

Internal Audit Annual Report and Opinion 2018/19
Report by Head of Internal Audit

Summary:

This report provides the Authority with an Annual Report and Opinion for 2018/19, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

Recommendation:

The Committee is requested to:

- 1) Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.
- 2) Note that a reasonable audit opinion (positive) has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2019.
- 3) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2018/19.
- 4) Note the conclusions of the Review of the Effectiveness of Internal Audit.

1 Introduction / Background

1.1 In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; 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 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.

- 1.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance with the PSIAS 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.
- 1.3 The Annual Report and Opinion 2018/19 and the Review of the Effectiveness of Internal Audit are shown in the report attached.
- 1.4 On the basis of Internal Audit work performed during 2018/19, the Head of Internal Audit is able to give a **reasonable** opinion (positive) on the framework of governance, risk management and control at the Broads Authority.
- 1.5 The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
 - Is continually monitoring performance and looking for ways to improve; and.
 - Is compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit, which can then be used to inform the Authority's Annual Governance Statement.

Background Papers:	None
Author:	Emma Hodds, Head of Internal Audit
Date of Report:	17 May 2019
Broads Plan Objectives:	None
Appendices:	Annual Report and Opinion 2018/19

Eastern Internal Audit Services



BROADS AUTHORITY

Annual Report and Opinion 2018/19

Responsible Officer: Emma Hodds – Head of Internal 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 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Audit and Risk Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control during 2018/19, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and 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; the level of compliance with the PSIAS 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.
- 1.3 When considering this report, 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 and Risk 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 provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes 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. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Chairman of the Authority and the Chief Executive that records and publishes the Authority’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Management Team and key stakeholders and then approved by the Audit and Risk Committee at its meeting on 6 March 2018. Any justifiable amendments that are requested during the year are discussed and agreed with senior management. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Audit and Risk Committee should consider this opinion, together with any assurances from management, its own knowledge of the Authority and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at the Broads Authority is **reasonable**, with all audits concluding with a positive opinion. We therefore have no Internal Audit considerations for the Annual Governance Statement.

There are therefore no issues raised by internal audit that are significant enough for inclusion in the Annual Governance Statement, however we would like to point out one issue that we feel should be referenced in the AGS in relation to an invoice fraud that occurred shortly after year end. Please see section 3.5 of this report.

In providing the opinion the authority's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.

The opinion has been discussed with the Section 17 Officer prior to publication.

3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the individual assurances provided over recent financial years to provide an overall picture of the control environment.

3.2 Summary of internal audit work

The Audit and Risk Committee approved the Annual Internal Audit Plan for 2018/19, which is summarised at **Appendix 1** to this report and totalled 36 days as originally planned, encompassing:

- An annual opinion of Corporate Governance and Risk Management;
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- Service audit of Brading; and
- Disaster Recovery.

A total of 18 recommendations were raised and agreed by management in 2018/19. In addition, three operational effectiveness matters points were raised for management consideration.

3.3 The following is a summary of these audits, with **Appendix 3** to this report providing the detailed Executive Summaries.

Branding

This audit concluded with a reasonable assurance, with six needs attention recommendations agreed with management. Recommendations related to update of the communications work plan and policy, updating the induction checklist to highlight role of communication team and branding requirements, guidance to be produced covering the use of logos, relaunching of comms page on intranet and devising a statement restricting the copying and usage of the

company logo included on the website. All of these recommendations will be concluded by October 2019.

Disaster Recovery

This audit concluded with a reasonable assurance, with one important and four needs attention recommendations agreed with management. The important recommendation due for completion by end of July 2019, relates to ensuring that management are aware of recovery timescales for back up tapes and that these timeframes are reflected in business continuity plans.

Key Controls and Assurance

The audit looked at the fundamental systems that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts and Follow Up of Internal Audit Recommendations. The audit concluded with a substantial assurance grading with no recommendations raised.

Corporate Governance and Risk Management

This audit concluded with a reasonable assurance grading, with two important and five needs attention recommendations agreed with management. The first important recommendation due for July 2019, relates to updating the risk management strategy to reflect the framework and recent changes to governance arrangements. The second important recommendation due for June 2019 relates to reviewing the strategic risk register to ensure that only strategic risks threatening the delivery of objectives are included and monitored by senior management and the board going forward.

3.4 Follow up of management action

In relation to the follow up of management actions the position at year end is that of the 18 recommendations raised by TIIA Ltd in 2018/19, all 18 are not yet due for implementation.

A total of two needs attention recommendations remain overdue from 2017/18. The following table is the overall summarised year end position, and the management responses for the outstanding recommendations are provided at **Appendix 4**.

Number raised	21	
Complete	19	90%
Outstanding	2	10%

3.5 Issues for inclusion in the Annual Governance Statement

Whilst a substantial assessment was reported for controls tested during the Key Controls internal audit, we have since been informed by the Chief Finance Officer that an invoice fraud incident has occurred resulting in a payment being made erroneously. External Audit have also been informed of the details of the incident. A formal investigation has now been undertaken and concluded by the Chief Finance Officer.

No issues were identified in this area during the Key Controls internal audit report 2018/19 and we therefore believe this to be an isolated incident. Internal Audit is due carry out Key Controls testing again in this area during quarter three of 2019/20 and we will increase our coverage of this area in response to the risks highlighted above.

4. **THIRD PARTY ASSURANCES**

4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. **ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

5.1 **Quality Assurance and Improvement Programme (QAIP)**

5.1.1 Internal Assessment

A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2018/19. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme (which includes both internal and external assessment).

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks. On conclusion of completion of the checklist full conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist has been forwarded to the Chief Financial Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that **“the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework”**. Thus, confirming conformance to the required standards.

The external assessment report has been previously provided to the Chief Financial Officer and the Audit and Risk Committee.

Two improvement points were raised in relation to the assessment. The first relates to updating and documenting current risks pertinent to delivery of the TIAA contract. The second relates to the Internal Audit Manager carrying out yearly deep dive assurance exercises on a sample of TIAA audit files to give assurance that the audit procedures are being followed in line with the PSIAS. We can confirm that these actions are now complete.

5.2 Performance Indicator outcomes

- 5.2.1 The Internal Audit Service is benchmarked against a number of performance measures as agreed by the Committee.

Actual performance against these targets is outlined in the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	TBC
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved – 4 assurance reports.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	100%	Achieved - All quarterly reports received with 15 working days of the end of each quarter.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	No issues to address.
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeded, 3 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 It is encouraging to note that all performance measures have been achieved, with three of these exceeding targets. Client feedback has been provided in response to all the audits completed and has been extremely positive recognising the professional service provided & also the value that internal audit has brought to the Authority. The contractor has also provided the Authority with a higher percentage of qualified / experienced staff to undertake the audit reviews.

It is also extremely encouraging to note that all four audit reviews were finalised by 11 April 2019, thus ensuring that audits are completed within financial year and ensuring that this annual opinion can be ready in line with the earlier reporting requirements associated with the audit of the accounts.

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the five principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

5.3.2 Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit. The detailed checklist has been forwarded to the Chief Financial Officer for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2018/19

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Corporate Governance and Risk Management	Reasonable	7	0	0	0	0	7
Fundamental Financial Systems							
Key Controls and Assurance	Substantial	0	0	0	0	0	0
Service area audits							
Branding	Reasonable	6	0	0	0	0	6
Disaster Recovery	Reasonable	5	0	0	0	0	5
Total		18	0	0	0	0	18

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	1
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	3
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.


APPENDIX 2 ASSURANCE CHART

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
Annual Opinion Audits					
Corporate Governance and Risk Management		Reasonable	Reasonable	Reasonable	X
Governance	Reasonable				
Fundamental Financial Systems					
Key Controls and Assurance Work	Reasonable	Reasonable	Reasonable	Substantial	X
Procurement					X
Services Area Reviews					
Consultation Activities and Partnerships Provisions					
External Funding - HLF Bid and National Parks Partnership		Reasonable			X
Asset Management			Reasonable		
Port Marine Safety Code			Reasonable		
Branding				Reasonable	
Planning	Reasonable				
IT Audits					
Toll Management Application					
Network Security					
End User Controls					
Disaster Recovery				Reasonable	
Virus Protection/Spyware, Data Backup and Data Centre controls		Reasonable			

APPENDIX 3 – EXECUTIVE SUMMARIES

Assurance Review of the Key Controls and Assurance Framework Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="background-color: #2c5e8c; color: white;">Control Area</th> <th style="background-color: #2c5e8c; color: white;">Urgent</th> <th style="background-color: #2c5e8c; color: white;">Important</th> <th style="background-color: #2c5e8c; color: white;">Needs Attention</th> <th style="background-color: #2c5e8c; color: white;">Operational</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Accounts Payable</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> </tr> </tbody> </table> <p>No recommendations were made in respect of treasury management and investments, general ledger, asset management, budgetary control, accounts receivable, payroll and toll income.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Accounts Payable	0	0	0	1	Total	0	0	0	1
Control Area	Urgent	Important	Needs Attention	Operational												
Accounts Payable	0	0	0	1												
Total	0	0	0	1												
<p>SCOPE</p> <p>This audit looked at the fundamental systems that feed into the statement of accounts to provide assurance on the key controls. The areas reviewed as part of the audit were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.</p>																

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.
- The audit has raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- This assurance opinion indicates that the overall level of control has improved since the previous audit of Key Controls and Assurance in 2017/18, which concluded in a 'Reasonable' assurance opinion.

POSITIVE FINDINGS

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

- Investments tested were documented and authorised.
- Loans and investments are reconciled to the general ledger and bank statements.
- Journals are raised sequentially and approved independently.
- The general ledger suspense account is reviewed on a monthly basis and any long outstanding items are cleared.
- All capital additions and disposals reviewed were authorised in accordance with procedures.
- A quarterly report of expenditure is downloaded from the ledger and reviewed for items to be capitalised.
- The asset register is reconciled to the ledger once a year and access to the register is restricted to appropriate staff.
- Budget monitoring reports are shared with budget holders on a monthly basis, from the end of the first quarter, which highlights any variances above £5,000. These are accompanied by an email from the Financial Accountant requesting an explanation of variances and changes to forecast outturn (year-end positions); commentary to explain significant variances (+/- £5,000) within their budgets and; requests for budget virements (budget transfers).
- Budgetary information, both capital and revenue is reconciled to the general ledger on a monthly basis.
- Invoices are independently checked prior to posting to the ledger.

- All invoice payments require two stage authorisation, thereby ensuring that only accurate and approved payments are processed.
- BACs runs had been signed and dated, prior to the payment run, by an appropriate officer.
- Starters, leavers and amendments to the payroll are checked to ensure that they have been actioned correctly by the payroll provider, thus ensuring the Authority's payroll is accurately maintained.
- There is a clear audit trail of actions taken to recover unpaid tolls, ensuring that debt recovery follows a prescribed and effective process and with all monies due to the Authority being pursued / received.
- Toll payments can be checked on the Tolls Management System by Rangers in the field, reducing the Authority's costs for printing plaques.

ISSUES TO BE ADDRESSED

The audit has raised no recommendations.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider relate to the following:

- Consideration be given to invoices supported by a purchase order going through a level one review only and not being sent for level two authorisation. This would reduce unnecessary controls where they are not required.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, both of which have been confirmed as implemented.

Assurance Review of Corporate Governance and Risk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Risk Management	0	2	4	1
GDPR	0	0	1	0
Total	0	2	5	1

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Corporate Governance and Risk Management.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and five 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

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

Risk Management

- The Strategic Risk Register (SRR) is kept up to date through six monthly reviews by the Monitoring Officer and Management Forum. It is then reported to the Audit and Risk Committee (ARC) thereby assisting the Broads Authority to meet the requirements of its Code of Corporate Governance, specifically in managing risks and performance.
- Partnership related risks are assessed on an ongoing basis and are included on the SRR. An annual report on partnership arrangements is reported to the Full Broads Authority. This report provides details of the Strategic Partnerships which are currently registered with the Broads Authority and highlights which actions are required to address weaknesses and in so doing, the Broads Authority manages risks in this area.

GDPR

- Recommendations from the previous GDPR audit (BA1804) have been verified as complete and are confirmed as still in operation. A GDPR risk is included on the SRR and controls recorded as in place to mitigate this risk comprise of a GDPR action/compliance plan and a GDPR working group.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Risk Management

- The Risk Management Policy be reviewed and updated as required to reflect the current governance arrangements and responsibilities for risk, including those assigned to the ARC. This mitigates the risk that out of date processes are being used leading to incorrect decision making and inadequate corporate governance arrangements
- An exercise is undertaken to review the SRR to identify which risks are strategic and which are operational, and to ensure all risks are linked to their potential to influence the achievement of strategic objectives. This helps to ensure that risk are identified on both a service and strategic level allowing for proper understanding of the authorities risk profile and allows for the appropriate prioritisation of mitigation actions.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

Risk Management

- A review and update of the authority's intranet is undertaken, incorporating any revised documents which is re-launched with staff identifying any training needs. This contributes to improved staff understanding of the risk management framework helping to reduce the risk that incorrect processes are followed leading to misinformed decisions being made that affects the achievement of objectives.
- A standard risk implications section to be introduced on the committee report template with accompanying guidance. This assists in ensuring that risks to the Authority's objectives are fully understood and made clear for the Committee to make an informed decision.
- The 'Review of the SRR' reports to the ARC contains an explanation of risks that have changed from the previous SRR. This assists in alleviating the risk that the committee does not receive a full picture of the status of risks and if they are being mitigated as expected.
- A scoring criteria is defined for low, high and medium risks, in relation to both likelihood and severity/impact. This helps to ensure that risks are appropriately assessed and proportionate mitigation actions are assigned.

GDPR

- Evidence that Norfolk County Council (NCC) have implemented the Information Commissioner Officer (ICO) recommendations, since the data breach incident, is requested. In addition, all data breaches, including those which have been formally reported and those which the ICO have been consulted on, to be centrally recorded. This mitigates the risks of similar breaches re-occurring and that there is an inaccessible incomplete audit trail of breaches.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Risk Management

- Consideration is given to revising the risk terminology from initial and revised risk to inherent risk (risk without any controls in place) and residual risk (taking into account the existing controls) and a further target risk score if the residual risk is not within the risk appetite. This clearly shows which risks are being managed to within the risk appetite on existing controls and those risks which require additional mitigation. Consideration is also given to reviewing other risk matrices including the 5 by 5 matrix which offers more detail and clarity and can highlight the extremes. It also provides more flexibility and scope in determining a risk appetite.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations for the GDPR Audit (BA1804), of which none remain outstanding.

Assurance Review of Branding

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Broads Authority branding - strategies, guidelines / procedures	0	0	3	0
Broads Authority branding - use of the broads authority logo	0	0	3	0
Total	0	0	6	0

No recommendations were made in respect of Broads Authority branding in terms of routes of communication including the use of social media; and Broads National Park Branding. Although the caveat to the latter is at the time of testing, the national branding strategy for the national parks and subsequent local branding narrative had not been finalised and therefore testing was limited in this area.

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over the Branding process.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of six 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

We found that the Council 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:

National Park branding - routes of communication and promotion of the area

- A bespoke piece of Broads National Park art work was presented to Norwich Train Station by the Broads Authority which adorns two walls of the waiting room beside platform one. The art work is the third to be installed in major 'gateways' to the Broads National Park with others at Norwich Airport and Great Yarmouth Train Station.

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

Broads Authority branding - strategies, guidelines / procedures

- The Broads Authority has systems in place to address the new Public Sector Bodies Accessibility Regulations 2018 which refers to making sure that websites, applications and other digital media can be accessed by all, including those with disabilities such as visual, motor and other impairments. This contributes to effective access by the public to key resources including material which involve the use of branding.
- The Broads Authority has produced a set of Brand Standards for the Broads National Park, designed for anyone producing materials carrying the Broads brand, which are available to download from the Broads Authority website.
- A sample test of material including both Broads Authority and Broads National Park logos, confirmed that they met branding requirements.

Broads Authority branding - routes of communication including the use of social media

- The Communications Officer (Digital) monitors the use of social media which includes ensuring that the correct branding and logos are applied. This incorporates the use of a software application called 'Buffer', designed to manage accounts in social networks by providing the means for a user to schedule posts to Twitter, Facebook, Instagram, and LinkedIn, as well as analyse results and engage with the community.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where six 'needs attention' recommendations have been made.

Broads Authority branding - strategies, guidelines / procedures

- The communications work plan be updated to include the finalisation of the local Broads National Parking Branding Strategy; branding training; update of the intranet communications page; and internal guidance/criteria in relation to the use of Broads Authority and Broads National Parks logos. This helps mitigate the risk that key tasks are not completed in a timely manner.
- The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding within a specific branding section. This assists in reducing the risk that responsibilities for branding are unclear.
- The role of the communications team, including an introduction to the Broads Authority and Broads National Park brands, be included within the authority's induction checklist helping to mitigate the inconsistent and incorrect use of branding leading to detrimental promotion of the Broads Authority and its status as a national park.

Broads Authority branding - use of the broads authority logo

- Guidance be produced for staff which covers the criteria for applying either the Broads Authority or Broads National Park logo, or when both logos are applicable, including reference to partnership and project work, specifically the approach to take when applying project logos in addition to the Broads Authority and Broads National Park logos. This mitigates the risk of inconsistent and incorrect logo application leading to ambiguity and inadequate promotion of the area as a national park.
- A review and update of the communications page on the authority's intranet be undertaken once the National Parks branding strategy and associated documents are finalised. This should be relaunched alongside the provision of staff and member training, mitigating the risk that incorrect processes are followed leading to inconsistent and/or incorrect branding being applied which affects the achievement of branding objectives.
- The inclusion of a statement that copying and use of the Council logo is not permitted without prior approval from the respective Communications Teams on the Broads Authority website, would help reduce the risk of the Council logos being used inappropriately.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This is the first audit undertaken of this area and therefore, there are no previous audit recommendations.

Other points noted

The national branding strategy for the national parks is being developed and it is intended that this will help to inform local branding and narratives for all 15 National Parks. In particular, the Broads Authority intends to complement the national branding story within its own branding work. However, at the time of testing, the national branding strategy had not been finalised and therefore testing was limited in this area which would have incorporated the broad's authority local branding story/narrative which would flow from this. A conference was held the week beginning 25th March 2019, between all the national parks heads of communications, to discuss the draft version of the national branding strategy. In addition, the Broads Authority Communications Policy is also due to be updated following the national branding strategy and local branding, the National Parks Communications Strategy also being at a draft stage.

Furthermore, the Broads Authority was successful in the selection process to host an expanded Communications Team for the National Parks and is awaiting approval from all National Park Chairs in order to begin recruitment; a decision is expected by March/April 2019.

Assurance Review of Disaster Recovery Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adequacy of DR Provision	0	0	0	0
Backup and Recovery Capabilities	0	0	1	0
DR Testing	0	0	1	0
Alignment with Business Continuity Plans	0	1	0	0
DR Development for New Systems	0	0	1	0
Third Party Management	0	0	0	1
Dockyard Physical Access Controls	0	0	1	0
Total	0	1	4	1

No recommendations were raised for Continuous Improvement

SCOPE

Disaster Recovery has not yet been reviewed at Broads Authority. The systems that support the Authority's Disaster Recovery processes have been moved to the Dockyard at Griffin Lane Norwich with the facility itself having been renovated and extended to support this work. As a result of this the DR plan has been updated. This audit has been requested to help provide assurance that the appropriate controls are in place.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'Important' and four 'Needs Attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'Operational Effectiveness Matter', which sets out a matter identified during the assignment where there may be an opportunity for a service enhancement to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

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

- There is a documented Disaster Recovery (DR) plan document that has recently been reviewed to take account of recent improvements made to the DR facilities. It is also shared amongst relevant IT staff. Periodic review and communication of relevant plans reduces the risk that the plans are not fit for purpose and not shared as appropriate.
- Responsibility for DR is shared between the Head of IT & collector of Tolls and the Senior ICT Support Officer with assistance as required from other IT staff. The shared responsibility reduces the risk of relevant plans and operational procedures not being fit for purpose.
- The DR plan includes appropriate invocation and escalation procedures in support of similar processes and procedures within the Business Continuity Plan. These reduce the risk of a lack of a coordinated response to DR incidents.
- The audit noted a lack of historic DR testing, although this is being addressed through the documentation of a proposed DR test plan within the DR plan document that has undergone recent review. The process has already started with a small test recovery of a server at the Dockyard as part of the recent DR facility improvement work. The creation of DR test plans will help to demonstrate the viability of the DR infrastructure and related processes.
- The audit noted the ability to divert telephone calls from Yare House to the Dockyard office, which helps to ensure continuity of customer service during an incident.
- The audit noted the presence of external CCTV coverage, which is recorded and retained for 10 weeks. CCTV coverage helps to detect unauthorised access to the Dockyard site.
- The entrance to the Dockyard DR facility did not have a lock fitted, although it was also noted that there is ongoing work to resolve this to help ensure the physical security of the facility.

- The lack of Uninterruptible Power Supply (UPS) at the DR facility is being addressed. This will help to ensure the controlled shutdown of the DR infrastructure following a power outage. UPS facilities provide a temporary battery backup that provides a 'window of opportunity' to power down all relevant equipment in a controlled manner prior to power being restored.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'Important' recommendation has been made:

Alignment with Business Continuity Plans

- There is a need to ensure that senior management are made aware of the fact that any Business Continuity invocations that require data recovery from the tape backup, rather than the onsite disc backups, and may not be able to support the requirement to recover certain services within 24 hours. This will ensure that this risk is shown to have been formally accepted (or otherwise).

The audit has also highlighted the following areas where four 'Needs Attention' recommendations have been made:

Backup and Recovery Capabilities

- The Authority needs to enhance their data replication facilities to include priority systems such as Finance and Tolls to help ensure timely recovery of these systems following an incident.

DR Testing

- There is a need to ensure that all DR tests are formally documented in test reports to reduce the risk of the DR plans not being fit for purpose caused by lessons learned not being documented and accounted for in the DR plans.

DR Development for New Systems

- Project Management processes require the inclusion of work to understand the DR support implications of implementing new or changed systems, which will ensure adequate continuity of support following any changes.

Dockyard Physical Access Controls

- The DR Server rack needs to be moved to a more appropriate location within the DR facility so that the side panels can be put back to help ensure the security of the infrastructure that the rack contains.

Operational Effectiveness Matters

- Consideration to be given to completing the contact details for third party suppliers by adding telephone contact details.

APPENDIX 4 – AUDIT RECOMMENDATIONS

			Completed bt 01/04/2018 to 31 March 2019			Outstanding			Total	Not yet due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Outstanding	Priority 1	Priority 2	Priority 3
2017/18 Internal Audit Reviews												
BA1801	Asset Management	Reasonable		1				1				
BA1802	Port Marine Safety Code	Reasonable		2				1				
BA1803	Key Controls & Assurance	Reasonable			1							
BA1804	Corporate Governance	Reasonable		1								
2018/19 Internal Audit Reviews												
BA1901	Corporate Governance and Risk Management	Reasonable									2	5
BA1903	Branding	Reasonable										6
BA1904	Disaster Recovery	Reasonable									1	4
TOTALS			0	4	1	0	0	2	0	0	3	15

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA1801 Asset Management	Recommendation 3: The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays.	3	Agreed	Solicitor & Monitoring Officer	01/04/2018	31/05/2019	Outstanding	Legal Services Tender has been further delayed and a standing list will need to be approved by the authority. Next meeting is in May 19.
BA1802 Port Marine Code	Recommendation 7: Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG	3	Agreed	Head of Safety Management	28/02/2019	30/04/2019	Outstanding	There has been a slight delay encountered due to changes in our committee timetable. The Hazard Review has been scheduled for the 13 March 2019 in which the panel members will receive training on risk assessment prior to the start of the review. BSMG and Navigation Committee will both also receive similar training at their subsequent meetings in March and April respectively when considering the output from the review.

APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit and Risk Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2018/19 Annual Internal Audit Plan. 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 2019. 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.

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 Head of Internal Audit, 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 TIAA Ltd examinations as the Authority's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.