

Audit and Risk Committee

Agenda 02 March 2021

2.00pm

This is a remote meeting held under the Broads Authority's [Standing Orders on Procedure Rules for Remote Meetings](#).

Participants: You will be sent a link to join the meeting. The room will open at 1.00pm and we request that you **log in by 1.30pm** to allow us to check connections and other technical details.

Members of the public: We will publish a live stream link two days before the meeting at [Audit and Risk Committee - 2 March 2021](#). The live stream will be suspended for any exempt items on the agenda. Please email committees@broads-authority.gov.uk with any queries about this meeting.

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 17 November 2020** (Pages 3-9)

Financial direction

6. **Investment Strategy and Performance Report 2020/21 and Draft Capital, Treasury and Investment Strategy 2021/22** (Pages 10-29)
Report by Chief Financial Officer
7. **Consolidated income and expenditure – 1 April to 31 December 2021 actual and 2020/21 forecast outturn** (Pages 30-46)
Report by Chief Financial Officer

Audit

8. **Internal Audit Strategic and Annual Plans 2021/22** (Pages 47-66)
Report by Head of Internal Audit

9. **External Audit** (Pages 67-89)
Report by Chief Financial Officer / EY

Items for consent

10. **Implementation of internal audit recommendations: summary of progress** (Pages 90-99)
Report by Chief Financial Officer

Other Matters

11. **Independent review of External Audit and Financial Reporting** (Pages 100-105)
Report by Chief Financial Officer
12. Other items of business
Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 1008 (4)(b) of the Local Government Act 1972
13. To answer any formal questions of which due notice has been given
14. **To note the date of the next meeting – Tuesday 20 July 2021 at 2.00pm**

Audit and Risk Committee

Minutes of the meeting held on 17 November 2020

Contents

1.	Apologies and welcome	2
	Remote meeting standing orders and recording	2
2.	Introductions and declarations of interest	2
3.	Items of urgent business	2
4.	Public question time	2
5.	Minutes of last meeting	2
6.	Update on financial position – impact of COVID	2
7.	Statement of Accounts 2019/20	3
8.	Annual Audit Results 2019/20 (includes letter of representation to EY)	4
9.	Corporate Risk Register – update	5
10.	Corporate Partnerships Register – update	6
11.	Implementation of internal audit recommendations: summary of progress	6
12.	Other items of business	7
13.	Formal questions	7
14.	Date of next meeting	7
	Appendix 1 – Declaration of interests: Audit and Risk Committee, 17 November 2020	7

Present

Nicky Talbot – in the Chair, Matthew Bradbury, Bill Dickson, Gail Harris, Lana Hemsall, Tristram Hilborn, Greg Munford, Simon Roberts and Fran Whymark.

In attendance

John Packman – Chief Executive, Esmeralda Guds (minutes), Sarah Mullarney (meeting moderator), Sara Utting (meeting moderator), Emma Krelle – Chief Financial Officer, Fiona Dodimead – Internal Audit, Jacob McHugh – External Audit Ernst & Young, Mark Hodgson – Audit Partner External Audit Ernst & Young.

1. Apologies and welcome

The Chairman welcomed everyone to the meeting.

Apologies None were received.

Remote meeting standing orders and recording

The Chair welcomed everyone to this meeting of the Audit and Risk Committee, which was being held remotely under the Standing Orders for remote meetings adopted by the Broads Authority on 22 May 2020. The meeting was being live streamed and recorded, with the live stream accessible from a link on the Authority's website. The Broads Authority retained the copyright of the recording and the minutes remained the formal record of the meeting.

2. Introductions and declarations of interest

Members introduced themselves and declared interests on items of this agenda as set out in Appendix 1 to these minutes, in addition to those interests already registered.

3. Items of urgent business

There were no items of urgent business.

The Chair agreed a request of variation in order in the agenda for item 8 - Audit Results 2019/20 to come before item 7 – Statement of Accounts 2019/20.

4. Public question time

No public questions had been received.

5. Minutes of last meeting

The minutes of the meeting held on 21 July 2020 were approved as a correct record and would be signed by the Chair.

6. Update on financial position – impact of COVID

The Chief Executive gave an update on the Authority's financial position and highlighted that, compared with the situation following the first lockdown in March, the Authority now found itself in a much stronger financial position. Once the first COVID lockdown restrictions had

been eased, the position of the local tourism industry had improved rapidly. This meant that the toll income, although not as much as predicted, was much closer to the original budget.

The behaviour of a small number of new and inexperienced visitors to the Broads waterways this season had highlighted some safety issues. The Authority was addressing those issues, including working with the boating industry on an online safety training scheme for visitors, and proposing that all Ranger launches would be out every day during the season, significantly increasing the Ranger presence on the system.

The package of safety measures had been supported by members at a Tolls briefing on 5 October 2020. Further to a proposal for a 7% increase in navigation charges to fund these measures, the Chief Executive and Chief Financial Officer (CFO) had managed to reduce this increase to 4% by gaining agreement from DEFRA to allow the cost of the Safety Package to be funded in the first two years from National Park Reserves. The Chief Executive added that, while members were in support of the proposal, they must be mindful that using National Park Reserves would impact on what could be achieved on National Park functions in future years.

With regard to further savings, the Management Team were assessing the future working arrangements for the Authority's staff. A survey had shown that the majority of office-based staff would like to continue working for part of the week from home, post COVID restrictions. Discussion with members was also needed on whether some or all formal committee meetings could continue remotely. If office-based staff were working partly from home, and there was less need for a large meeting room, there could be a significant reduction in office floor space and in the Authority's carbon footprint.

The Committee noted the report and supported the approach proposed to increase patrolling by the Rangers and to use National Park Reserves to fund the safety package for 2021/22 and 2022/23.

Agenda item 8 (Annual Audit Results 2019/20) was taken at this point in the meeting.

7. Statement of Accounts 2019/20

Members received a report on the Authority's Statement of Accounts for the year ended 31 March 2020.

The Chief Financial Officer clarified that the Annual Governance Statement would need updating to reflect the invoice fraud in April 2019. The amended Statement would be taken to the Broads Authority on 20 November.

The CFO highlighted that part of the disclosure in the Going Concerns Statement was missing and would be updated in the final version of the accounts.

The CFO explained that, as the McCloud adjustments (see paragraph 4, agenda item 8) would impact on the comprehensive income and expenditure statement, it would affect the expenditure funding analysis, the movement in reserves and the balance sheet followed by notes 7, 9, 19 31 and 35. These adjustments would be reflected in the final version of the

Statement of Accounts, which would go back to Ernst & Young for checking before being signed off by the Chair.

The CFO also reported that there was a new provision that covered the Whitlingham Charitable Trust dilapidations, which could be drawn down upon once the negotiations were finalised.

The Committee recommended to the Broads Authority the amended Statement of Accounts for 2019/20 for approval, subject to the adjustments outlined above.

8. Annual Audit Results 2019/20 (includes letter of representation to EY)

The Committee received a report summarising the Authority's preliminary audit conclusion in for 2019/20. A final report would be issued after the Broads Authority meeting on 20 November.

The Audit Partner of Ernst & Young reported that it was a good audit, especially as the draft financial statement was prepared during the C-19 lockdown and the audit had been completed remotely. He advised there were no matters to report on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Members were updated on the outstanding audit recommendations and informed that there were no matters to report on either the Whole of Government Accounts procedures or the procedures in relation to assurances over the IAS 19 Pension Liability.

The Audit Partner raised two issues on the pension fund audit. The first issue related to the McCloud judgement made in last year's financial statement; in July 2020, the Government announced how this should be applied. As a result, a revised report from the pension fund reduced the Authority's liability by £47,000. The CFO would adjust the financial statement in the relevant sections.

The second issue was in relation to the pension fund assets. The Authority's share of the understatement of the pension state level was £95,000, which was approaching the materiality levels of £186,000. This meant there was an unadjusted error of £95,000, which resulted in an unadjusted audit difference.

Members discussed the audit fees and questioned whether the additional work required and the department's imposition on the Authority could be considered value for money. Members felt strongly that the proposed substantial increase in fees of 316% (£33,963) was unacceptable.

The Audit Partner explained that the scale fees were set by the regulators and the fee base had not been adjusted since 2010. The auditors believed it was a fair and necessary fee to provide an international good quality audit. In response, members remained of the opinion that the fee increase was unacceptable.

The Chair asked for clarification on what had gone into the risk profile analysis and a breakdown of how much work had been involved. The Auditor replied that the main areas requiring significant regulating by the auditors were property, plant and equipment evaluation, and pension liability. He said that, although the Authority was relatively small in comparison to a county council, international audit requirements were the same and so the audit procedures were no different.

A member asked for the additional work for COVID-19 considerations and the total fees to be confirmed. The auditor responded that this would be discussed with the CFO once the audit report in the annual audit letter had been concluded.

The CFO reported that the Public Sector Audit Appointments (PSAA) was consulting on the 2020/21 fee adjustments and that a paper on the Redman Review would be presented at the Audit and Risk Committee in March 2021.

After further discussion, members agreed that there were two key issues, firstly the scale of the audit and whether this was in proportion to the size of the Authority, and secondly the considerable audit fees increase. Members unanimously agreed to support the CFO in her challenging the very substantial increase proposed in the external auditors' fees and working with the PSAA to resolve the issue.

In addition, members suggested that the Chair of the Broads Authority should write to the Minister, Lord Gardner, indicating that the Authority's audit arrangements were not appropriate and should be tailored to its turnover and to the size and complexity of the organisation.

The CFO noted that the Chair of the Audit and Risk Committee would sign the final version of the Letter of Representation and that there was an unadjusted difference in the pension due to materiality.

Members noted the Annual Audit Results 2019/20 and recommended that the Letter of Representation in connection with the Audit of the Financial Statements for 2019/20 was signed by the Chief Financial Officer and the Acting Chair of the Audit and Risk Committee.

9. Corporate Risk Register – update

The Head of Governance introduced the updated Corporate Risk Register and highlighted a small misprint in paragraph 1.3 which should read "since the update in November 2019".

A member commented that COVID was a substantial risk and questioned whether a risk factor 3 on a scale from 1 to 5 was high enough, especially as further lockdowns were anticipated. The CFO agreed that further lockdowns would have a further impact on the Authority's finances and she was reviewing whether the stated reserves were sufficient. It was likely that the Reserves of 10% would need to be increased, and that this would need to be phased over a couple of years.

The Head of Governance commented that the risk factors were reviewed on an ongoing basis, COVID risks for the Authority and its staff were being monitored and addressed on a weekly

basis by the Management Team and Section Heads, and the Risk Register was one element of wider risk assessment and control measures in place.

The Committee noted the updated Corporate Risk Register.

Tristram Hilborn left the meeting.

10. Corporate Partnerships Register – update

The Head of Governance presented the updated Corporate Partnership Register, which listed the Broads Authority's key partnerships with external organisations. She highlighted the criteria (para 2) used by the Management Team and lead officers when reviewing the partnerships. It was noted that the Norfolk and Suffolk Broads Charitable Trust would be added to the register.

A member highlighted the fact that the Authority's partnership with the Whitlingham Charitable Trust had ended in March, and requested an update on the negotiations in regard to the dilapidation costs. The Director of Operations replied that the Authority was following its dilapidation protocol, and legal advice had confirmed that the validity of the Trust's claim for dilapidation was correct. The Authority had now moved on to the next stage and had taken on a surveyor to start negotiations.

The Director of Operations also noted that although the partnership had ended, the Authority was still a member on the WCT Board and was therefore able to appoint four members to it. Members were asked to consider whether having a trustee on the WCT board was beneficial, and it was agreed that this matter would be brought to the Broads Authority on 20 November for consideration.

The Committee noted the Corporate Partnerships Register.

11. Implementation of internal audit recommendations: summary of progress

The Committee received a summary of progress in implementing the Internal Audit recommendations arising out of audits carried out during 2018/19 and 2019/20.

The CFO gave an update on the recommendation regarding the procurement audit on pages 208-209 of the report. She said that the goods contract template had now been finalised with the solicitors. It was available for staff to use and training would be provided before the end of the financial year.

Due to COVID, some of the audits had been delayed. However, the Internal Auditor confirmed that they were now able to carry out a full audit remotely. Audits had been rescheduled to take place in November, December and January.

The Committee noted the report.

12. 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.

13. Formal questions

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

14. Date of next meeting

The next Audit and Risk Committee meeting would be on Tuesday 2 March 2021 at 2.00pm.

The meeting ended at 3.41pm

Signed by

Chairman

Appendix 1 – Declaration of interests: Audit and Risk Committee, 17 November 2020

Member	Agenda/minute	Nature of interest
Gail Harris	8	River Wensum Project and Trowse Rail Bridge

Audit and Risk Committee

02 March 2021

Agenda item number 6

Investment Strategy and Performance Report 2020/21 and Draft Capital, Treasury and Investment Strategy 2021/22

Report by Chief Financial Officer

Summary

This report contains two items:

- i. Details of the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the ten months to 31 January 2021.
- ii. The Draft Capital, Treasury and Investment Strategy 2021/22.

Recommendation

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

1. Introduction

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

2. Investment principles and performance

- 2.1. The investment of surplus cash is governed by the Authority's Treasury and Annual Investment Strategy 2020/21. Details of this strategy renewal are in paragraph 3.1.
- 2.2. As detailed in the strategy, the Authority's primary concern is to safeguard its capital and the liquidity of its investments. Surplus cash sums are monitored on a weekly basis by the Authority's Finance staff, and transferred as and when required to appropriate institutions listed in the Strategy. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the ten months to 31 January 2021 were as shown in Table 1.

Table 1

Investment Holdings 2020/21

Type	Opening Balance £	Closing Balance £	Highest Sum £	Lowest Sum £
Two 1 year £1,000,000 Fixed Term	2,000,000	1,000,000	2,000,000	1,000,000
95 Day Notice Account	1,500,000	2,500,000	2,500,000	1,500,000
32 Day Notice Account	502,000	502,000	502,000	502,000
Instant Access	593,000	1,543,000	593,000	1,896,000

2.3. There has been one maturity in September of a Fixed Term investment that was reinvested in the 95-day notice account (£1 million). This was assessed as the best possible interest rate achievable at that date. The current portfolio means that interest income is forecast to be below budget predictions following the impact of COVID-19.

2.4. The figures for the previous year (2019/20) were as shown in Table 2.

Table 2

Investment Holdings 2019/20

Type	Opening Balance £	Closing Balance £	Highest Sum £	Lowest Sum £
Two 1 year £1,000,000 Fixed Term	2,000,000	2,000,000	2,000,000	2,000,000
95 Day Notice Account	1,500,000	1,500,000	500,000	1,500,000
32 Day Notice Account	0	502,000	502,000	0
Instant Access	1,14,000	593,000	2,124,000	569,000

2.5. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. This is particularly important for the Heritage Lottery Fund and CANAPE projects, which are

claimed either three or six months in arrears. Payment can then be a further three to six months after submission.

- 2.6. Interest earned to the end of January is £9,579.02 and is forecast to increase to £22,000 by the end of March. This is based on interest rates that range from 0.1% to 1.05%. There is a fixed term deposit maturing in March, which is likely to be reinvested for a further period. An update will be provided during the meeting.
- 2.7. The amount of interest received during 2019/20 was £49,014.41 based on interest rates ranging from 0.1% to 1.1%. Forecast interest for 2019/20 was £47,500.

3. Draft Capital, Treasury and Annual Investment Strategy 2021/22

- 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 draft strategy at Appendix 1 incorporates the latest CIPFA guidance from its Capital Finance in Local Authorities Guidance Notes (2018). The capital strategy is on pages 3-6. There have been no changes to the Treasury Strategy, which is on pages 7-12.
- 3.3. The annual investment strategy has been updated to reflect current holdings in paragraph 3.1. Paragraph 4.2 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 2021/22 and beyond. A detailed analysis of the effect will be produced as part of the Statement of Accounts. Where amounts need to be revised as part of this analysis, these will be reported back to the Broads Authority at the earliest opportunity.
- 3.4. The Capital Receipts Reserve balance is set out in paragraph 4.3. The reserve can be used to fund capital expenditure or the repayment of debt. Significant improvements to existing (new facilities) or the purchase of new sites/assets may be funded from this reserve, subject to member approval.
- 3.5. Members' views are sought on the draft prior to the Broads Authority meeting on 19 March 2021.

Author: Emma Krelle

Date of report: 15 February 2021

Appendix 1 – Capital, treasury and investment strategy 2021/22

Capital, treasury and investment strategy 2021/22

Contents

Capital Strategy	3
1. Introduction	3
2. Core principles	4
3. Capital expenditure	4
4. Short, medium and long term capital priorities	5
Short and medium term priorities (1-3 Years)	5
Long term priorities (4 years plus)	5
5. Risk appetite	6
Treasury strategy	7
1. Introduction	7
2. Treasury management policy statement	7
Borrowing principles	7
Investment principles	8
Treasury management practices	8
Management practices for non-treasury investments	12
Annual Investment Strategy 2020/21	13
1. Specified investment	13
2. Non specified investments	13
3. Liquidity	14
4. Capital financing (borrowing) principles	14
Affordability	15
External debt	15

Authorised limit	16
Operational Boundary	16
Capital expenditure	16
Treasury management	16
Maturity structure of borrowing	17
5. Non-treasury investments	17
6. End of year investment and capital financing report	17

Capital Strategy

1. Introduction

- 1.1. The update of CIPFA's Prudential Code in December 2017 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 is 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 2017-2022. 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 including a six monthly newsletter which provides updates on progress.
- 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, 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 and the Strategic Priorities.
- 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 2019/20 the value of these items was £4.5m, of which £128k 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. Replacement costs are regularly monitored to ensure that the contributions remain

appropriate to the earmarked reserves. Where adjustments are required this will be forward 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 2019/20 the balance sheet contained one long term loan which had an outstanding balance of £123k. 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. New long term capital projects will consider utilising this 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 0) 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 Individual Performance Review (IPR).
- 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 (2017 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 investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; the pursuit of optimum performance consistent with those risks and any financial instruments entered into to manage these risks.
 - 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. 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 at least twice a year to 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 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. 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.
- **Fraud, error and corruption, and contingency management:** The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error or corruption. 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 employing instruments, methods and techniques as detailed in the Investment Strategy.

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. 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 Chief Financial Officer is responsible for the development of the strategy, whilst cash flow monitoring is undertaken by the Senior Finance Assistant and reviewed by the Chief Financial Officer. The Chief Financial Officer 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 and Financial Accountant following approval by the Chief Financial Officer. All funds will be automatically transferred back into the Authority's main bank account.

Reporting requirements and management information

- 2.14. The Chief Financial Officer will prepare regular reports for consideration on the implementation of its policies, 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 Chief Financial Officer 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 Chief Financial Officer will be responsible for exercising control over these items and will report any changes as required as detailed above.

Cash and cash flow management

- 2.17. The Chief Financial Officer 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 Chief Financial Officer. This weekly forecast will also look at predictions for the current month. Annual cash flow predictions will be prepared by the Chief Financial Officer 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 Individual Performance Review (IPR).

- 2.20. The Chief Financial Officer will ensure that the Audit and Risk Committee who have treasury management/scrutiny responsibilities have access to training relevant to their needs and responsibilities.

Use of external providers

- 2.21. 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

- 2.22. 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 Chief Financial Officer will monitor and report upon the effectiveness of these arrangements.

Management practices for non-treasury investments

- 2.23. 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.
- 2.24. 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 2021/22

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.

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 (+/-).

- 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. This is currently split between the Authority's current account provider (Barclays) and a fixed term deposit with Lloyds. The impact of CODI-19 has meant that interest rates have plummeted and the majority of funds are now held at Barclays to secure the best interest rates available. Funds held at Barclays are automatically swept each day into its Business Premium Account that pays a small amount of interest. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £4m and £7m.

Current Holdings as at 31/01/21

Counterparty	Holding/ Investment	Interest rate	Investment date	Maturity date
Lloyds Fixed Term	1,000,000	1.05%	04/03/20	03/03/21
Barclays Notice Account	2,500,000	Base rate + 0.25%	n/a	95 days' notice
Barclays Notice Account	500,000	Base rate	n/a	32 days' notice
Barclays Premium Account	864,000	0%	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 2021/22-2023/24

Prudential indicator	2021/22	2022/23	2023/24
Estimate of capital expenditure	£390,000	£400,000	£320,000
Authorised limit for external debt	£500,000	£500,000	£500,000
Operational Boundary	£400,000	£400,000	£400,000

- 4.2. 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 2021/22 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.

- 4.3. 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 2021/22-2023/24

Estimated Year-End reserves	2021/22	2022/23	2023/24
General and Navigation Reserves	£1,251,000	£1,137,000	£968,000
Earmarked Reserves	£2,133,000	£2,225,000	£2,361,000
Capital Receipts Reserve	£405,000	£405,000	£405,000
Total Investments 31 March	£3,789,000	£3,767,000	£3,734,000

Affordability

- 4.4. 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 0.4% 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

- 4.5. 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.

- 4.6. Therefore, the Authority will at this time only borrow to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.

Authorised limit

- 4.7. 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

- 4.8. 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.

Capital expenditure

- 4.9. 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

- 4.10. 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 4.4, 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.
- 4.11. There remains a small risk to the Authority in using fixed term deposits that interest rates may increase in the short term. However, given the historic low interest rates on offer following the financial crisis any increase in rates is likely to be slow. 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

- 4.12. 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

02 March 2021

Agenda item number 7

Consolidated income and expenditure 1 April to 31 December 2020 actual and 2020/21 forecast outturn

Report by Chief Financial Officer

Summary

This report provides details of actual income and expenditure for the nine-month period to 31 December 2020, and a forecast of the projected expenditure at the end of the financial year (31 March 2021).

Recommendation

To note the income and expenditure figures.

Contents

1.	Introduction	1
2.	Overview of Actual Income and Expenditure	2
3.	Latest available budget	3
4.	Overview of forecast outturn 2020/21	3
5.	Earmarked Reserves	4
6.	Summary	5
	Appendix 1 – Consolidated actual income and expenditure charts to 31 December 2020	6
	Appendix 2 Financial Monitor: Consolidated income and expenditure 2020/21	8

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 December 2020

Source	Profiled Latest Available Budget £	Actual Income and Expenditure £	Actual Variance £
Income	(6,910,382)	(6,739,019)	- 171,363
Operations	3,092,502	2,559,425	+ 533,077
Strategic Services	1,219,030	1,061,353	+ 157,677
Chief Executive	1,215,593	1,083,983	+ 131,610
Projects, Corporate items and Contribution from earmarked reserves	(74,297)	(41,261)	- 33,036
Net (Surplus) / Deficit	(1,457,554)	(2,075,519)	+ 617,965

2.1. Core navigation income is above the profiled budget at the end of month nine. The overall position as at 31 December is an adverse variance of £617,965 or a 42.4% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £171,363 within income:
 - Hire craft tolls is £134,470 behind the profiled budget.
 - Private craft tolls is £16,099 behind the profiled budget.
 - Short visit and other toll income is £8,054 behind the profiled budget.
 - Investment income is £12,740 behind the profiled budget due to the fall in interest rates.
- An underspend within Operations relating to delayed practical works expenditure due to COVID-19. Where savings have been identified and works delayed until 2021/22, these have been reflected in the forecast outturn for 2020/21.
- An underspend within Strategic Services relating to increased planning income, salary savings from delayed recruitment, reduced number of volunteers being out and projects being delayed, all impacts of COVID-19. As with Operations, where savings have been identified and works delayed until 2021/22 these have been reflected in the forecast outturn for 2020/21.
- An underspend within Chief Executive relating to delayed expenditure following COVID-19. These mainly relate to legal and professional fees on prosecutions,

lease arrangements and audit fees which at this stage are considered timing differences.

- An adverse variance within reserves relating to delayed capital expenditure caused by COVID-19. The majority of these are considered timing differences with some being transferred to 2021/22.

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

3. Latest available budget

3.1. The Authority's income and expenditure is monitored against the Latest Available Budget (LAB) for 2020/21. 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 shown in Appendix 2.

Table 2

Adjustments to Consolidated LAB

Item	Authorisation reference	Amount £
Original consolidated budget deficit 2020/21	Broads Authority 31/01/2020 Agenda item number 12	153,518
Approved carry-forwards from 2019/20	Broads Authority 22/05/2020 Agenda item number 9	111,981
LAB as at 31 December 2020	n/a	265,499

3.2. The LAB therefore provides for a consolidated deficit of £265,499 in 2020/21 as at 31 December 2020.

3.3. Due to the huge degree of uncertainty at the start of the COVID-19 outbreak, the decision was made not to adjust the LAB but to focus on the forecast outturn.

4. Overview of forecast outturn 2020/21

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. As at the end of December 2020, the forecast indicates that:

- The total forecast income is £6,818,178. This assumes that the outstanding toll amounts are collected in full with a reduction in toll income of £123,000.
- Total expenditure is forecast to be £6,877,491.

- The resulting deficit for the year is forecast to be £59,313.

4.3. The forecast outturn reflects the following changes from the LAB as shown in Table 3.
The forecast deficit represents a favourable variance of £206,186 against the LAB.

Table 3

Adjustments to Forecast Outturn

Item	Amount £
Forecast outturn deficit per LAB	265,499
Cancelled contributions to reserves (vehicle, launches, asset management and HLF contributions to be reinstated)	(157,000)
Reduction in toll income	123,000
Drop in interest rates	19,000
Delayed practical works	(124,399)
Salary savings through delayed recruitment	(75,325)
Planning (reduced contribution from PDG reserve, offset by increased income)	16,300
Climate change	2,300
Volunteers	(15,000)
HR (staff training)	(14,990)
Visitor services	40,200
Water Resources East Membership	7,500
Office and travel expenses (including members)	(39,647)
IT	11,875
Forecast outturn deficit as at 31 December 2020	59,313

5. Earmarked Reserves

Table 4

Consolidated Earmarked Reserves

Reserve name	Balance at 1 April 2020 £	In-year movements £	Current reserve balance £
Property	(663,487)	(1,629)	(665,116)
Plant, Vessels and Equipment	(349,280)	119,227	(230,053)

Reserve name	Balance at 1 April 2020 £	In-year movements £	Current reserve balance £
Premises	(246,701)	33,360	(213,341)
Planning Delivery Grant	(220,082)	2,698	(217,384)
Upper Thurne Enhancement	(146,317)	6,529	(139,788)
Section 106	(43,561)	5,008	(38,553)
Heritage Lottery Fund	(11,955)	181,755	169,800
Catchment Partnership	(75,185)	(9,059)	(84,244)
CANAPE	(311,844)	90,791	(221,053)
Computer Software	(21,770)	937	(20,833)
UK Communications	(28,140)	(25,944)	(54,084)
Total	(2,118,322)	403,673	(1,714,649)

5.1. £829,223 of the current reserve balance above relates to Navigation reserves.

6. Summary

6.1. The current forecast position for the year suggests a deficit of £32,712 for the national park side and a deficit of £26,601 on navigation, resulting in an overall deficit of £59,313 within the consolidated budget. This compares to the budgeted deficit of £153,518 and represents 0.8% of expenditure. This would indicate a general fund balance of £1,081,747 and a navigation reserve balance of £516,598 at the end of 2020/21 before any transfer of interest. This will mean both reserves will remain above the minimum level of net expenditure.

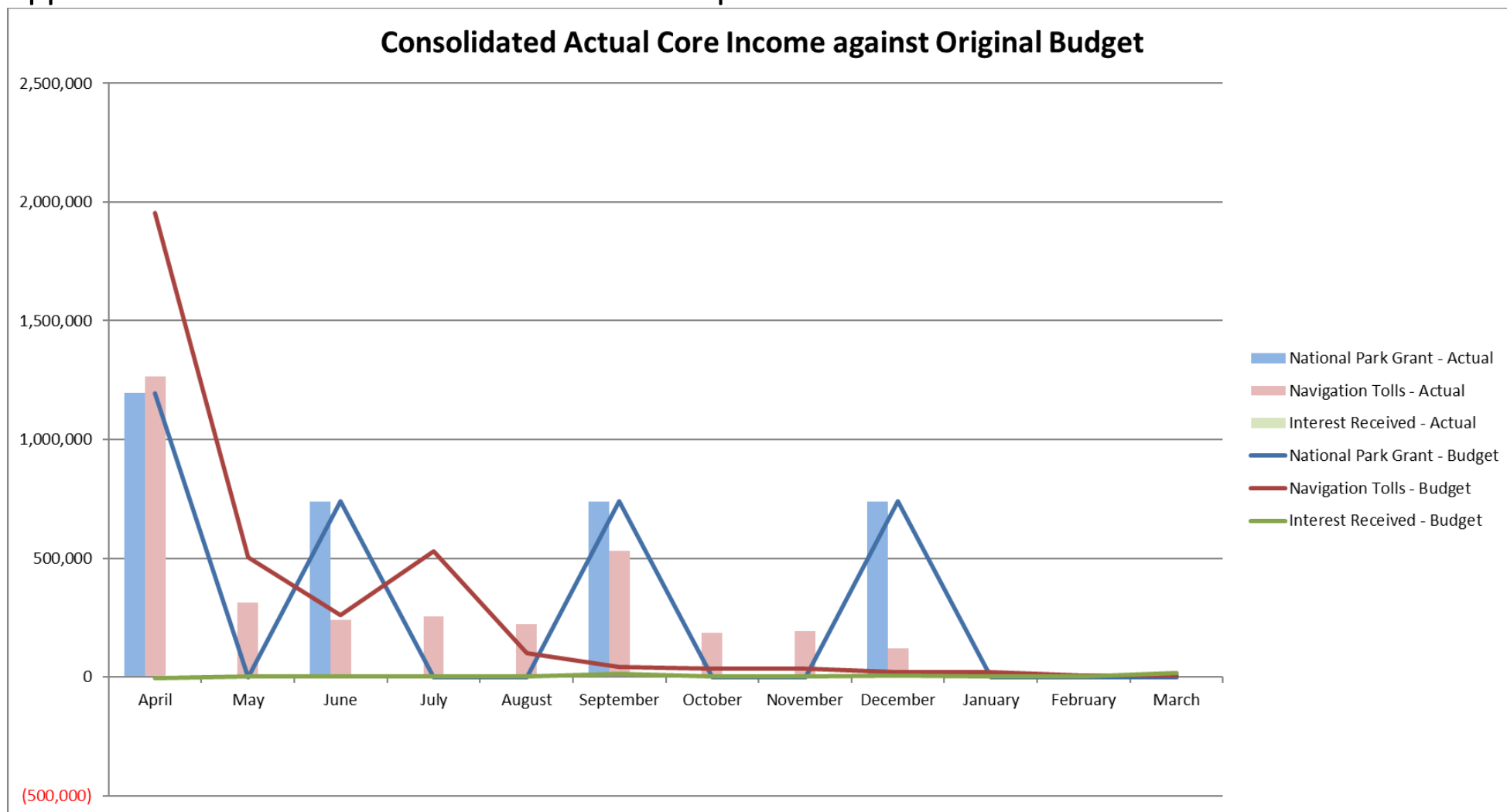
Author: Emma Krelle

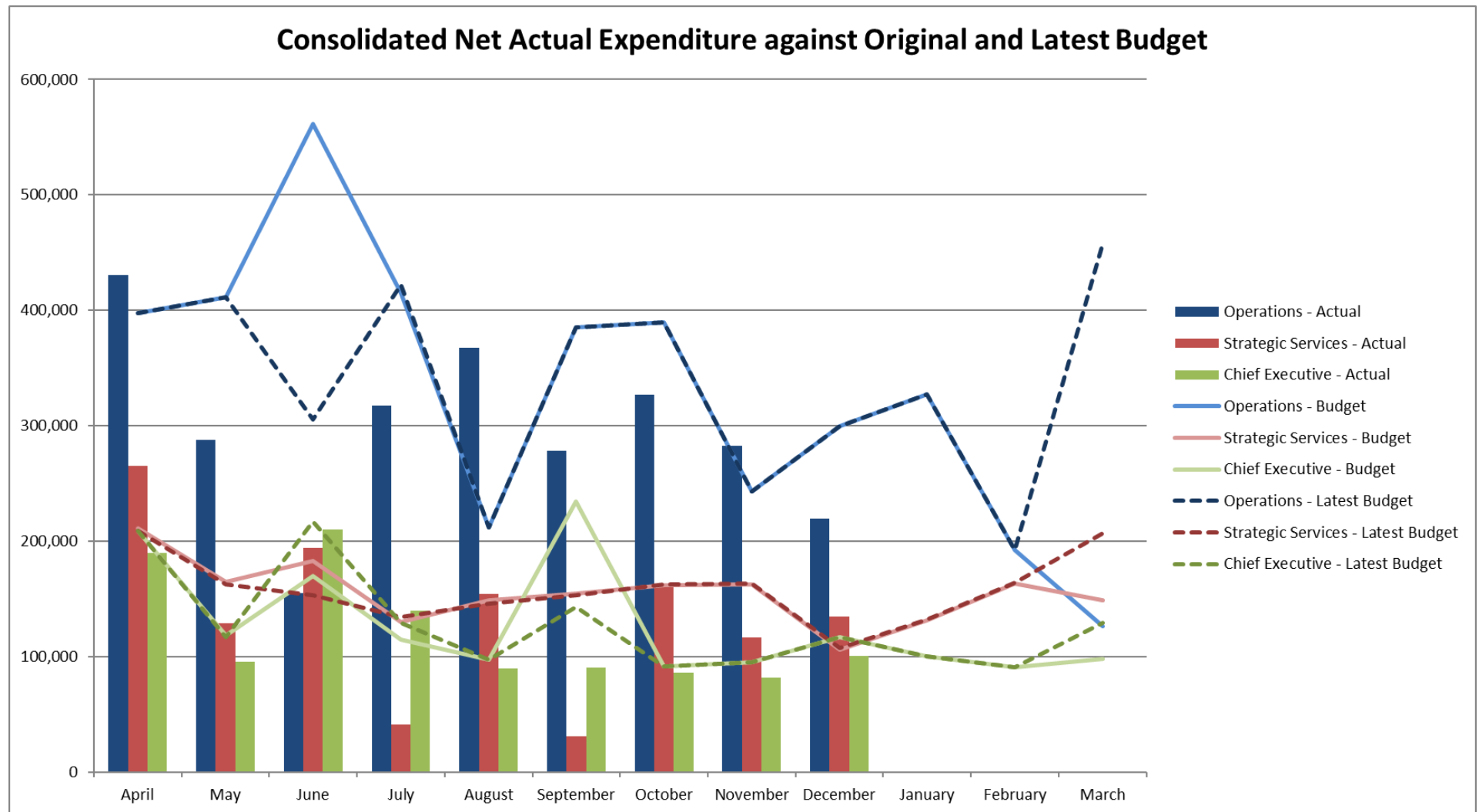
Date of report: 15 February 2021

Appendix 1 – Consolidated Actual Income and Expenditure Charts to 31 December 2020

Appendix 2 – Financial Monitor: Consolidated Income and Expenditure 2020/21

Appendix 1 – Consolidated actual income and expenditure charts to 31 December 2020





Appendix 2 Financial Monitor: Consolidated income and expenditure 2020/21

Table 1

Income

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Income	(6,960,178)	0	(6,960,178)	(6,818,178)	-142,000
National Park Grant	(3,414,078)	0	(3,414,078)	(3,414,078)	0
Hire Craft Tolls	(1,199,000)	0	(1,199,000)	(1,106,000)	-93,000
Private Craft Tolls	(2,244,000)	0	(2,244,000)	(2,214,000)	-30,000
Short Visit Tolls	(43,000)	0	(43,000)	(43,000)	0
Other Toll Income	(19,100)	0	(19,100)	(19,100)	0
Interest	(41,000)	0	(41,000)	(22,000)	-19,000

Table 2
Operations

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Operations	4,141,314	82,938	4,224,252	3,818,664	405,588
Construction and Maintenance Salaries	1,291,720	0	1,291,720	1,271,460	20,260
Salaries	1,291,720	0	1,291,720	1,271,460	20,260
Expenditure	0	0	0	0	0
Equipment, Vehicles & Vessels	536,800	0	536,800	439,300	97,500
Income	0	0	0	0	0
Expenditure	536,800	0	536,800	439,300	97,500
Water Management	103,670	13,000	116,670	99,980	16,690
Income	0	0	0	0	0
Expenditure	103,670	13,000	116,670	99,980	16,690
Land Management	(45,086)	0	(45,086)	(39,586)	-5,500
Income	(103,796)	0	(103,796)	(103,796)	0
Expenditure	58,710	0	58,710	64,210	-5,500

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Practical Maintenance	510,560	69,938	580,498	438,015	142,483
Income	(9,000)	0	(9,000)	(9,000)	0
Expenditure	519,560	69,938	589,498	447,015	142,483
Waterways and Recreation Strategy	45,360	0	45,360	48,225	-2,865
Income	0	0	0	0	0
Salaries	36,360	0	36,360	36,600	-240
Expenditure	9,000	0	9,000	11,625	-2,625
Ranger Services	864,960	0	864,960	842,090	22,870
Income	0	0	0	0	0
Salaries	718,260	0	718,260	695,390	22,870
Expenditure	145,550	0	145,550	145,550	0
Pension Payments	1,150	0	1,150	1,150	0
Safety	148,970	0	148,970	118,490	30,480
Income	(1,500)	0	(1,500)	(1,500)	0
Salaries	61,670	0	61,670	58,690	2,980
Expenditure	88,800	0	88,800	61,300	27,500

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Premises	230,910	0	230,910	145,910	85,000
Income	(1,000)	0	(1,000)	(1,000)	0
Expenditure	231,910	0	231,910	146,910	85,000
Premises - Head Office	258,880	0	258,880	258,880	0
Income	0	0	0	0	0
Expenditure	258,880	0	258,880	258,880	0
Project Funding	61,860	0	61,860	61,860	0
Expenditure	50,000	0	50,000	50,000	0
Pension Payments	11,860	0	11,860	11,860	0
Operations Management and Administration	132,710	0	132,710	134,040	-1,330
Salaries	124,710	0	124,710	126,040	-1,330
Expenditure	8,000	0	8,000	8,000	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	1,608,275	29,043	1,637,318	1,601,683	35,635
Development Management	396,170	0	396,170	349,685	46,485
Income	(74,500)	0	(74,500)	(85,000)	10,500
Salaries	407,970	0	407,970	373,505	34,465
Expenditure	57,900	0	57,900	56,380	1,520
Pension Payments	4,800	0	4,800	4,800	0
Strategy and Projects Salaries	266,785	4,534	271,319	264,654	6,665
Salaries	148,770	0	148,770	145,430	3,340
Expenditure	118,015	4,534	122,549	119,224	3,325
Biodiversity Strategy	11,870	0	11,870	11,870	0
Income	(43,823)	0	(43,823)	(43,823)	0
Expenditure	55,693	0	55,693	55,693	0
Human Resources	139,230	0	139,230	137,726	1,504
Salaries	78,260	0	78,260	93,750	-15,490

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Expenditure	60,970	0	60,970	43,976	16,994
Volunteers	73,480	0	73,480	58,810	14,670
Salaries	48,230	0	48,230	48,560	-330
Expenditure	25,250	0	25,250	10,250	15,000
Communications	327,650	24,509	352,159	352,469	-310
Income	(112,880)	0	(112,880)	(113,480)	600
Salaries	336,060	0	336,060	338,370	-2,310
Expenditure	104,470	24,509	128,979	127,579	1,400
Visitor Centres and Yacht Stations	284,780	0	284,780	317,609	-32,829
Income	(174,100)	0	(174,100)	(123,296)	-50,804
Salaries	356,330	0	356,330	348,960	7,370
Expenditure	102,550	0	102,550	91,946	10,604
Strategic Services Management and Administration	108,310	0	108,310	108,860	-550
Salaries	104,310	0	104,310	105,110	-800
Expenditure	4,000	0	4,000	3,750	250

Table 4

Chief Executive

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Total Chief Executive	1,536,267	0	1,536,267	1,490,184	46,083
Legal	97,500	0	97,500	97,500	0
Income	(2,500)	0	(2,500)	(2,500)	0
Expenditure	100,000	0	100,000	100,000	0
Governance	297,884	0	297,884	261,494	36,390
Income	0	0	0	0	0
Salaries	171,620	0	171,620	161,240	10,380
Expenditure	126,264	0	126,264	100,254	26,010
Chief Executive	122,240	0	122,240	121,922	318
Salaries	117,490	0	117,490	118,360	-870
Expenditure	4,750	0	4,750	3,562	1,188
Asset Management	153,293	0	153,293	128,613	24,680
Income	(23,000)	0	(23,000)	(23,000)	0
Salaries	46,220	0	46,220	46,540	-320
Expenditure	130,073	0	130,073	105,073	25,000

Row Labels	Original budget (Consolidated) £	Budget adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast outturn (Consolidated) £	Forecast outturn variance (Consolidated) £
Finance and Insurance	390,550	0	390,550	391,680	-1,130
Salaries	165,040	0	165,040	166,170	-1,130
Expenditure	225,510	0	225,510	225,510	0
Collection of Tolls	146,440	0	146,440	147,380	-940
Salaries	135,240	0	135,240	136,180	-940
Expenditure	11,200	0	11,200	11,200	0
ICT	328,360	0	328,360	341,595	-13,235
Salaries	194,860	0	194,860	196,220	-1,360
Expenditure	133,500	0	133,500	145,375	-11,875

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	200,487	0	200,487	246,537	-46,050
Partnerships / HLF	76,987	0	76,987	115,537	-38,550
Income	(598,083)	0	(598,083)	(601,123)	3,040
Salaries	158,640	0	158,640	163,530	-4,890
Expenditure	516,430	0	516,430	553,130	-36,700
Corporate Items	123,500	0	123,500	131,000	-7,500
Expenditure	3,500	0	3,500	11,000	-7,500
Pension Payments	120,000	0	120,000	120,000	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	(372,647)	0	(372,647)	(279,577)	-93,070
Earmarked Reserves	(372,647)	0	(372,647)	(279,577)	-93,070
Expenditure	(372,647)	0	(372,647)	(279,577)	-93,070

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	153,518	111,981	265,499	59,313	206,186

Audit and Risk Committee

02 March 2021

Agenda item number 8

Internal Audit Strategic and Annual Plans 2021-22

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 2021/22.

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 2021/22.

Recommendation

Approval of:

-
- i. The Internal Audit Strategy for 2021/22;
 - ii. The Internal Audit Charter; and
 - iii. The Annual Internal Audit Plan for 2021/22.
-

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 2021/22 is described in the attached report, and the resulting plan contained therein.

Author: Emma Hodds

Date of report: 08 February 2021

Appendix 1 –Broads Authority Internal Audit Plans Report 2021-22

Eastern Internal Audit Services



BROADS AUTHORITY

Internal Audit Plans 2021/22

Responsible Officer: Head of Internal Audit

CONTENTS

1. INTRODUCTION.....	2
2. AUDIT CHARTER.....	2
4. ANNUAL INTERNAL AUDIT PLAN.....	3
APPENDIX 1 - INTERNAL AUDIT CHARTER.....	5
APPENDIX 2 – INTERNAL AUDIT STRATEGY	13
APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN 2021/22	17

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also considered when developing the internal audit plan:
 - Any declarations of interest 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;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Audit and Risk Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Audit 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 every two years, or as required for review. The Charter was last approved by the Committee in 2019 and will therefore be reviewed and approved by the Committee this year. We can confirm no changes have been required for the year ahead. The Audit Charter can be found at **Appendix 1** of this report.
- 2.3 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.

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 It is also worth noting that IT audit coverage is reviewed every two years, as due to the size of the audit plan this enables other service areas to be regularly reviewed. The IT review of Cyber Security has been added to this year's plan to provide assurance regarding the Authority preparedness for the 'Cyber Security Essentials' certification. Our review will also consider the controls that are in place to enable security during home working as a result of the Covid 19 pandemic.

4.5 The key controls & assurance audit and the corporate governance & risk management audits will continue to be undertaken on an annual basis due to the importance of these areas in determining the adequacy and effectiveness of the Authority's framework of governance, risk management and control, which informs the Head of Internal Audit Annual Opinion. This year our audit will include an evaluation of the impact that the Pandemic has had on budgets, governance arrangements and risk management.

4.6 The annual internal audit plan for 2021/22 totals 36 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Authority's internal control environment carried out at year end.

4.7 In addition the Head of Internal Audit role and Audit Manager role will continue to be provided by South Norfolk Council, the key roles include; developing the annual internal audit plan, quality reviewing the outcomes of the work undertaken by the contractor (TIAA Ltd) & ensuring that this meets the contract requirements, providing an annual report and opinion to the

Authority, ensuring that the Committee continues to follow best practice through the self-assessment exercise and providing training as requested to new members of the Committee.

Appendix 1

EASTERN INTERNAL AUDIT SERVICES INTERNAL AUDIT CHARTER FOR 2021/22

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
 - South Holland District 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. The charter will be reviewed annually by the Chief Audit Executive and Internal

Audit Manager to confirm its ongoing completeness and validity and presented to Senior Management and the Board every 2 years for review.

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.

2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

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 and Internal Audit Manager responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

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 it. Any advice that is rejected will be formally reported.

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 with the exception of South Norfolk Council and Broadland District Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Assistant Director Governance and Business Support role, administratively reporting to the Director of Resources. Due to extra responsibilities undertaken and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role for South Norfolk Council and Broadland District Council is undertaken by a contractor to ensure that independence is safeguarded.

- 3.2.2 The Head of Internal Audit and the Internal Audit Manager reports functionally to the Board and administratively to the Section 151 Officer or Section 17 Officer at all other members of the consortium.
- 3.2.3 The Head of Internal Audit and the Internal Audit Manager also has a direct line of reporting and unfettered access to the 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 and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Internal Audit Manager manages the contract with support from the Chief Audit Executive.

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;
 - Receiving regular reports on the outcomes of internal audit activity and performance;
 - Receiving regular reports on management action in relation to agreed internal audit recommendations;
 - Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
 - Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- 3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and

governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

- 3.4.2 The Head of Internal Audit or 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 also responds as required.

3.5 External Audit

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

3.6 Other Internal Audit Service Providers

- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.
- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4 Rights of Access

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

5 Objective and Scope

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

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

6 Independence and Objectivity

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 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.
- 6.3 The Head of Internal Audit has overall responsibility for the management and strategic direction of the Internal Audit Service. At South Norfolk and Broadland District Council where a shared service arrangement is in place the Assistant Director Governance and Business Support carries out additional responsibilities that fall outside of internal auditing. These include;
- Monitoring Officer
 - Democratic Services
 - Legal Services
 - Freedom of Information
 - General Data Protection Regulation
 - Information Technology
 - Human Resources
 - Facilities Management

Safeguards exist to limit any impairments that may occur to the independence and objectivity at Broadland and South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work

carried out by the contractor and does not have any involvement in the above mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk and Broadland District Council will be carried out by a fully qualified contractor responsible for overseeing the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.

- 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 the Internal Audit Manager and / or 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 Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

9 Audit Planning

- 9.1 The Head of Internal Audit, supported by 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 Head of Internal Audit is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

10 Audit Reporting

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to 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.

10 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 or Internal Audit Manager 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 Internal Audit Manager 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 January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"

APPENDIX 2 – INTERNAL AUDIT STRATEGY

EASTERN INTERNAL AUDIT SERVICES THE BROADS AUTHORITY

INTERNAL AUDIT STRATEGY FOR 2021/22

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 provide a clear direction for internal audit services and creates a link between the Charter and the annual plan.

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, South Holland and South Norfolk District Councils, Great Yarmouth Borough 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. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years ending 31 March 2020. In line with the terms of this contract an extension has been agreed which will allow the contract to run for a further year terminating on 31 March 2022. The Head of Internal Audit and Internal Audit Manager in consultation with all consortium members will be procuring the internal audit contract during 2021.

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 and Risk Committee and the Section 17 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 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 Section 17 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 Management Team prior to these being brought to the Audit and Risk 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 and Risk 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 standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

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

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

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations 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.

5. How internal audit resource requirements have been assessed

5.1 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.

- 5.2 That said a core team of staff is provided 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.
- 5.3 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.

APPENDIX 3 – ANNUAL INTENAL AUDIT PLAN 2021/22

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 during the Covid Pandemic. 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, and Follow Up of Internal Audit Recommendations. Our review will pay particular focus on budget monitoring of income during the Covid Pandemic to ensure that officers are able to consider adequate timely and accurate information about the Authorities financial position when making decisions.</p>

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
Service Area audits						
HR and Payroll	8			8		A high risk is being monitored in the strategic risk register in relation to the loss of key staff and impact of significant public health crisis. This risk has become particularly prevalent during the Covid Pandemic. Our review will provide assurance that staff sickness is being well managed through the staff resilience plan and to ensure key services continue if sickness increases. Our review will examine the robustness of Payroll processes in handling changes as a result of sickness. In addition we will review the robustness of processes implemented as part of the new HR software.
Cyber Security	8			8		A high risk is being monitored in the strategic risk register in relation to cyber security. The Authority preparing to become accredited for cyber security essentials and has offered data protection training to staff. Our review will provide assurance over progress against these mitigating actions whilst ensuring that cyber security has not been jeopardised by staff working from home during the Covid Pandemic.

Audits Previously undertaken		
Service area audits		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Reasonable
Procurement	2019/20	Reasonable
Consultation Activities and partnership provisions	2014/15	Reasonable
Planning	2020/21	Reasonable
External Funding - HLF Bid and National Parks Partnership	2019/20	Reasonable
Port Marine Safety Code*	2017/18	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	n/a	n/a
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 2022/23
Partnership Working 2022/23

* this is a 3 yearly review and is next due in 2024/25

Audit and Risk Committee

02 March 2021

Agenda item number 9

External Audit

Report by Chief Financial Officer

Summary

This report appends:

- i. The Annual Audit Letter for 2019/20;

Recommendation

- i. That the Annual Audit Letter for 2019/20 is noted.
-

1. Introduction

- 1.1. The Annual Audit letter for 2019/20 summarises the key issues arising from the audit. These key findings are set out on page 10 of Appendix 1. The Audit results were considered at 17 November 2020 Audit and Risk Committee. At the date of that meeting the outstanding fee relating to the COVID related work had not been determined, this can be found on page 21. All fee variations remain disputed.

2. 2020/21 Audit

- 2.1. Members may recall that the committee normally receives the audit plan at this committee for the forthcoming audit. This will not be produced until the July committee. However, Mark Hodgson will be in attendance to discuss this including an overview of audit risks.

Author: Emma Krelle

Date of report: 11 February 2021

Appendix 1 – Broads Authority Annual Audit Letter 18 December 2020

Broads Authority

Annual Audit Letter for the year
ended 31 March 2020

18 December 2020

Contents

		Page
Section 1	Executive Summary	3
Section 2	Purpose and Responsibilities	7
Section 3	Financial Statement Audit	9
Section 4	Value for Money	12
Section 5	Other Reporting Issues	14
Section 5	Focused on your future	17
Appendices		
Appendix A	Audit Fees	20

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of Responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



A blurred background image showing two hands shaking over a laptop, symbolizing a business deal or agreement.

Section 1

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to the Broads Authority following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We updated our audit procedures to take account of the following issues:

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to the publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. We worked with the Authority to deliver our audit in line with the revised reporting timescale.
Impact on our risk assessment	
► Valuation of Property Plant and Equipment and Investment Property	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty over the valuations in place at the 31 March 2020. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Authority's external valuer.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision to take account of Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by Management's assessment with particular reference to Covid-19.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	<p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems because of remote working protocols. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> ► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and ► Agree IPE to scanned documents or other system screenshots.
► Consultation requirements	Additional EY consultation requirements were required concerning the impact on auditor reports.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's:	
► Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published within the Statement of Accounts was consistent with the financial statements.
► Concluding on the s arrangements for securing economy, efficiency and effectiveness	We concluded that the Authority had put in place proper arrangements to secure value for money in its use of resources.

Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 4 November 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 23 November 2020.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work and, in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic, their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to the Authority and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Audit & Risk Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 7 February 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Authority

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

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

Section 3

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on the 23 November 2020.

Our detailed findings were reported to the 17 November 2020 Audit & Risk Committee. The key issues identified as part of our audit were as follows:

Risks	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Authority.
Incorrect capitalisation of revenue expenditure	We did not identify any matters to report to the Authority.
Valuation of Property, Plant and Equipment	We did not identify and misstatements to report to the Authority. The Authority appropriately disclosed a material valuation uncertainty paragraph included by its valuer in their valuation report.
Pension liability	Following the publication of the HM Treasury consultation on the remedy for the McCloud judgement in July 2020, together with updated assumptions for investment returns within the Norfolk Pension Fund, the Authority obtained a revised actuarial reports from the Pension Fund Actuary. This showed an increase in the Authority's pension fund liability of £12,000, for which the financial statements were adjusted.
Going Concern Disclosures	The Authority assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £0.186 million (2018/19: £0.176 million), which is 2% of gross expenditure on the provision of services reported in the accounts of £9.2 million.</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p>
Reporting threshold	<p>We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £9,307 (2018/19: £8,800)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data and approved amounts applying a reduced materiality level of £5,000 in line with bandings disclosed in the financial statements.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence applying a reduced materiality level equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up photograph of a woman's face, focusing on her green eyes and light skin. The image is partially obscured by a yellow rectangular overlay on the left side.

Section 4

Value for Money

Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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

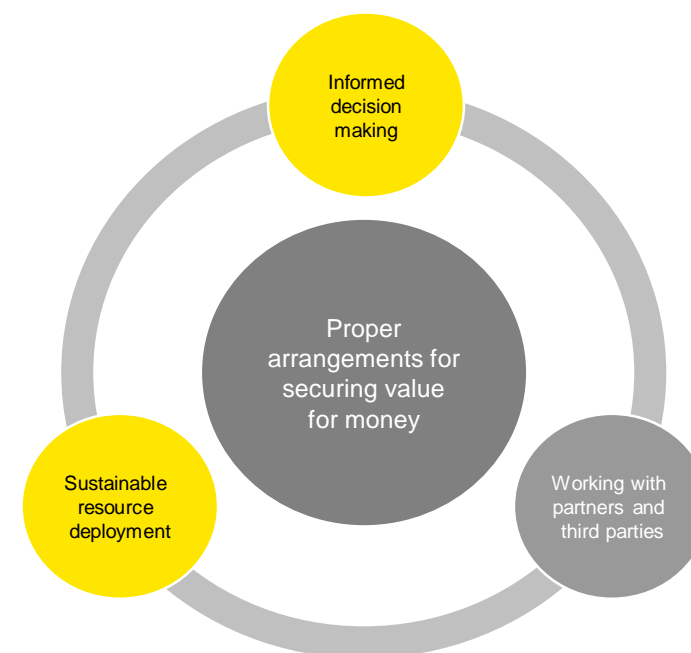
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

We did not identify any significant risks in relation to these criteria.

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

We therefore issued an unqualified value for money conclusion on 23 November 2020.



A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. The Authority is below the specified audit threshold of £500 million.

Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any matters to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

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

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We did not identify any issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Risk Committee on 17 November 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Authority or the Audit & Risk Committee.

Section 6

Focused on your future

Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Authority is summarised in the table below.

Authority responsibilities for value for money

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

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

Auditor responsibilities under the 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 the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

Continued

Focused on your future

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.

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for Local Authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for Local Authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>However in response to the ongoing pandemic and its pressures on Authority finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p> <p>The announcement is available on CIPFA's website.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published. CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>

The background image shows a person's hand in a maroon sleeve placing a document into a binder. The binder has several dividers with colored tabs (blue, white, orange, white, orange, white, blue). The pages are mostly white with some orange-tinted ones. A large yellow rectangle is overlaid on the left side of the image.

Section 8

Audit Fees

Audit Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified this fee. We have discussed the proposed additional fee with the Chief Finance Officer. We will now seek formal approval from PSAA.

Description	Final Fee 2019/20 £'s	Planned Fee 2019/20 £'s	Scale Fee 2019/20 £'s	Final Fee 2018/19 £'s
Total Audit Fee - Code work	10,736	10,736	10,736	10,736
Changes in work required to address professional and regulatory requirements and scope associated with risk	33,963	33,963		N/A
Revised Proposed Scale Fee (see Note 1)	44,699	44,699	10,736	10,736
Additional work:				
• Assessment of Going Concern in light of Covid-19 including consultation process and documentation and the reassessment of materiality and identification of any further audit risks (including in relation to VFM)	3,820			N/A
• Increased Property, Plant and Equipment and Investment Property procedures to consider, challenge and respond to the basis of the valuation, including the RICS material uncertainty clause, including the use of specialists from EY Real Estate	1,172			N/A
• Increased IAS 19 procedures to assess the impact of McCloud/Goodwin and revised asset valuations on the IAS 19 liability	1,596			
Total Audit Fee	51,287			10,736

Note 1 - For 2019/20, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Audit and Risk Committee

02 March 2021

Agenda item number 10

Implementation of internal audit recommendations – summary of progress

Report by Chief Financial Officer

Summary

This report gives a summary of progress in implementing Internal Audit recommendations arising out of audits carried out during 2018/19, 2019/20 and 2020/21.

Recommendation

To note the report.

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 and 2 give details of the audits carried out in 2018/19 and 2019/20, 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 outstanding recommendations remain unchanged. Good progress has been made towards the procurement training and a draft template for tender has been produced. This will be included as part of the training to be delivered before 31 March.

3. Internal Audit Programme 2020/21

- 3.1. At the committee in November it was reported that the Key Controls, Port Marine Safety Code and Planning audits were scheduled to be completed in November and December. However due to the subsequent COVID-19 lockdowns and absences within

the audit team there have been further delays. At the time of writing all of the substantive testing for Key Controls had been completed but the final report remains outstanding. The Port Marine Safety Code audit has been delayed. Work has nearly been finalised on the Corporate Governance audit.

4. Planning

- 4.1. The objective of this audit was to review the systems and controls in place within Planning, to help confirm that these are operating adequately, effectively and efficiently. This resulted in a “reasonable” audit opinion with two “important” and four “needs attention” recommendations being raised. Details of these can be found in Appendix 3. The previous audit report for Planning was issued in October 2015, with a “Reasonable Assurance” opinion with two “important” and one “needs attention” recommendations being raised.
- 4.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to planning applications were:
- Two validation checklists are available on the Broads Authority website, which supplement the statutory requirements set out in the Procedure Order - The Town and Country Planning - Development Management Procedure (England) Order 2015. This reduces the risk of inconsistent approach in processing planning applications.
 - Planning applications are determined by Planning Committee or Officers in accordance with the Authority's Scheme of Powers Delegated to Officers. This demonstrates that the delegated arrangements are operational and effective.
 - Delegated decision report sheet, decision notice, and Planning Committee report minutes extract are all available on the Broad Authority website under each planning application. This demonstrates a transparent and clear planning approval process.
 - The correct fees are charged and obtained before planning applications are processed. This ensures that accurate income is being received as expected.
- 4.3. Those relating to enforcement were:
- The Local Enforcement Plan is available on the Broads Authority website which explains the planning enforcement process and how this works in the Broads Authority executive area. This ensure the public are made aware of processes followed by the Authority regarding the enforcement of planning breaches.
- 4.4. Those relating to heritage and trees were:
- Once a new appraisal is adopted by the Planning Committee, changes to the conservation areas are updated on the Authority's Geographic Information

System (GIS) mapping. This reduces the risk of not capturing changes being made.

4.5. The recommendations remain on target for completion.

Author: Emma Krelle

Date of report: 12 February 2021

Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

Appendix 1 – Summary of actions and responses to Internal Audit 2018/19

Table 1

Branding April 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>2. Broads Authority branding - strategies, guidelines / procedures</p> <p>The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding. This should be included within a separate branding section which the policy does not currently have. This should make the branding area more easily to locate within the policy and helps mitigate the risk that responsibilities for branding are unclear.</p>	Needs Attention	Head of Communications	<p>New communications strategy delayed by COVID comms activity but many elements completed and anticipate strategy will be in place by end Sept 2020</p> <p>Update:</p> <p>New 'branding' area on intranet developed that incorporates updated and new documents, including:</p> <ul style="list-style-type: none"> • Communications Team Guide • BA Brand guidelines • BA brand guidelines supplement • BA language style guide • Words commonly used in BA publications • BA signs guide 	<p>By 31/10/19</p> <p>Updated to 31/03/21</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			<ul style="list-style-type: none"> Logos and templates for letterheads, reports and PowerPoint presentations. <p>Instructions for email signatures added Nov 2020. Full strategy overview not yet written due to rescheduled priorities in 2020; due to be completed by March 2021.</p>	
<p>5. Broads Authority branding - use of the Broads Authority logo</p> <p>A review and update of the communications page on the Authority's intranet be undertaken once the national parks' branding strategy and associated documents, including the local broads national park strategy and Broads Authority Communications Policy, are finalised. This should be re-launched with staff including the provision of staff and member training in relation to branding, incorporating the use of both the Broads Authority logo and Broads National Parks logo. The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.</p>	Needs Attention	Head of Communications	<p>Agreed. Intranet content to be produced in conjunction with strategy, guidelines and procedures. Awaiting completion of new communication strategy (see recommendation two above)</p> <p>Update: As per recommendation 2 above – all completed except overarching strategy document, now due March 2021.</p>	<p>By 31/10/19</p> <p>Updated to 31/03/21</p>

Appendix 2 – Summary of actions and responses to Internal Audit 2019/20

Table 2

Procurement - December 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>6. Procurement</p> <p>To consolidate the standard terms document with the contract conditions outlined in the CSOs to have an overall set of terms and conditions. These should be consolidated in conjunction with the Broads Authority's legal advisor and included within the CSOs.</p> <p>A consolidated set of terms and conditions protect the purchaser against unforeseen financial losses, e.g. goods not delivered as agreed, mitigating the risks of delay in services/goods and quality of goods which could also lead to a poor reputation.</p>	Needs Attention	Chief Financial Officer	<p>Agreed. Standard terms and conditions to be drawn up with legal provider, including conditions for contracts over £5k. Work initiated with our Legal provider.</p> <p>Update: Delayed due to ongoing work on COVID-19 response, the Statement of Accounts and budget preparation for 2021/22. Contracts available for staff to use for Engineering (Professional Services and Construction) and Services. The goods contract in process of being finalised with our Legal Provider. The use of these will be covered in the training below.</p>	<p>By 31/03/20</p> <p>Updated to 31/03/21.</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
7. Procurement Procurement training is provided to all relevant members of staff, and Members, where applicable. Up to date procurement training ensures that staff are aware of and are adhering to the correct guidelines, thereby mitigating the risk of non-compliance with CSOs and OJEU requirements	Needs Attention	Chief Financial Officer	Agreed. Update: Delayed due to ongoing work on COVID-19 response, the Statement of Accounts and budget preparation for 2021/22.	By 30/06/20 Updated to 31/03/21

Appendix 3 – Summary of actions and responses to Internal Audit 2020/21

Table 3

Planning February 2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Enforcement Where complaints are received these should be retained on file and acknowledged within three working days as stated in the Local Enforcement Plan. Acknowledging complaints on time provides early reassurance that the complaint has been received and is being dealt with. This helps to reduce the risk of the Authority receiving the same complaint multiple times thereby wasting resources in handling them.	Important	Head of Planning	Agreed	By 01/04/2021
2. Enforcement Complainants should be provided updates of the enforcement investigation being carried out by the Authority within 20 working days as stated in the Local Enforcement Plan. Providing complainant with timely updates on progress of enforcement complaint investigation will reassure the public of work carried on by the Authority in enforcing planning breaches.	Important	Head of Planning and Planning Officer (Compliance and implementation)	Agreed	By 01/04/2021
3. Planning Applications	Needs Attention	Senior Planning Officer	Agreed	By 01/05/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>The monthly planning fees reconciliation should be reviewed by a senior officer, other than the one preparing it, which is then signed and dated by both the preparer and the reviewer on completion to evidence this.</p> <p>Reviewing the planning fees reconciliation by a senior officer other than the one preparing it will ensure completeness and accuracy of the application fees received by the Authority and provides segregation of duties. This will mitigate the risk of financial loss to the Authority.</p>				
<p>4. Enforcement</p> <p>The process for new enforcements be completed including the timescale for completing each stage of the enforcement process.</p> <p>Having a documented process for process enforcement cases will ensure uniformity in the services provided to customers. This will mitigate against irregularity in staff handling of enforcement cases.</p>	Needs Attention	Head of Planning	Agreed	By 01/05/2021
<p>5. Enforcement</p> <p>The date the complaint is received by the Authority to be recorded in the Uniform and Idox system.</p> <p>The actual complaints received date should be recorded on the system to ensure the performance indicators stated in the Local Enforcement Plan are</p>	Needs Attention	Planning Technical Support Officer	Agreed	By 01/04/2021

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
being adhered to. This is reduced the risk of delay in investigating and responding to complainant.				
6. Enforcement Performance indicators be put in place for responding to complaints and investigating enforcement cases. Having a performance measures in place will help in determining the Authority progress against set standards in relation to the management of complaints and enforcement cases	Needs Attention	Head of Planning	Agreed	By 01/05/2021

Audit and Risk Committee

02 March 2021

Agenda item number 11

Independent review of External Audit and Financial Reporting

Report by Chief Financial Officer

Summary

This report seeks to provide an overview of the recommendations raised by Sir Tony Redmond raised in his review into external audit and financial reporting.

Recommendation

To note the report.

Contents

1.	Introduction	1
2.	Review Recommendations	2
	External Audit Regulation	2
	Smaller Authorities Audit Regulation (SAAA)	3
	Financial Resilience of local authorities.	3
	Transparency of Financial Reporting	4
3.	Recommendations applicable to the Authority	4
4.	Conclusion	5

1. Introduction

- 1.1. During 2019 the Ministry of Housing, Communities and Local Government (MHCLG) invited Sir Tony Redmond to review the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014.
- 1.2. The results of this review were published in September 2020 outlining 23 recommendations. MHCLG provided an initial response to some of those recommendations in December 2020, with the aim of making a full response this

spring. Links to the details of both of these reports can be found at the bottom of this report, under background papers.

- 1.3. This report aims to highlight the recommendations and those relevant to the Authority.

2. Review Recommendations

- 2.1. Of the 23 recommendations raised, these were split into four areas: External Audit Regulation, Smaller Authorities Audit Regulation, Financial Resilience of Local Authorities and Transparency of Financial Reporting.

External Audit Regulation

- 2.2. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

- 2.3. The current roles and responsibilities relating to local audit discharged by the:

- Public Sector Audit Appointments (PSAA);
- Institute of Chartered Accountants in England and Wales (ICAEW);
- The Financial Reporting Council (FRC)/Audit, Reporting and Governance Authority (ARGA); and
- The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

- 2.4. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.

- 2.5. The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

- 2.6. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
- 2.7. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- 2.8. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- 2.9. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
- 2.10. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
- 2.11. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- 2.12. The revised deadline for publication of audited local authority accounts be considered in consultation with NHS England and NHS Improvement (NHSI(E)) and Department for Health and Social Care (DHSC), given that audit firms use the same auditors on both Local Government and Health final accounts work.
- 2.13. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
- 2.14. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation (SAAA)

- 2.15. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
- 2.16. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
- 2.17. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

Financial Resilience of local authorities.

- 2.18. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.

- 2.19. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

- 2.20. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
- 2.21. The standardised statement should be subject to external audit.
- 2.22. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
- 2.23. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
- 2.24. Joint Panel on Accountability and Governance (JPAG) be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
- Whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers;
 - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
 - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

3. Recommendations applicable to the Authority

- 3.1. Whilst the government considers its full response to the recommendations, it is important to recognise that these have been drafted for Local Government bodies, many who have council tax/precept payers, and that National Parks also sit within those regulations. It is slightly disappointing that National Parks are not considered a SAAA, given the level of turnover of many National Parks just exceeds the £6.5 million threshold.
- 3.2. The creation of a new OLAR would require a change in primary legislation and is not supported by MHCLG. It also falls outside of government policy not to create new arms-length bodies. MHCLG will look at other ways of supporting the recommendations within the existing frameworks.

- 3.3. With regard to recommendation 4 (2.5), it is important to note that the Authority already partially complies with this. Whilst this committee receives the annual report rather than the Broads Authority, annual meetings already take place between the CEO and the CFO with the key audit partner. MHCLG have indicated that they would like to see this recommendation delivered and will work with the LGA, NAO and CIPFA to do so. The Authority would need to consider if a further independent person would need to be appointed to this committee once this becomes a requirement.
- 3.4. The fee structure will be of interest to the Authority (2.7) given the large increase that has been requested for the 2019/20 audit. Whilst MHCLG is offering £15 million to relevant local authorities in 2021/22, it is unclear how National Parks may benefit from this. At the November committee, it was agreed to contact DEFRA regarding the fee increases and the Chief Executive has followed this up with DEFRA officials. They have committed to discussing this and the scope of our audit with MHCLG.
- 3.5. Recommendation 10 (2.11) has been considered by MHCLG and it is looking to extend the deadline to 30 September for the next two financial years and then review. MHCLG is looking to have the revised regulations in place before the 2021 summer recess. The draft committee timetable has been amended moving the November audit and Risk Committee meeting to September. The draft timetable will be considered at the Broads Authority meeting on 19 March 2021.
- 3.6. MHCLG has supported the standardised statement of service which will ideally be only one or two pages long. It will work with CIPFA with a view to it being produced from 2021/22 as part of the Statement of Accounts. MHCLG hope that it will also be distributed with council tax bills from 2022 and the Authority will need to consider how this could be achieved for its users.

4. Conclusion

- 4.1. The Redman review is one in a number of reviews into audit. During 2018, Sir John Kingman carried out a review of the FRC and recommended that the local audit regime be fundamentally rethought to improve scrutiny, quality and leadership. Further criticisms around audit quality, transparency and departmental oversight in terms of system assurance were made in the March 2019 Public Accounts Committee Inquiry Auditing Local Government which was based on an earlier report issued by the National Audit Office (NAO). This was followed by the Brydon Review into the quality and effectiveness of audit in December 2019. It recommended that the creation of a new corporate auditing profession to tackle problems in the wider audit market. This recommendation was aimed at the audit profession as well as at government. The government is developing proposals in response to this.
- 4.2. Members will be aware that there have been issues surrounding the completion of the audit for the 2018/19 and 2019/20 Statement of Accounts. In 2018/19 40% of audits did not meeting the publication deadline of 31 July and for the 2019/20 over 50% did not meet the deadline of 30 November. Covid-19 has no doubt increased these delays

with audits being conducted remotely. The review recognises the pressures that both audit firms and finance teams face in these delayed deadlines so the temporary movement of the deadline is welcome. However, without attracting individuals to the local authority audit market, who will be adequately skilled and trained, it is difficult to see how good quality and timely audits will be delivered in the longer term, whilst maintain market sustainability.

Author: Emma Krelle

Date of report: 12 February 2021

Background papers: [Redmond Review.pdf \(publishing.service.gov.uk\)](#)
[Local authority financial reporting and external audit: government response to the independent review - GOV.UK \(www.gov.uk\)](#)