observe the restrictions the Authority places on their involvement in matters where they have a pecuniary or non-pecuniary interest as defined by the Authority.

#### **Disclosure of interests at meetings**

- 3.6 Where an interest described above or in the following paragraph in any business of the Authority has been declared and, where a Member is aware or ought reasonably to be aware of the existence of that interest and they attend a meeting of the Authority at which the business is considered, the Member must disclose to that meeting the existence and nature of that interest at the commencement of its consideration. If not apparent in advance from any agenda, as soon as the interest becomes apparent as being relevant to the business under consideration a Member must immediately declare it.
- 3.7 Members have a personal interest in any business of the Authority where a decision in relation to that business might reasonably be regarded as affecting their well-being or financial position or the well-being or financial position of a member of their family or any person with whom they have a close relationship to a greater extent than the majority of other Toll payers or

inhabitants of the Authority's geographical area or "National Park area", as the case may be, affected by the decision.

### **Non participation in case of other prejudicial interest**

- 3.8 Where Members have a personal interest (as set out in 3.7 above) they will also have a prejudicial interest, if the following also applies. That is that on an objective analysis, Members' judgement of the public interest would be affected through their financial position or that of a person or body which has been, or should have been, notified in the register of interest by the Member. The test to be applied is whether a member of the public with knowledge of the facts would reasonably regard the pecuniary interest as so significant that it would prejudice the Member's judgment.
- 3.9 Where there is such a prejudicial interest, the Member must not participate in any discussion of, vote on or discharge any function related to such prejudicial interest. An application may be made for special dispensation from the Authority in relation to this and the Member must observe any restrictions placed by the Authority in such circumstances.
- 3.10 There are some subject areas in relation to the Authority which, once an interest has been disclosed, a Member may nonetheless attend a meeting and vote. These include:
- Setting of Tolls, where the extent of the interest is limited to owning a boat and thereby paying a Toll.
  - Matters relating to schools, when the Member is a parent, guardian or governor of a child at a different school in the area. These include school meals, school transport and expenses.
  - An allowance, payment or indemnity given to Members
- 3.11 There are other subject areas which may apply in local government, but it is considered that these are unlikely to apply to Members of the Authority. Please ask your Monitoring Officer for further information.

### **Gifts and hospitality**

- 3.12 Members do not need to notify any gifts, benefits or hospitality with a value of less than £25. If Members nonetheless wish to record such items below this threshold, the Monitoring Officer will be pleased to record them.
- 3.14 Other gifts must be notified to the Monitoring Officer within 28 days of receipt. The Monitoring officer will enter details of the gift on a public register of gifts and hospitality.

## 4 Complaints Procedure

4.1 The Localism Act provides that, where there are complaints of misconduct, the Authority must have in place arrangements under which allegations can be investigated and arrangements under which decisions on allegations can be made. The following procedure applies to complaints made against a Member by another Member, or by officers or any other person.

4.2 In relation to officers, a complaint should be after consultation with their Director and may be made in relation to a breach of the Protocol on Member and Officer Relations.

### **Making a complaint**

4.2 The complaint should be made to the Monitoring Officer in writing or by e-mail. The address is:

Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road,  
Norwich NR1 1RY

E-mail address: [david.harris@broads-authority.gov.uk](mailto:david.harris@broads-authority.gov.uk)

4.3 A copy of the complaint form, which should be used for all complaints, is attached at Appendix 1. This form should also be used for making a complaint under the Local Resolution Procedure. Completion of a Complaint Monitoring Form at Appendix 1a is also requested, but is not compulsory.

4.4 In order to make a complaint, a Member will need to have reasonable belief that there has been a breach of the Code. In order to have a reasonable belief that a breach has occurred, there will need to be direct evidence which supports the complaint. Members should consult the Monitoring Officer for advice if they are in doubt. Where the breach is a very minor or technical one, or where there is no clear evidence that a breach occurred, the Monitoring Officer may advise Member of the likely threshold and suggest that the matter might be more appropriately dealt with through the Authority's Local Resolution Process.

4.5 Once received a complaint will be acknowledged by the Monitoring Officer within five working days.

### **Confidentiality**

4.6 As a matter of fairness and natural justice the subject Member should usually be told who has complained about them and received details of the complaint. However, in exceptional circumstances, the Monitoring Officer may withhold the complainant's identity if on request they are satisfied that the complainant has reasonable grounds for believing that they or any witness relevant to the complaint may be at risk of physical harm, or his or her employment may be jeopardised if their identity is disclosed, or where there are medical risks (supported by medical evidence) associated with the complainant's identity being disclosed.



- 4.7 If a request for confidentiality is refused, the Monitoring Officer will explain the reason and give the complainant the option to withdraw the complaint, rather than proceed with his or her identity being disclosed.
- 4.8 The complaint will be acknowledged and the subject Member will be informed that a complaint has been made about him or her. Such notification will state that the complaint has been made; the name of the complainant (unless the complainant has requested confidentiality and this is being upheld, brief details of the complaint and the paragraphs of the Code which may have been breached. In very limited situations, the subject of the complaint may not be notified, in which case the Monitoring Officer will record his reason. Such situations may be where it is not reasonably possible to identify who the subject of the complaint might be.
- 4.9 Where specific details of complaints are passed to the local press and media, or posted on social media, this may prejudice an investigation and may also be a breach of the Code. Well-founded breaches of the Code should be reported to the Monitoring Officer and Members making allegations should not generate publicity in advance of the outcome of the complaint.

### **Initial Assessment**

- 4.10 In determining whether to investigate a complaint, the Monitoring Officer will adopt a three-stage process, all in consultation with an Independent Person. At each stage the Monitoring Officer may request further clarification or documentation from the complainant, without this forming part of any investigation.

Stage 1 – The Monitoring Officer will decide whether the complaint is within the Authority’s jurisdiction which will include consideration of the paragraphs of the Code to which the complaint might relate. If there is no jurisdiction then the complaint will be dismissed.

Stage 2 - The Monitoring Officer will decide whether there is direct evidence that a breach took place. The level of proof will be on the balance of probabilities, that is to say, whether it is more likely than not. If there is no direct evidence, or if the complaint is considered to be vexatious, then the complaint will be dismissed.

Stage 3 – The Monitoring Officer will decide whether the complaint is suitable to be dealt with within the Local Resolution Procedure, or whether it should be the subject of a full investigation. The criteria which will be used for this analysis are set out in Appendix 2.

### **Local Resolution Procedure**

- 4.11 The Local Resolution Procedure is a process for low-level complaints including those made by one Member against another.
- 4.12 If the Monitoring Officer, in consultation with the Independent Person, decides to refer the matter to local resolution, then the complainant will be informed

within 5 working days and the Local Resolution Procedure shall then apply (see section 5 below).

- 4.13 The criteria for referring the matter to the Local Resolution Procedure will include the following:
- Complaints that one member has failed to show respect and consideration for others
  - Complaints that one Member has made vexatious, malicious or frivolous complaints towards another.
  - Other low-level complaints which in the opinion of the Monitoring Officer, following consultation with an Independent Person, are suitable for informal resolution.

#### **Formal Investigation**

- 4.14 If the matter is to be fully investigated, as opposed to being dismissed or referred to the Local Resolution procedure, the Monitoring Officer will appoint an Investigating Officer who will prepare an initial report and recommendation. **An Investigating Officer may be an officer or solicitor of another authority or a person independent of local government.** When appointing the Investigating Officer, the Monitoring Officer will write to the relevant parties informing them that the matter is to be fully investigated and informing them who will be responsible for conducting the investigation. The Monitoring Officer should give an indication as to likely timescale for the completion of the investigation, which should be within 28 days. Referring a matter for investigation does not mean that there have been any findings of fact. It simply means that the alleged conduct, if proved, may amount to a failure to comply with the Code and that some action should be taken in response to the complaint.
- 4.15 The Monitoring Officer will consider the recommendation of the Investigating Officer's report. If the recommendation is that there has been no breach of the Code, the Monitoring Officer will consult the Independent Person. If having taken into account the views of the Independent Person the Monitoring Officer approves the recommendation of the report then the Monitoring Officer will write to the complainant and the Member concerned to inform them that there will be no further action. This will normally be undertaken within 10 working days of the receipt of the report. The Monitoring Officer will give reasons for the decision. There is no appeal or review of that decision by the Authority or any other person.
- 4.16 If the investigation concludes that there is evidence of a breach of the Code then the Monitoring Officer will consult the Independent Person and make a decision either to:
- (a) resolve the matter without the need for a hearing. That may include the application of those sanctions limited to those set out in paragraph 6.8 below. The Monitoring Officer will write to the complainant and the member concerned to inform them of the decision. The Monitoring Officer will give reasons for the decision. There is no appeal or review of that decision by the Authority or any other person; or

(b) convene a meeting of the Authority's Hearings Committee, to hear the matter.

4.17 In exceptional circumstances it may be considered by the Monitoring Officer and Independent Person that the Chair of the Authority should be invited to consider whether the member should be asked to withdraw from Authority duties pending the outcome of the Hearings Committee. There will need to be reasonable grounds for the belief that such as step is in the interests of the subject Member or the Authority.

### **Frivolous and Vexatious Complaints**

4.18 Complaints made against other Members or officers or people working on behalf of the Authority must be based upon fact and not motivated by malice or by political rivalry. Members should avoid making complaints which have little or no substance or where the evidence of any breach is weak or non-existent. In the case of doubt as to whether a threshold has been met, advice should be sought from the Monitoring Officer. The making of frivolous or vexatious complaints may be conduct which will be considered a breach of the Code and dealt with under the Local Resolution Procedure.

## 5 Local Resolution Procedure

5.1 The Authority has adopted this Local Resolution Procedure in order to promote and maintain high standards of conduct amongst members. It is intended to assist in the swift resolution of issues, so as to avoid the unnecessary escalation of the situation which may damage personal relationships within the Authority and the Authority's reputation. This procedure is also intended to resolve matters on an informal basis, where this is appropriate.

5.2 Complaints may be dealt with under this procedure as follows. Anyone who wishes to submit an allegation under this procedure should send the complaint (in the case of an officer following consultation **with their Director**) to the Monitoring Officer. Additionally, the Monitoring Officer may have referred a complaint to this procedure following consultation with an Independent Person. Following receipt of the complaint, or referral, the Monitoring Officer will act as follows:

### Stage 1

5.3 The Monitoring Officer will undertake a brief preliminary investigation to establish the facts and the areas of dispute. Possible resolutions will be canvassed with the complainant and then the Member about whom the complaint has been made.

5.4 Then Monitoring Officer will also consider, following this, whether another course of action or more formal investigation, is more appropriate.

### Stage 2

5.5 A mediation meeting will be held between the person making the complaint, the Member against whom the complaint is made, the Monitoring Officer and (if considered appropriate) other persons invited by the Monitoring Officer. Such persons may include an Independent Person, the Chief Executive, Chair of the Authority, political group leader, or in the case of a complaint being made by an officer a companion or Director. The meeting may commence with the parties in separate rooms and the Monitoring Officer acting as a mediator. The purpose of the meeting will be to try and resolve the matter without it going further.

### Stage 3

5.6 If the matter is not resolved at stage two and the complainant wishes to proceed with it, the matter will be referred to a local resolution hearing before the Hearings Committee **(see section 6 below in relation to the constitution of the Hearings Committee)**. The person making the complaint will be asked to submit a statement in writing within 14 days and the member complained against will respond within 14 days. Either party may submit a statement from a witness.

- 5.7 Within 28 days of the written evidence a hearing will be set before the Hearings Committee. Any party may have at their own expense a companion or representative, provided that in the case of representation the Monitoring Officer and other party have been given 21 days' notice to this effect. Evidence will be limited to the contents of the statements. If any party does not attend, the hearing will proceed in their absence. The Monitoring officer will be available to advise the committee. After hearing oral evidence, the Hearings Committee will come to a conclusion on the allegation, which will be notified to the parties.
- 5.8 The possible outcomes to a hearing under the Local Resolution Procedure are:
- A finding that the matter does not warrant any further action to be taken
  - A recommendation to the Monitoring Officer that there be a change to procedures or that more formal investigation action be taken
  - A finding that the complaint be recorded by the Monitoring Officer as vexatious
  - A finding that the complaint is upheld, but no further action is required
  - A finding that the complaint is upheld and that the Member should be censured
- 5.9 Unless the complaint has been upheld, publicity will not be given to the names of the parties. The hearing before the Hearings Committee will be confidential.

## 6 Hearings Procedure

- 6.1 If a hearing is required, the Monitoring Officer will write to the subject Member proposing a date for the hearing. This date will normally be within six weeks of the investigation report and will be before a Hearings Committee. **The Hearings Committee shall be constituted in accordance with Part B of the Authority's Standing Orders and shall have a quorum of three Members.**
- 6.2 The Monitoring Officer will outline the hearing procedure, the Member's rights and ask for a written response from the Member within a set time to establish whether:
- the Member wishes to attend the hearing
  - the Member disagrees with any of the findings of fact in the investigation report and if so which findings and the reason for disagreement
  - the Member wishes to give oral evidence, or rely on written submissions
  - witnesses will be called by the Member to give evidence (there is no power on the part of the Authority to compel attendance by a witness)
  - they wish any part of the hearing to be in private
  - they wish any part of the investigation report or other documents to be withheld from the public

The parties and the Hearing Committee will be sent a full bundle of documents for the hearing at least 5 days prior to the hearing.

- 6.3 Any party may have at their own expense a companion or representative, provided that in the case of representation the Monitoring Officer and other party have been given 21 days' notice to this effect**

### Procedure at hearing

- 6.4 The procedure at the hearing will be in accordance with a procedure to be determined by the Monitoring Officer. It will usually adopt the following procedure
- The Investigating Officer will present his/her report to the Hearing Committee
  - The Investigating Officer will be questioned on the report by any party and by the Hearings Committee
  - Evidence will be given with questions being asked by any party and by the Hearings Committee. The order will be the complainant first, then the Member the subject of the complaint and then any witnesses in such order as the Hearings Committee decides appropriate

- The Hearings Committee will withdraw to consider their decision, with the outcome notified by the Chair. The decision will be confirmed in a Decision Notice which will be sent to the parties within 5 working days of the hearing.
- 6.5 If the Hearings Committee concludes that there has been no breach of the Code, there will be no further action. There is no appeal or review of that decision by the Authority or any other person. The Hearings Committee will give reasons for its decision.
- 6.6 If the Hearings Committee concludes that the Member the subject of the complaint has failed to comply with the Code, then the Authority has delegated its powers to make such sanction as it considers it to be appropriate **and proportionate** in order to promote and maintain high standards.

### **Sanctions**

- 6.7 These sanctions may include any of the following:
- A request that the Member submit a written apology in a form specified by the Hearings Committee
  - A request that the Member undertake specified training
  - A request that the Member participates in such conciliation as may be specified
  - A requirement that the Member deals with Authority business through one specified point of contact
  - Placing such restrictions on Members access to staff which may be reasonable in the circumstances and in accordance with the Protocol on Member and Officer relations, providing that such restrictions do not prevent the Member from carrying out their duties
  - A requirement that the Member does not attend at the Authority's offices, unless attending statutory meetings
  - Reporting the Member to his/her County or District Council, Secretary of State as appropriate and reporting the matter to a full meeting of the Authority
  - **Reporting the matter to a full meeting of the Authority with a recommendation that the Member be removed from any committee to which they are currently appointed.**
  - No sanction

### **Publication of findings**

- 6.8 A summary of the complaint and findings will be reported to a full meeting of the Authority, for their information.



## Members' Code of Conduct Complaint Form

To be used if you wish to make a complaint that a Member of the Authority has failed to comply with the Members' Code of Conduct.

If English is not your first language, please contact us if you require help to complete this form.

### Your details

#### 1. Please provide us with your name and contact details

Title:	
First Name:	
Last Name:	
Address:	
Daytime telephone:	
Evening telephone:	
Mobile telephone:	
Email address:	

We will only use the information you provide to us for the purposes of processing your complaint. Your information, including any personal information you provide to us (such as name and contact details) may be shared with the people referred to below, or with other relevant authorities as required, only for the purposes of processing your complaint.

All comments and complaints are treated confidentially and will not disadvantage you in any future dealings with Broads Authority. It may not always be possible to keep your details confidential, such as where your complaint is about a third party or where particular legislation applies to your complaint.



We will tell the following people about this complaint:

- The Member(s) you are complaining about
- The Monitoring Officer to the Authority
- The Authority's Independent Person
- The Chair of the Authority
- The Chief Executive of the Authority

If you have serious concerns about your name and details of your complaint being released, please complete **section 6** of this form.

**2. Please tell us which complainant type best describes you:**

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Member of the public                          |
| <input type="checkbox"/> | An elected or co-opted Member of an authority |
| <input type="checkbox"/> | Member of Parliament                          |
| <input type="checkbox"/> | Local authority monitoring officer            |
| <input type="checkbox"/> | Broads Authority employee or volunteer        |
| <input type="checkbox"/> | Other (please provide details)                |

**Making your complaint**

- 3.** Once you have submitted your complaint, it will be considered by the Monitoring Officer of the Authority and after reasonable consultation with the Authority's Independent Person, who will assess, on the basis of your written submission and any additional relevant material, whether the alleged conduct might amount to a failure to comply with the Members' Code of Conduct.

The Monitoring Officer has the following range of options available to him/her: Formal Investigation (which will involve an investigation of the complaint), referral to the Authority's Local Resolution Procedure or no further action, for instance if it is considered that any failure to comply with the Code of Conduct is of a trivial nature.

- 4.** Please provide us with the name of the Member(s) you believe have breached the Broads Authority Members' Code of Conduct and, where the Member is also a Councillor, the name of their authority.

Title	First Name	Last Name	Authority Name

5. Please explain in this section (or on separate sheets) what the Member has done that you believe breached the Members' Code of Conduct. If you are complaining about more than one Member you should clearly explain what each individual person has done that you believe breached the Code of Conduct.

A copy of the Authority's Members' Code of Conduct can be found on the Broads Authority website at <http://www.broads-authority.gov.uk/>

Alternatively, a paper copy can be obtained from the Monitoring Officer to the Authority by writing to:

David Harris, Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road, Norwich, Norfolk. NR11RY

- You should be specific, wherever possible; about exactly what you are alleging the Member said or did. For instance, instead of writing that the Member insulted you, you should state what it was they said.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

**Please provide us with the details of your complaint and the outcome from this complaints process that you would like to see happen. Continue on a separate sheet if there is not enough space on this form.**

Do you wish your complaint to be dealt with under the Authority's Local Resolution Procedure?

Yes/No

If you answered No, please briefly explain your reason:

**Only complete this next section if you are requesting that your identity is kept confidential.**

6. In the interests of fairness and natural justice, we believe Members who are complained about have a right to know who has made the complaint. We also believe they have a right to be provided with a summary of the complaint. We are unlikely to withhold your identity or details of your complaint unless you have good reason to justify the Authority doing so.

Please note that requests for confidentiality or requests for suppression of complaint details will not automatically be granted. The Monitoring Officer to the Authority, in consultation with the Authority's Independent Person, will consider the request alongside the substance of your complaint. We will then contact you with the decision. If your request for confidentiality is not granted, we will usually allow you the option of withdrawing your complaint.

However, it is important to understand that in certain exceptional circumstances where the matter complained about is very serious, we can proceed with an investigation or other action and disclose your name even if you have expressly asked us not to.

**Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:**

### **Additional Help**

- 7.** Complaints must be submitted in writing. This includes electronic submissions. However, in line with the requirements of equalities legislation, we can make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing.

If you need support in completing this form, please let us know as soon as possible.

This complaint should be submitted to the Monitoring Officer to the Authority, by sending to the following contact addresses:

By post to : David Harris, Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road, Norwich, Norfolk. NR11RY

Or by e-mail to: [david.harris@broads-authority.gov.uk](mailto:david.harris@broads-authority.gov.uk)



**Private and Confidential**

**Code of Conduct Complaint Monitoring Form**

The Broads Authority is committed to the provision of equal opportunity and specifically to conducting its affairs in a manner which will not discriminate against, either directly or indirectly, any person on the grounds of: disability; gender; transgender; race; ethnic or national origin; religion or belief; age or sexual orientation.

To help us meet this commitment, it would be helpful if you would complete this form. This monitoring form will be separated from your complaint on receipt and will be used solely for the purposes of monitoring the process.

<b>Section 1 (please tick the boxes which apply)</b>		
My age is:	Under 21	<input type="checkbox"/>
	21-30	<input type="checkbox"/>
	31-40	<input type="checkbox"/>
	41-50	<input type="checkbox"/>
	51-60	<input type="checkbox"/>
	61-64	<input type="checkbox"/>
	65 or over	<input type="checkbox"/>
My gender is:	Female	<input type="checkbox"/>
	Male	<input type="checkbox"/>

<b>Section 2 (please tick one box only)</b>					
I would describe myself as:	White:	British	<input type="checkbox"/>		
		Irish	<input type="checkbox"/>		
		Any other	<input type="checkbox"/> please write in		
	Mixed:	White and Black Caribbean	<input type="checkbox"/>		
		White and Black African	<input type="checkbox"/>		
		White and Asian	<input type="checkbox"/>		
		Any other	<input type="checkbox"/> please write in		
		Asian or Asian	Indian	<input type="checkbox"/>	
				<input type="checkbox"/>	

British:	Pakistani Bangladeshi Any other	<input type="checkbox"/> <input type="checkbox"/> please write in
Black or Black British:	Caribbean African Any other	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> please write in
Chinese or other ethnic group:	Chinese Any other	<input type="checkbox"/> <input type="checkbox"/> please write in

Section 3		
Do you consider yourself to have a disability*?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Thank you for your co-operation. Please return this form with your complaint.

\*The Equality Act 2010 defines disability as 'a physical or mental impairment which has a substantial and long-term adverse effect on a person's ability to carry out normal day-to-day activities'.

**Criteria for consideration of a complaint by Monitoring Officer**

In deciding whether to accept or reject a complaint of breach of the Code, or to refer it to the Local Resolution Procedure, the Monitoring Officer has a wide discretion. He or she will take into account the following criteria, where relevant.

- Public interest factors including the seriousness of the alleged breach, whether there has been any breach of trust, the extent of any harm caused and whether there has been any discrimination.
- Proportionality by balancing the seriousness of the allegation against the resources required to investigate the allegation
- Whether there are any aggravating factors or significant mitigating factors
- Whether a prompt acknowledgment and apology has been offered
- Whether the complaint is one of a pattern by or against a Member
- Whether the complaint appears to be malicious, frivolous or vexatious
- Whether the complaint suggests that there is a wider problem as affects the Authority
- Whether training or conciliation would be the appropriate response
- Whether either the complainant or subject Member has indicated a preference for Local Dispute resolution

**Financial Regulations**  
Report by Head of Finance

**Summary:** This report appends the updated Financial Regulations following a recommendation from the Key Controls Audit.

**Recommendation:** That the updated Financial Regulations are adopted.

**1 Key Controls Audit April 2016**

- 1.1 During the Key Controls Audit it was identified as one of the audit recommendations that the current process relating to budget virements should be reviewed and updated as required within the Financial Regulations.
- 1.2 This was reviewed by Management Team on 18 April 2016 where it was agreed that virement process would be adjusted so that Directors could approve budget virements within their areas up to £10,000. Virements between £10,001 and £19,999 could be recommended by Directors with Chief Executive approval and above £20,000 would be referred to the Authority. This amendment has been made and is included on page 11 in the appendix. The changes are shown in track changes.

**2 Additional Amendments**

- 2.1 Whilst updating the Financial Regulations for the virements adjustment it provided an opportunity to update some out of date job titles, who performs our payroll, to clarify the stock take process and the carry forward process in a little more detail. Again changes are shown in track changes.
- 2.2 The adjustments to the stock on page 15 are simply made to clarify what items we will count as part of the stock take. Stock items should only consist of items that can be consumed once, and does not include recycled spares, offcuts and half used tins of paint. By not including these items it will assist the year end process in what needs to be counted and help speed up the manual process in valuing stock. This will help the Authority meet the new deadline for producing the Statement of Accounts.
- 2.3 At the May Authority meeting a number of carry forwards were presented for consideration to be included in 2016/17 budget. Following a suggestion from a member that low value items did not need to be presented the regulations have been amended to reflect this. Adjustments relating to this are set out on pages 8 and 10. Items below £1,000 will continue to be reviewed by Management Team but the approval will lie with them. Management Team will



only be able to approve cumulative adjustments not exceeding £5,000. Items above this amount will still be reviewed by Management Team but will be presented to the Authority for approval.

### **3 Summary**

- 3.1 Following Internal Audits recommendation to review the regulations it is recommended that members adopt the latest version.

Background papers: None

Author: Emma Krelle

Date of report: 10 September 2016

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Financial Regulations

# Broads Authority Financial Regulations

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# Introduction

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## 1 Why do we have Financial Regulations?

- 1.1 Section 17 of the Norfolk and Suffolk Broads Act 1988 states that the Authority shall “make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”.
- 1.2 The Local Government Act 1972 directs that authorities shall make arrangements for the proper administration of their financial affairs, and that some of their officers be responsible for the administration of those affairs.
- 1.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited by the auditor appointed by the Audit Commission. The ‘Accounts and Audit Regulations’ require that the ‘Responsible Financial Officer’ must determine and be responsible for the accounting systems and the form of both the accounts and supporting records of the Authority. That officer must further ensure (by maintaining an effective and adequate audit) that rules so made are observed and that all records are maintained in a satisfactory manner. To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

## 2 Status of Financial Regulations

- 2.1 Financial Regulations provide a framework for managing the Authority’s financial affairs. They apply to every member and officer of the Authority and anyone acting on its behalf.
- 2.2 These Regulations set out the financial responsibilities of the Broads Authority, Financial Scrutiny and Audit Committee, Chief Executive, Treasurer and Financial Adviser, [Solicitor and](#) Monitoring Officer, Director of Planning and Resources, Head of Finance and Directors.
- 2.3 All members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these assets is legal, properly authorised, provides value for money and achieves best value.
- 2.4 The Head of Finance is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes as necessary to the Authority for approval. He/she is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Authority.
- 2.5 Directors are responsible for ensuring that all members of staff in their Directorates are aware of the existence and content of the Authority’s Financial Regulations, as appropriate.

- 2.6 These Regulations should be read in conjunction with:
- Standing Orders;
  - Standing Orders Relating to Contracts;
  - Scheme of Powers Delegated to Officers;
  - Procedure Manuals;
  - Financial Grant Memorandum issued by the Department for the Environment, Food and Rural Affairs (Defra);
  - Annual Investment Strategy;
  - Prudential Code; and
  - Procurement Strategy.

### **3 Statement of Principles**

- 3.1 The Authority expects high standards of conduct from its members and officers and those with whom it has dealings. Further to this the Authority expects honesty, openness and integrity to be the values which underpin its financial affairs and all those involved with the Authority's finances should work with these values in mind.
- 3.2 The principles below provide the basis for the detailed guidance in Financial Regulations.

### **4 The Principles**

- 4.1 The Authority is responsible for the stewardship of public money and will make arrangements to safeguard it.
- 4.2 The Authority expects its members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a climate of frankness that it will support through policies and regulations, such as the Whistle Blowing Policy and the Counter Fraud, Corruption and Bribery Strategy.
- 4.3 The planning, monitoring and controlling of the use of resources is of vital importance to the Authority and it will make arrangements for these activities to be undertaken effectively.
- 4.4 Issues of probity will be dealt with effectively and the Authority will work to meet its duty to maintain proper accounts and related records.
- 4.5 Value for money is at the core of the Authority's financial activity and the way in which it administers its financial affairs.
- 4.6 Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Authority's arrangements for financial matters.
- 4.7 Allocation of responsibility and authority in relation to financial matters will be clearly identified.
- 4.8 The Authority is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place guidance to be adhered to by all its Directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.

- 4.9 The assets and resources of the Authority must be protected from loss, damage and theft.
- 4.10 Identifying and quantifying risks to the Authority is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.
- 4.11 The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Authority and arrangements will be made for its proper administration.

# Financial Management

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## 5 Roles and Responsibilities

- 5.1 **The Broads Authority** is responsible for setting the overall policy and direction of the Authority. Its financial responsibilities include approving the annual consolidated budget and Statement of Accounts, fixing navigation tolls, appointing the Section 17 Officer and generally monitoring the resources of the Authority.
- 5.2 **The Financial Scrutiny and Audit Committee** reports to the Broads Authority. Its financial responsibilities include reviewing and recommending for approval the annual Statement of Accounts, approving Financial Regulations and Standing Orders Relating to Contracts, and oversight of internal audit and risk management processes.
- 5.3 **The Chief Executive** is responsible for the day to day management and control of the Authority, including its staff, premises and services, and is responsible for ensuring the implementation of strategies and policies as determined by the Broads Authority and its committees.
- 5.4 **The Treasurer and Financial Adviser** is responsible for the proper administration of the Authority's financial affairs, in accordance with section 17 of the Norfolk and Suffolk Broads Act 1988. The specific responsibilities include the regulation and control of finance, and the making of safe and efficient arrangements for the receipt of monies; external and internal audit matters, including the appointment of auditors: pension fund matters; insurances; investment; and the operation of the Authority's bank accounts. The Authority's Treasurer and Financial Adviser is the Head of Finance and Revenue Services at Broadland District Council.
- 5.5 **The Solicitor and Monitoring Officer** is responsible for promoting and maintaining high standards of financial and other conduct in the Authority and for reporting any breaches of the law or maladministration. ~~The Authority's Solicitor and Monitoring Officer is the Practice Director of Nplaw (formerly Norfolk County Council Legal Services).~~
- 5.6 **The Director of Planning and Resources** is responsible, in conjunction with, and on the advice of, the Treasurer and Financial Adviser, for the preparation of annual budgets and statements of accounts, and for the maintenance of all financial systems and procedures to ensure that the Authority operates within its financial limits and complies with all financial and statutory requirements and in accordance with good accounting practice.
- 5.7 **The Head of Finance** is responsible for the day to day management of the Authority's financial affairs, including the management of the Finance Section, preparation of the three year Financial Strategy, annual budgets and statements of accounts, monthly management statements, cash flow and the investment of surplus funds, and ensuring that all internal systems and controls are maintained

accurately and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.

- 5.8 **Directors** and **Section Heads** are responsible for ensuring that there is appropriate budgetary provision for all activities carried out within their Directorate or Section, that staff are aware of and comply with Financial Regulations and Standing Orders Relating to Contracts at all times, and that any matters which arise which have or are likely to have significant financial implications are reported to the Director of Planning and Resources and/or Head of Finance in order that appropriate corrective action can be taken.

## **6 Accounting Arrangements**

- 6.1 The Treasurer and Financial Adviser is responsible for ensuring that there are appropriate systems in force for keeping the accounts and financial records of the Authority and that the Authority's annual financial accounts and reports are prepared to meet statutory requirements. The Treasurer and Financial Adviser must also approve the accounting systems and accounting records in use, and any significant changes to these arrangements.
- 6.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles determined from time to time by the Head of Finance, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) standards of practice, International Financial Reporting Standards (IFRS), the Financial Grant Memorandum issued by Defra under which grant funding is paid and instructions and advice received from Defra and the Authority's auditors.
- 6.3 Accounting procedures will be reviewed as necessary by the Head of Finance in consultation with the Director of Planning and Resources to ensure that they provide the information required without duplication of records.
- 6.4 The Chief Executive must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding.
- 6.5 The Chief Executive must examine and certify where required any financial return to a Government Department or other body.

## **7 Budgeting Process**

- 7.1 The Director of Planning and Resources, in conjunction with the Head of Finance, will ensure that there is in place an appropriate process and timetable to ensure that budgets are prepared in a timely manner, that this is communicated to all senior managers and budget holders, and that progress in preparing the budgets is monitored.

## **8 In year Financial Reporting**

- 8.1 It is the responsibility of the Head of Finance to ensure that budget managers are provided with monthly management statements from month 3 (June) onwards.



- 8.2 The most current financial report highlighting major variance and areas of concern must be provided to the Broads Authority, Navigation Committee and Financial Scrutiny and Audit Committee at each meeting.

## **9 Year End Accounting**

- 9.1 The Head of Finance is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the “Code of Practice on Local Authority Accounting in the UK” (CIPFA). The Broads Authority is responsible for approving the carrying forward above £1,000, from one year to another of any under spending on budget headings. The Authority’s final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority once reviewed by the Financial Scrutiny and Audit Committee.

# Financial Planning and Control of Expenditure

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The importance of this area is in the need for sound financial planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Authority's resources.

## **10 Policy Framework**

- 10.2 The Authority is responsible for agreeing the Authority's framework and budget. In terms of financial planning the key elements are:
- the Authority's purposes as set out in the Norfolk and Suffolk Broads Act 1988, as amended by the Broads Authority Act 2009;
  - the Broads Plan;
  - the Authority's Business Plan;
  - the Financial Grant Memorandum;
  - the annual revenue budget and three year Financial Strategy;
  - the Capital Strategy and annual Capital Programme; and
  - the Annual Investment Strategy and Prudential Indicators (limits for external borrowing, other long term liabilities and related matters).

## **11 Revenue Budget Preparation**

- 11.1 The Chief Executive, in consultation with the Director of Planning and Resources, is responsible for ensuring that a revenue budget for the coming year and a three year Financial Strategy for at least the two subsequent financial years is prepared for consideration by the Broads Authority.
- 11.2 The Head of Finance, in consultation with the Director of Planning and Resources, is responsible for providing guidance on the general format of the budget.
- 11.3 The Chief Executive will submit a Budget and Financial Strategy to the Broads Authority for approval by 31 March each year.
- 11.4 The Chief Executive, in consultation with the Director of Planning and Resources, is responsible for reporting to the Authority on the robustness of estimates contained within the budget and adequacy of reserves allowed for in the budget proposals.

## **12 Resource Allocation**

- 12.1 The Chief Executive is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Authority's policy framework and changing priorities within that.
- 12.2 It is the responsibility of the Chief Executive and Directors to ensure that the revenue and capital budget estimates reflect the priorities and goals in the Broads Plan and Business Plan, and that agreed service plans are in line with the Financial Strategy and capital strategy.

### **13 Maintenance of Reserves**

- 13.1 The Broads Authority will determine the levels of reserves that are considered to be prudent and necessary. This decision will be taken having regard to the advice of the Treasurer and Financial Adviser and the Chief Executive, and will be based on an annual risk assessment.
- 13.2 The three year Financial Strategy should be drawn up having regard to the need to either reach or maintain the recommended level of reserves.

### **14 Revenue Budget Management and Control**

- 14.1 It is the responsibility of the appropriate Director to manage and control each of the Directorate's budgets under their management.
- 14.2 The appropriate Director must ensure that there is a designated officer (the Budget Holder) accountable to them for the detailed management of each budget and notify the Head of Finance of those so designated.
- 14.3 Directors will jointly carry out regular budget monitoring and reporting to identify financial problems and recommend to the Chief Executive action necessary to resolve them.
- 14.4 Monitoring reports setting out potential or actual service financial problems and key issues will be made to the Financial Scrutiny and Audit Committee, the Broads Authority and the Navigation Committee as appropriate at each of their meetings.
- 14.5 At the end of each financial year, where there is an underspend within a budget, the Head of Finance will collate a list of carry-forward requests for consideration by the Management Team. Where these underspends are below £1,000 (under £5,000 in total) they will be agreed by Management Team. For those items above £1,000 they will present ~~ationed~~ to the Broads Authority for approval. After the appropriate level of approval ~~With the explicit approval of the Broads Authority~~ these may will be carried forward into the following year.
- 14.6 The Authority's final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority.
- 14.7 As required by the Broads Authority Act 2009, the Head of Finance will produce, as soon as reasonably possible after the end of the financial year, a statement showing the navigation income received by the Authority and the navigation expenditure incurred during the year.

### **15 Monitoring and Control of Affordable Borrowing**

- 15.1 It is the responsibility of the Head of Finance, in consultation with the Treasurer and Financial Adviser, to develop and maintain systems to monitor performance against prudential indicators. Reports on performance against indicators including early warning of any possible breach of any prudential indicator should be made to the Financial Scrutiny and Audit Committee as appropriate.

## 16 Authority to Incur Revenue Expenditure

- 16.1 No expenditure shall be incurred nor any reduction in income authorised unless such expenditure or reduction in income is:
- (a) covered by the annual or latest approved budgets agreed by the Authority;
  - (b) related to approved carried forward budget from the previous year; or
  - (c) covered by a virement.

## 17 Virements

- 17.1 A virement is a transfer of budget from one budget heading to another within a financial year, where a budget is to be used for a different purpose than originally approved.
- 17.2 Virements of up to £10,000 within any financial year may be approved by Directors between main budget headings under their responsibility. All such virement requests must be made on a virement approval form, duly signed by the appropriate Director and be forwarded to the Head of Finance for the budget to be updated.
- 17.3 Virements ~~of up to between £10,001 and £19,999,20,000, within any financial year~~ may also be approved by Directors between main budget heads under their responsibility. Again this All such virement requests must be made on a virement approval form, duly signed by the appropriate Director and countersigned by the Chief Executive, and be forwarded to the Head of Finance for the budget to be updated.
- 17.~~43~~ Virements in excess of £20,000, or between Directorates, must be reported the Broads Authority for approval.
- 17.~~54~~ It will not be a virement, and approval is not required, where a budget transfer relates to a movement for the purposes of budget restructuring (i.e. where there is no change to the use to which the budget is being put).

## 18 Preparation of the Capital Programme

- 18.1 All capital expenditure must be in accordance with the Authority's Annual Investment and Capital Financing Strategy and driven by its Asset Management Strategy.

## 19 Capital Receipts

- 19.1 The sale or disposal of any land, buildings, vehicles, vessels or equipment which was valued at the time of acquisition over £5,000 is considered to be a capital receipt. Particular rules must be observed in dealing with the proceeds and they must not be confused with revenue income such as fees and charges.
- 19.2 The Head of Finance and the Authority's Asset Officer must be informed of all proposed or possible sales or disposals of land, buildings, vehicles, vessels or equipment so that the effect on financial and property management can be assessed.

## **20 Leasing**

- 20.1 All acquisitions and disposals of land, property or other assets must be carried out in accordance with the Authority's Asset Management Strategy and be authorised by the Chief Executive.
- 20.2 Officers negotiating and committing the Authority to any leasing arrangement shall consult with the Head of Finance and the Asset Officer prior to finalizing any lease arrangement. Once completed, they will furnish the Head of Finance and the Asset Officer with details of the income to be received, the parties to the lease and the term of the lease, along with signed copies of the lease agreement.

# Risk Management and Control of Resources

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## 21 Risk Management

- 21.1 The Financial Scrutiny and Audit Committee is responsible for monitoring the effective development and operation of risk management within the Authority, and for reviewing the Strategic Risk Register.
- 21.2 The arrangements for the day to day management of risk are set out in the Risk Management Strategy. The ~~Head of Governance and Executive Assistant Solicitor and Monitoring Office~~ is responsible for ensuring that this Strategy is regularly reviewed and updated, and that the arrangements set out in the Strategy are promoted throughout the Authority and implemented.
- 21.3 The general controls for risk management are:
- Procedures are in place to identify, assess, prevent or contain material known risks and the procedures are operating effectively throughout the Authority.
  - A monitoring process is in place to review the effectiveness of risk reduction strategies and operation of these controls.
  - Managers know which risks they are responsible for managing and are provided with relevant information.
  - Provision is made for any losses that might result from the risks that remain.
  - Claims are investigated within a given time scale.
  - Acceptable levels of risk are determined and insured against where appropriate.
  - The Authority has identified business continuity plans in the event of a disaster that results in significant loss or damage to its resources.

## 22 Internal Control

- 22.1 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes the economic, efficient and effective use of resources and that the Authority's assets are safeguarded.

## 23 Systems of Internal Control

- 23.1 The Director of Planning and Resources is responsible for advising on effective systems of internal control.
- 23.2 These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.
- 23.3 Directors are responsible for establishing sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and non-financial performance targets.

- 23.4 The ~~Head of Governance and Executive Assistant~~Solicitor and Monitoring Officer shall prepare an annual statement of the effectiveness of the Authority's system of internal control incorporated into the Annual Governance Statement. This statement will be published as part of the Annual Statement of Accounts and will be approved by the Broads Authority.

## **24 Security**

- 24.1 The Chief Executive is responsible for maintaining proper security at all times for all buildings, stocks, stores, vehicles, furniture, equipment, cash and any other assets for which the Authority is responsible.
- 24.2 Maximum limits for cash holding at Authority locations should be established by the Head of Finance and adequate insurance should be put in place to cover any loss up to those values.
- 24.3 Employee responsibilities in respect of the use of all ICT equipment and accessories are set out in the ICT Usage and Security Policy (Human Resources Policy Note No. 18). All members of staff are required to indicate, either by signature or electronically, that they have read and understood the Policy and agree to be bound by its terms.

## **25 Separation of Duties**

- 25.1 The following principles shall be observed in the allocation of accounting duties:
- the duties of providing information regarding sums due to or from the Authority, and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
  - officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

## **26 Retention of Records**

- 26.1 Accounting and other records must be retained for periods that comply with relevant legal requirements. Detailed standards are contained within the Authority's Document Management, Retention and Disposal Policy.

## **27 Investments and Treasury Management**

- 27.1 All investments of money shall be made in accordance with the Authority's Annual Investment Strategy, which is prepared by the Head of Finance in accordance with the Prudential Code and approved by the Broads Authority before the start of each financial year.
- 27.2 The Treasurer and Financial Adviser is responsible for the investment of surplus monies. All such investments shall be carried out on the Authority's behalf by Broadland District Council, under the overall direction of the Treasurer and Financial Adviser, unless separate arrangements are agreed by the Treasurer and Financial Adviser with the Head of Finance. The Treasurer and Financial Adviser will report on the performance of the investments to the Financial Scrutiny and Audit Committee on a six monthly basis.

## 28 Estates

- 28.1 The Asset Officer will ensure that a register of all land and buildings owned by the Authority is maintained which states, where appropriate, the location, extent, plan reference, purchase details, particulars of nature of interest and rent payable.
- 28.2 The Asset Officer will also ensure custody of all title deeds under secure arrangements.

## 29 Sale of Assets

- 29.1 The Treasurer and Financial Adviser is authorised, in consultation with the Chief Executive, to write off any obsolete stores or equipment, or loss of property not exceeding £25,000. The Chief Executive is authorised to write off any obsolete stores or equipment, or loss of property not exceeding £5,000.
- 29.2 The Chief Executive may make arrangements for the disposal of surplus items (excluding land, buildings and leased items) with an estimated market value of up to £10,000. For surplus items above £10,000 approval must be obtained from the Authority and the disposal must be via the method which is judged most likely to achieve the best consideration for the Authority. This includes public auction (including eBay or an alternative online auction method), disposal by way of a specialist broker or intermediary, or by sealed bid after public advertisement.
- 29.3 The Chief Executive is authorised to make arrangements for the disposal of land and property to a maximum value of £25,000, in accordance with advice from the Authority's Property Advisers.

## 30 Stocks and Stores

- 30.1 Directors shall be responsible for the care and custody of the stocks and stores within their Directorate.
- 30.2 Items that will be considered as stock are items purchased that can only be consumed once. Items such: salvaged as spares, part consumed liquids or off cuts of wood will not be included. Stocks shall not be in excess of normal requirements except in special circumstances.
- 30.3 The Head of Finance shall arrange for independent periodical test examinations of stocks and shall ensure that stocks are checked at least once every year on 31 March.
- 30.4 The stocktaking must be attended by a member of the Finance Department and the person responsible for the stores nominated and both the person taking the stock and the person supervising must certify the stock sheets.
- 30.5 The Head of Finance shall be entitled to receive such information as he/she requires in relation to stores for accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of by competitive tender or public auction unless the appropriate officer, in consultation with the Head of Finance, decides otherwise in a particular case.



## **31 Inventories**

- 31.1 An inventory shall be maintained by the Head of Finance which shall record an adequate description of all furniture, fittings and equipment, plant and machinery belonging to the Authority.
- 31.2 The Chief Executive shall be responsible for maintaining a regular check of all items shown on the inventory and for taking action in relation to surplus or deficiencies and noting the inventory accordingly. Items with a value of £1,000 or more and those items which it is considered could be easily re-sold, shall be checked annually, with other items checked not less frequently than every other year.
- 31.3 The Authority's property shall not be removed otherwise than in accordance with the ordinary course of the Authority's business or used otherwise than for the Authority's purpose except in accordance with specific directions issued by the Chief Executive.

## **32 Insurance**

- 32.1 The Authority faces many risks of different kinds in carrying out its functions.
- 32.2 Regulations here are designed to protect the interests of the Authority, its staff and the people it serves.
- 32.3 The Head of Finance is responsible for managing the Authority's policy of insurance in accordance with overall guidelines specified by the Treasurer and Financial Adviser. Directors must notify the Head of Finance promptly of all new risks or assets which may need to be insured, and of any alterations affecting existing risks or insurances indicating the amount of cover required.
- 32.4 Any event which gives rise to a claim under any policy of insurance must be notified immediately to the Head of Finance, who will make arrangements to deal with all claims. Any loss, liability or damage or any event likely to lead to an insurance claim should be reported to the police.
- 32.5 Any officer who uses his/her own motor vehicle on Authority business is required to insure against third party risks in such form as to indemnify the Authority against claims arising, and the policy, including any necessary endorsements and renewal receipts, must be produced for inspection by the Director of Planning and Resources if so required. Directors are responsible for acquainting officers under their control of the foregoing requirement.
- 32.6 The Chief Executive shall consult the Treasurer and Financial Adviser in respect of the terms of any indemnity which the Authority is requested to give.

## **33 Ex Gratia and Other Payments**

- 33.1 Ex-gratia payments are made in situations where no legal obligation exists.
- 33.2 The Chief Executive is authorised to:
- reimburse the costs of damage to an employee's personal property up to a maximum of £5,000 in any one case, provided he/she is satisfied that the damage was caused as a result of the employee pursuing Authority business;

- authorise the payment of any ex gratia payments or honoraria to employees up to a maximum of £5,000; and
- in consultation with the Solicitor, approve payments of up to £5,000 to complainants who have suffered a direct identifiable loss as a result of the Authority's actions.

33.3 The Chief Executive is authorised to agree the payment of any severance or settlement payments to former employees up to a maximum of £5,000.

## 34 Gifts and Hospitality

34.1 All members of staff must comply with the guidance on the receipt of gifts and hospitality as set out in the Code of Conduct for Employees (Human Resources Policy Note No. 2).

## 35 Irregularities

35.1 All Officers and Members are responsible for giving immediate notification to the [Solicitor and](#) Monitoring Officer, Director of Planning and Resources or Head of Finance where there are grounds to suggest any financial impropriety or irregularity concerning income, expenditure, cash, stores, or other property of the Authority or held by the Authority.

35.2 The same applies to any suspected irregularity in the exercise of the functions of the Authority (corruption). Further guidance can be found in the Authority's Counter Fraud, Corruption and Bribery Strategy, and in the Whistleblowing Policy (Human Resources Policy Note No. 15).

35.3 Where, upon investigation, it is believed that reasonable grounds exist for suspecting that a loss may have occurred as the result of misappropriation or fraud, the matter shall be reported to the Chief Executive, [Solicitor and](#) Monitoring Officer (if not already advised) and Treasurer and Financial Adviser for a decision on whether the circumstances warrant investigation by the police.

35.4 Where, upon investigation, it is believed that a loss has occurred as a result of waste, extravagance or maladministration, or that no loss has occurred, the matter shall be reported to the Chief Executive, [Solicitor and](#) Monitoring Officer (if not already advised) and Treasurer and Financial Adviser for a decision on whether any further action is required.

## 36 Audit Requirements

36.1 The Authority has a statutory responsibility to maintain an effective and adequate system of internal audit. Financial Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit team. There are also statutory requirements in respect of external audit and other inspection agencies.

### Internal Audit

36.2 The Authority is required to maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 2011 (as amended) and to comply with all significant aspects of the CIPFA Code of Practice for Internal

Audit in Local Government (Public Sector Internal Audit Standards from 1 April 2013). Overall control of the internal audit function is the responsibility of the Head of Internal Audit, in consultation with the Treasurer and Financial Adviser, Director of Planning and Resources, Head of Finance and other officers as appropriate.

36.3 The Head of Internal Audit will provide an annual report and opinion, a summary of internal audit activity and the level of assurance it can give to the Financial Scrutiny and Audit Committee. The Financial Scrutiny and Audit Committee will review the effectiveness of the system of internal audit on an annual basis, in order to support the Annual Governance Statement.

36.4 The primary roles of internal audit are:

- to objectively examine, evaluate and report on the adequacy of the control environment within the Authority; and
- to assist managers in preventing and detecting fraud and abuse.

36.5 The Head of Internal Audit, or his/her authorised representatives may, for the purposes of audit:

- enter, at all reasonable times, any premises or land and have access to all property in the keeping or ownership of the Authority;
- have access at all times to all records, documents and correspondence relating to all financial and other transactions of the Authority or non-official funds operated by staff of the Authority;
- require and must receive any explanations as are necessary;
- require any employee of the Authority to produce cash, stores or any other property of the Authority or that of an unofficial fund under his control;
- remove records, documents or assets required for further investigation.

#### External Audit

36.6 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. The Local Audit and Accountability Bill makes provision for Authorities to appoint External Auditors via an Independent Auditor Appointment Panel from the 2017/18 financial year.

### **37 Contracts for Building Construction or Engineering Works**

37.1 All contracts must be awarded in accordance with the Authority's Standing Orders Relating to Contracts.

37.2 Where contracts provide for payment to be made by installments, the Head of Finance shall arrange for the state of account to be recorded in the accounting computer system maintained in the Finance Department.

37.3 Payments to contractors on account of contracts shall be made only on a certificate issued by the supervising architect, engineer or consultant or other duly authorised officer as appropriate.

- 37.4 Subject to the provisions of the contract in each case, every extra or variation shall, unless otherwise evidenced to their satisfaction, be authorised in writing by the supervising architect, engineer or consultant, or other duly authorised officer.
- 37.5 Any such extra variation, the estimated additional cost of which exceeds by 10% the approved contract sum, shall be reported to the Broads Authority or appropriate committee as soon as practicable.
- 37.6 The final certificate of completion of any contract shall not be issued until the appropriate officer, private architect, engineer or consultant has produced to the Head of Finance a detailed statement of account, and all relevant documents if required.
- 37.7 The Head of Finance shall, to the extent considered necessary, examine final accounts of contracts and shall be entitled to make all such enquiries and receive such information and explanations as may be required as to the accuracy of the accounts.
- 37.8 Claims from contractors in respect of matters not clearly within the term of any existing contract shall be referred to the Treasurer and Financial Adviser for consideration of the Authority's legal liability and, where necessary, for financial consideration before a settlement is reached.
- 37.9 In any case, where the total cost of any work carried out under a contract exceeds by more than 10% the approved contract sum, a report of such cost shall, after agreement of the final account, be submitted to the Broads Authority or appropriate committee.

# Systems and Procedures

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This area forms much of the routine financial business of the Authority and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

## **38 Purchasing Arrangements**

- 38.1 Directors must ensure and be able to demonstrate that the Authority obtains value for money in purchasing activity and that purchasing accords with corporate and service priorities, and that where possible purchasing is sustainable in nature.
- 38.2 Where any goods or a service involves tendering or contracts, these arrangements must conform to the requirements set out at in the Authority's Standing Orders Relating to Contracts.
- 38.3 The most effective and sustainable purchasing arrangements must be used and must always be in compliance with the Authority's Procurement Strategy. For example:
- low cost items (less than £25) may be purchased through an imprest account (Petty Cash); and
  - low value, high volume purchases may be made via a Credit Card.
- 38.4 The Head of Finance must ensure that e-business / purchasing processes maintain the security and integrity for transacting business electronically and must approve the introduction of such systems.
- 38.5 In accordance with the relevant codes of practice, every officer and member of the Authority who is involved in contractual or purchasing decisions and issuing payments on behalf of the Authority has a responsibility to formally declare any links or personal interests which they may have with purchasers, suppliers or contractors and in respect of partnership arrangements.
- 38.6 The Head of Finance is responsible for ensuring that Related Party Transactions involving the award of contracts following a tender process to members of the Authority or the Navigation Committee are reported to the Authority in advance of any such contract being let. This will be via the regular reporting undertaken to the Authority within the Financial Performance and Direction report or, in cases of urgency, by email, as judged necessary by the Head of Finance.

## **39 Orders for Goods and Services**

- 39.1 Directors are responsible for the control and use of all orders and requisitions within their Directorates and for access to the systems that generate them in accordance with the detailed standards below.
- 39.2 Orders should only be raised using the official purchase order and requisition pads as supplied by the Finance Department.

- 39.3 Directors are responsible for:
- The control and use of all purchase orders and requisitions.
  - Ensuring safe custody of unused orders.
  - Ensuring every order is dated and signed by an authorised officer.
  - Ensuring every order clearly specifies the standards, quality and quantity of goods and services required.
  - Ensuring every order states the agreed price or contract terms and times of delivery.
  - Ensuring every order is in compliance with the instructions relating to procurement.
  - An authorised second signature is required in respect of payment for any order over the value of £5,000.
- 39.4 Directors and budget managers are responsible for ensuring that budget provision exists for all purchases and commitments created.
- 39.5 Yellow copies of purchase orders or requisitions will be forwarded to the Finance Department within two working days of being raised. Full details of the process for completing the forms are available on the Finance Intranet pages.
- 39.6 For orders placed by telephone, email, internet or verbally, the Director is responsible for ensuring systems are in place to ensure the person placing the order has the appropriate authority and that the Authority receives the goods that have been ordered.
- 39.7 A paper purchase order or requisition must still be raised for these transactions.
- 39.8 Orders are required for all purchases except:
- rents;
  - rates and water charges;
  - gas and electricity;
  - telephone charges;
  - small items purchased from Petty Cash; and
  - items purchased via a Company Credit Card.
- 39.9 Members of staff are not permitted to purchase goods privately under the Authority's contract arrangements or solicit preferential treatment in a private capacity from the Authority's suppliers.
- 39.10 A copy of each order received by the Finance Department shall be scanned and retained as part of the electronic policy of the Authority.

## **40 Payment of Accounts**

- 41.1 The officer who issues the order shall be responsible for approving the invoice for payment (first approver). By approving the invoice that officer is certifying that:
- the invoice relates to goods or services that the Authority has received;

- the goods or services are of the quality and quantity ordered;
  - the invoice does not relate to goods or services that have previously been charged to the Authority;
  - the expenditure is allocated to the correct financial code; and
  - sufficient budget provision exists to meet the value of the invoice.
- 41.2 A second approval will be required for each invoice.
- 41.3 A full list of second approvers and the appropriate authorisation limits is available on the Finance Intranet pages. The second level approval process must always include the relevant budget holder for the budget to be charged. This may mean that there are multiple second level approvers for some transactions.
- 41.4 The Finance Department will hold the central authorised signatory list along with specimen signatures. Directors must ensure that they notify the Head of Finance of any required additions or deletions to this list and in turn the Head of Finance must ensure that these changes are approved by the Management Team and that an appropriate record is maintained of this decision.
- 41.5 In exceptional circumstances payment may be required in advance of the supply of goods or services, though this is not best practice. In such situations a Cheque Request Form or BACS Request Form must be completed, signed by the appropriate budget manager and given to the Finance Department for processing.
- 41.6 The budget manager must take extra care in such transactions and ensure that:
- only reputable suppliers are used;
  - the amounts of such payments are appropriate to be paid in advance and do not present unnecessary risk;
  - all other reasonable steps are taken to protect the Authority from risk and potential loss; and
  - a VAT receipt or invoice is received from the supplier in order to comply with VAT regulations.
- 41.7 Officers must ensure that valid payments are processed in sufficient time to meet payment deadlines and to avoid late payments and avoid potential penalties being incurred. Late payment legislation (Statutory Instrument 2013 No. 395 The Late Payment of Commercial Debts Regulations 2013) requires UK public authorities to pay valid invoices within 30 calendar days of receipt. Where these timescales are not met, the Authority is obliged to automatically pay:
- the outstanding amount;
  - daily interest for every day the payment is late based on an interest rate 8 percentage points above the Bank of England's reference rate; plus
  - a fixed amount, depending on the size of the unpaid debt (up to £999.99: £40; between £1,000.00 and £9,999.99: £70; £10,000 or more: £100).
- 41.8 The use of Direct Debits and Standing Orders as payment methods requires the prior agreement of the Head of Finance.

- 41.9 The Authority's preferred method of payment of accounts, grant-aid and other contributions is via the BACS payment system. Officers should therefore endeavour to obtain the required banking details from third parties in all instances. Forms are available from the Finance Department.
- 41.10 All cheques shall be ordered only on the authority of the Head of Finance, who shall make proper arrangement for their safe custody.
- 41.11 Cheques on the main bank account shall bear the electronic signature of the Treasurer and Financial Adviser or be signed by the Treasurer and Financial Adviser or other officer authorised to do so. Cheques for amounts over £5,000 bearing the electronic signature of the Treasurer and Financial Adviser will be countersigned by a second account signatory.

## **42 Company Credit Cards**

- 42.1 The Head of Finance shall ensure that proper arrangements are made for the administration of Company Credit Card(s).
- 42.2 The Head of Finance shall issue cards where circumstances require, once approval has been given by the appropriate Director and the Chief Executive.
- 42.3 Any orders raised and paid for using a Company Credit Card must be accompanied by a Credit Card Request form. It is the responsibility of the card holder to ensure that the person requesting the payment has completed the Credit Card Request form prior to payment being made.
- 42.4 All cards must be kept as securely as possible, not be left unattended and must be used by the card holder only. The card holder is responsible for any payments made with cards issued in their name.
- 42.5 The standard credit limit for any credit card will be set at £3,000 unless otherwise approved by the Chief Executive. The maximum limit for any credit card will be £5,000.
- 42.6 It is the responsibility of the person requesting payment to be made to ensure that a VAT receipt or invoice is received from the supplier. Failure to do this will mean that the Authority is unable to reclaim the VAT and the budget will be charged for the gross cost of the supply.

## **43 Fuel Cards**

- 43.1 Fuel cards are issued in respect of all vehicles used for Authority purposes and must be stored securely with the vehicle keys when not in use.



43.2 Users should ensure that these cards are kept in a safe location and should report any loss of cards immediately to the Head of Finance who will ensure its cancellation.

43.3 Fuel cards should only be used for the purchase of fuel for Authority vehicles.

#### **44 Salaries, Wages and Pensions**

44.1 The payroll function of the Authority is performed by ~~Broadland District Norfolk~~ County Council.

44.2 The HR Department is responsible for ensuring that the payroll provider is provided with such information as is necessary to ensure that accurate payments are made, including details of all starters and leavers and of any relevant amendments to terms and conditions of employment.

44.3 All timesheets must be completed using the appropriate forms supplied by the HR Department and once completed should be approved by the appropriate budget manager. Those staff authorised to sign timesheets are detailed on the Authorised Signatory List which can be found on the Finance Intranet pages.

44.4 The Head of Finance must ensure that only currently employed members of staff are paid in the monthly payroll and that any anomalies are first raised with the Head of Human Resources. If these cannot be resolved they should be escalated to the Director of Planning and Resources.

#### **45 Staff Travel, Subsistence and Expense Claims**

45.1 General travel, subsistence and expense claims should be made using the Expenses Claim Form which can be found on the Human Resources Intranet pages.

45.2 Receipts for subsistence and expenses must be obtained and attached to the back of the claim form.

45.3 All claim forms must be signed by the claimant and authorised by their line manager.

45.4 All forms must be forwarded to ~~be received by the Payroll~~ Human Resources Department ~~at Broadland District Council~~ by not later than 4.5.00pm on ~~the third working day after the~~ 20<sup>th</sup> day of the month, to ensure payment within the following month's pay.

45.5 Exceptional expense claims for direct payment by the Finance Department may be made using the separate Expenses Claim Form which can be found on the Finance Intranet pages.

45.6 Officers' claims submitted more than six months after expenses were incurred will be paid only with the express approval of the Chief Executive.

#### **46 Members Allowances, Travelling, Subsistence and Expense Claims**

46.1 Payments to members, including co-opted members of the Authority or its committees who are entitled to claim travelling or other allowances, will be made upon receipt of the completed prescribed form.

46.2 Claims should be submitted within six months of the expense being incurred.

## **47 Rail Travel and Hotel Accommodation**

- 47.1 Where possible all rail travel should be booked using the Authority rail account to ensure cost effective ticket purchasing and assist with establishing the Authority's annual rail travel usage.
- 47.2 All rail travel bookings should be accompanied by a rail travel request form which should be given to the Finance Department after the booking is complete.
- 47.3 The Authority holds a Premier Inn account which should be used to make accommodation bookings where appropriate.

## **48 Income**

- 48.1 Scales of charges for services and any allowances and any subsequent variations (except where fixed by statute) must be reviewed at regular intervals by the appropriate Director and agreed with the Chief Executive before submission to the Authority for approval.
- 48.2 The Asset Officer (or other appropriate officer nominated by him/her) must maintain a detailed record of operational and non-operational land and buildings in respect of which rent is or may be receivable, together with sufficient details of the terms of tenancy/usage to enable the correct amount of rents to be recovered.
- 48.3 The Chief Executive is authorised to write off any sum not exceeding £5,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The Treasurer and Financial Adviser is authorised to write off, in consultation with the Chief Executive, any sum not exceeding £25,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The prior approval of the Authority must be obtained to write off any sum in excess of £25,000.
- 48.4 The Head of Finance must be consulted by Directors on any proposal to acquire any cash till or accounting equipment.

## **49 Invoicing Arrangements (Charging for Goods/Services)**

- 49.1 The raising of all invoices to outside organisations (referred to as customers) must only be performed by the Finance Department who have a full understanding of the VAT situation for each charge to be made.
- 49.2 Any officer wishing to raise an invoice must do so by completing an Invoice Requisition Form and then passing this to the Finance Department. The Finance Department has procedures that it should follow to ensure that all debts are paid. This consists of 'reminder' and 'warnings of legal action' letters.

## **50 Banking Arrangements**

- 50.1 The Head of Finance is authorised to make arrangements regarding the Authority's bank accounts. All such bank accounts will be in the name of the Broads Authority.
- 50.2 The Head of Finance will ensure that monthly bank reconciliations are carried out in a timely manner for all of the Authority's bank accounts.

- 50.3 Unless otherwise agreed by the Authority, officers authorised to collect Authority money must issue official receipts promptly and pay over all sums received to the Head of Finance or by arrangement (for example in respect of the collection of Tolls income), to the Authority's bankers. All reasonable steps should be taken for the storage of cash, and should conform to the requirements imposed by the Authority's insurers.
- 50.4 Each officer who receives money on behalf of the Authority must keep an accurate and chronological account of all receipts and deposits.
- 50.5 Every transfer of Authority monies from one member of staff to another must be evidenced in the records of the Authority by the signature of the receiving officer.
- 50.6 Receipts must only be issued on officially authorised receipt books, tickets and other documents of a similar nature which have been ordered and issued by, or under the direction of, the Head of Finance. A record must be maintained of every issue of such documents.
- 50.7 Any cheques or cash received at the Authority's Head Office must be logged into the cheque log as the post is opened. Once the Finance Department has received the cheques they must initial the log to confirm that they have taken receipt of the cheques.
- 50.8 The Finance Department must ensure that they accurately record the details of any payments they receive and that they correctly establish whether the payment relates to a previously raised invoice.
- 50.9 Money received or held on behalf of the Authority must be banked in full and not be used to cash personal or any other cheques whatsoever.

## **51 Controlled Stationery**

51.1 The Head of Finance will be responsible for the order and issue of controlled financial stationery, these being:

- Cheques;
- Purchase Orders;
- Requisitions;
- Receipt Pads; and
- Boat Trip and Yacht Station Tickets.

A record of all new stock received and issues made (and to whom) will be made by the Head of Finance.

## **52 Petty Cash Systems**

52.1 The Head of Finance will issue petty cash floats for the purpose of reimbursing expenses.

52.2 No income received should be paid into a petty cash system. Such income should be banked into the Authority bank account using paying in books issued by the Finance Department, or by being passed to Finance for banking.

- 52.3 Reimbursement of expenses should be limited to expenditure under £25 unless otherwise authorised by the relevant Budget Holder and the Head of Finance.
- 52.4 Officers responsible for petty cash systems must ensure that cash and receipts total the original floats issued at all times.
- 52.5 Such petty cash systems should be made available for inspection by the Head of Finance as requested.

~~February 2014-September 2016~~