

**Internal Audit Annual Report and Opinion 2012/13**  
Report by Head of Internal Audit

**Summary:** This report has been developed to satisfy the mandatory requirements of the new Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013, and specifically Standard 2450, concerning the provision of an annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, which, in turn, should be used to inform the Authority's Annual Governance Statement.

The report also seeks to confirm compliance with the Accounts and Audit (England) Regulations 2011, whereby the Authority is required to 'undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.' The standards for 'proper practices' for internal audit applying to 2012/13 were detailed in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006), although for 2013/14 onwards, the Code has been superseded by consolidated Public Sector Internal Audit Standards.

To recognise that the Authority has met its statutory requirements, as recognised above, the Internal Audit Consortium Manager has produced this Annual Report and Opinion, drawing upon the outcomes of Internal Audit work performed over the course of the year, to formulate an opinion concerning the overall internal control environment which has been operating at the Authority throughout 2012/13.

**Recommendation:**

That the Committee is requested to:

- (i) receive and note the contents of the Annual Report and Opinion of the Internal Audit Consortium Manager;
- (ii) note that an **adequate audit opinion** has been given in relation to **the overall adequacy and effectiveness of the organisation's governance, risk and control framework** (i.e. control environment) for the year ended 31 March 2013;
- (iii) note that **Corporate Governance and Risk Management arrangements** for the year ended 31 March 2013 have received **good assurance**;
- (iv) note that the opinions expressed together with significant matters arising from the internal audit work and contained within this report should be given due consideration when developing and reviewing the Authority's Annual Governance Statement for 2012/13.

## 1 Introduction / Background

1.1 Public Sector Internal Audit Standards, which came into force from 1 April 2013, have effectively replaced CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006). The new Standards are very similar to the old Code of Practice in terms of year end Internal Audit reporting requirements, in so far as:

- an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control; a summary of the work that supports the opinion should be submitted;
- reliance placed on other assurance providers should be recognised;
- any qualifications to that opinion, together with the reason for the qualification must be provided;
- there should be disclosure of any impairments or restriction to the scope of the opinion;
- there should be a comparison of actual audit work undertaken with planned work;
- the performance of internal audit against its performance measures and targets should be summarised; and
- any other issues considered relevant to the Annual Governance Statement should be recorded.

In addition, a Commentary on compliance with the new Standards must be prepared in much the same way as the extent of compliance achieved against the CIPFA Code of Practice had to be documented (although for the purpose of this report, when looking back over 2012/13 – delivery of Internal Audit provisions against the old Code of Practice remain applicable).

- 1.2 It is further appreciated that a continuing need remains to communicate the results of the Internal Audit quality assurance and improvement programmes (QAIP) and any progress made against any improvement plans resulting from the QAIP.
- 1.3 The new Standards also have extra year end reporting obligations, namely the risk or control framework or other criteria used as a basis for the overall audit opinion must be identified.
- 1.4 This report therefore seeks to address the key items specified above, where appropriate, although recognising that some aspects are covered in additional reports, e.g. an evaluation of the performance on the Internal Audit Service is subject to separate reporting, and will feature in a report headed up 'Annual Review of the Effectiveness of Internal Audit for 2012/13'.
- 1.5 When considering this report and its attaching opinions, the statements made therein should be viewed as key items which need to be used to inform the organisation's Annual Governance Statement, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Authority should be looking to gain assurance. Moreover, in the course of

developing overarching audit opinions for the Authority, it should be noted that the assurances provide here can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the process subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at Appendix 5.

## **2 The Role of Internal Audit and Service Delivery Arrangements**

- 2.1 The Internal Audit arrangements at the Broads Authority have remained unchanged in relation to 2012/13, in so far as the Internal Audit Consortium Manager and Deputy Audit Manager at South Norfolk Council have continued to be responsible for managing the delivery of the Internal Audit Service to the organisation and controlling the work of Deloitte and Touche Public Sector Internal Audit Ltd, which is contracted to deliver the programme of work as detailed in the Annual Audit Plan.
- 2.2 All work performed on behalf of the Broads Authority has been undertaken in accordance with Internal Audit's Terms of Reference for 2012/13. The Internal Audit Service is essentially an assurance function that provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, by appraising its effectiveness in achieving the organisation's objectives. This is accomplished by Internal Audit objectively examining, evaluating and reporting on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.3 The work of Internal Audit during 2012/13 has been determined by a risk based Audit Plan. The priorities of the Annual Audit Plan have been consistent with the Authority's aims and objectives, whilst taking into account the Authority's risk management framework and relative risk maturity of the organisation. Added to this, the Plan has been regularly reviewed in the year to ensure that it has been responsive to the changing needs of the Authority. For example, if priorities have altered, organisational restructures have taken place or existing risks have subsequently escalated, diminished, disappeared or been overtaken by other emerging risks, the Plan has been revisited and its constituent audits reassessed, resulting in the rescheduling of work to a later stage in the financial year and/or the scope of audits being redeveloped. The extent of revisions needing to be made to the 2012/13 Plan, and what triggered them, are summarised at Section 8 of this report.

## **3 Internal Audit Service Provisions and Costs**

- 3.1 To ensure full transparency of the service, this report contains information about the costs associated with the provision of the Internal Audit function to the Authority, identifying input by the Internal Audit Services contractor to undertake the planned audit assignments and the level of support administered by the Audit Management Team to oversee all aspects of the service provision to officer and members. The cost of the service compared with the previous year is shown below:

<b>Nature of the work</b>	<b>2011/12 £</b>	<b>2012/13 £</b>
Cost of the planned work (Deloitte)	£11,722	£6,336
Cost of managing the service (South Norfolk Council)	£3,360	£4,410
<b>Total Cost</b>	<b>£15,082</b>	<b>£10,746</b>

3.2 The 2012/13 Annual Audit Plan, approved by Committee on 14 February 2012, included 27 planned days. During the year, this figure was reduced to 20 days, as the planned IT audit was deferred at the request of management due to the work pressures facing the organisation's IT infrastructure and staffing resources, caused in part by the relocation of the organisation to new offices in Quarter 3 of the financial year. The Audit Plan for 2012/13 was therefore reduced, hence the lower fees when compared to the previous year.

3.3 The cost of managing the Internal Audit Service in year has conversely increased compared with 2011/12. The Director of Change Management and Resources was fully consulted about the increased costs, was accepting of these and duly approved their payment. The additional costs were due to increased support given to Committee servicing and were originally raised with the Director of Change Management and Resources at the end of November 2012.

#### **4 Opinion of the Internal Audit Consortium Manager on the Overall Adequacy and Effectiveness of the Authority's Governance, Risk and Control Framework**

4.1 In order to give the Authority an overall opinion on its control environment, the Internal Audit Consortium Manager as the organisation's Head of Internal Audit has revisited the assurance levels given to individual audit assignments completed in respect of 2012/13.

4.2 **On the basis of the audit work undertaken in 2012/13, it is my opinion that an adequate assurance can be applied to the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. control environment) for the year ended 31 March 2013.** This opinion is in accordance with the definitions of assurance levels explained at Appendix 3, is derived from the planned work recorded at Appendices 1 (1) and 1 (2), whilst the corresponding Management Summary is attached at Appendix 2 (1). An analysis of the control environment over the last 5 years is attached at Appendix 4.

4.3 The adequate assurance level was provided upon completion of the audit on Key Controls and Assurance in Quarter 4 of 2012/13. This audit has focused on the fundamental financial systems and covered Treasury Management, the Main Accounting System, Fixed Assets, Budgetary Control, Purchase Ledger, Sales Ledger, Payroll and Toll Income. An adequate (positive) opinion was awarded; with only 1 medium priority recommendation raised in relation to the Purchase Ledger. The overarching assurance level has remained the same as the previous year.

## 5 Verification of the Year End Status of Agreed Audit Recommendations

- 5.1 The Committee is regularly updated as to the status of agreed recommendations, however this report specifically revisits the year end position, and upon completion of audit verification work, we have been able to confirm the following:

<b>Status of Recommendations for the period 1 April 2012 to 31 March 2013</b>					
	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>	<b>%</b>
<b>Complete</b>	0	10	5	15	83.3%
<b>Outstanding</b>	0	3	0	3	16.7%
<b>Total</b>	0	13	5	18	

- 5.2 The table above summarises activity in relation to the processing of agreed audit recommendations, whilst Appendix 6 contains a summary of recommendations linked to individual assignments and Appendix 7 analyses those recommendations found to be outstanding at year end.
- 5.3 When assessing the overall position, it is pleasing to report that 83.3% of recommendations have been processed by management, a much improved position from last year where 57% were completed at year end.
- 5.4 Committee will note from examination of **Appendix 7** that the 3 outstanding audit recommendations have revised deadline dates that have now passed. The verification work is completed as part of the Key Controls and Assurance audit that was completed in January / February 2013. Committee will note that the Head of Finance is providing an update on the Implementation of Internal Audit Recommendations later in the agenda, at which point a more updated position will be provided.

## 6 Corporate Governance and Risk Management

- 6.1 Internal Audit has reviewed the Corporate Governance and Risk Management arrangements for 2012/13 as part of the 2013/14 Annual Audit Plan. The findings of the review are attached at Appendix 2. **On the basis of the work undertaken, in my opinion, I am able to give a good assurance with regards to Corporate Governance and Risk Management arrangements for 2012/13.** This is consistent with the audit opinion given for the previous year, with provisions in place effectively mirroring best practice.

## 7 Issues to be considered when compiling the Annual Governance Statement for 2012/13

- 7.1 As already noted at paragraph 5.1, there are no outstanding high priority recommendations requiring management action. Moreover, in all areas subject to audit inspection we have been able to provide positive assurance

on conclusion of our work. There are therefore no issues that need to be considered when compiling the Annual Governance Statement for 2012/13.

## **8 Review of Audit Work delivered in 2012/13 compared with the Annual Audit Plan approved on 14 February 2012**

- 8.1 The table overleaf shows in summary the audit coverage that was originally planned, where it has proved necessary to revise audit input in year and then compared amended planned days with those actually delivered, whereas a more detailed overview can be found at Appendix 1, highlighting when audit assignments were completed and the Management Summaries extracted from the final reports are at Appendix 2.

<b>Description</b>	<b>Days originally planned for 2012/13</b>	<b>Revised planned days for 2012/13</b>	<b>Actual days delivered</b>	<b>% of revised planned work delivered</b>
<b>Systems audit</b>	20	20	20	100%
<b>Computer audit</b>	7	0	0	n/a
<b>Total</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>100%</b>

- 8.2 The only change to the Annual Audit Plan for 2012/13 was the request by management to defer the computer audit to 2013/14 due to the work pressures facing the organisation's IT infrastructure and staffing resources. This change resulted in a much reduced Annual Audit Plan, however it is already planned that a re-assessment of the Authority's risks in relation to computer audit is to be undertaken in early 2013/14, with days already allocated to the Annual Audit Plan for the subsequent IT audit to be undertaken, thus ensuring continuity of computer audit coverage going forward.

## **9 Effectiveness of Internal Audit**

- 9.1 As mentioned previously, elsewhere in this agenda is a report setting out the results of our year end review of the effectiveness of the Internal Audit Service. This includes:
- The performance of the Internal Audit Service contractor;
  - The degree of compliance with the Code of Practice for Internal Audit in Local Government;
  - The degree of compliance with CIPFA's Statement on the Head of Internal Audit; and
  - The level of compliance being achieved in respect of other quality assurance measures for the service.

9.2 This supplementary report provides appropriate justifications that reliance can be placed on our work and the audit opinions given, following completion of review work.

Background papers: None

Author: Sandra King, Internal Audit Consortium Manager

Date of Report: 21 June 2013

Broads Plan Objectives: None

Appendices:

- APPENDIX 1(1) Review Work delivered in accordance with the Annual Audit Plan for 2012/13
- APPENDIX 1(2) Review Work delivered in accordance with the Annual Audit Plan for 2013/14
- APPENDIX 2 Management Summaries in respect of Completed Audit Assignments
- APPENDIX 2(1) BA/13/02 Key Controls and Follow Up
- APPENDIX 2(2) BA/14/01 Corporate Governance and Risk Management
- APPENDIX 3 Norfolk Internal Audit Consortium Definitions / Categories of Audit Opinions relating to Individual Audit Assignments
- APPENDIX 4 Levels of Assurance Awarded from 2008/09 onwards
- APPENDIX 5 Limitations and Responsibilities
- APPENDIX 6 Summary of Agreed Audit Recommendations as at 31 March 2013
- APPENDIX 7 Outstanding Audit Recommendations as at 31 March 2013

**Review Work delivered in accordance with the Annual Audit Plan for 2012/13**

Audit No.	Description of Audit	Frequency of Audit Coverage	Original Planned Days	Revised Days Planned	Days Delivered	Original Scheduling	Status	Assurance Level applicable	Summary Report Details presented to Members
BA/13/01	Corporate Governance and Risk Management	Annually	5	5	5	April	Complete Final Report issued 1 May 2012 This report was used to inform the Annual Report and Opinion for 2011/12.	Good	Financial Scrutiny and Audit Committee 12 July 2012
BA/13/02	Key Controls and Assurance	Annually	15	15	15	January	Complete Final Report issued 26 February 2013	Adequate	Financial Scrutiny and Audit Committee 9 July 2013
<b>TOTAL PLANNED SYSTEMS AUDIT WORK</b>			<b>20</b>	<b>20</b>	<b>20</b>	<b>100%</b>			
<b>PLANNED COMPUTER AUDIT WORK</b>									
BA/13/03	Computer Audit Project - Details to be confirmed		7	0	0	October	Audit deferred to 2013/14 at the request of management		
<b>TOTAL PLANNED COMPUTER AUDIT WORK</b>			<b>7</b>	<b>0</b>	<b>0</b>				
<b>TOTAL PLANNED WORK</b>			<b>27</b>	<b>20</b>	<b>20</b>	<b>100%</b>			

**Review Work delivered in accordance with the Annual Audit Plan for 2013/14**

Audit No.	Description of Audit	Frequency of Audit Coverage	Original Planned Days	Revised Days Planned	Days Delivered	Original Scheduling	Status	Assurance Level applicable	Summary Report Details presented to Members
BA/14/01	Corporate Governance and Risk Management	Annual	5	5	5	April	Complete Final Report issued 22 May 2013 This report was used to inform the Annual Report and Opinion for 2012/13.	Good	<b>Financial Scrutiny and Audit Committee 9 July 2013</b>
BA/14/02	Procurement	Requested	7	7		September			
BA/14/03	Key Controls and Assurance Work	Annual	15	15		January			
<b>TOTAL PLANNED SYSTEMS AUDIT WORK</b>			<b>27</b>	<b>27</b>	<b>5</b>	<b>19%</b>			

**PLANNED COMPUTER AUDIT WORK**

BA/14/04	Computer Audit Needs Assessment	3-yearly	1	1		May			
BA/14/05	IT Audit TBC		7	7		November			
<b>TOTAL PLANNED COMPUTER AUDIT WORK</b>			<b>8</b>	<b>8</b>	<b>0</b>				

<b>TOTAL PLANNED WORK</b>			<b>35</b>	<b>35</b>	<b>5</b>	<b>14%</b>			
---------------------------	--	--	-----------	-----------	----------	------------	--	--	--

**Management Summaries in respect of  
Completed Audit Assignments**

**Appendix 2(1)**

**Report No. BA13/02 – Final Report issued 26 February 2013**

**Audit Report on Key Controls and Follow Up**

**Assurance Opinion**

<b>Unsatisfactory Assurance</b>	<b>Limited Assurance</b>	<b>Adequate Assurance</b>	<b>Good Assurance</b>

**Rationale supporting the award of the opinion**

The control environment is adequate to support the achievement of management's objectives and with the exception of the Purchase Ledger area – where one medium priority recommendation has been raised - all key controls were confirmed to be operating effectively through the testing undertaken. The overall level of assurance remains the same as that awarded in the previous audit of Key Controls undertaken in 2011/12 (BA1205). Good progress has been made with regards to the implementation of recommendations raised through previous audits: only three recommendations remain outstanding and confirmation was sought that these actions are in progress.

**Positive Findings**

We found that the Authority has demonstrated the following points of good practice as identified in this review and where applicable, we will be sharing details of these operational provisions with other member authorities in the Consortium:

- Good progress had been made with regards to the implementation of recommendations from previous audits, in terms of both key financials and other operational and governance related areas.
- All controls tested were found to be adequate and effective in the following areas: Treasury Management; General Ledger; Fixed Assets; Budgetary Control; Sales Ledger; Payroll; Toll Income.

**Control weaknesses to be addressed**

During our work we have identified the following area(s) where we believe that the processes / arrangement within Purchase Ledger would benefit from being strengthened, and as a result of these findings a medium priority recommendation has been raised.

- Two exceptions were noted through testing of a sample of 25 payments made during 2012/13, whereby purchase orders had not been signed off by an officer with delegated authority to approve expenditure as per the Authority's authorised signatory list.

## Summary of the adequacy and effectiveness of controls

	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised			
				High	Medium	Low	
<b>Adequacy and Effectiveness Assessments</b>	Treasury Management	Green	Green	-	-	-	
	Mani Accounting System/General Ledger	Green	Green	-	-	-	
	Fixed Assets	Green	Green	-	-	-	
	Budgetary Control	Green	Green	-	-	-	
	Purchase Ledger	Green	Amber	-	1	-	
	Sale Ledger	Green	Green	-	-	-	
	Payroll	Green	Green	-	-	-	
	Toll Income	Green	Green	-	-	-	
	<b>Total</b>				<b>0</b>	<b>1</b>	<b>0</b>

### High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

### Management Responses

Management have accepted the recommendation that has been raised.

## Report No. BA/14/01 – Final Report issued 22 May 2013

## Audit Report on Corporate Governance and Risk Management

## Assurance Opinion

Unsatisfactory Assurance	Limited Assurance	Adequate Assurance	Good Assurance
			↔

## Rationale supporting the award of the opinion

There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.

In preparation for the change from three directorates to two directorates from 1<sup>st</sup> April 2013, the Authority has taken steps throughout 2012/13 through on-going, on the job training with relevant officers who are undertaking the roles and responsibilities of the Director of Change Management and Resources who left the Authority in March 2013.

One low priority recommendation has been raised to ensure that the Code of Corporate Governance reflects the structure of the Authority, thus enabling all roles and responsibilities to be fulfilled accurately and completely.

## Positive Findings

We found that the Authority has demonstrated the following points of good practice as identified in this review, and we will be sharing details of these operational provisions with other member authorities in the Consortium where appropriate:

- Training regarding the Authority and its governance arrangements is provided to staff and members through induction training sessions.
- The impact of the Localism Act (2011) on the Authority's governance arrangements has been assessed, and in response changes have been made to the Authority's Standards arrangements. As a result, the register of Members' interests has been made available through the Authority's website.

It is also acknowledged that there are areas where sound controls are in place and operating consistently:

- The terms of reference of committees and the Scheme of Powers Delegated to Officers, Contractual Procedures, and the codes of conduct for members and staff are in place, and have been recently reviewed and approved.
- A Risk Management Policy is in place which is reviewed on an annual basis and is available to all staff on the Authority's intranet.
- Strategic risks, including financial risk arising from funding withdrawal, are reviewed and reported to the Financial Scrutiny and Audit Committee on an annual basis, with risks scored in terms of impact and likelihood, and risk owners stated for each risk. Where risks are above the defined tolerance set by the Authority mitigating actions have been stated to help reduce the impact and likelihood of risks. Furthermore, the Management Forum review risks on an annual basis (we were advised that this will be six monthly reviews by Management Forum with effect from June 2013) with risk owners also undertaking reviews on a six monthly basis.

### Control weaknesses to be addressed

No high or medium priority recommendations have been raised as a result of this audit.

One low priority recommendation has been raised in relation to the need for references to the Director of Change Management and Resources within the Code of Corporate Governance to be removed and updated with relevant job titles following the removal of this position as of 1<sup>st</sup> April 2013.

### Summary of the adequacy and effectiveness of controls

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Corporate Governance	Green	Amber	0	0	1
	Risk Management	Green	Green	0	0	0
<b>Total</b>				<b>0</b>	<b>0</b>	<b>1</b>

### High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

### Management Responses

Management have accepted the recommendation raised.

## Appendix 3

### Norfolk Internal Audit Consortium Definitions / Categories of Audit Opinions relating to Individual Audit Assignments

**Deloitte and Touche Public Sector Internal Audit Ltd** have four categories of audit opinion, by which they classify internal audit assurance over the processes that they have examined, and these are defined as follows:

<b>Good Assurance</b>	<p>There is a sound system of internal control designed to achieve the client's objectives.</p> <p>The control processes tested are being consistently applied.</p>
<b>Adequate Assurance</b>	<p>While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.</p> <p>There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk.</p> <p>The level of non-compliance puts the client's objectives at risk.</p>
<b>Unsatisfactory Assurance</b>	<p>Control processes are generally weak leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Good Assurance' does not imply that there are no risks to the stated objectives.

**The Broads Authority**  
**- Levels of Assurance Awarded from 2008/09 onwards**

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Annual Opinion Audits</b>					
Corporate Governance	Substantial/Adequate				
Review of Annual Governance Statement	Substantial/Adequate (reviewed Q1 of 2009/10)				
Corporate Governance and Risk Management	Limited (reviewed Q1 of 2009/10)	Adequate (reviewed Q1 of 2010/11)	Adequate (reviewed Q1 of 2011/12)	Good (reviewed Q1 of 2012/13)	Good (reviewed Q1 of 2013/14)
Risk Management					
<b>Fundamental Financial Systems</b>					
Toll Income	Adequate	Absorbed into Key Controls and Assurance work			
Asset Management	Adequate				
Payroll/Human Resources	Adequate				
Key Controls and Assurance Work	Adequate	Adequate	Adequate	Adequate	Adequate
Procurement					
<b>Change Management and Resources</b>					
Partnership Working		Limited			
Fens Ecological Project		Adequate			
<b>Planning</b>					
Planning				Adequate	
<b>IT Audits</b>					
Disaster Recovery	Limited				
IT Governance and Strategy			Adequate		
Toll Management Application				Limited	
Computer Audit Project - to be confirmed					

## Limitations and Responsibilities

### Limitations inherent to the Internal Auditor's work

I have prepared the Internal Audit Annual Report and engaged Deloitte (the Internal Audit Services contractor) to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

### Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2012/13 Annual Audit Plan, which originally involved 27 days, although this figure was then revised in year to 20 days. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit briefs and reports.

### Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future Periods

Internal Audit's assessment of controls relating to the Broads Authority is for the year ended 31 March 2013. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

The timings of the individual internal audit reviews carried out in relation to the 2012/13 Audit Plan are recorded in **Appendix 1** to this report.

### Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Internal Audit Consortium Manager has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and Deloitte's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

**Appendix 6 - Summary of Agreed Audit Recommendations as at 31 March 2013**

			Completed during or prior to 2010/11			Completed during 2011/12			Completed during 2012/13			Outstanding			Total
Ref	Description	Opinion	H	M	L	H	M	L	H	M	L	H	M	L	
BA901	Corporate Governance Pt 2	Adequate		4	2						1				7
BA903	Toll Income	Adequate		1									1		2
BA1001	Corporate Governance & Risk Management	Limited	3	6							1				10
BA1103	IT Governance & Strategy	Adequate					2				1				3
BA1201	Corporate Governance & Risk Management	Adequate								2					2
BA1202	Planning	Adequate					1						1		2
BA1204	Toll Management System	Limited				1	2			5			1		9
BA1205	Key Controls	Adequate								3	1				4
BA1301	Corporate Governance & Risk Management	Good									1				1
<b>Total</b>			<b>3</b>	<b>11</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>5</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>40</b>

## Appendix 7 - Outstanding Audit Recommendations as at 31 March 2013

Recommendation	Action Agreed/Response	Due Date Follow up date	Responsibility	Status	Current Status
<b>Audit – BA 09/03 Toll Income</b>					<b>Report Issued - 01 Jan 09</b>
<b>Recommendation: 1 - Policies and Procedures</b>					<b>Priority: Medium</b>
Management should compile written procedures for all aspects of toll income, e.g. identification, receipt, banking and the collection of unpaid tolls, including timescales for taking action.	Procedural guidance will be documented as soon as practicable. Where guidance relates to processing data on computer systems, generic guidance will be provided until such time as new systems are implemented.	Initial Deadline: 01 Aug 09  Revised Deadline: 30 Apr 13	Head of IT and Collector Of Tolls	<b>Agreed</b>  <b>In Progress</b>	January 2013  In Progress – The Team has commenced work on a Tolls Handbook but the handbook still requires review by the Head of ICT and Collector of Tolls. There is also a manual that accompanies the new tolls system.  A revised deadline of 31/3/2013 was granted.
<b>Audit – BA1202 - Planning</b>					<b>Report Issued - 13 Oct 11</b>
<b>Recommendation: 1 - Policies and Procedures</b>					<b>Priority: Medium</b>
All planning policies and work instructions should be reviewed and updated to take account of current working practices, responsibilities and the functionality enabled by the CAPS planning system.  Documents should be subject to periodic review.	Agreed. The Head of Development Management advised this is something she has been aiming to do for some time.	Initial Deadline: 31 Mar 12  Revised Deadline: 31 Mar 13	Head of Development Management	<b>Agreed</b>  <b>In Progress</b>	January 2013  In Progress – Work has commenced on the development of manuals, but further work is needed, a deadline extension to 31/3/2013 was requested for completion of this recommendation.
<b>Audit – BA1204 - Toll Management System</b>					<b>Report Issued - 09 Dec 11</b>
<b>Recommendation: 7 - Business Continuity and Disaster Recovery</b>					<b>Priority: Medium</b>
Management should work	Agreed.	Initial Deadline:	Head of ICT and	<b>Agreed</b>	January 2013

Recommendation	Action Agreed/Response	Due Date Follow up date	Responsibility	Status	Current Status
with other departments to refresh the existing Corporate Business Continuity and Disaster Recovery Plans in line with changed Authority requirements. Both plans should undergo regular, formal testing.	The Corporate Business Continuity and Disaster Recovery Plans will be updated to ensure that they are in line with the Authority's current requirements.	31 Jul 12  Revised Deadline: 31 Mar 13	Collector Of Tolls	<b>In Progress</b>	In Progress – A Disaster Recovery Plan was written before the office move. This will need to be revised to take account of any changes brought about by the change of office location. Revised deadline 31/3/2013.