

Audit and Risk Committee

Agenda 14 March 2023

10.00am

Yare House, 62-64 Thorpe Road, Norwich NR1 1RY

John Packman, Chief Executive – Tuesday, 07 March 2023

Under the Openness of Local Government Bodies Regulations (2014), filming, photographing and making an audio recording of public meetings is permitted. These activities however, must not disrupt the meeting. Further details can be found on the [Filming, photography and recording of public meetings](#) page.

Introduction

1. To receive apologies for absence
2. Introduction of members and declarations of interest
3. To note whether any items have been proposed as matters of urgent business
4. Public question time – to note whether any questions have been raised by members of the public
5. **To receive and confirm the minutes of the Audit and Risk Committee meeting held on 29 November 2022** (Pages 3-12)

Financial direction

6. **Investment Strategy and Performance Report 2022/23 and Draft Capital, Treasury and Investment Strategy 2023/24** (Pages 13-35)
Report by Director of Finance
7. **Consolidated income and expenditure – 1 April to 31 January 2023 actual and 2022/23 forecast outturn** (Pages 36-54)
Report by Senior Accountant
8. **Additional National Park funding** (Pages 55-56)
Report by Chief Executive and Director of Finance
9. **Finance Strategy and Policy updates** (Pages 57-91)
Report by Director of Finance

Audit

10. **Internal Audit Strategic and Annual Plans 2023/24** (Pages 92-112)
Report by Internal Audit Manager
11. **External Audit** (Pages 113-161)
Report by Director of Finance
12. **Implementation of internal audit recommendations: summary of progress** (Pages 162-174)
Report by Senior Accountant

Governance

13. **Recommendations from external review into formal complaint** (Pages 175-179)
Report by Senior Governance Officer & Deputy Monitoring Officer
14. **Corporate Risk Register - review** (Pages 180-188)
Report by Senior Governance Officer

Other Matters

15. Other items of business
Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 100B (4)(b) of the Local Government Act 1972
16. To answer any formal questions of which due notice has been given
17. **To note the date of the next meeting – Tuesday 25 July 2023 at 10.00am (venue to be confirmed)**

Audit and Risk Committee

Minutes of the meeting held on 29 November 2022

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Present

Matthew Bradbury – in the Chair (from item 3), Bill Dickson, Gail Harris, Paul Hayden, Tristram Hilborn, Michael Scott, Matthew Shardlow, Nicky Talbot and Fran Whymark.

In attendance

Jason Brewster – Governance Officer, Emma Krelle – Director of Finance, John Packman – Chief Executive– in the Chair (until item 3), Andrew Paylor –Ernst & Young External Auditor (items 1-8) and Sara Utting – Senior Governance Officer.

1. Apologies and welcome

The Chair welcomed everyone to the meeting at which all members were in attendance.

Openness of Local Government Bodies Regulations 2014

The Chair explained that the meeting was being audio-recorded. All recordings remained the copyright of the Broads Authority and anyone wishing to receive a copy should contact the Governance Team. The minutes remained the formal record of the meeting. He added that the law permitted any person to film, record, photograph or use social media in order to report on the proceedings of public meetings of the Authority. This did not extend to live verbal commentary. The Chair needed to be informed if anyone intended to photograph, record or film so that any person under the age of 18 or members of the public not wishing to be filmed or photographed could be accommodated.

2. Appointment of Chair

Matthew Bradbury was proposed by Gail Harris and seconded by Bill Dickson.

A member was concerned about the perceived risk of a conflict of interest arising as the appointed Chair was also the Vice-Chair of the Authority and asked for the External Auditor's opinion. The EA highlighted that this was a decision for the committee and he could not envisage this being an issue especially as the other committee members had an oversight role. The Chair thanked the member for his question and explained that he would rely on the committee to highlight any perceived issues or risks in this regard.

Matthew Bradbury was appointed Chair.

3. Appointment of Vice-Chair

Tristram Hilborn was proposed by Matthew Bradbury and seconded by Bill Dickson.

Tristram Hilborn was appointed Vice-Chair.

4. Introductions and declarations of interest

No additional declarations of interest were declared.

5. Items of urgent business

There were no items of urgent business.

6. Public question time

No public questions had been received.

7. Minutes of last meeting

The minutes of the meeting held on 26 July 2022 were approved as a correct record and signed by the Chair.

8. Annual Audit 2021/22 – progress

The Director of Finance (DoF) confirmed that the audit had only just started just before the report was authored and the External Auditor (EA) reported on progress so far for each Risk / Area of focus:

Management Override: Misstatement due to fraud or error: The EA indicated that testing had been completed and no findings had been raised.

Risk of inappropriate capitalisation of revenue expenditure: The EA indicated that these entries had been reviewed and they were clean.

Valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUV') method: The EA explained that this was ongoing and the auditors were awaiting replies to queries regarding the Authority's valuation approaches.

Derecognition of infrastructure assets upon subsequent expenditure/ replacement: As previously reported the EA indicated this was an up and coming area of focus. There were allowances coming through from Statutory Instruments but the EA did not believe these would be applicable to the Authority given the immateriality of the current balances. The EA did not believe there had been any additions that would be considered replacements for existing assets. The EA considered this issue to be largely non-existent and the audit work was mostly complete.

Pensions Liability Valuation: The EA explained that the majority of the audit work had been completed and they were awaiting Norfolk Pension Fund to complete their audit and issue the associated assurance letter within the next week.

Recoverability of Receivables (Debtors): The EA confirmed that this audit had been completed and no issues noted.

The EA provided an update on the work assessing the Authority's value for money (VFM) arrangements. The EA confirmed that this work had been initiated and conversations with the Finance Team were ongoing. The VFM assessment would be produced as a separate entity and the EA confirmed it would be delivered to its own timescale.

The EA concluded that the draft Audit Opinion was currently clear and he did not envisage anything preventing the audit completing and being signed off by the end of the year. The DoF confirmed that if any significant issues were raised by the audit that these would be brought to the committee.

Members were concerned by the lateness of this audit and the implications for the 2022/23 audit timescales. The EA confirmed that Ernst & Young had a backlog of 2021/22 audits that

precluded the initial audit plan for the Authority's 2022/23 accounts being progressed until June 2023 at the earliest. Ernst & Young were not alone in having a backlog of audit work and the EA indicated this situation existed across all the other public sector auditors and that difficulty recruiting, ever changing audit requirements and increasing standards were all factors in these delays. The EA explained that Ernst & Young were intending to clear this backlog over the next 2 years. The EA elaborated that the auditor was seeking to secure additional resource to address the backlog and, along with other industry partners, was an active participant in consultations with the government and standard setters about public sector audit requirements. The DoF confirmed that other National Parks who used different auditing firms were experiencing similar delays and highlighted that one audit firm had removed themselves from the public sector audit appointments process.

A member was concerned that this delay to the 2022/23 audit would be attributed to the Authority completing their accounts late. The DoF explained that the draft 2022/23 accounts would be posted by the 31 May 2023 irrespective of the 2022/23 audit plan timescales.

The Chief Executive (CE) was concerned that the audit requirements being employed, while wholly suitable for a Local Authority, seemed excessive given the small comparative size of the Broads Authority. The CE wondered whether there could be some common ground sought on this matter with the audit industry's consultations with government and the EA recommended that this be raised with Mark Hodgson, the Authority's Audit Partner at Ernst & Young.

The Chair thanked the EA for their attendance.

The progress of the audit for 2021/22 Statement of Accounts was noted.

9. Draft Statement of Accounts 2021/22

The Director of Finance (DoF) introduced the report that provided an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2022. Since the draft Statement of Accounts were reviewed at the 26 July 2022 committee meeting the DoF confirmed that the deficit had been reduced by £14,484 due to business rate relief being retrospectively applied on Yare House and further accruals for the CANAPE and Heritage Lottery Funded projects.

The Pension liability had decreased by £245,000 due to the estimated contributions and predicted performance as of 31 March 2022 being superseded by actual contributions and pension performance during the intervening period resulting in the finalisation of these figures. The DoF explained that this change accounted for the majority of the £257,000 increase in the net movement on the balance sheet.

The DoF indicated that a message explaining why audited 2021/22 final statement of accounts were unavailable for the deadline of 30 November 2022 had been published on the Authority's website under Annual accounts 2021/22.

The Chair thanked the DoF for a comprehensive report and Statement of Accounts.

The reasons for the delayed audit and the recommendation to the Authority to delegate the final sign off to the Director of Finance and Chair of the Authority if there were no significant findings by EY were noted.

10. Consolidated Income and Expenditure: 1 April to 31 March 2022 actual and 2022/23 forecast outturn

The Director of Finance (DoF) provided apologies for the Senior Accountant, who was unable to attend the meeting, and presented this report in her absence which detailed actual income and expenditure for the seven-month period to 31 October 2022, and a forecast of the projected expenditure at the end of the financial year (31 March 2023).

The DoF explained that since this report was produced Defra had confirmed the Authority's bid for extra capital funding had been successful. Committing to purchasing new capital items before 31 March 2023 could result in ongoing projects being re-prioritised although the DoF indicated that no changes had been required to date. A full report on this extra capital spending would be presented to the Authority meeting on 2 December 2022, and in the meantime the Chief Executive (CE) provided a summary to the committee.

The CE explained that Defra have confirmed funds of £1,115,000 for capital spending on 8 projects to support the management of Sites of Special Scientific Interest and species recovery in the Broads, and £217,112 capital and £6,768 revenue to match the funding from the Lottery in order to complete the final phase of the Water, Mills and Marshes (WMM) project.

The CE indicated that the capital spending would have a transformative impact on the Authority's conservation and bio-diversity work and the smaller comparative funding for WMM was very significant as it would enable the project to maximise the funding available from the National Lottery Heritage Fund.

The CE commended the Chair of the Authority and those involved in hosting a visit from Defra earlier in the year; this exercise reflected the good working relationship between the Authority and Defra and was instrumental in securing this significant amount of Defra funding.

The CE stressed the need to have committed (if not spent) funds by the end of the financial year and given the Authority's Standing Orders, procurement processes, supply chain difficulties and lead times associated with some of the associated work requirements, this would not be straightforward. The CE gave the example of proposed spending at Strumpshaw Mill being dependent on a permit from the Environment Agency and planning consent.

A member stressed the need for maintaining good communications with Defra especially given the challenges posed by a pressing deadline. The member, speaking from experience, elaborated that adopting a spending profile/plan would provide a good basis for reporting progress to Defra; this would show delays between planned spending and actual commitments and provide a means for highlighting why these delays existed. The member added that a combination of good communication and proactively reporting progress on a

regular basis would provide reassurance to Defra. The CE acknowledged this suggestion and believed that reporting progress on a regular basis would be beneficial for Members too. Members accepted this suggestion as it showed the Authority as a trustworthy, reliable and credible partner.

Members welcomed this new funding and congratulated officers for achieving this outcome. Members acknowledged the need for spending plans and procurement processes to be flexible to maximise the opportunities this funding provided. Members were supportive of the proposed recommendations to the Authority meeting on 2 December 2022. Members noted the risk of this funding crowding out other planned activity and to ensure other projects continued to be supported.

The Chair identified the following actions relating to the Defra funding:

- Progress reporting for use by the Audit and Risk Committee and full Authority.
- Progress reporting for Defra; adopt a framework that works for the Authority.
- Chair to commend associated recommendations at full Authority 2 December 2022.

In response to a member question regarding the financial sustainability of the Authority, the DoF confirmed that the plan was to move away from deficit in 2023/24 assuming that the budget proposals were approved by Navigation Committee and full Authority in January 2023. The CE explained that changes to Navigation revenue would be necessary and the Authority would be reducing costs, the main change being to reduce office space. The CE indicated that the Authority would also explore opportunities that would provide additional long term revenue streams.

A member was aware of difficulties with the new payroll system employed by our payroll provider and wanted to know if any staff had suffered any hardship as a result. The DoF explained that there had been issues when the system was introduced and the Authority had stepped in to pay impacted staff directly although these problems had since been resolved. The only outstanding issue, the DoF added, related to Visitor Services, who had not received their back pay and it was expected that this would be resolved as part of December's payroll.

The income and expenditure figures were noted.

11. Financial Regulations

The Director of Finance (DoF) introduced the report which proposed revisions to the Authority's Financial Regulations, highlighted as tracked changes since the last update in 2018. The DoF confirmed that apart from updates to job titles the key change was to increase the limits for carry forwards that can be approved by Management Team from £1,000 individually to £5,000. The DoF confirmed that requests that are individually above £5,000 or £25,000 in total would still be referred to committee for approval.

Nicky Talbot proposed, seconded by Fran Whymark and

It was resolved unanimously to approve the updated Financial Regulations.

12. Corporate Partnerships Register

The Senior Governance Officer (SGO) introduced the report that provided the latest version of the Corporate Partnerships Register with changes marked since it was last brought to committee on 21 September 2021. It was noted that the first entry for National Parks England should have had struck-through text (as per the other terminated partnerships) however this row had been deleted rather than cut and pasted and hence the variance in formatting.

A member highlighted that the last time the Corporate Partnerships Register was reviewed more information had been requested, namely the nature of the partnership; whether it was formal, informal and any associated contractual duration.

A member wanted to know if the reason for terminating the partnership with National Parks England (NPE) was purely financial. The CE explained that the Authority, along with Exmoor National Park, had had concerns over the cost and value for money of this partnership for a number of years. The Chair of the Authority, as a former NPE director on behalf of the Authority, explained that the Authority had, over the last 2 years, attempted to liaise with NPE to adopt a more productive way of working across the various National Park bodies. Unfortunately, NPE was not receptive to these proposals. The Chair of the Authority went on to highlight problems with the NPE's organisational structure and gave an example of the disappointing quality of NPE's work; when the NPE had been engaged to formulate a combined National Parks response for the Landscape Review their output was underwhelming and was not commensurate with the amount of time and effort involved.

In contrast, the CE highlighted the National Parks Partnership which was going from strength to strength and the Broads would be a front runner in their new electric charging points scheme sponsored by BMW.

A member highlighted the good work that resulted from the Broads Beat partnership and wondered whether there were any plans to increase the Authority's contribution to this partnership. The CE confirmed that the Authority had not been approached to increase this contribution and indicated that there were a number of contributing partners. The CE praised the unique work of this long running collaboration between the Authority and the Police which achieved results greater than either party could achieve individually.

A member enquired as to the status of the Electrifying the Broads project given the success of the first phase. The CE explained that this project had been funded by the Department of Transport (DoT) to research how to improve the sustainability of boating holidays on the Broads and had been envisaged as a two-phase delivery; an initial research phase and then a much larger implementation phase. The CE explained that phase 1 had successfully concluded and the findings written up and published: [Electrifying The Broads - Clean Maritime Demonstration \(broads-authority.gov.uk\)](#). The DoT had not come forward with phase 2 funding however the CE confirmed that the Authority would continue to pursue the implementation of Electrifying the Broads and were investigating other sources of funding.

The Chair noted the action to update the Corporate Partnerships Register to include information to describe the nature of each partnership.

The updated Corporate Partnerships Register was noted.

13. Corporate Risk Register

The Senior Governance Officer (SGO) introduced the report that provided the latest version of the Corporate Risk Register (CRR) with changes marked since the previous meeting. The SGO highlighted that none of the risk scores had changed since the last meeting.

A member asked why the revised risk scores for items 5 and 8 remained unchanged despite a series of mitigations, as this seemed to imply that these revised scores were not up-to-date and, if true, undermined what is a key metric to this committee. The member was also concerned that these items were still classed as high risk, what further steps should the Authority be considering to mitigate these risks? The CE acknowledged that the score for item 5 might be high, given the improved Covid-19 situation and this would be reviewed. In regard to item 8 the CE explained that the assessment of boat safety for this season and the associated collation of completed hire boat questionnaires had not taken place, and once this exercise had been completed and ratified by the Navigation Committee this score would be updated. The CE explained that anecdotal evidence indicated that the larger hire boat firms bar one were providing a comprehensive handover to their customers and this improvement would be reflected in the updated risk score. In relation to the high risk scores, a member pointed out that the revised scores had reduced but not enough to remove their high risk classification. The member elaborated that some items could be inherently high risk and that they could be shared with external parties and as such the associated mitigations might not be the responsibility of the Authority.

A member asked why the revised risk score for item 2 remained unchanged and expressed their frustration that this matter was unresolved after more than 12 months. The CE explained that the associated independent investigation had been completed and a draft report had been issued to the Complainant, Defra and the Authority's Monitoring Officer.

Members were concerned that the change of risk classification (demonstrated by the red, amber and green background colours) would not be self-evident within the register given the nuances of tracked changes within a pdf document and asked for this function to be reviewed.

The Chair summarised the following actions:

- Review items 5 and 8 as discussed.
- Item 2, press for a timeline for completion with the aid of the new Monitoring Officer, once they have been appointed.

The Corporate Risk Register was noted.

14. Implementation of Internal Audit Recommendations: Summary of progress

The Director of Finance (DoF) introduced the report summarising progress in implementing Internal Audit recommendations arising from audits performed during 2018/19, 2019/20, 2020/21 and 2021/22. The DoF was pleased to announce that procurement training had been provided to budget holders which completed the final outstanding recommendation from the Procurement audit 2019/20. The DoF confirmed that two reports from the 2022/23 audit, Corporate Health and Safety and Partnership Working, had been received. The DoF indicated that each of the audit areas had two recommendations apiece and that one of the recommendations for each area had been implemented.

A member, in relation to Key Controls in Table 5, asked whether the Authority had diversified its investment portfolio across multiple banking institutions. The DoF explained that during the pandemic most of the investment funds ended up in a 95-day notice account with the remainder in a 32-day notice account and the activity to diversify had been delayed by resource shortages in the Finance team and the low interest rates. The DoF explained that money had since been placed with the Debt Management Office on a much shorter timescale due to their preferable interest rates. The DoF confirmed that as soon as money was returned to the current account steps were taken to assess where to transfer this money in order to secure the most preferable interest rates. The DoF indicated that these transfers/investments might exceed the £85,000 compensation limit per banking institution.

The DoF indicated that since this report was written the Norfolk Pension Fund had offered the Authority the opportunity to pay the pension contributions for the next 3 years as a one-off lump sum. The DoF was uncertain what benefit, if any, this would provide the Authority and was seeking professional investment advice. The DoF confirmed that this decision would form part of the budget papers to be brought to the Authority meeting on 20 January 2023.

The DoF confirmed that the Capital Treasury and Investment Strategy report would be presented at the next meeting and highlighted the importance of the Authority's investment strategy given the higher interest rates available and the likelihood of them rising still further.

The DoF indicated that the internal audit would start in December and was expected to complete before the next meeting although the findings of the last scheduled audit (Corporate Governance) might not be written up in time for publication of the committee papers; in this circumstance a verbal update would be provided at the meeting.

The report was noted.

15. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

16. Formal questions

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

17. Date of next meeting

The next Audit and Risk Committee meeting would be on **Tuesday 14 March 2023** at Yare House, 62-64 Thorpe Road, Norwich, commencing at 10.00am.

The meeting ended at 11:35am

Signed by

Chair

Audit and Risk Committee

14 March 2023

Agenda item number 6

Investment Strategy and Performance Report 2022/23 and Draft Capital Treasury and Investment Strategy 2023/24

Report by Director of Finance

Summary

This report contains two items:

- i. Details of the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the eleven months to 28 February 2023.
- ii. The Draft Capital, Treasury and Investment Strategy 2023/24.

Recommendation

- i. To note the current arrangement regarding the investment of surplus cash.
 - ii. To recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval.
 - iii. To consider the merit of appointing an external treasury advisor as set out in paragraph 3.4.
-

1. Introduction

- 1.1. It was previously agreed that a report on the performance of the Broads Authority's investments would be presented to the Audit and Risk Committee, with a fuller year-end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

2. Investment principles and performance

- 2.1. The investment of surplus cash is governed by the Authority's Treasury and Annual Investment Strategy 2022/23. Details of this strategy renewal are in paragraph 3.1.
- 2.2. As detailed in the strategy, the Authority's primary concern is to safeguard its capital and the liquidity of its investments. Surplus cash sums are monitored on a weekly basis by the Authority's Finance staff, and transferred as and when required to appropriate

institutions listed in the Strategy. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the eleven months to 28 February 2023 were as shown in Table 1.

Table 1

Investment Holdings 2022/23

Type	Opening Balance £'000s	Closing Balance £'000s	Highest Sum £'000s	Lowest Sum £'000s
Instant Access	1,244	1,178	2,702	70
32 Day Notice	503	512	512	503
95 Day Notice	4,500	2,500	4,500	2,500
DMO Fixed Deposits ¹	0	2,000	2,000	0

- 2.3. Since April funds have been returned from the 95-day notice account amounting to £2million. This has enabled funds to be invested with the Debt Management Office (DMO). During this period there have been five transfers to the DMO for periods ranging from two weeks to six months. These have ranged between £1 million in October 2022 and £2 million in January and February 2023. All returned deposits have been reinvested depending on cashflow.
- 2.4. Members will note that our instant access balance remains high due to the receipt of the capital money from DEFRA in February. This balance needs to remain accessible as the purchases take place between now and the end of March.
- 2.5. The figures for the previous year (2021/22) were as shown in Table 2.

Table 2

Investment Holdings 2021/22

Type	Opening Balance £'000s	Closing Balance £'000s	Highest Sum £'000s	Lowest Sum £'000s
Instant Access	2,509	1,244	3,253	587
32 Day Notice	503	503	503	503
95 Day Notice	2,500	4,500	4,500	2,500

- 2.6. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. This

¹ Investments can be made over night or up to 6 months. Current balance is equally split and invested for 28 and 181 days.

is particularly important for the Heritage Lottery Fund, CANAPE and Peat Discovery projects, which are claimed either three or six months in arrears. Payment can then be a further three to six months after submission.

- 2.7. Interest earned to the end of February is £86,734.75 and is forecast to increase to £105,000 by the end of March. This is based on interest rates that range from 0.2% to 3.95%.
- 2.8. The amount of interest received during 2021/22 was £11,522.31 based on interest rates ranging from 0.01% to 0.8%. Forecast interest for 2021/22 was £6,000.

3. Draft Capital, Treasury and Annual Investment Strategy 2023/24

- 3.1. The Prudential Code requires local authorities to produce an Annual Investment and Capital Financing (borrowing) Strategy. This must be approved before the start of each financial year, by the Broads Authority.
- 3.2. The Treasury Strategy is on pages 7-13. Minor changes have been made to reflect the job titles that undertake the cash flow monitoring (2.13 and 2.17) following the appointment of the Senior Accountant last May.
- 3.3. Paragraph 2.22 states that the Authority does not currently use external providers as part of the treasury management process. In the past this has been based on the costs of such providers exceeding the returns on investments and the level of risk the Authority was prepared to accept. However, Members may recall that the Authority employed an advisor to help determine whether we should prepay the next three years pension contributions. The results of that exercise were helpful and concluded that the Authority will continue to pay over in monthly instalments. This was based on the current investment returns achievable in the Authority's current Investment Strategy.
- 3.4. External treasury advisors are used by a number of local authorities and members advice is sought on whether we should go out to tender for this type of service? As part of this exercise and the production of the next Investment Strategy consideration would need to be given to the Authority's risk appetite. As stated above the Authority's risk profile is currently low, with the main priority as security of capital and liquidity, this is limited to one year or less for specified investments. The Authority does not currently invest in non-specified investments (more than one year). If members were supportive of exploring options a tender process could be worked up over the forthcoming financial year, what a change in the authority's risk appetite might mean with a potential contractor being in place for the start of 2024/25.
- 3.5. The Annual Investment Strategy has been updated to reflect current holdings in paragraph 3.1. Paragraph 4.2 sees the forecast of the Authority's Capital Financing Requirement (CFR) over the next three years. The CFR measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or

contributions from revenue income. Although historically reported as part of the Authority's Statement of Accounts the Code introduces its inclusion here. Paragraph 4.3 highlights the impact the introduction of IFRS 16 Leases will have on the Authority. Where leases are included under the adoption of IFRS 16, it will increase the Authority's assets as well as its other long-term liabilities (borrowings). As a result, the authorised level of capital expenditure and debt may need to increase for 2024/25 and beyond. Where amounts need to be revised as part of this analysis, these will be reported back to the Broads Authority at the earliest opportunity.

- 3.6. The revised Prudential Code also introduced the requirement to report against the prudential indicators at least quarterly to the Board and any significant variations. Those relevant to the Authority are set out in paragraphs 4.1 and 4.2 and will be included in the Finance, Performance and Direction report to the Authority from 2023/24.
- 3.7. Paragraph 4.11 introduces the liability benchmark which was a new requirement under the code in 2021. The benchmark was introduced so that the debt maturity profile of the Authority could be compared with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement. As it currently stands the benchmark matches our existing levels of debt.
- 3.8. The Capital Receipts Reserve balance is set out in paragraph 4.4. The reserve can be used to fund capital expenditure or the repayment of debt. The balance is split 60% National Park and 40% Navigation. Members have indicated that the Navigation proportion will be used to help fund the new tolls system. Significant improvements to existing (new facilities) or the purchase of new sites/assets may be funded from this reserve, subject to member approval.
- 3.9. Members' views are sought on the draft prior to the Broads Authority meeting on 18 March 2022.

Author: Emma Krelle

Date of report: 28 February 2023

[Broads Plan](#) strategic objectives: All

Appendix 1 – Capital Treasury and Investment Strategy 2023/24 (Draft March 2023)

Capital, treasury and investment strategy 2023/24

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Capital Strategy

1. Introduction

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

2. Core principles

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

3. Capital expenditure

- 3.1. Whilst other Local Authorities have large capital expenditure programmes to fund housing and regeneration projects the Authority's expenditure remains modest and focuses on operational need. Items of major capital expenditure are identified through the Asset Management Strategy replacement programme and as part of the budget setting process. Items of expenditure over £5,000 that have a useful economic life of more than one financial year are classified as capital expenditure.
- 3.2. Capital Expenditure can be funded via a number of methods. These include revenue budgets, earmarked reserves, finance leases, long term borrowing and capital receipts. All capital expenditure on physical assets is held on the Balance Sheet under Property, Plant and Equipment. At the end of 2021/22 the value of these items was £4.6m, of which £43k was funded by finance leases.
- 3.3. Traditionally revenue budgets tend to fund the smaller items such as tools and equipment. However larger Navigation items can be funded through revenue as a result of tolls setting. For 2018/19 the level of tolls was increased to facilitate the purchase of Tree Shears. In 2017/18 the moorings maintenance programme was rescheduled to enable the purchase of Acle Bridge moorings from revenue. The ongoing maintenance of assets is funded by revenue budgets and is not capitalised. Cost estimates are made on the basis of forecast maintenance required to keep assets in operational use.
- 3.4. Through identification of the Asset Management Strategy annual contributions are made from the revenue budget to the earmarked reserves to cover the cost of future replacements. Balances are built up and then drawn down in future years. Expenditure from the earmarked reserves is considered annually alongside the revenue budget, with a forecast for the following two financial years. Replacement

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

- 3.5. Although long term borrowing remains an option to the Authority it is not regularly utilised for capital expenditure. At the end of 2021/22 the balance sheet contained one long term loan which had an outstanding balance of £79.75k. Further details can be found in the Treasury Management Policy Statement on borrowing principles (section 2.3).
- 3.6. The Authority currently holds one capital receipt following the disposal of Ludham Fieldbase in August 2018. Capital receipts can be used to fund new capital expenditure or the repayment of debt. It is currently being held on the balance sheet with the Navigation share earmarked for the new toll system. New long-term capital projects will consider utilising the balance.

4. Short, medium and long term capital priorities

Short and medium term priorities (1-3 Years)

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

Long term priorities (4 years plus)

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

term priorities, will need to ensure that they will generate income to fund their upkeep and any reduction in investment income.

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

5. Risk appetite

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

Treasury strategy

1. Introduction

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

2. Treasury management policy statement

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

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

Borrowing principles

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

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

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

Investment principles

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

Treasury management practices

Risk management

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

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

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

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

Performance measurement

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

Decision making and analysis

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

Approved instruments, methods and techniques

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

Organisation, clarity & segregation of responsibilities, and dealing arrangements

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

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

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

Reporting requirements and management information

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

Budgeting, accounting and audit arrangements

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

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

Cash and cash flow management

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

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

Money laundering

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

Training and qualifications

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

Use of external providers

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

Corporate Governance

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

Management practices for non-treasury investments

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

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

Annual Investment Strategy 2023/24

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

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

1. Specified investment

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

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

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

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

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

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

2. Non-specified investments

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

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

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

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

3. Liquidity

- 3.1. The Authority will seek to try and spread its investments to avoid over reliance on one institution. Funds held at Barclays are automatically swept each day into its Business Premium. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £5.5m and £8.5m.

Current Holdings as at 28/02/23

Counterparty	Holding/ Investment	Interest rate	Investment date	Maturity date
Barclays Notice Account	2,500,000	Base rate + 0.05%	n/a	95 days’ notice
Barclays Notice Account	511,000	Base rate – 0.05%	n/a	32 days’ notice
Debt Management Office (DMO)	1,000,000	3.94%	21/02/2023	21/08/2023
Debt Management Office (DMO)	1,000,000	3.82%	21/02/2023	21/03/2023
Barclays Premium Account	1,178,323	1.3%	n/a	Instant access

4. Capital financing (borrowing) principles

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

Prudential indicator 2023/24-2025/26

Prudential indicator	2023/24	2024/25	2025/26
Estimate of capital expenditure	£350,000	£710,000	£200,000
Authorised limit for external debt	£500,000	£500,000	£500,000
Operational Boundary	£400,000	£400,000	£400,000

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

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

Capital Financing Requirement

Movement	2023/24	2024/25	2025/26
Opening CFR 01/04	£127,140	£91,648	£55,734
Capital expenditure	£350,000	£710,000	£200,000
Capital expenditure funded from revenue	(£350,000)	(£710,000)	(£200,000)
Repayment of debt (MRP)	(£35,492)	(£35,914)	(£36,344)
Closing CFR 31/03	£91,648	£55,734	£19,390

- 4.3. Although the Authority's forecast level of debt is set to reduce over the next 3 years it is considered prudent to maintain the existing limits due to the introduction of IFRS 16. This new accounting standard will be adopted from 2024/25 and will impact on leases held by the Authority. The introduction will also increase the Capital Financing Requirement (CFR). Currently only Finance Lease liabilities (where the risk and reward are transferred to the Authority) are held on the balance sheet. Operating leases (where the risk and reward does not transfer to the Authority) are currently not included. The introduction of IFRS 16 removes the distinction between the two and is based on right of use. The most significant Operating Lease for the Authority is Yare House.
- 4.4. The use of reserves to finance capital expenditure will have an impact on level of investments. However budgeted contributions to earmarked reserves should mitigate this as well as the sale of assets. The table below shows estimates of year end balances for each resource.

Estimated year end reserves 2023/24-2025/26

Estimated Year-End reserves	2023/24	2024/25	2025/26
General and Navigation Reserves	£1,388,000	£1,369,000	£1,391,000
Earmarked Reserves	£2,469,000	£2,303,000	£2,551,000
Capital Receipts Reserve	£405,000	£405,000	£243,000
Total Investments 31 March	£4,262,000	£4,077,000	£4,185,000

Affordability

- 4.5. The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to net revenue stream. The Authority's current borrowing consists of the Public Works Loan Board (PWLB) loans and Finance leases. The first PWLB Loan was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid to contract out to May Gurney in the past. Finance lease repayments are also charged directly to the revenue budget. Whilst both of these remain less than -0.9% of National Park Grant and Navigation income it is felt that this indicator is not appropriate for use by the Authority in this instance. Any increases to debt will require this indicator to be reviewed.

External debt

- 4.6. Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.
- 4.7. Therefore, the Authority will at this time only borrow long term to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.
- 4.8. Actual debt as at 31 March 2022 was £193,236 which consists of the PWLB loans and finance leases.

Authorised limit

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

Operational Boundary

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

Liability Benchmark

- 4.11. The revision of the code in 2021 included a liability benchmark. The benchmark compares the debt maturity profile of the Authority with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement. Whilst other local authorities have high value consisting of mixed debt profiles the Authority's debt is fixed term, relatively low value and repaid in full without the need to refinance. The loan relating to the purchase of the dredging operation will be repaid in full in 2027/28. This combined with the forecast level of investment balances means that the benchmark equals the existing level of debt. Levels of debt can be found in the capital financing requirement table. If the Authority's debt structure changed then the benchmark would be revisited.

Capital expenditure

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

Treasury management

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

Maturity structure of borrowing

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

5. Non-treasury investments

- 5.1. Previously the Authority held one non-treasury investment in the form of an Investment Property (Ludham Fieldbase). This was disposed of in August 2018, the

proceeds of which are currently held in the Capital Receipts Reserve. There are currently no plans for additional non-treasury investments.

6. End of year investment and capital financing report

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

Audit and Risk Committee

14 March 2023

Agenda item number 7

Consolidated income and expenditure 1 April to 31 January 2023 actual and 2022/23 forecast outturn

Report by Senior Accountant

Summary

This report provides details of actual income and expenditure for the ten-month period to 31 January 2023, and a forecast of the projected expenditure at the end of the financial year (31 March 2023).

Recommendation

To note the income and expenditure figures.

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1. Introduction

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

2. Overview of actual income and expenditure

Table 1

Actual consolidated income and expenditure by directorate to 31 January 2023

Directorate	Profiled latest available budget £	Actual income and expenditure £	Actual variance £
Income	(7,163,062)	(7,285,043)	+ 121,981
Operations	4,019,492	3,509,643	+ 509,849
Strategic Services	1,327,562	1,395,748	-68,186
Finance & Support Services	1,442,644	1,556,466	-113,822
Projects, Corporate Items and Contributions from Earmarked Reserves	(351,639)	60,877	- 412,516
Net (Surplus) / Deficit	(725,003)	(762,309)	+ 37,306

- 2.1. Core navigation income is above the profiled budget at the end of month ten. The overall position as at 31 January is a favourable variance of £37,306 or a 5.1% difference from the profiled LAB. This is principally due to:

- An overall favourable variance of £121,981 within income:
 - Hire Craft Tolls is £14,782 ahead of the profiled budget.
 - Private Craft Tolls is £29,218 ahead of the profiled budget.
 - Short Visit and Other Tolls is £9,832 ahead of the profiled budget.
 - Investment Income is £68,149 ahead of the profiled budget.
- An underspend within Operations relating to:
 - Construction, Maintenance and Ecology Salaries is over the profiled budget by £23,082 due to the annual inflationary pay rise agreed by the National Joint Council (NJC) being higher than originally budgeted
 - Equipment, Vehicles and Vessels is under the profiled budget by £196,902 due to some of the expenditure from the earmarked reserves is not going ahead this year. This is due to receiving the CDEL Grant from DEFRA.

- Land Management is under the profiled budget by £18,436 due to timing differences on the receipt of the RPA income.
- Practical Maintenance is under the profiled budget by £141,760 due to timing difference on the mooring's maintenance and repairs and the expenditure from the earmarked reserves relating to Hoveton Riverside Park being transferred to 2023/24 budget
- Waterways and Recreation Strategy is under the profiled budget by £85,643 due to receiving the Access Grant from DEFRA. This money is due to be spent by the 31st March.
- Ranger Services is under the profiled budget by £50,914 as there is a delay in the vehicle replacement funded from the earmarked reserves and electrifying a launch engine.
- Premises is under the profiled budget by £48,417 as the Dockyard solar panel project funded from the earmarked reserves is not going ahead this year. This has been transferred to the 2023/24 budget.
- Premises – Head Office is over the profiled budget by £23,626 due to the cost of the facilities management is higher than originally budgeted.
- An underspend within Strategic Services relating to:
 - Development Management is over the profiled budget by £34,635 due to a decrease in planning application income and an overspend in salaries. The salaries variance is due to the inflationary pay rise agreed by the NJC being higher than originally budgeted.
 - Strategy and Projects is over the profiled budget by £14,410 due to timing differences on the Nature for Climate Peatland project expenditure and grant reclaim.
 - Biodiversity Strategy is under the profiled budget by £10,560 due to receiving additional funding towards the Horsey project and timing differences in expenditure.
 - Human Resources is over the profiled budget by £19,560 due to staff cover.
 - Communications is under the profiled budget by £25,155 due to timing differences on expenditure in a number of budgets.
 - Visitor Services is over the profiled budget by £20,460 due to income for boat trips and moorings being less than originally budgeted.
 - Strategic Services Management and Administration is over the profiled budget by £12,124 due to an overspend in salaries. The salaries variance is due to the inflationary pay rise agreed by the NJC being higher than originally budgeted.

- An overspend within Finance and Support Services relating to:
 - National Park Grant is over the profiled budget by £213,392 due to expenditure for the CDEL Grant has started, but the funds won't be received until February.
 - Governance is under the profiled budget by £17,503 mainly due to a reduction in corporate subscriptions.
 - Asset Management is under the profiled budget by £61,986 mainly due to timing differences on lease payments and works funded from the earmarked reserves being transferred to 2023/24 budget.
 - ICT is under the profiled budget by £17,950 due to an underspend in Stationery costs and Computer Hardware.
- An adverse variance within reserves relating to:
 - Premises reserve is under the profiled budget due to delays in Dockyard expenditure.
 - Property reserve is under the profiled budget due to work at Hoveton Riverside Park being delayed until 2023/24 and the works at South Walsham slipway no longer being a priority for this financial year.
 - Plant, Vessels and Equipment is under the profiled budget due to the delays in equipment and vehicle replacements.
 - Upper Thurne is under the profiled budget as this work has been delayed into 2023/24.
 - UK Communications Team is over the profiled budget due to Expenditure being ahead of budget.
 - Match Funding is under the profiled budget due to expenditure on the EXPERIENCE project being lower than expected.

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

3. Latest available budget

3.1. The Authority's income and expenditure is monitored against the latest available budget (LAB) for 2022/23. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Full details of movements from the original budget are set out in Appendix 2.

Table 2

Adjustments to consolidated LAB

Item	Authorisation reference	Amount £
Original budget 2022/23 – deficit	Broads Authority 28/01/22 Agenda item number 9	352,484
Approved budget carry-forwards	Broads Authority 13/05/22 Agenda item number 9	75,000
LAB as at 31 January 2023	n/a	427,484

4. Overview of forecast outturn 2022/23

- 4.1. Budget holders have been asked to comment on the expected income and expenditure at the end of the financial year in respect of all budget lines for which they are responsible.
- 4.2. Since the last report in November, the forecast deficit has decreased and is now a favourable variance when compared with the LAB. The forecast is still showing a deficit and this will need to be balanced through the use of reserves.

A summary of these adjustments are given in the table below:

Table 3

Adjustments to Forecast Outturn

Item	Amount £
Forecast outturn deficit per LAB	427,484
Adjustments previously reported	30,239
Increase to Hire Craft income	(6,092)
Increase to Private craft income	(34,150)
Increase to Investment income due to rate increase	(35,000)
Decrease to salary costs following vacancies	(11,594)
Decrease to Planning Fee income	16,000
Increase to expenditure	500
Forecast outturn deficit as at 31 January 2023	387,387

5. Reserves

- 5.1. As in previous years, the Authority's contributions to the reserves have all been made in full at the end of quarter one. This has resulted in some reserves showing increased balances at the end of January. It was anticipated that these would reduce as planned

purchases take place throughout the year but some of this work will happen in 2023/24 instead due to other work taking priority.

- 5.2. Items funded from the Property reserve include repairs to the Eel Sett and How Hill nature trail. The Plant, Vessels and Equipment reserve has the income from the disposal of vehicles and scrap metal and the deposits for three new vehicles.

Table 4

Consolidated earmarked reserves

Reserve name	Balance at 1 April 2022 £	In-year movements £	Current reserve balance £
Property	(880,274)	(35,321)	(915,595)
Plant, Vessels and Equipment	(485,138)	(204,610)	(689,748)
Premises	(293,951)	(80,000)	(373,951)
Planning Delivery Grant	(244,810)	0	(244,810)
Upper Thurne Enhancement	(187,031)	(21,000)	(208,031)
Heritage Lottery Fund	(7,619)	131,777	124,158
Catchment Partnership	(84,381)	629	(83,752)
CANAPE	(476,272)	74,459	(401,813)
Computer Software	(129,326)	(20,000)	(149,326)
UK Communications	(38,346)	16,990	(21,356)
Match Funding	(46,130)	29,038	(17,092)
Total	(2,873,278)	(108,038)	(2,981,316)

- 5.3. £1,482,155 of the current reserve balance above relates to Navigation reserves.

6. Conclusion

- 6.1. The forecast position for the year suggests a deficit within the National Park and Navigation budget, which will be balanced through the use of reserves. This would result in a National Park Reserve balance of approximately £673,000 and a Navigation Reserve balance of £609,000 at the end of 2022/23 (before any year-end adjustments for interest). This would mean that both reserves would be above the recommend levels, with National Park at 18.4% and Navigation at 15%.

Author: Ellie Richards

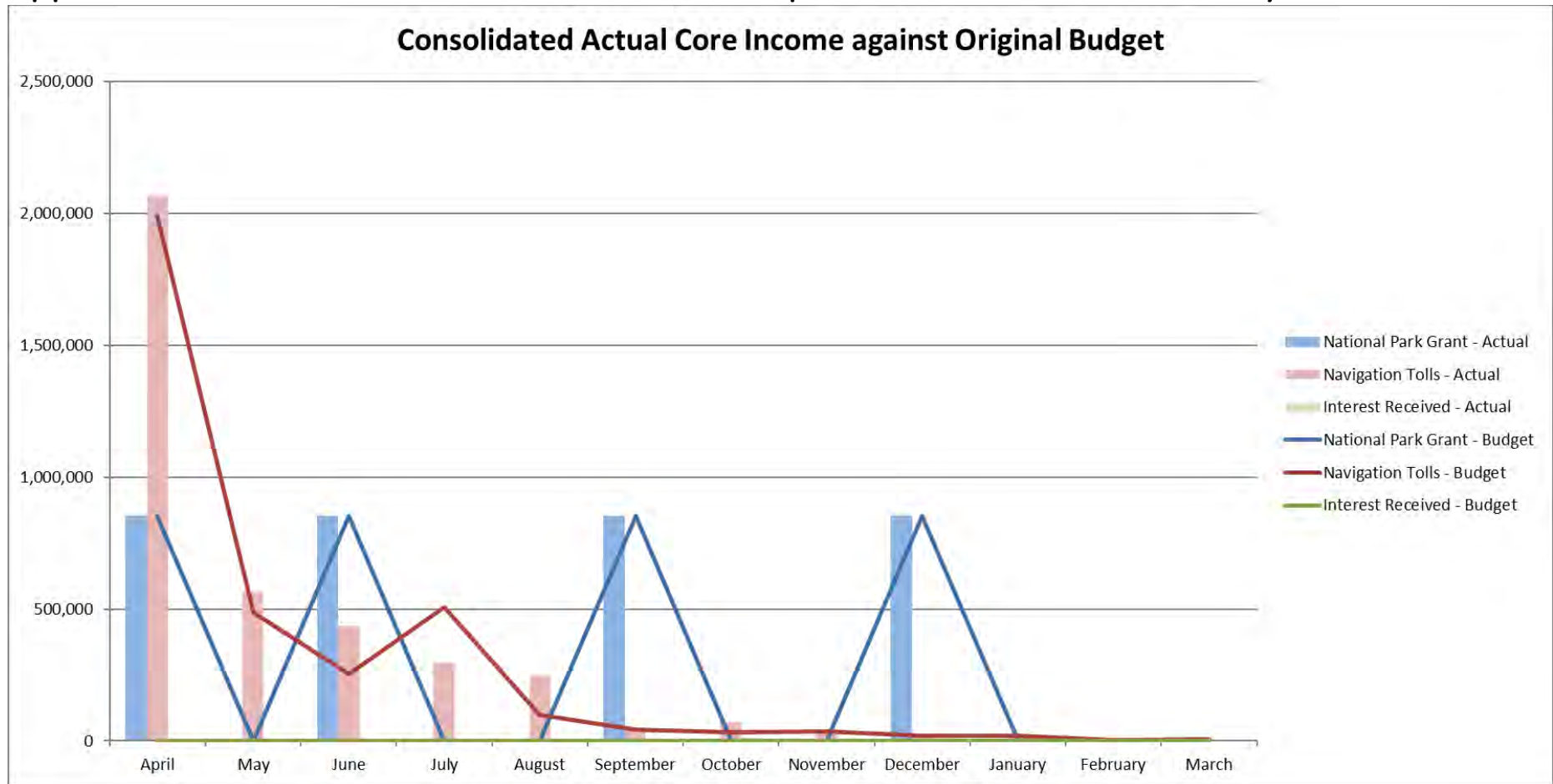
Date of report: 28 February 2023

[Broads Plan](#) strategic objectives: All

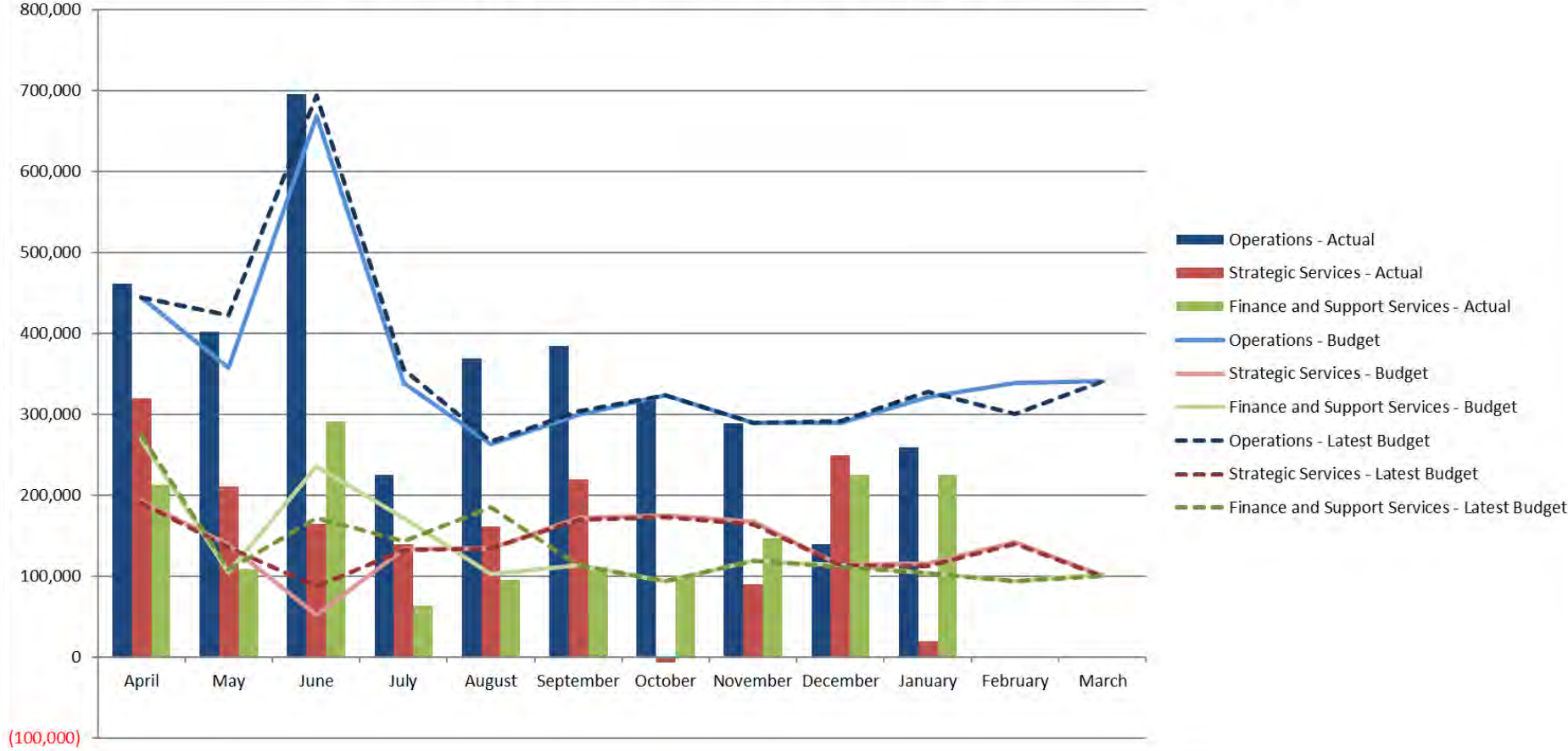
Appendix 1 – Consolidated actual income and expenditure charts to 31 January 2023

Appendix 2 – Financial monitor: Consolidated income and expenditure 2022/23

Appendix 1 – Consolidated actual income and expenditure charts to 31 January 2023



Consolidated Net Actual Expenditure against Original and Latest Budget



Appendix 2 – Financial monitor: Consolidated income and expenditure 2022/23

Table 1
Income

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Income	(7,175,468)	0	(7,175,468)	(8,371,450)	1,195,982
National Park Grant	(3,414,078)	0	(3,414,078)	(4,469,078)	1,055,000
Hire Craft Tolls	(1,186,000)	0	(1,186,000)	(1,200,782)	14,782
Private Craft Tolls	(2,489,000)	0	(2,489,000)	(2,516,200)	27,200
Short Visit Tolls	(48,000)	0	(48,000)	(48,000)	0
Other Toll Income	(32,390)	0	(32,390)	(32,390)	0
Interest	(6,000)	0	(6,000)	(105,000)	99,000

Table 2
Operations

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Operations	4,691,344	75,000	4,766,344	4,455,794	310,550
Construction and Maintenance Salaries	1,382,480	0	1,382,480	1,430,496	-48,016
Salaries	1,384,240	0	1,384,240	1,430,575	-46,335
Expenditure	(1,760)	0	(1,760)	(79)	-1,681
Equipment, Vehicles & Vessels	730,645	0	730,645	526,760	203,885
Income	(13,700)	0	(13,700)	(14,000)	300
Expenditure	744,345	0	744,345	540,760	203,585
Water Management	79,840	0	79,840	79,840	0
Expenditure	79,840	0	79,840	79,840	0
Land Management	(40,786)	0	(40,786)	(40,786)	0
Income	(97,606)	0	(97,606)	(97,606)	0
Expenditure	56,820	0	56,820	56,820	0
Practical Maintenance	640,195	75,000	715,195	592,990	122,205
Income	(11,000)	0	(11,000)	(11,425)	425
Expenditure	651,195	75,000	726,195	604,415	121,780
Waterways and Recreation Strategy	54,100	0	54,100	56,420	-2,320

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Income	0	0	0	(76,621)	76,621
Salaries	42,100	0	42,100	44,420	-2,320
Expenditure	12,000	0	12,000	88,621	-76,621
Ranger Services	1,067,690	0	1,067,690	1,060,234	7,456
Income	0	0	0	0	0
Salaries	866,570	0	866,570	878,827	-12,257
Expenditure	200,870	0	200,870	181,157	19,713
Pension Payments	250	0	250	250	0
Safety	122,430	0	122,430	149,330	-26,900
Income	(1,000)	0	(1,000)	(1,000)	0
Salaries	78,100	0	78,100	81,560	-3,460
Expenditure	45,330	0	45,330	68,770	-23,440
Premises	232,190	0	232,190	184,610	47,580
Income	(3,500)	0	(3,500)	(5,100)	0
Expenditure	235,690	0	235,690	189,710	45,980
Premises – Head Office	263,880	0	263,880	263,880	0
Income	0	0	0	0	0
Expenditure	263,880	0	263,880	263,880	0

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Project Funding	12,100	0	12,100	4,600	7,500
Expenditure	0	0	0	(7,500)	7,500
Pension Payments	12,100	0	12,100	12,100	0
Operations Management and Administration	146,580	0	146,580	147,420	-840
Salaries	138,080	0	138,080	138,920	-840
Expenditure	8,500	0	8,500	8,500	0

Table 3
Strategic Services

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Strategic Services	1,691,702	0	1,691,702	1,759,978	-68,276
Development Management	364,240	0	364,240	404,000	-39,760
Income	(100,000)	0	(100,000)	(84,000)	-16,000
Salaries	408,840	0	408,840	422,600	-13,760
Expenditure	50,850	0	50,850	60,850	-10,000
Pension Payments	4,550	0	4,550	4,550	0
Strategy and Projects Salaries	212,500	0	212,500	222,960	-10,460
Income	(962,486)	0	(962,486)	(962,486)	0
Salaries	175,350	0	175,350	185,970	-10,620
Expenditure	999,636	0	999,636	999,476	160
Strategy and Projects	1,000	0	1,000	1,000	0
Expenditure	1,000	0	1,000	1,000	0
Biodiversity Strategy	11,900	0	11,900	11,900	0
Income	0	0	0	(5,103)	5,103
Expenditure	11,900	0	11,900	17,003	-5,103
Human Resources	150,610	0	150,610	172,150	-21,540

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Income	0	0	0	(370)	370
Salaries	91,960	0	91,960	113,870	-21,910
Expenditure	58,650	0	58,650	58,650	0
Volunteers	73,300	0	73,300	75,330	-2,030
Salaries	53,900	0	53,900	55,930	-2,030
Expenditure	19,400	0	19,400	19,400	0
Communications	428,704	0	428,704	427,920	784
Income	(115,272)	0	(115,272)	(89,480)	-25,792
Salaries	303,810	0	303,810	373,780	-69,970
Expenditure	240,166	0	240,166	143,620	96,546
Visitor Centres and Yacht Stations	339,370	0	339,370	326,450	12,920
Income	(200,600)	0	(200,600)	(200,600)	0
Salaries	396,620	0	396,620	383,700	12,920
Expenditure	143,350	0	143,350	143,350	0
Strategic Services Management and Administration	110,078	0	110,078	118,268	-8,190
Salaries	112,950	0	112,950	121,140	-8,190
Expenditure	(2,872)	0	(2,872)	(2,872)	0

Table 4

Finance & Support Services

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Finance & Support Services	1,659,775	0	1,659,775	2,660,305	-1,000,530
National Park Grant	0	0	0	1,055,000	-1,055,000
Expenditure	0	0	0	1,055,000	-1,055,000
Legal	96,000	0	96,000	94,000	2,000
Income	(4,000)	0	(4,000)	(6,000)	2,000
Expenditure	100,000	0	100,000	100,000	0
Governance	249,960	0	249,960	230,650	19,310
Salaries	173,060	0	173,060	170,350	2,710
Expenditure	76,900	0	76,900	60,300	16,600
Chief Executive	125,240	0	125,240	123,940	1,300
Salaries	124,240	0	124,240	122,940	1,300
Expenditure	1,000	0	1,000	1,000	0
Asset Management	146,609	0	146,609	105,199	41,410
Income	(24,000)	0	(24,000)	(24,000)	0
Salaries	47,970	0	47,970	49,560	-1,590
Expenditure	122,639	0	122,639	79,639	43,000

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Finance and Insurance	452,746	0	452,746	468,666	-15,920
Salaries	234,620	0	234,620	237,540	-2,920
Expenditure	218,126	0	218,126	231,126	-13,000
Collection of Tolls	193,760	0	193,760	195,220	-1,460
Salaries	182,760	0	182,760	184,220	-1,460
Expenditure	11,000	0	11,000	11,000	0
ICT	395,460	0	395,460	387,630	7,830
Salaries	202,560	0	202,560	206,280	-3,720
Expenditure	192,900	0	192,900	181,350	11,550

Table 5

Projects and Corporate items

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Projects and Corporate Items	(5,387)	0	(5,387)	(3,687)	-1,700
Partnerships / HLF	(151,987)	0	(151,987)	(151,987)	0
Income	(681,924)	0	(681,924)	(887,420)	205,496
Salaries	104,180	0	104,180	183,140	-78,960
Expenditure	425,757	0	425,757	552,293	126,536
Corporate Items	146,600	0	146,600	148,300	-1,700
Expenditure	19,600	0	19,600	21,300	-1,700
Pension Payments	127,000	0	127,000	127,000	0

Table 6

Contributions from earmarked reserves

Row labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest available budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Contributions from Earmarked Reserves	(509,482)	0	(509,482)	(113,553)	-395,929
Earmarked Reserves	(509,482)	0	(509,482)	(113,553)	-395,929
Expenditure	(509,482)	0	(509,482)	(113,553)	-395,929

Table 7

Net (Surplus) / Deficit

Row labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Grand Total	352,484	75,000	427,484	387,387	40,097

Audit and Risk Committee

14 March 2023

Agenda item number 8

Additional National Park funding

Report by Chief Executive and Director of Finance

Summary

This report updates members on the latest National Park grant allocations from DEFRA.

Recommendation

- i. To note the National Park Grant flat cash settlement for 2023/24.
 - ii. To welcome the additional funding for 2022/23 and thank DEFRA.
 - iii. To provide feedback in advance of the Broads Authority meeting on 17 March 2023.
-

1. Introduction

- 1.1. Members will be aware that we have very recently received notice of the following allocations from Defra.
- 1.2. As anticipated, the Authority is to receive a flat-cash settlement for 2023/24 for the fifth consecutive year. This is of course diminishing in value due to continued pressure from inflation.
- 1.3. In addition, and this was not expected, the Authority (along with the 9 National Park Authorities in England) is to receive a supplementary grant of £440,000 in the current financial year (2022/23) “in recognition of the challenging financial circumstances that National Park Authorities face”.
- 1.4. We welcome the additional funding, which we expect to receive before the end of March. The Minister states in her letter: *“The government remains committed to supporting our National Parks and ensuring that you can continue to support thriving local communities and economies, improve our public health and wellbeing, drive forward nature recovery, and build our resilience to climate change.”*
- 1.5. The additional funding from DEFRA may only be used to support National Park activity rather than navigation responsibilities. While it cannot enable a reduction in navigation charges it is likely that some of the expenditure supported by this additional funding will also benefit those that use the waterways.

2. Next Steps

- 2.1. The grant funding will need to be accepted through DEFRA's online system through a Control Change Notice (CCN) before the end of this financial year. The CCN will provide the conditions of the funding which is expected to be in line with recent communications.
- 2.2. Depending on those conditions it is proposed to create a new National Park earmarked reserve which will be used to help the National Park Medium Term Financial Plan.
- 2.3. Members' feedback on this, and the approach to spending the funds, is sought prior to the Broads Authority meeting on 17 March 2023 where a verbal update will be provided.

Author: John Packman and Emma Krelle

Date of report: 01 March 2023

Background papers: [New funding for National Parks announced - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-funding-for-national-parks-announced)

[Broads Plan](#) strategic objectives: All

Audit and Risk Committee

14 March 2023

Agenda item number 9

Finance Strategy and Policy updates

Report by Director of Finance

Summary

This report sets out the revised Counter Fraud, Corruption and Bribery Strategy and Advertising and Sponsorship Policy which were last updated in 2018 and 2019.

Recommendation

- i. To approve the updated Counter Fraud, Corruption and Bribery Strategy, and
 - ii. provide feedback on the Advertising and Sponsorship Policy prior to the Broads Authority meeting on 17 March 2023.
-

1. Introduction

- 1.1. As indicated at the November committee a number of strategies and policies are scheduled for review during 2022/23. Following the adoption of the Financial Regulations in November this report considers the next two due for review.

2. Counter Fraud, Bribery and Corruption Strategy

- 2.1. The strategy was last considered by the Committee in March 2018 and it has been updated into the Authority's accessible format. A version highlighting the amendments can be found in track changes at Appendix 1.
- 2.2. The Monitoring Officer, Internal Audit and Management Team have been consulted on the revised version and their comments and feedback have been incorporated into the revised strategy. The main changes have been to make the definitions clearer, as set out in section 5, and updates to job titles, risk registers and committee names.
- 2.3. The risk of fraud is identified within the Finance and Support Services Directorate risk register and is regularly reviewed before each Audit and Risk meeting to see if it needs to be escalated to the corporate risk register. The score currently remains low in this area. In addition, the annual internal audit plan is risk based and focuses on those areas where there is potential for fraud, corruption and bribery. The findings of the annual key controls audit are reported to this Committee along with any outstanding recommendations and progress.

- 2.4. As with previous versions of the strategy it sets out the Authority's response plan if a fraud is suspected or discovered. The results of such investigations would be reported in summary to the Management Team, followed by a report to this Committee identifying what mitigating actions will need to be taken to avoid or minimise the possibility of a recurrence of the incident. Since 2018 there have been no such investigations.
- 2.5. The [Terms of Reference of Committees](#) sets out in section 4 (Audit and Risk Committee) paragraph 15 the powers to approve such documents.

3. Advertising and Sponsorship Policy

- 3.1. The policy was last reviewed by the Authority in February 2019 and it has been updated into the Authority's accessible format. A version highlighting the amendments can be found in track changes at Appendix 2.
- 3.2. The Management Team, the Head of Communications and the UK Director of Communications have been consulted on the revised version and their comments and feedback have been incorporated into the revised strategy. The main changes are around updating success to date (section 8) and amending references from State Aid to Subsidy Control (section 9) following the UK leaving Europe.
- 3.3. As this policy sits outside Audit and Risk Committee's terms of reference, Members' feedback on the amendments is sought prior to its consideration by the Broads Authority on 17 March 2023.

Author: Emma Krelle

Date of report: 28 February 2023

[Broads Plan](#) strategic objectives: All

Appendix 1 – Counter Fraud, Corruption and Bribery Strategy (draft Feb 2023)

Appendix 2 – Advertising and Sponsorship Policy (draft Feb 2023)

Counter Fraud, Corruption and Bribery Strategy

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Introduction to the Strategy

1. Statement of Intent

1.1. The Broads Authority (The Authority) is committed to carrying out its business in a fair, ethical, honest and transparent manner. As such, the Authority has a zero-tolerance approach to those who seek to commit an act of fraud, corruption, money laundering or bribery towards, or against it.

1.1.1.2. The Authority takes its legal responsibilities very seriously. We will uphold all laws relevant to countering bribery and corruption, including the Bribery Act 2010, in respect of our conduct.

1.2.1.3. To safeguard itself against such activities, the Authority has developed a counter fraud culture, supported by a framework designed to encourage the prevention and detection of fraud, corruption and bribery in the event of allegations being received, and to establish appropriate arrangements for their investigation. All such provisions seek to minimise potential losses to the Authority in the event of it being subject to fraudulent or corrupt practices.

1.3.1.4. The Authority is committed to maintain, and to regularly monitor, review and update, appropriate processes and procedures which will minimise the risk of losses from fraud, corruption, money laundering or bribery, and to ensure that all members and members of staff are aware of their responsibilities to comply with these procedures at all times.

2. Objectives of the Strategy

2.1. The key objectives of this Strategy are to:

- increase staff and member awareness of the corporate counter fraud culture which the Authority actively supports and encourage individuals to promptly report suspicions of fraudulent and corrupt behaviour;
- communicate to partners, suppliers, contractors and other organisations that interact with the Authority that it expects them to maintain high standards aimed at minimising fraud and corruption in their dealings with the Authority;
- further embed and support the management of fraud risk within the Authority;
- demonstrate the arrangements that the Authority has in place to counter fraud, corruption, money laundering and bribery; and
- minimise the likelihood and extent of losses through fraud and corruption.

3. Who does this Strategy apply to?

3.1. This Strategy applies to all persons working for the Authority [or any group company] or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with us, wherever located.

3.4. Why is the Strategy Needed?

3.1.4.1. The Broads Authority is reliant on its various funding sources in order to carry out its duties and deliver its key aims and objectives in the Broads Plan. As a public body it has a duty to promote effective stewardship and value for money in the use of its funds, to be accountable to its stakeholders in the use of that money and to ensure that procedures are put in place to minimise the risk of losses through fraud, corruption, money laundering or bribery.

3.2.4.2. As well as resulting in lost income, and reducing the funds available to be spent on key service delivery, instances of fraud, corruption, money laundering and bribery are likely to impact on the reputation of the Authority, and result in a loss of confidence that can be placed in the Authority and its procedures.

3.3.4.3. Historically, the Broads Authority has had relatively low levels of detected fraud activity in relation to its business operations. Where such activity has been identified, prompt action has been taken and sanctions imposed, as appropriate. However, even though fraud may not previously have been prevalent, it is important to remain vigilant, and to maintain, and regularly monitor, review and update, appropriate processes and procedures to ensure that any potential opportunities for fraud and corruption are minimised, in order that resources can be used for their intended purpose.

3.4.4.4. The Bribery Act 2010 places an expectation on organisations that they will have appropriate and adequate procedures in place to minimise the risk of bribery taking place. This Strategy seeks to reduce this risk, and to outline the Authority's anti-bribery approach.

4.5. Definitions of Fraud, Corruption, Money Laundering and Bribery

5.1. Bribery is offering, promising, giving or accepting any financial or other advantage, to induce the recipient or any other person to act improperly in the performance of their functions, or to reward them for acting improperly, or where the recipient would act improperly by accepting the advantage.

a) An advantage includes money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or anything else of value.

b) A person acts improperly where they act illegally, unethically, or contrary to an expectation of good faith or impartiality, or where they abuse a position

of trust. The improper acts may be in relation to any business or professional activities, public functions, acts in the course of employment, or other activities by or on behalf of any organisation of any kind.

It is a criminal offence to offer, promise, give, request, or accept a bribe. Individuals found guilty can be punished by up to ten years' imprisonment and/or a fine and employers that fail to prevent bribery can face an unlimited fine, exclusion from tendering for public contracts, and damage to its reputation.

5.2. Corruption is the abuse of entrusted power or position for private gain.

Examples:

- a) Offering a bribe: You offer a potential client tickets to a major sporting event, but only if they agree to do business with the Authority. This would be an offence as you are making the offer to gain a commercial and contractual advantage. We may also be found to have committed an offence because the offer has been made to obtain business for us. It may also be an offence for the potential client to accept your offer.
- b) Receiving a bribe: A supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in the Authority to ensure we continue to do business with them. It is an offence for a supplier to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.

5.3. Fraud is defined by three classes; false representation, failure to disclose information or by abuse of position.

- a) Fraud by false representation is where a person dishonestly makes a false representation, and intends, by making the representation to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.
- b) Fraud by failure to disclose information is where a person dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.
- c) Fraud by abuse of position is where a person occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, dishonestly abuses that position, and intends, by means of the abuse of that position to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

~~4.1. The Fraud Act 2006 defines fraud by three classes; false representation, failure to disclose information or by abuse of position. In all three classes of fraud, it requires that for an offence to have occurred, the person must have acted dishonestly, and that they had to have acted with the intent of making a gain for themselves or anyone else, or inflicting a loss (or a risk of loss) on another.~~

Examples of fraud committed against the Authority might include the creation and submission of fake invoices for goods or services never received, false or inflated expense claims, under recording of cash receipts, misappropriation of stock assets or an application for a job falsely claiming to hold certain qualifications. As these examples demonstrate, fraud can occur in a number of ways, need not always be related to loss of money, and can involve staff, members or even people outside of the organisation.

~~4.2. Corruption has a number of definitions but can simply be defined as the abuse of entrusted power for private gain. It is often linked to Bribery.~~

5.4. CIPFA describes Money Laundering is described by CIPFA as disguising criminally sourced cash or property in order to give the appearance of legitimacy. This is done by mixing the criminal transactions with the legitimate transactions of businesses and is often linked to terrorism financing. This normally follows three stages:

- Placement: Funds derived from the crime are paid into a bank account or used to purchase an asset, e.g. property.
- Layering: To disguise the source of the funds they are moved through complex and frequent transactions. Money mules are a form of layering. Money muling occur when an individual receives money into their bank account (wittingly or unwittingly from a criminal) and transfers it elsewhere. The individual is often promised that they can keep a portion of the cash for facilitating the transaction.
- Integration: Once the funds are well disguised the funds are transferred into the financial system, thus making the money appear legitimate.

~~4.3. The Bribery Act 2010: Quick start guide defines bribery as ‘giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so. The Act includes two general offences covering the offering, promising or giving of an advantage, and the requesting, agreeing to receive or accepting of an advantage.~~

5.6. The Corporate Framework to Counter Fraud, Corruption and Bribery

5.4-6.1. The Authority has in place a number of policies, procedures and practices that are designed to support this Strategy in countering and preventing fraud occurring. These take account of legislation and expected standards in respect of

public life. A summary of the key arrangements in place is set out at Appendix 1, together with a list of the officers responsible for these arrangements.

5.2-6.2. In addition to these there are a number of officers who have direct and overarching responsibilities and roles in respect of countering fraud, corruption and bribery. These roles and responsibilities are set out at Appendix 2.

6.3. The Authority also has in place a Risk Management Policy, ~~and a Strategic Corporate Register and Directorate Risk Register~~. Overall responsibility for risk management lies with the ~~Management Team Solicitor and Monitoring Officer~~ who ~~is~~ are charged with ensuring that the risk of fraud and corruption is appropriately recognised within the risk framework, and managed accordingly. The Risk Management Policy is reviewed and where appropriate updated ~~at least annually~~ every two years, whilst the ~~Strategic Corporate Risk Register~~ is reviewed ~~bi-annually~~ by the Management ~~Forum Team and the~~ before every Financial Scrutiny and Audit ~~Audit and Risk~~ Committee. Nominated risk owners are responsible for individual risks, and these should be reviewed not less frequently than every ~~six~~ four months, or earlier where there is a significant change in circumstances.

6.4. The Authority also has an Audit and Risk Committee, which has oversight of risk management issues at the Authority. The Committee's remit includes the following duties:

- a) To scrutinise the Authority's accounts and finances to ensure that they are prepared in accordance with accounting policies and good practice.
- b) To take a strategic view on whether the resources allocated to the Authority are used effectively and efficiently in pursuit of its authorised purposes and objectives.
- a)c) To obtain assurances from a range of measures and reports that value for money is obtained in the use of these resources, and that risk and performance are actively managed to achieve best results.

The Authority's Anti-fraud, Corruption and Bribery Culture

6.7. The Cultural Framework

6.1-7.1. The Authority is ~~determined~~ committed to promoting ~~and maintaining~~ a culture of honesty, ~~and~~ integrity, ~~and opposition to where~~ fraud, corruption and bribery are strongly opposed by all. The prevention and detection of fraud, corruption and bribery is the responsibility of all members and members of staff.

7.2. To this end, the Authority has adopted a Code of Conduct for its members and a Code of Conduct for Employees which promote the standards of conduct and behaviour

expected when representing the Authority. Both of these documents are available on the Authority intranet [and are discussed in greater detail at Section 8 and 9 below](#).

[7.3.](#) The Authority has a Whistle Blowing Policy, which encourages employees, members and other parties to raise concerns, in the knowledge that they will not suffer victimisation or harassment as a result. [This is also available on the Authority intranet for employees and on the website for members.](#)

[6.2.7.4.](#) The Authority seeks to be as open and transparent as possible in the way it conducts its business and makes decisions. The Terms of Reference of Committees, and Scheme of Powers Delegated to [Chief Executive and other authorised](#) Officers, set out the decision-making framework within the Authority, and demonstrate where functions may be delegated. The Authority publishes details of all expenditure over £250 on its website, and will endeavour to [satisfy](#) all the [recommendations and requirements set down by the](#) Government in the Code of Recommended Practice for Local Authorities on Data Transparency¹.

[7.5.](#) [The Authority also has a suite of other governance documents available on our Constitution page on the website.](#)

[7.8.](#) Members

[7.1.8.1.](#) The Localism Act 2011 places a duty on the Authority to promote and maintain high standards of conduct by its members and co-opted members. Members are required to observe the Authority's Code of Conduct, which is intended to promote and maintain behaviour consistent with the Nolan Principles. They are also required to register and disclose certain interests, including pecuniary interests, both in a Register of Interests and, where appropriate, verbally at the commencement of all meetings.

[7.2.8.2.](#) The Authority has also developed arrangements for dealing with complaints that a member has failed to comply with the Code of Conduct, and has appointed two Independent Members, one of whom will be consulted before any standards complaints are determined.

[7.3.8.3.](#) Details of the Register of Interests, Code of Conduct and arrangements for dealing with standards allegations are all on the Authority's website and available for inspection by members of the public.

[7.4.8.4.](#) The ~~Financial Scrutiny and Audit~~[Audit and Risk](#) Committee is responsible to the Broads Authority for the Counter Fraud, Corruption and Bribery Strategy, including the adequacy and effectiveness of the arrangements for counter-fraud and whistle

¹ [Local government transparency code 2015 - GOV.UK \(www.gov.uk\)](#)

blowing, and maintaining an oversight of the systems for corporate governance and internal control.

8.9. Employees

8.1-9.1. A successful anti-fraud culture is one where acts of fraud and corruption are widely recognised as unacceptable behaviour and where whistle blowing is perceived as a public-spirited action. The Authority has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the Authority's officers, as detailed in Appendix 1.

8.2-9.2. All officers must abide by the Code of Conduct for Employees, which sets out the standards of behaviour and conduct expected of them. Professionally qualified officers are also expected to follow any Code of Conduct or Ethics as required by their professional institute.

8.3-9.3. The Authority has disciplinary procedures which are designed to ensure consistent and fair treatment of all staff in dealing with any breaches of conduct. Any breach of conduct will be dealt with under these procedures and may result in dismissal.

9.4. The Code of Conduct for Employees includes guidelines for the receipt of gifts and hospitality, and requires senior officers to declare certain personal interests which could be perceived to conflict with their professional impartiality.

9.5. The Authority's Monitoring Officer, Deputy Monitoring Officer and Senior Governance Officer have particular responsibility for oversight of standards and probity. The Head of HR is responsible for maintaining the officers' register of gifts and hospitality and the register of officers' interests.

9.10. Partners, Suppliers, Contractors and Other Organisations that interact with the Authority

9.1-10.1. The Authority expects the highest standards of conduct from all organisations that have dealings with it. Any partners, suppliers, contractors and other third parties funded by or in receipt of payments from the Authority are ~~–~~required to adopt or abide by the Authority's policies, procedures, protocols and codes of practice, where appropriate, in order to prevent and detect fraud, corruption, money laundering and bribery.

10.2. All transactions with suppliers and other organisations will be entered into in line with the Authority's Standing Orders Relating to Contracts Broads Authority Standing Orders Relating to Contracts February 2022 (broads-authority.gov.uk). These make appropriate provisions for declaring interests and the circumstances where such regulations may not apply, and set out rules regarding entering into contracts and

varying contract conditions. In addition, prior to entering into significant, ongoing transactions, due diligence checks are undertaken to ensure that suppliers have an appropriate financial and risk profile before transactions are entered into by the Authority.

11. Members of the Public

9.2.11.1. Members of the public have an important role to alert the Authority to any concerns about the potential for fraud, corruption or bribery that they may become aware of. They are encouraged to report their concerns, either through the Authority's complaint procedure or by contacting the relevant officers in Appendix 2.

Counter Fraud Prevention and Deterrence

10.12. The Internal Control Environment

10.1.12.1. The Authority's internal control environment plays a key role in ensuring that fraud can be prevented. Soundly designed systems, with adequate checks built into them, minimise the opportunities for untoward activities. This can be through automated controls, or through management oversight of transaction activity.

12.2. Managing the risk of fraud, corruption and bribery is the responsibility of Directors and Section Heads within individual Directorates and service areas, working within the overall framework developed by the Authority and the Management Team.

12.3. -Whilst managers retain responsibility for the oversight of the internal control environment within their specific service areas, internal and external inspections play an important role in ensuring that operational arrangements are working effectively.

12.4. -An Annual Audit Plan is developed by the Head of Internal Audit each year, in consultation with the Management Team and is approved by the Audit and Risk Committee. The Audit Plan is based founded on a risk-based approach and has swing regard to those areas where there is the greatest potential for fraud, corruption and bribery. It therefore, which provides a check on those services and systems (financial and non-financial) that are subject to the highest level of inherent risk.

10.2.12.5. -Furthermore, in the course of completing audit assignments, recommendations will be put forward aimed at strengthening systems of internal control which are designed to remove potential opportunities for fraud and corruption in the future.

11.13. Recruitment and Induction

11.1.13.1. A key preventative measure against the possibility of fraud, corruption and bribery is to have in place a robust recruitment process which establishes, as far as reasonably possible, the propriety and integrity of potential employees. This includes

extends to temporary and contract staff. Agencies providing temporary staff should be required to confirm that satisfactory references have been obtained and validated.

13.2. All recruitment should be in accordance with the Authority's standard recruitment procedures. Written references should be obtained for all potential employees and any relevant qualifications should be confirmed prior to appointment.

13.3. The Authority commits to promoting an anti-fraud culture through encouraging staff and members, as part of their induction programmes, to familiarise themselves with the relevant Code of Conduct, the Whistle Blowing Policy and this Strategy, to make them aware that the Authority will not tolerate improper behaviour.

12.14. Promotion of the counter fraud culture

12.1.14.1. The Authority undertakes to promote successful outcomes from counter fraud activities, particularly where this may deter others from undertaking dishonest activities.

~~12.2.14.2. In addition the Authority commits to promoting an anti-fraud culture through encouraging staff and members, as part of their induction programmes, to familiarise themselves with the relevant Code of Conduct, the Whistle Blowing Policy and this Strategy, to make them aware that the Authority will not tolerate improper behaviour.~~ The Authority requires staff to annually undertake refresher training through its online training platform.

Detecting and Investigating Fraud, Corruption, Money Laundering and Bribery

13.15. Detecting Fraud that has Occurred

13.1.15.1. The Authority has in place a number of measures designed to detect fraudulent activity. This is mainly through the segregation of duties and dual approval of payments.

13.2.15.2. The Authority therefore expects its senior managers to be vigilant regarding the possibility of fraud, corruption, money laundering or bribery and to report any suspicious activities to the Director of Finance.

13.3.15.3. Despite best efforts, fraudulent or corrupt activity can sometimes be discovered by chance or through a 'tip off' or whistle blowing incident. The Authority has developed appropriate arrangements to enable such matters to be handled through the Whistle Blowing Policy.

~~13.4.15.4.~~ 13.4.15.4. The Code of Conduct for Employees also requires employees to report to their immediate line manager, Head of Section or other Senior officer, any suspicions of impropriety, dishonesty or failure to follow legislation or policies and procedures by another employee.

~~13.5.15.5.~~ 13.5.15.5. In addition, the work of Internal Audit and the Authority's External Auditors may lead to the detection of fraud.

14.16. Investigation of Fraud that has Occurred

~~14.1.16.1.~~ 14.1.16.1. The Head of Internal Audit has overall responsibility for the progression of all fraud investigations, in consultation with the ~~Chief Financial Officer~~ Director of Finance. There are provisions in the Internal Audit Services contract to engage Counter Fraud trained auditors from TIAA Ltd, to work under the direction of the Head of Internal Audit, and in consultation with the ~~Chief Financial Officer~~ Director of Finance.

~~14.2.16.2.~~ 14.2.16.2. Appendix 3 sets out a Fraud, Corruption and Bribery Response Plan, detailing how the Authority will respond when a concern or an event has been raised, which ~~lead~~ sing to a suspicion of fraud or corruption and to whom it will be reported to. ~~In all cases the~~ The Head of Internal Audit should be consulted regarding all cases of potential ~~cases of~~ fraud and /or corruption, in order to maintain a corporate overview of incidents arising and to ensure that investigations are carried out by the appropriate personnel (e.g. TIAA Auditors, the Head of Internal Audit, the relevant Director, Head of Human Resources, depending on the nature of the case reported).

~~14.3.16.3.~~ 14.3.16.3. The ~~Solicitor and Monitoring Officer~~ Chief Executive is responsible for monitoring and ensuring the investigation of whistle blowing concerns received. Where such cases involve an instance of fraud and corruption, these will be jointly overseen by the ~~Solicitor and~~ Monitoring Officer and the Head of Internal Audit.

~~14.4.16.4.~~ 14.4.16.4. The Head of Internal Audit will notify External Audit promptly of all frauds occurring at the Authority which exceed £5,000, and any cases of corruption and any fraud cases of particular interest or complexity. Any such instances of fraud or suspected fraud will be discussed with external Audit at the annual Audit Planning Meeting.

Sanction and Redress in Respect of Fraud, Corruption, Money Laundering and Bribery

15.17. Taking Action where Required

~~15.1.17.1.~~ 15.1.17.1. Where it has been identified that fraud or corruption has occurred, the Authority is committed to ensuring that all appropriate ~~sanctions and~~ courses of redress are undertaken and sanctions are imposed where required.

~~15.2.17.2.~~ Although the Authority's primary means of sanction of employees is through its Disciplinary Procedures, this does not preclude the Authority from taking additional legal action should it consider this to be necessary.

~~15.3.17.3.~~ The Authority will seek to work closely with other parties, in particular the Police, where appropriate. It also has a public duty to seek financial redress, where feasible.

~~16.18.~~ Review

~~16.1.18.1.~~ This Strategy has been approved by the Management Team and by the ~~Financial Scrutiny and Audit~~ Audit and Risk Committee. It will be reviewed and if necessary updated on a regular basis, at least ~~annually~~ every three years, or more frequently where there are significant changes to legislation within which the Authority operates. ~~and a~~ Any significant changes will be brought to the attention of the Management Team for their approval. Responsibility for ensuring that regular reviews are carried out lies with the ~~Chief Financial Officer~~ Director of Finance.

Date of issue: March ~~2023~~ 2018

Next Review: March 2026

Appendix 1 – Supporting Policies, Procedures and Practices

Appendix 2 – Roles and Responsibilities of Officers

Appendix 3 – Fraud, Corruption and Bribery Response Plan

Appendix 1 – Supporting Policies, Procedures and Practices

Policy/Strategy	Purpose	Responsibility
Code of Conduct for Members	Under the provisions of the Localism Act 2011, the Broads Authority is required to adopt a code of conduct setting out the standards of behaviour expected of its members. The Authority has adopted the model code prepared by the Department for <u>Levelling Up, Housing and Communities</u> and Local Government (DLUHCLG). All new members to the Authority receive guidance and training on the implementation of the Code.	Solicitor and Monitoring Officer
Registration and Declaration of Interests	Members of the Authority are required to enter onto a Register of Interests any pecuniary or non-pecuniary interests which might relate to their public duty. Members are, and to declare these interests at all meetings of the Authority and its committees <u>where a matter relates to one of their registered interests</u> . The Register of Interests may be viewed by members of the public on request.	Solicitor and Monitoring Officer
Terms of Reference of Committees	These set out the powers reserved to the Broads Authority and to its various committees.	Solicitor and Monitoring Officer
Scheme of <u>Powers Delegated to Chief Executive and other authorised officers</u> Powers	These set out the powers which are delegated to the Chief Executive <u>and other authorised officers</u> , and the conditions under which these powers can be discharged. They are supplemented by Arrangements for the Exercise of Powers by Other Officers, setting out those officers who are authorised to exercise powers in the absence of the Chief Executive.	Solicitor and Monitoring Officer

Policy/Strategy	Purpose	Responsibility
Code of Conduct for Employees	All members of staff are required to comply with the Code of Conduct for Employees, and Planning Officers with the Code of Conduct for Planning Committee Members and Officers. The Code of Conduct includes guidelines for the receipt of gifts and hospitality, and requires senior officers to declare certain personal interests which could be perceived to conflict with their professional impartiality.	Head of Human Resources
Whistle Blowing Policy	The Whistle Blowing Policy sets out how employees <u>and members</u> can raise concerns within the organisation without fear of victimisation or harassment.	Solicitor and Monitoring Officer <u>Director of Finance</u>
Financial Regulations	Financial Regulations set the framework for the administration of the Authority's financial affairs, including all systems and transactions.	Chief Financial Officer <u>Director of Finance</u>
Standing Orders Relating to Contracts	These Standing Orders set out the rules and procedures which must be complied with when letting contracts for goods and services on behalf of the Authority. They endeavour to ensure fair competition between competing organisations.	Chief Financial Officer <u>Director of Finance</u>
Internal Financial Controls	Internal control systems are in place to ensure that the Authority's finances are managed in a safe and efficient manner. These include physical controls to ensure security of assets and restrict access, clear lines of accountability, supervisory controls, segregation of duties and authorisation/approval controls.	Chief Financial Officer <u>Director of Finance</u>
Internal Audit	The Authority is a member of a consortium of local authorities who jointly procure an internal audit service. The service is administered by the Head of	Chief Financial Officer <u>Director of Finance</u>

Policy/Strategy	Purpose	Responsibility
	Internal Audit, who is based at the offices of South Norfolk Council, and is currently contracted out to TIAA. An annual programme of audits is drawn up in conjunction with the Head of Internal Audit using a risk-based approach.	
Recruitment and Selection of Staff	A number of controls are in place relating to the recruitment and selection of staff, including completion of an application form, interviews, references and obtaining a 'defined document' to confirm that the employee is eligible to be employed in this country. Under certain circumstances other checks are made, for example relating to the prospective employee's medical condition and suitability to work with children and vulnerable adults.	Head of Human Resources

Appendix 2 – Roles and Responsibilities of Officers

Stakeholder	Roles and Responsibilities
Broads Authority	The Authority is ultimately responsible for the Authority's Counter Fraud, Corruption, Money Laundering and Bribery Strategy and other arrangements.
Individual Members	Members support and help to promote a strong counter fraud culture through: <ul style="list-style-type: none"> • promoting the Authority's lack of tolerance towards acts of fraud and corruption;

Stakeholder	Roles and Responsibilities
	<ul style="list-style-type: none"> ensuring that they comply with the Authority's Code of Conduct for Members, thus setting a strong public example; and raising matters of concern that they may have through the appropriate means.
Financial Scrutiny and Audit <u>Audit and Risk Committee</u>	Responsible to the Authority for the Counter Fraud, Corruption and Bribery Strategy, including the adequacy and effectiveness of the counter fraud and whistle blowing arrangements.
Chief Executive <u>- John Packman</u> <u>01603 756019</u> <u>John.packman@broads-authority.gov.uk</u>	The Chief Executive is ultimately responsible for the day to day arrangements to counter fraud, corruption and bribery.
Solicitor and <u>Monitoring Officer – Jonathan Goolden</u> <u>Monitoring.officer@broads-authority.gov.uk</u>	Responsible for the Authority's arrangements to manage risk, including the Risk Management Policy and Strategic Risk Register. The Monitoring Officer also provides support to members as required on matters of ethical and governance issues, and may receive concerns raised from members, the public and other stakeholders
<u>Management Team</u>	<u>Responsible for the Authority's arrangements to manage risk, including the Risk Management Policy and Strategic Risk Register.</u>

Stakeholder	Roles and Responsibilities
<p>Chief Financial Officer<u>Director of Finance</u>/ Section 17 Officer</p>	<p>The Section 17 Officer is responsible for ensuring that the Authority has in place arrangements for the proper administration of its financial affairs.</p>
<p>External Audit - <u>Ernst & Young LLP</u> <u>One Cambridge Business Park,</u> <u>Cowley Road, Cambridge CB4 0WZ, 01223 394400</u></p>	<p>The external auditors have a statutory duty to ensure that the Authority has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.</p>
<p>Internal Audit</p>	<p>Internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption to occur. The auditors also and seek to strengthen systems of internal control to safeguard the Authority against such activities and <u>to</u> minimise losses arising from such actions.</p>
<p>Head of Internal Audit – <u>Faye Haywood</u> <u>01508 533873</u> <u>Faye.Haywood@southnorfolkandbroadland.gov.uk</u></p>	<p>The Head of Internal Audit is responsible for managing the Internal Audit service, including developing an Annual Audit Plan which includes counter fraud and corruption work. There is also a requirement to assist with special investigations (where cases of fraud and/or corruption are suspected) and provide reports to management, the Financial Scrutiny and Audit<u>Audit and Risk</u> Committee and External Audit regarding work carried out in this area.</p>
<p>Directors and Heads of Service</p>	<p>These officers are responsible for the management and prevention of theft, fraud, corruption and other irregularities within their area of responsibility. Each officer is expected to:</p>

Stakeholder	Roles and Responsibilities
	<ul style="list-style-type: none"> • identify, be familiar with and assess the types and risks of fraud or corruption that might occur within their area of responsibility; • promote and monitor sound working practices which minimise the likelihood of fraud and corruption occurring; • promote the Strategy where appropriate with any external organisations they may do business with; • be alert for any indication of fraud or corruption; and • be ready to take appropriate action in a timely way, should there be any suspicion of theft, fraud or corruption.
Members of Staff	<p>Staff should undertake their duties at all times in line with the Authority’s Code of Conduct for Employees. <u>Staff must also comply with all policies under their contracts of employment.</u> They have a responsibility to raise any concerns, should they become aware of any potential fraud, corruption or other wrongdoing, with an appropriate officer (who could be their line manager, Head of Section or Director, the Monitoring Officer, the Head of Internal Audit or any other senior officer).</p>
Partners, Contractors, Suppliers and other organisations that interact with the Authority	<p>These organisations should be aware of the need to uphold anti-fraud principles and be aware of the possibility of malpractice against the Authority, reporting any genuine concerns or suspicions promptly.</p>

Stakeholder	Roles and Responsibilities
Members of the Public	To notify the Authority of any genuine concerns or suspicions involving fraudulent or corrupt activities being committed against the Authority.

Appendix 3 – Fraud, Corruption and Bribery Response Plan

1. Introduction

- 1.1. The purpose of this Response Plan is to set out the action to be taken when a fraud is suspected or discovered. This Plan forms part of the Authority's overall approach to countering fraud, corruption and bribery.
- 1.2. Adhering to the Plan will enable the Authority to ensure that all incidents of fraud and corruption are handled in a consistent and responsible manner and that the relevant responsibilities when responding to an incident are clear.

2. Reporting Concerns of Fraud, Corruption and Bribery

- 2.1. Anyone who has a concern that a potential incident of fraud, corruption, money laundering or bribery has arisen should always seek to raise these concerns at the earliest opportunity with a Senior Officer. The Authority acknowledges that this can be a difficult and challenging action to take in some cases, and the Whistle Blowing Policy has been established to provide those raising concerns with a safe avenue with which to do so without fear of victimisation or bullying. It also offers sources of advice and guidance that they may turn to.
- 2.2. The Whistle Blowing Policy makes clear that the Authority will always respect the confidentiality of those who raise a concern. Wherever possible, it encourages the whistle blower not to remain anonymous, to ensure that ~~concerns can be set out in writing to ensure~~ that the facts of the situation ~~are~~ can be clarified in writing if the need arises.
- 2.3. Wherever the concern raised or identified relates to a matter of fraud, corruption, money laundering or bribery, the Director of Finance and/or the Head of Internal Audit should be notified in order that they can ensure appropriate investigatory measures are undertaken. Wherever possible, and whilst respecting confidentiality, the ~~Head of Internal Audit~~ investigating officer will work with other officers to ensure that appropriate members of staff and others are kept informed of developments. In particular it may be necessary to notify the ~~Section 17 Officer~~ Director of Finance and Management Team. The Director of Finance, Head of Internal Audit and ~~Solicitor and~~ Monitoring Officer should liaise to ensure that cases raised in respect of whistle blowing are appropriately addressed, and to ensure that the Head of Internal Audit is aware of all issues that may impact upon delivery of the Annual Audit Plan.

3. Reacting to Reports of Fraud, Corruption and Bribery

- 3.1. All reported cases will be handled in a fair and consistent manner. The Authority will remain mindful of the legislative framework governing the investigation of concerns, and in particular the :
 - Freedom of Information Act 2000;

- Data Protection Act ~~1998 (to be replaced by General Data Protection Regulations (GDPR) from May 2018)~~;
- Human Rights Act 1998;
- Fraud Act 2006;
- Terrorism Act 2000;
- UK Bribery Act 2010;
- Proceeds of Crime Act 2002 as amended by the Serious Crime Act 2015;
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; and
- Police and Criminal Evidence Act 1984.

3.2. As the Whistle Blowing Policy identifies, if an individual raises a malicious allegation they know to be untrue, then the Authority will not investigate the case further. The Authority will also endeavour to be sensitive to the alleged wrongdoers, to ensure minimisation of damage if, subsequently, the allegations are found to be incorrect or cannot be substantiated.

4. Conducting Investigations

- 4.1. The Head of Internal Audit is responsible for overseeing the progress of fraud, corruption and bribery investigations to ensure they are undertaken in a consistent and appropriate manner, in accordance with legislative requirements and agreed procedures. If the concern directly affects the Head of Internal Audit, this role will be adopted by the ~~Solicitor and~~ Monitoring Officer.
- 4.2. The Head of Internal Audit will also remain responsible for liaising with the Chief Executive and other senior managers as appropriate regarding the incident raised and the progression of the investigation. In such cases the liaison officer will be the ~~Chief Financial Officer~~ Director of Finance, unless this officer is the subject of or is otherwise linked to the investigation, in which case the Chief Executive will nominate an alternative liaison officer. Should disputes arise during the course of an investigation, these will be referred to the appropriate liaison officer (and, if necessary, the Chief Executive) to assist resolution.
- 4.3. In the event that the Chief Executive is the subject of or otherwise linked to the allegation, the Head of Internal Audit will liaise with the Chair of the Authority.
- 4.4. A number of options will usually be considered when determining who will be responsible for undertaking investigative work, but for the most part the Head of Internal Audit, in conjunction with the ~~Chief Financial Officer~~ Director of Finance will agree the method and terms of reference for the investigation. Although it is

acknowledged that flexibility will be required depending on the nature of the case, it is expected that the following will need to be considered:

- who will conduct the investigation;
- the arrangements for collecting and documenting evidence;
- the estimated time span for the investigation;
- the need for direct referral to/liaison with other authorities (e.g. the Police);
- the mechanism for reporting progress and the final outcomes; and
- liaison with the Head of Human Resources regarding the need for potential suspension / transfer /disciplinary action relating to the alleged wrongdoers.

4.5. Where it is deemed necessary to refer cases to the Police, careful consideration will be given as to whether to proceed with an internal investigation. However it is expected that all staff, members and third parties will comply with both internal and Police investigations as appropriate, and wherever possible Authority and Police enquiries will be co-ordinated to maximise their effectiveness.

4.6. Upon completion of any investigation, a report will be produced highlighting the main findings. The report will be reviewed by the Head of Internal Audit, who will be responsible for identifying any further action which may be needed in consultation with other appropriate officers (e.g. the Head of Human Resources if disciplinary action may be required). Where it has been found that fraud, corruption or bribery has occurred, a summary of the findings will be presented to the Management Team, and in due course a summary report will be prepared for the ~~Financial Scrutiny and Audit~~Audit and Risk Committee, setting out what mitigating actions will be taken to avoid or minimise the possibility of a recurrence of the incident. Where fraud, corruption or bribery could not be proven, the findings will only be shared with those who have a genuine and legitimate need to know.

4.7. The Head of Internal Audit will keep the person raising the concern informed of the progress of the investigation, ~~but will not necessarily be able to share either the report or the conclusions of the investigation with that person or persons.~~ Where this relates to a whistle blowing case, the Head of Internal Audit will continue to work with the ~~Solicitor and~~ Monitoring Officer in this regard.

4.8. It is the responsibility of management to ensure that any losses arising from an investigation are recovered, provided that there are reasonable grounds for doing so. There are various methods of recovery the Authority can utilise, for example directly from the perpetrator, through the Authority's insurers, or through legal proceedings. The appropriate method of recovery will be considered on a case-by-case basis by the

Management Team, where appropriate on the advice of the Head of Internal Audit and/or ~~Solicitor and~~ Monitoring Officer.

5. General Processes

- 5.1. This Fraud, Corruption and Bribery Response Plan will be displayed on the Authority's Intranet, in order that it is available to all members of staff. It is acknowledged that circumstances will differ from case to case, and the Authority reserves the right, where it is in the best interests to do so, to carry out investigations in ways which are not entirely in accordance with this Plan. ~~However n~~Notwithstanding ~~that~~, the Authority will seek to ensure that, where possible, all investigations are carried out in a consistent manner.
- 5.2. The Head of Internal Audit will remain responsible for ensuring that records in respect of fraud cases are appropriately maintained, ~~and, in line with guidance issued by The National Archive, r~~Records relating to proven frauds will be maintained for at least six years.

Advertising and Sponsorship Policy

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1. Introduction

- 1.1. The Broads Authority recognises the significant potential for income generation through advertising and sponsorship, and will seek opportunities to maximise revenue from these sources where this does not conflict with strategic priorities and National Parks Partnerships LLP activities. This Policy sets out the parameters for advertising and sponsorship, and outlines the considerations the Authority will take into account when offering or assessing advertising and sponsorship opportunities.
- 1.2. The starting point for all advertising is that it conforms within the rules and guidelines laid out by the Advertising Standards Agency (ASA) and complies with the UK Code of Advertising and Direct & Promotional Marketing¹. The Code of Recommended Practice on Local Authority Publicity² contains additional guidance including restrictions on advertising in the run up to elections.
- 1.3. Advertising and sponsorship should be seen as two distinct areas of activity, although they are linked in terms of many of the skills, considerations and approaches required to maximise income for the Authority. Therefore except where explicitly stated, they can be considered to be interchangeable throughout this policy.
- 1.4. The Authority currently carries advertising within many of its general publications, and has [previously](#) accepted sponsorship of events such as the Broads Outdoor Festival. This Policy formalises the Authority's general approach to advertising and sponsorship issues, but is not intended to supersede any specific established arrangements which may already be in place.

2. Purpose

- 2.1. The purpose of this Policy is to:
 - establish the parameters of the Authority's advertising and sponsorship activities;
 - define a general framework for decisions about advertising and sponsorship opportunities;
 - explain how the Authority's advertising and sponsorship initiatives are coordinated with activity undertaken by National Parks UK, [National Parks Partnerships and other organisations](#); and

¹ <https://www.asa.org.uk/codes-and-rulings/advertising-codes.html>

² <https://www.gov.uk/government/publications/recommended-code-of-practice-for-local-authority-publicity>

- set out how the Authority’s activities comply with legislative and regulatory requirements.

3. Definitions

- 3.1. Advertising encompasses two elements, firstly how the Authority promotes and markets its own services and brand (and indeed the wider [Broads](#) National Park brand), and secondly the sale of advertising space by the Authority to third parties in order to raise revenue.
- 3.2. Sponsorship in contrast can be defined as the payment of a fee or payment in kind by a company in return for the rights to a public association with a Broads Authority activity, item, person or property for mutual commercial benefit.
- 3.3. Sponsorship generally represents a deeper relationship than the advertiser relationship, where the Authority may simply be acting as a platform for an advertiser. As such, a higher level of scrutiny should be applied to a sponsorship agreement due to the greater potential impact on the Authority’s own brand identity and reputation.

4. Responsibilities

- 4.1. Decisions about large scale³, or potentially controversial sponsorship will be referred to the Full Authority, for example in the case of potentially controversial partners, or where a significant or sensitive asset is identified for sponsorship.
- 4.2. Decisions about the acceptance of significant⁴ advertising and uncontroversial sponsorship opportunities will be taken by the Management Team, taking account of the criteria set out in this Policy. Care needs to be taken about the cumulative value and impact of individual sponsorship arrangements.
- 4.3. Day to day decisions about advertising will be taken by officers (generally within the Communications Team). The sale of advertising space in publications [and other material and/or on websites](#) may be outsourced to third parties, although ultimate editorial control will always be retained by the Authority.

³ For the purposes of this policy, “large scale” sponsorship is considered to include any sponsorship arrangement worth more than £100,000 annually.

⁴ For the purposes of this policy, “significant” sponsorship is considered to include any sponsorship arrangement worth more than £5,000 annually.

5. Key principles

5.1. The Authority will apply the following principles when making decisions about entering into advertising or sponsorship agreements:

- Advertising and sponsorship support should only be considered where it is expected to deliver a significant net benefit with no detriment to the Authority or wider public interest.
- Advertising and sponsorship opportunities should be offered or sought in an open and transparent manner. In particular, a chosen advertiser or sponsor's competitors should not be given grounds to complain that they were not given a fair chance to identify an opportunity or compete for one identified by the Authority. Consideration should also be given to whether the arrangement would give rise to a contract for supplies, works or services where the Authority's Standing Orders for Contracts would apply.
- The Authority will publicise any major sponsorship / advertising opportunities (net of VAT) that it identifies on its website [and contract finder](#), and bids received will be assessed to establish the proposal which offers the Authority the best value for money. However this is a developing area of activity and it is recognised that to start with, opportunities may arise on an ad-hoc basis. To avoid creating an overly bureaucratic system demanding significant resource input, requests will be considered on their own merits in line with the general principles set out in this Policy.
- The Authority will seek to demonstrably act with impartiality, honesty and integrity when entering into a sponsorship agreement.
- The Authority will seek to ensure that sponsors do not receive returns that are greater than is appropriate and that any sponsorship agreement is able to withstand public scrutiny. Some of the considerations which could be applied in identifying whether a sponsor is deriving "inappropriate" returns are set out in section six below.
- Advertising and sponsorship should not be accepted where it will dilute the Authority's brand, campaign or message or be visually detrimental to the natural or built environment.
- The Authority will not, and must not appear to, endorse the advertiser / sponsor, or their products, beyond the natural level of partnership implied by a sponsorship arrangement.

- 5.2. Any advertising or sponsorship agreement must be in writing, clearly setting out the expectations of both parties. Where a financial consideration is involved, it will be appropriate for the sponsorship agreement to be prepared as a contract.

6. Specific issues when considering sponsorship

- 6.1. Sponsorship represents a deeper relationship between the Authority and the sponsor than the simple carrying of ~~third-party~~third-party advertising. Therefore the level of sponsor involvement in the Authority's activities needs to be treated with a degree of caution. The role sponsors can play in the public sector is to assist in "extending" an organisation's message. Sponsors should not receive ownership rights and their support must always be seen as secondary to the aims of the Authority. Furthermore, sponsors should operate within clearly defined parameters, and behave with propriety at all times.
- 6.2. The recommended parameters for sponsor involvement in the public sector are that:
- sponsorship should be seen as adding significant benefit to an existing Authority service, message or campaign;
 - sponsors should not be permitted to use a communications campaign or Authority event as a direct sales channel for any products or services; and
 - key activities should not be dependent on sponsorship support for their funding (in other words sponsorship may add to, but should not replace, core funding for statutory functions).
- 6.3. The Authority will therefore only accept sponsorship of specific assets, publications, activities or events, and will not accept sponsorship which might place (or appear to place) any individual Members or Officers under an obligation to the sponsor. There must be no suggestion whatsoever that sponsors receive privileged access, or have any influence over the Authority's strategies and policies. Particular care needs to be taken when considering large amounts of individual sponsorship, or in the case of repeated sponsorship.
- 6.4. The Authority will not seek or accept sponsorship from organisations that are involved in significant commercial negotiations with it (whether or not these are linked to the event or activity to be sponsored). However, advertising from such organisations may be considered. Care needs to be exercised when accepting sponsorship from organisations which may be affected by the Authority's role in setting tolls or enforcing legislation to be clear that no influence on these processes is obtained through, or as a result of, the sponsorship arrangement.

7. Criteria for identifying suitable advertisers and sponsors

- 7.1. It is not possible to define strict criteria to categorise potential advertisers and sponsors, however the following general principles should be applied to identify partners which would have a positive, negative or neutral impact on the Authority's reputation. In all cases an individual assessment should be undertaken to take account of any specific circumstances surrounding a particular partner organisation.

General criteria for considering suitability

- Is there any potential for conflicts of interest, or any other perception of inappropriateness?
 - Is there a risk of adverse publicity arising from the relationship?
 - Is the partner financially viable?
 - Does the partner demonstrate appropriate business practices, policies and customer and media profiles?
 - Do the partner's messages demonstrate synergy with those of the Authority? Is there any risk of dilution of the Authority's key messages?
 - Is there any existing commercial relationship or negotiation between the Authority and the partner?
- 7.2. The list below provides an indication of the types of organisations which might be generally expected to fall within each category. This should not be seen as definitive.

Positive Partners

- Government / other Public Sector bodies;
- UK tourism and leisure promoters;
- Brands associated with "green" and environmentally friendly activities;
- Sustainable travel brands;
- Leisure and outdoor equipment brands, including boating;
- Promoters of cultural activities, festivals and similar;
- Local media; and
- Charities (although care needs to be taken in respect of lobbying / pressure groups and political activism).

Neutral Partners

- Science and Technology industry;
- Food and Agriculture industry (although local producers and healthy lifestyle, “green”, organic, and environmentally friendly brands are likely to be positive partners);
- National media; and
- General advertisers (cars, travel, retailers, supermarkets, utilities, insurance).

Negative Partners

- Political parties and campaigning, lobbying or pressure groups;
- Organisations with a reputation for environmentally damaging practices;
- Organisations with a reputation for poor corporate responsibility or unethical practices;
- Tobacco / alcohol;
- Payday loan providers / irresponsible lenders;
- “Adult” entertainment; and
- Gambling

8. National initiatives

- 8.1. National Parks are working collectively to develop a more commercial approach to income generation and sponsorship. National Parks Partnerships LLP (NPP) is a limited liability partnership set up by the UK’s 15 National Parks in order to create successful partnerships between the UK Parks and businesses. It has developed a Sponsorship Policy which sets out guidelines for sponsorship at national level and the process by which sponsorship offers will be assessed. ~~Recent s~~Success to date includes Columbia Sportswear, Sykes Holiday Cottages, ~~and~~ Forest Holidays, Estee Lauder (Revere), Palladium, BMW, Harper Collins and EPAM Systems.
- 8.2. NPP will be seeking further sponsorship and partners at national level to provide funding and other in-kind support across the National Park family. Care therefore needs to be taken to ensure that any local agreements do not negatively impact on existing or potential national negotiations. In particular, an assessment of any local sponsorship offer should be undertaken to determine whether the proposed sponsorship relates to an asset or event which could be better “marketed” at the national level, and if so, whether the current sponsorship proposal has the potential to be escalated to NPP. Advice and support in this area can be sought from the NPP.

9. ~~State Aid~~ Subsidy Control considerations in the provision of sponsorship by the Authority

- 9.1. Where the Authority is to be the provider of funding or sponsorship to a ~~third party~~third-party organisation, the issue of ~~State Aid~~ Subsidy Control must first be considered. ~~State Aid~~ Subsidy Control may arise where the Authority gives money to a commercial organisation and relates to state resources being used to provide assistance which gives organisations an advantage over others. Within the scope of the Authority's activities, this has the potential to occur in the provision of grant and other project funding, and also if the Authority were to establish any schemes to provide financial support or assistance or which were intended to stimulate growth in a target sector or region.
- 9.2. The initial considerations when determining whether funding represents ~~State Aid~~ Subsidy Control have been defined by the Department for Business, Innovation and Skills⁵ as follows:
1. Is the financial assistance ~~granted by the state or given, directly or indirectly, from public through state~~ resources by a public authority?
 2. Does the financial assistance ~~give confer~~ an economic advantage to one or more ~~undertakings over others~~ enterprises?
 3. ~~Is the financial~~ ~~Does the~~ assistance specific? That is, has the economic advantage been provided to one (or more than one) enterprise, but not to others? distort, or have the potential to distort competition?
 4. ~~Does the assistance affect trade between EU Member States~~ Will the financial assistance have, or is it capable of having, an effect on competition or investment within the UK, or trade or investment between the UK and another country or territory??
- 9.3. In the event that sponsorship or funding is considered likely to be ~~State Aid~~ Subsidy Control, guidance should be sought from the Finance Team. The fact that a project constitutes ~~State Aid~~ Subsidy Control does not necessarily mean that it cannot be undertaken, but does mean that care needs to be taken to ensure that activities comply with ~~State Aid~~ Subsidy Control rules, and remain legal.

10. Dealing with complaints

- 10.1. In the event of any complaints regarding advertising or sponsorship, the Authority will adopt the following approach:

⁵ ~~State Aid: The Basics~~, UK subsidy control Department for Business, Innovation and Skills, 20~~22~~15.

- Complaints will be reported to Members as part of existing complaints monitoring processes, with any urgent or significant issues being reported on an ~~exceptions~~exception's basis.
- The Authority will be clear about the general rationale for accepting advertising and sponsorship, and in particular the need for the Authority to adopt a more commercial approach to income generation.
- Any concerns raised about a specific advert, advertiser or sponsor will be considered by the Authority's Management Team. If following review the advertising / sponsorship is considered appropriate, it will be continued with an explanation provided to the complainant. If the advertising / sponsorship is deemed to be harming, or potentially harming, the Authority's brand or reputation, then the advertising / sponsorship should be ended immediately (or as soon as reasonably practicable in the case of a sponsorship arrangement), with communications issued to explain the decision if necessary.

11. Review

11.1. This Policy will be reviewed every three years, or more frequently where there are significant changes in the environment within which the Authority operates.

Responsibility for ensuring that regular reviews are carried out lies with the ~~Chief Financial Officer~~Director of Finance.

~~February 2019~~March 2023

Audit and Risk Committee

14 March 2023

Agenda item number 10

Internal Audit Strategic and Annual Plans 2023/24

Report by Head of Internal Audit

Summary

This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2023/24.

The Annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provides the basis upon which the Head of Internal Audit will subsequently give an Annual Audit Opinion for 2023/24.

Recommendation

The Committee is requested to approve:

- i. The Internal Audit Charter 2023/24.
 - ii. The Internal Audit Strategy for 2023/24.
 - iii. The Annual Internal Audit Plan for 2023/24.
-

1. Introduction

- 1.1. The Authority is required by the Accounts and Audit Regulations 2015 to ensure "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 1.2. Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.3. The formulation of the Annual Internal Audit Plans for 2023/24 is described in the attached report, and the resulting plan contained therein.

Author: Faye Haywood

Date of report: 16 February 2023

[Broads Plan](#) strategic objectives: All

Appendix 1 – Internal Audit Plans 2023/24

Eastern Internal Audit Services



BROADS AUTHORITY

Internal Audit Plans 2023/24

Responsible Officer: Head of Internal Audit for Broads Authority

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.4 The following factors are also considered when developing the internal audit plan:
 - Any declarations to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
 - The relative risk maturity of the Authority;
 - Assurances provided by other reliable sources;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Audit and Risk Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.5 In accordance with best practice the Audit and Risk Committee should ‘*review and assess the annual internal audit work plan*’.

2. AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 17 Officer, Senior Management and the Audit and Risk Committee for approval. We can confirm no changes have been required for the year ahead. The Audit Charter can be found at **Appendix 1** of this report.
- 2.2 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

3. INTERNAL AUDIT STRATEGY

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

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed and enhanced to deliver the required assurances.

4. ANNUAL INTERNAL AUDIT PLAN

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

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

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

4.4 Information Technology audit coverage is typically reviewed every two years. IT audit coverage was scheduled in 2023/24 however, assurances have been carried out on a range of IT controls recently and have not identified any significant risks or control weaknesses. It is therefore proposed that the allocated resource is used in other more significant areas.

4.5 The key controls & assurance audit and the corporate governance & risk management audit will continue to be undertaken on an annual basis. This work will inform the Head of Internal Audit Annual Opinion and determine the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

4.6 The annual internal audit plan for 2023/24 totals 36 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Authority's internal control environment are carried out at year end.

4.7 The Head of Internal Audit role will continue to be provided by South Norfolk Council. The Head of Internal Audit will work with senior management and the Audit and Risk Committee to develop the annual internal audit plan, provide a quality review service to evaluate the outcomes of the work undertaken by the contractor (TIAA Ltd, provide an annual report and opinion to the Authority, ensure that the Committee continues to follow best practice through the self-assessment exercise and provide training as requested to new members of the Committee.

5. ASSURANCE MAPPING

- 5.1 The 2022/23 External Quality Assessment of the Internal Audit function has now concluded, and a report produced demonstrating the service is delivered in conformance with the Public Sector Internal Audit Standards. However, assurance mapping has been highlighted as an area requiring development.
- 5.2 Assurance mapping is an emerging area of internal audit practice which involves mapping a visual representation of assurance activities as they apply to a specific set of risks or compliance requirements facing an organisation.
- 5.3 This exercise is particularly useful to undertake as part of Internal Audit Planning as it allows the function to determine to what extent it can rely on and co-ordinate its activities with other assurance providers to enhance value and prevent duplication.
- 5.4 Following discussions with Senior Management, the Internal Audit team have been able to map the types of assurance available for the highest scoring strategic risks identified by the Authority in each of the three assurance categories listed below.

5.5 Three lines of defence

<p>1. The first line of defence (functions that own and manage risks)</p>	<p>2. The second line of defence (functions that oversee or who specialise in compliance o the management of risk)</p>	<p>3. The third line of defence (functions that provide independent assurance)</p>
<p>Assurances in this area are provided by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives.</p>	<p>Assurances in this area are provided by those that monitor frameworks, enable risk and compliance to be managed in the first line. Second line assurance functions are often involved in monitoring the effectiveness in the first line ensuring risks are managed consistently.</p>	<p>Assurances at this level are typically provided by internal audit. Sitting outside the risk management processes of the first two lines of defence. The main role of this defence line is to provide an evaluation of the effectiveness of the organisations approach to governance, risk management and control.</p>

- 5.6 The assurance map provided at **Appendix 4** of this report highlights what assurances are available in each of the three lines for the top scoring strategic risks. This has been used to provide justification to the areas included within the annual internal audit plan.

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT CHARTER FOR 2023/24

1. Introduction

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

1.6 Mission

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

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

1.7 This charter:

- Establishes the position and reporting lines of internal audit;
- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;

- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

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

2 Purpose, Authority and Responsibility

2.1 Purpose

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

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

2.2 Authority

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body must; *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.3 Responsibility

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

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

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

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

3 Key Relationships and Position in the Organisation

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

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

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

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

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

3.2.4 The delivery of the Annual Audit Plans for all consortium members and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Head of Internal Audit manages this contract.

3.3 Board

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

3.3.2 This functional reporting includes;

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

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

3.4 Senior Management

3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

3.4.2 The Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and responds as required.

3.5 External Audit

3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

3.6 Other Internal Audit Service Providers

3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into, a protocol will be determined and agreed by both Chief Audit Executives.

3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4 Rights of Access

4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.

4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5 Objective and Scope

5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.

5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.

5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion.

The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.

- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit are either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd, there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

6 Independence and Objectivity

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

7 Professional Standards

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

8 Internal Audit Resources

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

9 Audit Planning

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

10 Audit Reporting

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

11 Quality Assurance and Improvement Programme

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

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

11.3 Internal Assessment

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

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

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

11.4 External Assessment

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

11.4.2 An external assessment will:

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

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

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

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

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT STRATEGY FOR 2023/24

1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
 - how internal audit services will be developed in accordance with the internal audit charter;
 - how internal audit services links to the organisational objectives and priorities; and
 - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.3 Throughout this strategy the term 'The Authority' or 'Authority' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Authorities Audit Committee or equivalent.

2. How the internal audit service will be delivered

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

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk-based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit Committee and the S151/S17 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.2 Internal Audit Planning
- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all of the audits that could be performed; and
 - Previous Internal Audit plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.

3.2.7 Consultation with the S151/S17 Officer and Senior Management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.

3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by senior management prior to these being endorsed by the Audit Committee. In addition, External Audit is also provided with details of the plans.

3.3 Internal Audit Annual Opinion

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

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
 - A statement on conformance with the Public Sector Internal Audit standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

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

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

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

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

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

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

5. How internal audit resource requirements have been assessed

- 5.1 The in-house Internal Audit team at South Norfolk Council consists of the Head of Internal Audit who is a Chartered professional and an Internal Audit Trainee, currently training to become part qualified with the Chartered Institute of Internal Auditors.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The team also provides Internal Audit management support to one other Council outside of the Consortium.
- 5.3 The Internal Audit Trainee has recently been appointed to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 Through utilising a contractor, the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.
- 5.5 A core team of staff is provided by the contractor to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.6 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and

webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

- 5.7 The recent External Quality Assessment has highlighted that that the internal audit service needs to invest in skills relating to Data Analytics to ensure audits are carried out to take full advantage of the benefits that can be realised from this audit technique.
- 5.8 In 2022/23, the team made the first steps to develop a data analytics strategy by undertaking training in this area. The contractor has also been developing data analytic capabilities within its auditing of financial key controls audits. A commitment has been made to ensure that by 2025/26 each internal audit review regardless of area will incorporate some data analytics testing. Where systems data is not available to support such tests, a recommendation will be highlighted with the aim of encouraging the development of data maturity.
- 5.9 In addition to the above, in order to support the internal audit function to deliver the service using the latest best practice from the internal auditing profession, subject matter leads have been assigned to each new subject area such as climate and sustainability, culture and AI Data Analytics. Each subject matter lead will proactively seek training and guidance for their assigned area and will be responsible for upskilling the rest of the team.
- 5.10 The above-mentioned arrangements ensure that the Internal Audit Service can respond effectively to the assurance needs of each Authority whilst ensuring that the core team used are sufficiently qualified and experienced.

APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN 2023/24

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Annual Opinion audits						
Corporate Governance and Risk Management	5				5	<p>Our annual review of governance and risk management will be carried out to support the Head of Internal Audit Opinion. This audit will provide assurance that the systems in place to control and manage the Broads Authority are operating effectively and that significant risks are being identified and managed.</p> <p>During our review we will consider governance arrangements for decision making and the accountability and monitoring of performance. Our review will also provide assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities.</p>
Key Controls and Assurance Framework	15			15		<p>This audit looks at the fundamental systems that feed into the statement of accounts to provide assurance on the key financial controls. The areas reviewed as part of this audit are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts, Payroll and Follow Up of Internal Audit Recommendations.</p>

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Service Area audits						
Procurement	8		8			An audit of compliance against the Broads Authority Contract Standing Orders will be undertaken. This area was last reviewed in 2019/20 and given a reasonable assurance grading. Compliance with Contract Standing Orders allows the Authority to demonstrate good governance and ensures legislation is followed therefore safeguarding reputation.
Port Marine Safety Code	8		8			This review is an independent audit of the Broads Authority Safety Management System (SMS). The Port Marine Safety Code (PMSC) requires that Harbour Authorities should include provision for a systematic review of performance based on information from monitoring of the whole system. An audit and review of the marine SMS takes place every three years, informing the three-yearly publication of the marine safety plan and the Authority's performance against the previous plan, as required by the PMSC.
Total number of days	36	0	16	15	5	

Audits Previously undertaken		
Service area audits		
Partnership Working	2022/23	Reasonable
Corporate Health and Safety	2022/23	Substantial
Fens Ecological Project	2009/10	Reasonable
Procurement	2019/20	Reasonable
Consultation Activities and partnership provisions	2014/15	Reasonable
Planning	2020/21	Reasonable
HR and Payroll	2021/22	Reasonable
External Funding - HLF Bid and National Parks Partnership	2019/20	Reasonable
Port Marine Safety Code*	2020/21	Reasonable
Asset Management	2017/18	Reasonable
Branding	2018/19	Reasonable
IT Audits		
Disaster Recovery	2018/19	Reasonable
IT Governance and Strategy	2010/11	Reasonable
Cyber Security	2021/22	Reasonable
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Reasonable
Anti-Virus, Malware, Backups & Firewall Administration	2016/17	Reasonable

Future areas for consideration for audit review
Asset Management
Cyber Security and Disaster Recovery

* this is a 3 yearly review and is next due in 2026/27

APPENDIX 4 – ASSURANCE MAPPING 2023/24

Risk	First Line Assurance	Second Line Assurance	Third Line Assurance
<p>1. Harmful actions undermining public confidence in Broads Authority</p>	<p>The authority has a range of governance related procedures and policies which staff and members are required to adhere to inc, Procurement Standing Orders, Code of Conduct for staff and members and training is provided covering requirements. Monitoring Officer and Deputy Monitoring Officer in place, provided by Wilkin Chapman LLP.</p>	<p>An independent investigation recently undertaken provides assurance that controls regarding planning processes are effective with minor recommendations raised for adoption.</p>	<p>Governance and Risk Management Internal Audit is undertaken on an annual basis. In 2021/22 a reasonable assurance grading was given.</p>
<p>2. Safety-related incidents (boating) resulting in death or serious injury</p>	<p>The Authority ensures - Safety videos provided to boat hirers in advance of holiday. Ranger services in place. Survey of HBO handover procedures carried out to assess efficacy. Broadcaster, pre-visit training videos and other safety information provided to boat hirers. Hire Boat licensing and audit of licensees in place. Boat Safety Scheme and inspections in place. Compulsory 3rd party insurance in place for boats.</p>	<p>Findings and recommendations from independent investigation into recent accident adopted by the Authority.</p>	<p>Port marine safety code audits are undertaken by Internal Audit every three years. In 2020/21 a reasonable assurance was given.</p>

Audit and Risk Committee

14 March 2023

Agenda item number 11

External Audit

Report by Director of Finance

Summary

This report appends the Audit Results Report for 2021/22.

Recommendation

That the Audit Results Report for 2021/22 is noted.

1. Introduction

- 1.1. At the Audit and Risk meeting on 29 November 2022 the committee received a progress update on the audit of the 2021/22 Statement of Accounts. It was agreed at the Broads Authority meeting on 2 December 2022 to delegate the final signing to the Chair of the Authority and the Director of Finance if there were no significant findings.
- 1.2. EY completed their audit on 16 December 2022 and the audit results report was circulated to members of this committee on 19 December 2022. The 2021/22 Statement of Accounts were signed and published on the Broads Authority website on 21 December 2022. This report documents its receipt in Appendix 1.

2. Financial implications

- 2.1. At the date of writing there has not been any indication that the fee required for additional work has been determined (appendix 1 page 36). However it is anticipated that EY will be submitting a request in due course. As with previous years officers will look to mitigate any additional costs.

Author: Emma Krelle

Date of report: 27 February 2023

Appendix 1 – Audit Results Report (16 December 2022)

Broads Authority

Audit Results Report

Year ended 31 March 2022

16 December 2022



Audit & Risk Committee Members
Broads Authority

16 December 2022

Dear Audit & Risk Committee Members

2021/22 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit following our progress report which we presented to the Audit Committee on the 29 November 2022.

This report summarises our audit conclusion in relation to the audit of Broads for 2021/22. The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Broads Authority accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on the Authority's value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you ahead of the formal authorisation of the financial statements.

Yours faithfully

MARK HODGSON

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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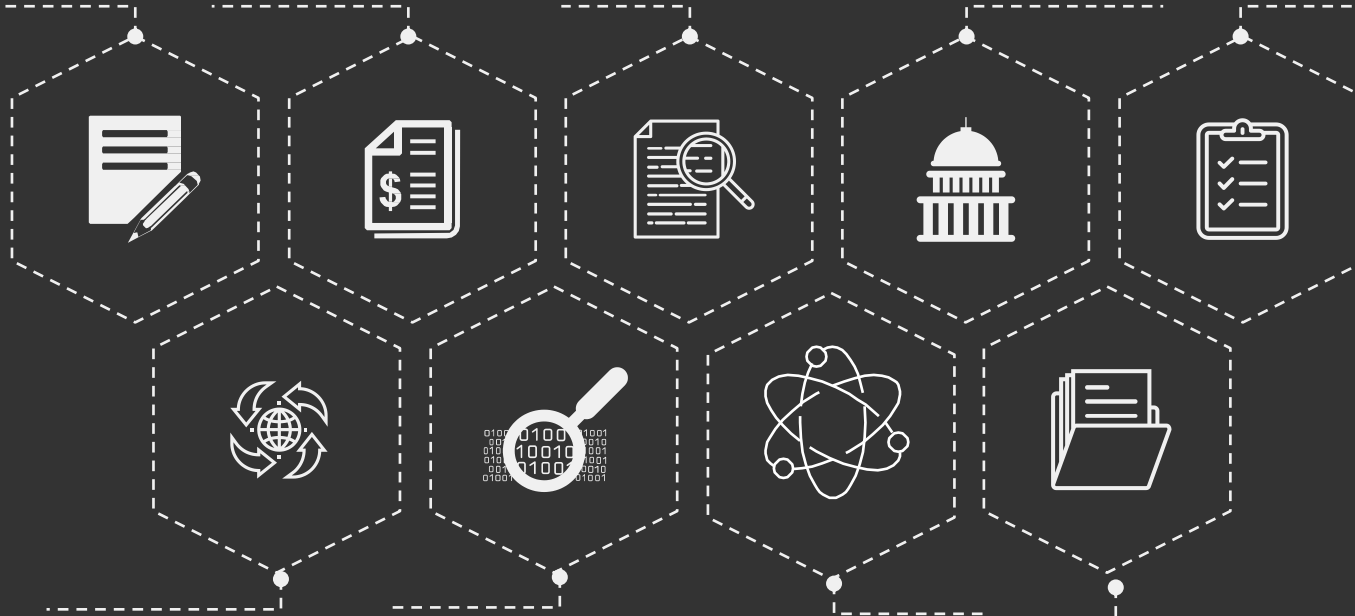
Audit Report

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Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Broads Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Broads Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Broads Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan dated the 8 July 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.168 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £0.196 million. This results in updated performance materiality, at 76% of overall materiality, of £0.147 million, and an updated threshold for reporting misstatements of £9,840.

Status of the audit

Our audit work in respect of the Authority audit opinion is substantially complete, as we only have our conclusion procedures to complete. The following items relating to the conclusion procedures were outstanding at the date of this report:

Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Financial Statements which could influence our final audit opinion, a current draft of which is included in Section 3.

Audit differences

Uncorrected audit differences

Other expenditure testing identified a number of items related to the 2020/21 period, as well as prepayment not appropriately adjusted for. These amounts while immaterial on their own, were part of an audit sample and therefore required extrapolation across the population, as we could not conclude that they were isolated differences. This extrapolation would lead to a total audit difference of £30,424 (reduction in expenses) with Prepayments understated by £6,600 and Short-term Creditors overstated by £23,824. Management have chosen not to adjust for this audit difference.

We request that this uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit Committee and provided within the Letter of Representation.

Executive Summary

Audit differences (continued)

Corrected audit differences

A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.

We also identified a limited number of minor audit disclosure differences in the financial statements, which management have adjusted for within the revised financial statements and Annual Governance Statement.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. A clear disclosure that there were no significant weaknesses governance matters has been included within the revised Annual Governance Statement.

We have not yet been able to perform the relevant procedures in relation to the Whole of Government Accounts (WGA) as the instructions have not yet been issued by the National Audit Office (NAO). Our audit certificate cannot therefore be issued and our audit report wording reflects this (Section 3)

We have no other matters to report.

Control observations

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.

Recommendation: The Authority should either use an appropriately qualified person as per the Code requirements to review all the valuations for this class assets (VPE) or opt to use the allowance under the CIPFA code to value these assets using the historic cost plus depreciation approach.

However, we have performed alternative analysis which has provided sufficient appropriate assurance that the carrying value at the 31 March 2022 is not materially mis-stated.

Executive Summary

Status of the audit - Value for Money

In Section 05 of this report, we confirm that we have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment throughout the completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the Auditor's Report (see Section 03).

We plan to issue the VFM commentary by the end of January 2023 as part of issuing the Auditor's Annual Report.

Independence

Please refer to Section 7 for our update on Independence.

Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Broads Authority. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- *We have completed our work in this area and have no matters to report.*

Management Override: Inappropriate capitalisation of revenue expenditure

- *We have completed our work in this area and have no matters to report.*

Inherent Risk: Pensions valuations and disclosures

- *We have completed our work in this area and have no matters to report.*

Inherent Risk: Accounting for infrastructure assets

- *We have completed our work in this area and have no matters to report.*



Executive Summary

Areas of audit focus (continued)

Inherent Risk: Valuation of Property, Plant, and Equipment and Investment Properties

- *We have completed our work in this area and have noted a control observation over the methodology applied to the valuation of Vehicles, Plant and Equipment.*
- *We have also noted that an increase in one assets valuation accounted for as a capital addition to the fixed asset register rather than a revaluation gain in the amount of £79,500.*

Inherent Risk: Recoverability of Debtors

- *We have completed our work in this area and have no matters to report.*

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK 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. We identify and respond to this fraud risk on every audit engagement.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Authority's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Documented our understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed the accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

We have not identified any material weakness in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As the Authority is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ Sample tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that they meet the statutory definition for REFCUS and therefore confirm that revenue costs have not been inappropriately funded from capital.
- ▶ Considered the effectiveness of management's controls designed to address the risk.
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Inherent risk

Pension valuations and disclosures

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body

The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet.

Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Broads Authority;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within Broadland District's financial statements in relation to IAS19, considering Fund assets and the Authority's liability.

What are our conclusions?

We have completed our work in this area and have no matters to report.



Areas of Audit Focus

Inherent Risk

Accounting for Infrastructure Assets

What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. CIPFA has now released a code modification and a statutory instrument has been approved by parliament which comes into law December 25, 2022.

As a result of not writing out gross cost and accumulated depreciation where components are replaced, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated. As a result, we have raised an Inherent risk in this area.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Continue to discuss the matter with the Authority as guidance on accounting for Infrastructure Assets is updated;
- ▶ Understand the Infrastructure Assets balance and the individual assets comprising this balance; and
- ▶ Understand the Authority's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.

What are our conclusions?

We have completed our work in this area and have no matters to report.

The movement in Infrastructure Assets has been immaterial and the Authority were able to evidence compliance with the Code of Audit Practice requirements in respect of Infrastructure Assets (as they currently stand).



Areas of Audit Focus

Significant Risk

Valuation of Property, Plant and Equipment & Investment Property

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

(Continued over the page).



Areas of Audit Focus

Significant Risk

Valuation of Property, Plant and Equipment & Investment Property

What are our conclusions?

We have concluded our work on Property, Plant & Equipment and identified 3 matters to report:

- ▶ A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.
- ▶ For one asset (24 Hour Moorings - Womack) we identified that an upward revaluation gain reported by the external valuer was not recorded to the Fixed Asset Register and financial statements. Following further audit procedures, we consider that this is appropriate, as a review of the asset identified that the Authority's appropriate legal title to the asset could not be proven. We therefore recommended that the asset be removed from the Fixed Asset Register in full until such a point that ownership can be proven. The carrying value of this asset is currently below our materiality threshold at £5,750. Management has updated the disclosures accordingly.
- ▶ In the current year it was identified that Vehicles, Plant, and Equipment were subject to significant revaluation movement requiring additional procedures to be performed to obtain audit assurance.

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.



Areas of Audit Focus

Inherent risk

Recoverability of Debtors

What is the risk?

As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of COVID-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Authority will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables.

What are our conclusions?

We have completed our work in this area of have no matters to report.



03 Audit Report



Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BROADS AUTHORITY

Opinion

We have audited the financial statements of the Broads Authority ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Authority Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and 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 2021/22.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of the Broads Authority as at 31 March 2022 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 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period or of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

**Our proposed opinion on the financial statements****Other information**

The other information comprises the information included in the 'Statement of Accounts 2021/22', other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the 'Statement of Accounts 2021/22'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.



Our proposed opinion on the financial statements

Responsibility of the Director of Finance

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 12, the Director of Finance 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ The Broads Authority Act 2009,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.



Audit Report - continued

Our proposed opinion on the financial statements

In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the Broads Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, Authority policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Broads Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2022.

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.



Audit Report - continued

Our proposed opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

Use of our report

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 (as amended) 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.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We highlight misstatements greater than £47,000 which have been corrected by management that were identified during the course of our audit.

Summary of unadjusted differences

There is one uncorrected material misstatements identified as part of our audit at the time of this report.

- ▶ **Comprehensive Income and Expenditure Statement - Overstatement of ‘Other Expenditure’** - Other expenditure testing identified a number of items related to the 2020/21 period, as well as prepayment not appropriately adjusted for. These amounts while immaterial on their own, were part of an audit sample and therefore required extrapolation across the population, as we could not conclude that they were isolated differences. This extrapolation would lead to a total audit difference of £30,424 (reduction in expenses) with Prepayments understated by £6,600 and Short-term Creditors overstated by £23,824. Management have chosen not to adjust for this audit difference.

We request that this uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit Committee and provided within the Letter of Representation.

Summary of adjusted differences

Corrected Differences

- ▶ **Balance Sheet - Property, Plant & Equipment - Addition incorrectly recorded as expense** - A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.

Disclosure Differences

There were a number of other disclosure differences which have been adjusted for by Management within the revised financial statements and Annual Governance Statement. We do not deem any to be so significant as to merit reporting to you.



05

Value for Money

Value for money

Broads Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

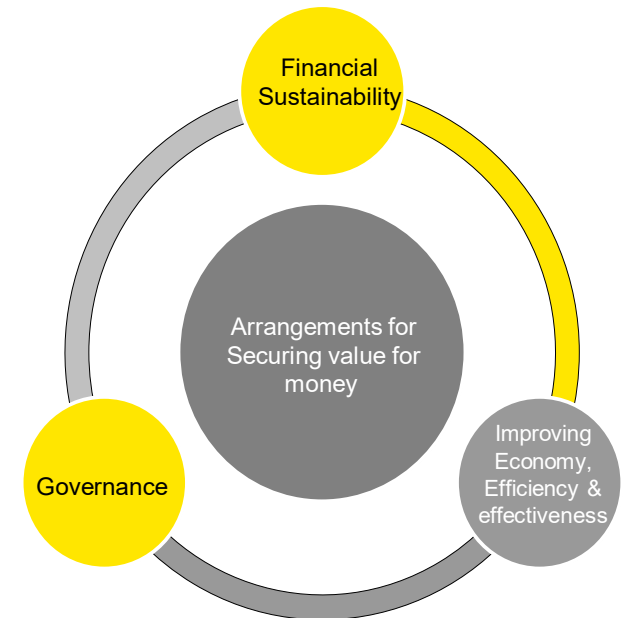
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.



Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Authority has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Authority management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Authority's arrangements.

As a result we had no risk based procedures to carry out and anticipate having no matters to report on VFM - as set out in Section 03 of this report. We plan to issue the VFM commentary, as required under the new Code, in January 2023, within our Auditor's Annual Report.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. A clear disclosure that there were no significant weaknesses governance matters has been included within the revised Annual Governance Statement.

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, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Authority would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return unless specifically selected for representative testing we do not expect to have any issues to report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern; and
- ▶ Consideration of laws and regulations.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of Broads 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 Broads Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

1. Methodology for valuation of Vehicles, Plant and Equipment.

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.

Recommendation: The Authority should either use an appropriately qualified person as per the Code requirements to review all the valuations for this class assets (VPE) or opt to use the allowance under the CIPFA code to value these assets using the historic cost plus depreciation approach.



8

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken any additional non-audit work.

Other communications

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK Transparency Report 2022 | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	10,736	10,736	10,736
Additional Fee determined by PSAA Ltd	-	-	24,224
Revised Proposed Scale Fee	10,736	10,736	34,960
2021/22 Additional work:			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	24,224	-	-
2021/22 Additional Procedures required in response to the risks and issues identified in this Audit Plan and this Audit Results Report	Note 2	-	-
Total fees	TBC	10,736	34,960

All fees exclude VAT

Note 1 - For 2021/22 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2020/21 and is subject to formal determination by PSAA Ltd and we would expect it to be at a similar level to that determined for 2020/21, increased by the stated annual uplift amount notified by PSAA Ltd. This includes the additional amounts in relation to the VFM reporting requirements of the NAO Code of Practice and impact of ISA540 on Estimates as in 2020/21.

Note 2 - In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks and findings. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report, or separately to this Committee depending on the timing of the determination by PSAA Ltd.







11 Appendices




Appendix A

Required communications with the Audit Committee





There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 15 July 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 15 July 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Result Report - 16 December 2022





Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Result Report - 16 December 2022
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Result Report - 16 December 2022
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Result Report - 16 December 2022





Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Result Report - 16 December 2022
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Result Report - 16 December 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Provisional Audit Plan - 15 July 2022</p> <p>Audit Result Report - 16 December 2022</p>

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Result Report - 16 December 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the 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 	Audit Result Report - 16 December 2022




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Result Report - 16 December 2022
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit Result Report - 16 December 2022
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Result Report - 16 December 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Result Report - 16 December 2022
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Result Report - 16 December 2022

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:


Item 	Actions to resolve 	Responsibility 
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the financial statements. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current audit opinion is included in Section 3.




Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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INVESTOR IN PEOPLE

14 December 2022

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Emma Krelle
Chief Finance Officer
Broads Authority
62-64 Thorpe Road
Norwich
Norfolk
NR1 1RY

Dear Emma,

**Broads Authority – 2021/22 financial year
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit and Risk Committee, as those charged with governance of the Authority.


I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2022.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales, with registered number OC303001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



Building a better working world

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You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is 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 we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority the Accounts and Audit Regulations 2015 (as amended in 2021 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. You believe the Authority 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 2021/22 and are free of material misstatements, including omissions. You have approved the Authority financial statements.
3. That the significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, you 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 2021/22, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of the unadjusted audit difference, summarised in our Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Authority's financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us 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 as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. That you have made available to us 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



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prepared) held through the year to the most recent meeting on the following date: 14 December 2022.

4. That you 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 you 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 year end. These transactions have been appropriately accounted for and disclosed in the Authority's financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Authority's financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Authority's financial statements (please specify the Notes) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2021-22.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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2. You confirm that the content contained within the other information is consistent with the financial statements.

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. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Authority.

I. Going Concern

1. That the Authority has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Environment, Food and Rural Affairs, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

K. Reserves

1. You have properly recorded or disclosed in the Authority's financial statements the useable and unusable reserves.



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L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Authority's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you 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 that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including due to the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

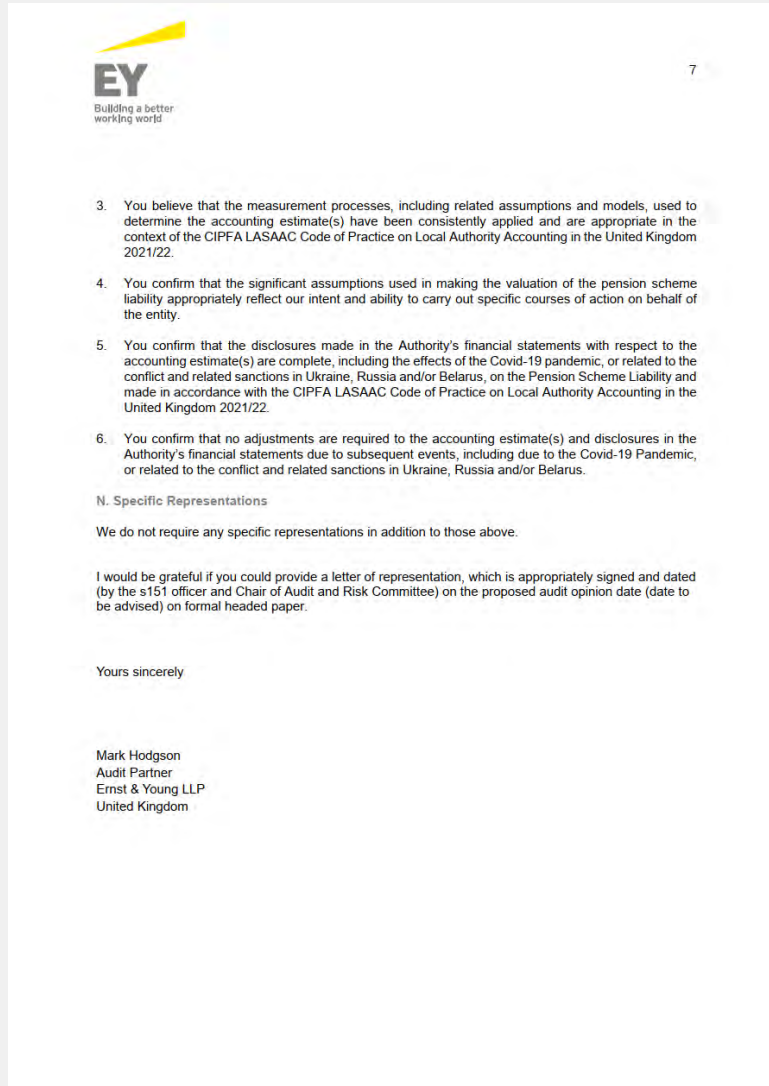
M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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Audit and Risk Committee

14 March 2023

Agenda item number 12

Implementation of internal audit recommendations- summary of progress

Report by Senior Accountant

Summary

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

Recommendation

To note the report.

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1. Introduction

- 1.1. This report gives an update on implementing the Authority's Internal Audit report recommendations, focusing on outstanding recommendations and timescales to complete outstanding work.
- 1.2. Appendices 1, 2 and 3 give details of the audits carried out in 2020/21, 2021/22 and 2022/23, in particular:
 - recommendations not yet implemented;
 - recommendations implemented since the last meeting; and

- new recommendations since the last meeting.

2. Summary of progress

- 2.1. Since the previous report to this committee in November, the recommendations from the Maturity Assessment of Cyber Security in 2021/22 have been completed. The impact of workloads have meant that some of the other actions have been further delayed. These have been updated in the appendix. The rest remain as scheduled.

3. Internal Audit Programme 2022/23

- 3.1. Since this report to committee in November the draft report from the Key Controls Audit in 2022/23 has been received and management responses provided. At the time of writing it is anticipated that the final version will be received shortly and details of the draft report can be found below. The majority of the testing on the audit for Corporate Governance has been completed and the draft report is due to be received shortly. An update on the results of this will be provided at the next meeting in July.

4. Key Controls and Assurance

- 4.1. The objective of this audit was to review the fundamental systems that feed into the statement of accounts to provide assurance on the key financial controls. The areas reviewed as part of this audit are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Tolls Income, Control Accounts, Payroll and Cash and Bank. This resulted in a “substantial” audit opinion with two “needs attention” recommendations being raised (see Appendix 3).
- 4.2. Good practice was noted relating to sound controls that are in place and operating consistently. The report stated that the Authority has started to diversify its investment portfolio with the long-term aim to have 50% invested with the Debt Management Office (DMO).
- 4.3. The two recommendations highlighted in the report are on target for completion.

Author: Ellie Richards

Date of report: 28 February 2023

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

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

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

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

Table 1

Governance and Risk Management – March 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>2. Changes to committee meetings In relation to the document management system (DMS), the following is undertaken: - Notes are added to deferred items to explain which committee date the item has been deferred to; and - To review if there is a way to match up/link the items on the forward plan to the generated items area. This mitigates the risk of not having a completed audit trail in place resulting in key items of business/decisions being missed if deferred matters are not assigned to the next convenient meeting.</p>	Needs Attention	Senior Governance Officer	<p>Agreed. Notes added to deferred items.</p> <p>Update: Governance team liaising with IT on whether more metadata can be added to improve the link between items in the Forward Plan and in the confirmed (generated report) area - progress on hold as reliant on IT resource availability, which is currently focussed on more urgent work.</p> <p>Update: Due to IT resource availability, this recommendation has been delayed to 31/12/2023.</p>	<p>By 31/12/2021 Updated to 31/12/2022 Updated to 31/12/2023</p>

Table 2

Port Marine Safety Code – June 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Governance The PMSC Performance Indicators (PIs) published within the authority's PMSC and those published on the authority's website be reviewed to ensure they are consistent with each other and reflect all areas of the PMSC. The website should also be updated to reflect the latest annual PI outturns. This helps reduce the risk that performance of the PMSC is not reported in a consistent and timely manner leading to ambiguity over whether the PMSC is performing well and meeting targets as planned.</p>	Important	Head of Safety Management	<p>Agreed.</p> <p>Update: Please note that this recommendation was previously marked as complete in July 2021, but a further review of documents highlighted it was out of date. The PI's on the website are dated 2017/2018 – The PI's reflect the Broads Plan and needs to be incorporated into the new version of the SMS. This action is a work in progress, a meeting has been arranged on 21/06/22 with Director of Operations, Head of Operations & Head of Navigation to discuss the action plan in drafting new SMS version to reflect recent changes to our SMS.</p> <p>Update: The Broads Plan (2022-2027) has changed and the PI's</p>	<p>By 31/10/2021 Updated to 31/01/202 Updated to 31/05/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			need to change to meet the new numbers with the Broads Plan.	
<p>3. Pilotage Finalise the arrangements for General Directions for larger vessels. This helps mitigate the risk that sufficient navigation rules are not in place and navigation of the broads is not managed as effectively and safely as required, in relation to larger vessels.</p>	Important	Head of Ranger Services	<p>General Directions are rarely used by Broads Authority - most directions are 'Special'. This requirement will require legal inputs and cost benefit analysis to assess its viability. Current requirements are met using Special Directions.</p> <p>Update: Due to the lack of large vessels navigating our waters the need for a General Direction has not arisen for a number of years and if it did we could deal with it under Special Directions. This item has been deferred to allow for a review of what is appropriate which will need specialist maritime legal advice.</p> <p>Update: The factors driving this work have changed since the paper went to committee in</p>	<p>By 31/10/2021 Updated to 28/02/2023 Updated to 31/12/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>2019, with COVID-19 and the long term closures of bridges on the lower Yare both affecting this. Control measures remain in place to control the risk through Special Directions which can be given ahead of each vessel movement. With very limited vessel movement over the last few years the requirement to put in place a General Direction to cover all larger vessel movements is now less of a priority against other projects. The Pilotage Policy is currently being reviewed as part of the wider Safety Management System review.</p>	
<p>7. Governance All relevant employees to be required to read and sign a copy of the PMSC on an annual basis. This assists in reducing the risk that employees are not familiar with the PMSC, leading to non-compliance with it.</p>	Needs Attention	Head of Safety Management	<p>Refresher training to be given at team meetings and attendance and signatures to be obtained.</p> <p>Update: Health & Safety Inductions for new starters now includes a PowerPoint presentation on PMSC/SMS this is</p>	<p>By 31/10/2021 Updated to 31/12/2022 Updated to 31/05/2023</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<p>also presented to new authority members. PMSC is a standard agenda item for the Safety Committee. Due to Covid-19 and safeguarding Operational we have had only one f2f full team meeting and other priority training was delivered at this time. The PMSC training will be delivered at the next Operational Technicians meeting in December 2022. Comment section updated and deadline extended to 31 December 2022.</p> <p>Update: With the new season starting, PMSC training shall be provided to all Rangers & CM&E staff and will sign to say that they have received the training. PMSC training will be provided if any changes are made prior to the annual training.</p>	

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

Table 3

HR and Payroll – December 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Staff Absences</p> <p>Staff resilience plans be reviewed to ensure that they are being used consistently across the organisation and that the activities are sufficient and effective when they have been used in practice.</p> <p>This reduces the risk of inconsistent or ineffective resilience plans increase the risk of service failure in the event of staff absence.</p>	Important	Directors	<p>Agreed.</p> <p>Update: This has not been completed for all Directorates due to other priorities and staff shortages.</p>	<p>By 31/03/2022</p> <p>Updated to 31/03/2023</p>
<p>4. Policies and procedures</p> <p>All HR policies be reviewed and updated to ensure that they are reflective of current arrangements and working practices.</p> <p>If policies are out of date, there is a risk of staff being given incorrect information or following outdated practices.</p>	Needs Attention	Head of HR	<p>Agreed. Initial review by 30/06/2022 and complete review by 31/12/2022.</p> <p>Update: A number of policies have been updated, however, two policies have queries that are waiting to be resolved.</p>	<p>By 31/12/2022</p> <p>Updated to 31/07/2023.</p>

Table 4

Maturity Assessment of Cyber Security – June 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Data Security Backup integrity and recovery testing must take place annually to ensure that they can be recovered as expected during an incident. We note that there are occasional file restores on request from users. However, this cannot constitute adequate full testing as required by this level.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
<p>2. Data Security Results of backup testing must be used to inform and improve the process via lessons learned sessions.</p>	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
<p>3. Incident Management A formal IT incident management process must be established, including triage and escalation requirements. We have noted that this is in place, but that it requires review, having been last reviewed in January 2019 prior to the start of the COVID-19 pandemic.</p>	Important	Head of ICT and Collector of Tolls	Agreed. Update: The plan has been drafted but due to work pressures, the plan will be signed off at the end of November. Complete.	By 31/10/2022 Updated to 30/11/2022
<p>4. Incident Management To achieve level IM3, full compliance with IM2 is required. In addition, IT staff must have a level of incident management training provided or disaster</p>	Important	Head of ICT and Collector of Tolls	Agreed. Update: Once the IT Disaster Recovery plan has been signed	By 31/10/2022 Updated to 31/01/2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
recovery/ business continuity exercises must be undertaken regularly. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.			off, work to achieve level IM3 will be completed next. Complete.	
5. Incident Management To achieve level IM4, full compliance with IM2 and IM3 is required. In addition, incidents must be reported and presented to senior leadership. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023
6. Incident Management To achieve level IM5, full compliance with IM2, IM3 and IM4 is required. In addition, incidents must include a review and 'lessons learned' sessions, as to improve the future response. We note that this level would have been compliant in its own right had the scoring not required it to be marked as partial.	Needs Attention	Head of ICT and Collector of Tolls	Agreed. Complete.	By 31/01/2023

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

Table 5

Corporate Health and Safety – July 2022

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

Table 6

Partnership Working – November 2022

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Partnership Protocol</p> <p>The Partnership Protocol be updated following the publication of the latest Broads Plan, and its relevance be promoted to all staff who may engage in partnership working on behalf of the Authority. Steps should be taken to ensure that all relevant staff are made aware of the Protocol and its importance.</p> <p>The Protocol should include a reference to the role that the Authority's Financial Regulations has in the Probity Arrangements of any Partnership.</p> <p>The Partnership Protocol and Checklist should be updated at regular and agreed intervals, no longer than five years.</p> <p>This will mitigate the risk that partnerships may be entered into by staff on behalf of the Authority without being formally recoded and monitored.</p>	Important	Senior Governance Officer	<p>Agreed</p> <p>Update: The amended documents are in draft and will be reviewed by Management team.</p>	<p>By 08/02/2023</p> <p>Updated to 31/03/2023</p>

Table 7

Key Controls – February 2023

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Control Accounts</p> <p>Evidence to be retained that all monthly control account/t reconciliations have been subject to independent review, including the date of that review.</p> <p>Risk: Management may not be aware of issues with the reconciliation process; either delays or imbalances between key financial accounts may therefore remain undetected.</p>	Needs Attention	Senior Accountant	Agreed in principle with the Director of Finance and the Senior Accountant at the debrief meeting on 21 December 2022.	By 31/05/2023.
<p>2. Accounts Payable</p> <p>Where possible, to implement checks on VAT and Company Registration Numbers as part of the new supplier checks.</p> <p>Risk: Fraud and not identifying dissolved companies.</p>	Needs Attention	Senior Accountant	Agreed in principle with the Director of Finance and the Senior Accountant at the debrief meeting on 21 December 2022.	By 31/05/2023.

Audit and Risk Committee

14 March 2023

Agenda item number 13

Recommendations from external review into formal complaint

Report by Senior Governance Officer and Deputy Monitoring Officer

Summary

A report to summarise the recommendations from the report prepared by Mark Heath, of VWV Solicitors dated December 2022 and to recommend to the Committee actions to progress the recommendations.

Recommendation

- i. To note the recommendations in the report by Mark Heath.
 - ii. To agree a set of actions to implement the recommendations and the relevant timetable.
 - iii. To delegate responsibility to the Chief Executive and Monitoring Officer to take all steps necessary to implement the recommendations in accordance with the plan at appendix 1, reporting back to this committee on progress as necessary.
-

1. Introduction

- 1.1. As Stage 3 of the organisation's Formal Complaints Process, the Authority's former Monitoring Officer commissioned an independent review into a complaint by Cllr Fuller regarding the handling of two minor planning applications.
- 1.2. From 1 January 2023, Jonathan Goolden, Partner, of Wilkin Chapman Solicitors, became the Authority's new Monitoring Officer. Following receipt of the independent review, Mr Goolden responded to the complainant on 5 January 2023 to conclude the matter by dismissing the complaints.
- 1.3. The report identifies some improvements to the Authority's governance and processes which Mr Goolden recommended that the Authority adopts.
- 1.4. Mr Goolden presented a report to the Authority at its meeting on 20 January 2023 with the list of recommendations. The Authority voted to accept the recommendations. The report and minutes of that meeting can be found on the Authority's [website](#).

- 1.5. The Authority also agreed to publish Mr Heath's report, which it did on 20 January 2023. It can be found [here](#) on the Authority's website.
- 1.6. The recommendations in Mr Heath's report provide an important role for this Committee in overseeing the improvements in governance and processes. Some amendments will need to be made to the Committee's terms of reference as a consequence.
- 1.7. It is envisaged that some improvements can be made relatively easily and quickly. However, others, such as reviewing the Authority's constitutional documents, will take more time. Therefore, a suggested timetable and action plan is proposed, which is appended at Appendix 1
- 1.8. This report and appendix have been reviewed by members of the Task and Finish group (Greg Munford, Paul Hayden and Michael Scott) and their feedback will be reported to the meeting.

2. Financial implications

- 2.1. The Deputy Monitoring Officer will work with the Senior Governance Officer as part of the contract with Wilkins Chapman LLP for these services.

3. Risk implications

- 3.1. The Corporate Risk Register contains the following risk: "Reputational damage caused by comments or actions by Authority members or officers, with consequent harm to relationships with stakeholders and/or undermining of public confidence in Authority." A wide range of tasks mitigate the risks and a complete review and update of constitutional documents (incl. Code of Conduct Complaints Process) and supporting guidance is programmed for completion by September 2023.

Author: Sara Utting and Estelle Culligan

Date of report: 16 February 2023

Appendix 1 – List of recommendations, timetable and suggested actions

Appendix 1 - Recommendations, the Authority's response and proposed actions

	Recommendation	Response	Action, person/committee responsible and timescale
1	The Authority's ongoing statutory duty to achieve Best Value (continuous improvement) provides a suitable approach to address the specific issues raised in relation to the planning function.	Continue to report to Planning Committee on performance statistics and feedback from satisfaction survey of applicants.	<ul style="list-style-type: none"> • Head of Planning • Deadline - Regular reports as current timings
2	We recommend that the existing "call-in" arrangements should be reviewed and that when the interpretation of delegated powers is challenged it should be a matter that the CEO and Chairman of the Planning Committee jointly take a role on, and if they cannot resolve the issue (or feel that it should be placed before members of the Authority), the matter is placed before members.	Agree. Adopt in Revised Arrangements	<ul style="list-style-type: none"> • Monitoring Officer/Senior Governance Officer/Head of Planning • Amendments to be agreed by the Authority • Deadline July 2023
3	We consider that the effective consolidation of the key documentation will be of benefit.	Agree and adopt	<ul style="list-style-type: none"> • Monitoring Officer to work with Senior Governance Officer on bringing all constitutional documents together • Deadline September 2023
4	Code of Conduct matters should be separated from the Audit and Risk Committee. The Audit and Risk Committee should also take on the explicit role of considering members' concerns regarding governance and generally oversight of the Authority's governance arrangements.	Agree and adopt.	<ul style="list-style-type: none"> • Monitoring Officer to work with Senior Governance Officer and the Audit and Risk Committee to review terms of reference for Audit and Risk Committee and terms of reference for change from Hearings Committee to Standards Committee. • The Authority to approve the changes. • Deadline September 2023

5	<p>The Monitoring Officer should consider issuing additional guidance / training regarding members interests and how the policing of behaviour and Code of Conduct matters is best addressed</p>	<p>Agree and adopt.</p>	<ul style="list-style-type: none"> • Monitoring Officer to work with CEX and Chairman and/or new Chair of Standards Committee to review training and provide refresher training and other training about interests/ declarations/code of conduct etc. • Possible programme of regular training to be provided by MO, DMO and Senior Governance Officer. • Regular reports to be provided to the new Standards Committee on conduct issues. New committee to have oversight of training • Deadline - ongoing
6	<p>Local Authority appointees should be appointed through a similar merit-based process to that used by the Government for Secretary of State appointments. This reflects our view that there should be parity of treatment for all members, whether LA appointees or SoS appointees. The issue of an independent chair is also worthy of reflection provided s/he has a regional rather than national focus.</p>	<p>Agree and refer to Defra for consideration in the context of the Landscape Review.</p>	<ul style="list-style-type: none"> • This was one of four main themes to emerge from the workshop held on 24 February 2022 to consider the Authority's response to the public consultation on the Government's response to the Landscape Review, and on which the Chairman wrote to Lord Benyon on 7 April 2022. • Deadline is subject to Defra's considerations and action
7	<p>Audit and Risk Committee, with their oversight of governance, should reflect upon issues regarding relationships and the underlying governance mechanisms behind those.</p>	<p>Agree.</p>	<ul style="list-style-type: none"> • Monitoring Officer to work with Senior Governance Officer and this Committee to review terms of reference for Audit and Risk

			<p>Committee.</p> <ul style="list-style-type: none"> • The Authority to agree changes to terms of reference • Deadline September 2023
8	The Authority should review and change their complaints process removing the automatic obligation on the Monitoring Officer to investigate where there is a concern about unlawful behaviour or activity.	Agree and adopt change to Complaints Process.	<ul style="list-style-type: none"> • CEX to work with Monitoring Officer and Senior Governance Officer to draft an amended process
9	Members can raise governance concerns with Audit & Risk Committee and so should be able not raise such concerns through the complaints process or any other route. Indeed, the ability for members to raise any issue when acting in their capacity as a member of the Authority through the Authority's complaints is something to review.	Agree.	<ul style="list-style-type: none"> • Monitoring Officer to work with Senior Governance Officer to review terms of reference for Audit and Risk Committee and revised arrangements. • The Authority to agree changes to terms of reference. • Deadline September 2023

Audit and Risk Committee

14 March 2023

Agenda item number 14

Corporate Risk Register- review

Report by Senior Governance Officer

Summary

The Broads Authority's Risk Register is presented for the Committee's information.

Recommendation

To note the updated Corporate Risk Register (appendix 1).

1. Introduction

- 1.1. The Audit and Risk Committee's responsibilities for risk are set out in its [Terms of Reference](#)
- 1.2. The Corporate Risk Register (CRR) sets out the "across the board" risks that could threaten the Authority's core business and the way it operates. Below this are Directorate Risk Registers (DRR) which are managed by each Director and identify risk that could threaten day to day operational activities. Where a new risk identified within a directorate has a revised risk score above 16 (high risk) it is automatically referred to the CRR for monitoring by Management Team and this committee. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk is removed from the CRR but retained on the DRR.
- 1.3. As requested at the meeting on 21 September 2021, the Corporate Risk Register is presented at every Audit and Risk Committee meeting.
- 1.4. The Management Team has overall responsibility for the risk registers and policy and risk owners are responsible for reviewing and updating their individual risk. Every risk is reviewed regularly or when there is a significant change in circumstances.

2. Review of risk registers

- 2.1. The CRR was reviewed by Management Team in February 2023, following a review of the DRRs, and the updated register is at Appendix 1.
- 2.2. Changes to the register are made using tracked changes. There have been no new risks added to, or any risks deleted from, the register. However, Members will note that there have been changes to the risk scores for three risks as follows:

- risk 2 – reduced risk score from 16 down to 12 (high to medium);
- risk 5 – reduced risk score down from 20 to 8 (high to medium); and
- risk 8 – reduced risk score down from 20 to 15 (high to medium).

3. Risk Management Policy

3.1. The Authority also has a [Risk Management Policy](#), which sets out the rules and standards for managing strategic and operational risk and guides staff in assessing, monitoring and managing risk. This policy was last reviewed in February 2022 and adopted at the March full Authority meeting.

Author: Sara Utting

Date of report: 21 February 2023

[Broads Plan](#) strategic objectives: all

Appendix 1 – Corporate Risk Register (March 2023)

Broads Authority Corporate Risk Register (Updated [March 2023](#))

Risk no. & SP*	Primary impact areas People, assets, finance, performance, reputation	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
1 SP-All	People, performance	Loss of key staff	Loss of working knowledge, expertise and/or close partnership associations due to key staff leaving Authority or being unavailable for long periods.	19/8/2019	4	4	16	<p>Resilience plan in place for handover period when key staff leave Authority or are unavailable for significant periods.</p> <p>HR policies and procedures in place to monitor absence and to support staff retention.</p> <p>Electronic data storage under review to allow access to any officer's files.</p> <p>Business Continuity Plan in place with systems back up. Plan reviewed annually (or following significant incident).</p> <p>Remote server enables office-based staff to work from home if required (e.g. period of quarantine).</p>	3	3	9	<p>Implement MS Teams to share data across Authority more effectively.</p> <p>Monitor the implementation of hybrid working which was introduced to increase flexible working options.</p> <p>Business Continuity Plan is reviewed annually.</p>	Chief Executive
2 SP-All	Reputation	Harmful actions undermining public confidence in Broads Authority	Reputational damage caused by comments or actions by Authority members or officers, with consequent harm to relationships with stakeholders and/or undermining of public confidence in Authority.	19/8/2019	4	4	16	<p>Code of Conduct for Members in place containing Nolan Principles of Conduct, and training given to all Members.</p> <p>Code of Practice for Members of the Planning Committee and officers (Sept 21) Code of Conduct for Officers included with HR policies.</p> <p>Director and Senior Governance Officer trained in Data Protection and GDPR; staff have specific data protection training, refreshed annually.</p> <p>Protocol on Member and Officer Relations in place (updated 2021).</p> <p>Scheme of Powers Delegated to CEO and other authorised officers (updated July 2022)</p> <p>Proactive communication policies relating to local and social media in place.</p> <p>Monitoring Officer and Deputy Monitoring Officer in place (service agreement with East Suffolk Council Wilkin Chapman LLP), with</p>	4	4	16	<p>Complete review and update of constitutional documents (incl. Code of Conduct Complaints Process) and supporting guidance after independent investigation is complete. Implement the recommendations from the VWV report adopted by Members in January 2023.</p> <p>Possible actions following a review into the handling of the Haddiscoe</p>	Chief Executive

Risk no. & SP*	Primary impact areas People, assets, finance, performance, reputation	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
								specialisms in Local Authority governance and Code of Conduct issues. In January 2023, Members received findings and recommendations of an independent investigation into a formal complaint about a planning matter.				planning applications	
3 SP3	Assets	Loss of key physical assets	Damage to, loss of or malfunction to key assets, impacting on BA operations/ duties and public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich).	19/8/2019	3	4	12	Asset Management Strategy in place. Integrated Access Strategy and Moorings Strategy in place (updated 2019). Rail bridges: Legal undertaking in place with Network Rail regarding bridge maintenance and operations. BA in Working Group with Norfolk County Council, New Anglia and Network Rail. Insurance in place for equipment and buildings over £250 - cover includes business interruption for Yare House and Dockyard. Landowner negotiations processes in place. Programmed inspection regime in place and regular maintenance carried out.	3	2	6	Regular review of contributions to reserves to ensure they remain appropriate for future purchases and repairs. Review of delegated powers to ensure limits remain appropriate and potential acquisitions can be acted upon swiftly. Property consultants to review repair and maintenance liability every 10 years, next scheduled for 2026/27.	Director of Operations
4 SP-All	Finance	Reduction in income and increase in costs	Uncertainty about National Park and/or Navigation funding, as any reduction would affect our ability to deliver our duties, e.g. <ul style="list-style-type: none"> Awaiting NPG funding confirmation from Defra 	19/8/2019	3	5	15	Regular contact with Government (DEFRA) regarding Comprehensive Spending Review. Consideration of external funding opportunities to plug any gaps. Regular input to Government consultations. Prudent budgeting for Navigation and National Park expenditure. Reserves in	2	3	6	Model expenditure options depending on proposed grant settlement and toll increases (Sept 2022 3). Explore options on income	Director of Finance

Risk no. & SP*	Primary impact areas People, assets, finance, performance, reputation	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date first entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk Controls/safeguards/precautions to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next 12 months	Risk owner ultimately responsible for risk
			<ul style="list-style-type: none"> Loss of toll income due to changes to/ impacts on local tourism industry) Loss of money as a result of fraud incident against the BA, including cybercrime					place to mitigate against sudden drop in income. Significant blocks of work delivered through external funds won by Authority. Training in cybercrime given to all staff. <u>Review of minimum reserves undertaken and reviewed by MT prior to 2023/24 budget setting.</u> <u>Energy insights used in budget setting process to determine impact of potential changes in the price cap.</u> <u>Change of splits between National Park and Navigation recommended as part of 2023/24 toll and budget setting.</u>				<u>generation prior to 2024/25 budget setting.</u> <u>Review impact of Covid-19 restrictions on boat numbers and levels of Authority reserves (monthly and in advance of tolls setting process).</u> <u>Model inflation pressures on budget to prioritise key areas for expenditure.</u> <u>Review minimum reserve levels in summer 2022 to mitigate any future pandemic impacts.</u> <u>Decision on level of tolls for 23/24 to be made in January 2023 so a more accurate position on boat numbers can be determined.</u>	
5 SP-All	People, performance	Large-scale public health crisis	Significant public health crisis (e.g. pandemic), where Government imposed measures affect the continuity of the BA's operational services and prevent visitors accessing the Broads for prolonged periods.	02/07/2020	5	5	25	Strict adherence to Government guidance and mitigation measures in place for staff, volunteers and members. Yare House, TICs and remote offices and facilities risk assessed and WFH measures in place for staff (where role allows). Key services (Safety Management) maintained within executive area.	5	4	20	Review opening of head office at Yare House and staff working patterns as situation evolves. <u>Regular monitoring through the</u>	Chief Executive

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			(also see risk no.4)					<p>Clear and concise internal and external communications in place.</p> <p>Business continuity/disaster recovery plan and incident reporting system in place and reviewed regularly. Incident response team meet as required to determine appropriate actions, services and measures to respond to crisis.</p> <p>Broads Authority convened to establish emergency powers and delegated powers needed to run the Authority.</p> <p>Communication links in place with relevant Government departments to assess measures, clarify advice and safeguard funding.</p> <p>Key services, budgets and reserves reviewed to safeguard delivery of Broads Plan priorities and externally funded projects.</p>				Public Sector Leaders Board	
6 SP2-7	Performance	Failure to meet statutory purposes or requirements of other relevant legislation	Underperformance in achieving, or conflict between, our statutory purposes resulting in legal issues or adverse impacts on the Broads and stakeholders (e.g. contravening Habitats Directive, loss of navigation access).	19/8/2019	3	5	15	<p>Provision of external legal services and Monitoring Officer (MO) in place.</p> <p>Constitutional documents in place and regularly reviewed.</p> <p>Strategic plans (incl. Broads Plan) and Broads Local Plan subject to review and to Sustainability Appraisal/SEA and Habitats Regulations Assessment.</p> <p>Detailed environmental practices in place, including Environmental Standard Operating Procedures.</p> <p>Collaborative working in place with key stakeholders to understand and address issues and risks.</p> <p>Officer level project boards in place with Wildlife Trusts, Natural England and Environment Agency to monitor progress and ensure compliance with statutory regulations.</p> <p>Scientific research and monitoring ongoing to assess impacts, and mitigation</p>	2	2	4	<p>Monitor external legal and MO services on a quarterly basis.</p> <p>Continue review of Broads Local Plan.</p>	Chief Executive

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								measures developed if potential harm identified.					
7 SP3	People	Safety-related incidents (operational works) resulting in death or serious injury	Death or serious injury to officer, volunteer or member of public in relation to the carrying out of operational works.	19/8/2019	5	5	25	<p>Health and safety policies in place and reviewed regularly by H&S Committee and risk owners.</p> <p>H&S Committee monitors and reviews incident reports; risk assessments reviewed and updated regularly.</p> <p>All staff and volunteers trained in key H&S issues; regular tool box talks given before carrying out tasks.</p> <p>Safety observations ONS system in place to catch near misses and learn from incidents. All accidents investigated; regular audits used to check control measures.</p> <p>Insurance in place for legal expenses.</p> <p>Quarterly reports on H&S monitoring assessed by Management Team.</p> <p>Safety system externally audited to ensure fit for purpose and compliance.</p>	2	5	10	<p>Monitor changes in H&S legislation.</p> <p>Monitor industry best practice and implement changes where required.</p> <p>Review Codes of Practice to maintain operational suitability and safety (end 2022).</p> <p>Carry out internal review of key H&S legislation to ensure Authority processes are appropriate (end 2022).</p> <p>Internal Audit on Health and Safety scheduled for 2022.</p>	Director of Operations
8 SP3	Reputation	Safety-related incidents (boating) resulting in death or serious injury	Failure to exercise powers as a navigation authority and licencing authority, resulting in death and injury to boat hirers due to poor performance by hire boat operators.	18/06/2021	5	5	25	<p>Safety videos provided to boat hirers in advance of holiday.</p> <p>Ranger services in place (additional Rangers recruited in 2021) providing advice to waterways users.</p> <p>Survey of HBO handover procedures carried out to assess efficacy.</p> <p>Broadcaster, pre-visit training videos and other safety information provided to boat hirers.</p> <p>Hire Boat licencing and audit of licensees in place.</p>	43	5	2015	<p>Review and response to findings of MAIB investigation into incident at Great Yarmouth completed.</p>	Director of Operations

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								Boat Safety Scheme and inspections in place. Compulsory 3 rd party insurance in place for boats. Implement the new Hire Boat Code					
9 SP5-7	Reputation, performance	Disruption to key project partnerships	Failure to deliver Defra and other funded schemes and partnership projects on time, with available resources and within budget, leading to potential financial issues, legal issues, lack of service delivery or adverse publicity.	19/8/2019	4	4	16	Contractual arrangements in place for key partnerships (see Partnerships Register). Projects risk registers maintained for CANAPE and Water, Mills & Marshes and Nature for Climate Peatland Grant Scheme (NPCGS) projects. Regular project progress reported to Broads Authority. Proactive role maintained within formal and informal partnerships at officer and member level. Regular meetings held with funders to discuss progress and highlight issues in timing or delivery.	3	4	12	Review Partnerships Register reviewed regularly (Nov 2022). Implement medium term funding model for UK National Park Comms Team from 1 April 2022.	Chief Executive
10 SP-All	Performance	Breach in data security or data protection, or loss of data.	Failure by staff to follow IT and/or GDPR processes or protocols, resulting in in-built security being bypassed and allowing data loss or data breach.	19/8/2019	4	4	16	Data/IT systems secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy. Bi-annual internal audit of IT systems and processes carried out. Certified GDPR Data Protection Officer(s) and GDPR Compliance Plan in place, and data protection training given to all staff. ICT security protocols reviewed in light of staff working from home to ensure compliance.	2	4	8	Monitor and review case law and keep up to date with GDPR & data protection information/best practice. Provide refresher GDPR & Data Protection online training via ELMS to all staff. (by end 2022).	Director of Operations

Prepared by: Management Team, Senior Governance Officer

Date updated: ~~November 2022~~ March 2023

Next update due: ~~March-July 2023~~

*Key to strategic priorities [for 2022/23](#):

1. Response to the Government's proposals on the Landscapes Review
2. Broads strategy and policy review (Broads Plan and Local Plan)
3. Safety in the Broads and Hire Boat Licensing Review
4. Responding to climate change (Broadland Futures Initiative and Climate Change Action Plan)
5. Water, Mills and Marshes Landscape Partner Scheme
6. Nature for Climate Peatland Grant Scheme – Discovery Grant
7. Farming in Protected Landscapes
8. Tolls system replacement 3 (Financial Strategy 2022/23-2024/25)

Risk score matrix

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