

# **Audit and Risk Committee**

21 September 2021 Agenda item number 10

# Annual audit results 2020/21

Report by Chief Financial Officer

#### Summary

This report appends the draft Annual Audit Results for 2020/21 prepared by the External Auditors, Ernst & Young LLP (EY).

#### Recommendation

- i. To note the Annual Audit Results 2020/21; and
- ii. That the Letter of Representation in connection with the Audit of the Financial Statements for 2020/21 be signed by the Chief Financial Officer and the Chair of the Audit and Risk Committee.

### 1. Annual Audit Results 2020/21

- 1.1. The External Audit for the Broads Authority's 2020/21 Statement of Accounts was undertaken during July and September 2021 and the draft Audit Results by EY for 2020/21 is at Appendix 1 to this report.
- 1.2. The External Auditors will attend today's meeting to present this item and answer any questions.
- 1.3. Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2020/21. It is presented for consideration and approval by the Committee in order to be signed and sent to the External Auditors.

Author: Emma Krelle

Date of report: 10 September 2021

Background papers: Statement of Accounts 2020/21

Appendix 1 – Audit Results Report - 10 September 2021

Appendix 2 – Letter of Representation 2020-21







Audit and Risk Committee Broads Authority 62-64 Thorpe Road Norwich Norfolk NR1 1RY 10 September 2021

Dear Audit and Risk Committee Members

#### 2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Risk Committee.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included our findings in respect of our work on the Authority's Value for Money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 21 September 2021.

Yours faithfully

MARK HODGSON

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

# **Contents**



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

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

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





#### Scope update

In our Provisional Audit Plan dated 23 June 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

► Changes in materiality: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.185 million. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £0.168 million. This results in updated performance materiality, at 75% of overall materiality, of £0.126 million, and an updated threshold for reporting misstatements of £0.08 million.

#### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

#### Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): 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. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



#### Status of the audit

Our audit work in respect of the Authority opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Pension Liability valuation (IAS19) procedures; and
- ► Other income and expenditure testing.

#### Closing Procedures:

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

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

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



### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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. 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; and
- Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

#### Status of the audit - Value for Money

In the Audit Plan Addendum dated 7 September 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

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

We plan to issue the VFM commentary by the end of October 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix E of this report.

#### **Audit differences**

#### Uncorrected differences

One audit difference was identified in our debtors sample testing, relating to the valuation of grant funding from the Heritage Lottery Fund, which management have not corrected. The receivable was overstated by £0.012 million.

#### Corrected differences

Management have corrected misstatements amounting to £0.301 million in relation to an increase in the return on the Pension Fund's assets, as a result of a requesting a revised IAS 19 report from the Pension Fund Actuary. This is a result of a timing difference reported through the audit of Norfolk Pension Fund. Other immaterial corrected differences have been included in Section 4 of this report.

Following discussions with Management and a review of Management's assessment an additional disclosure note (Note 36) in relation to Going Concern has been included within the revised financial statements. We also identified a limited number of other minor audit disclosure differences in the financial statements, which have been adjustment by Management.



#### Areas of audit focus

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

Management Override: Misstatements due to fraud or error

• We have completed our testing and found no indication of management override of controls.

Management Override: Inappropriate capitalisation of revenue expenditure

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

Inherent Risk: Valuation of Property, Plant, and Equipment

• We have completed our work in this area and have identified a number of matters to report.

Inherent Risk: Pensions valuations and disclosures

- We are currently concluding our procedures in this area. See section 4 of this report for further details.
- We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.301 million.

Inherent Risk: Recoverability of Debtors

• We have completed our work in this area. One difference has been identified in the valuation of a debtor in respect of grant funding from the Heritage Lottery Fund, however this was not linked to a recoverability issue.

Area of Focus: Going Concern Assessment and Disclosure

• We have completed our work in this area. Management have included an additional disclosure note (Note 36) within the revised financial statements. We have reviewed both this note and Management's assessment and have gained sufficient assurance.

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

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

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



#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Authority would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

Under the Accounts and Audit Regulations (2015 as amended), the Authority are required to publish the notice for the inspection period, alongside the publication of the draft financial statements, with the inspection period commencing the day after the publication date. The Authority did not meet this requirement. The Authority published the draft financial statements on the 17 June 2021. The Authority commenced the inspection period from 12 July 2021.

Recommendation: We therefore recommend that the Accounts and Audit Regulations are understood and fully complied with in future accounting periods.

#### Control observations

During the audit, we did not identify any significant deficiencies in internal control.

#### Independence

Please refer to Section 7 for our update on Independence.





# Significant risk

### Misstatements due to fraud or error

#### What is the risk?

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

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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

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

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

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

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

#### What are our conclusions?

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

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

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



# Significant risk

Incorrect capitalisation of revenue expenditure

#### What is the risk?

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

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

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

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

- Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature
- Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. There were no Investment Property additions.
- Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

#### What are our conclusions?

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

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

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



### Inherent risk

### Valuation of Property, Plant and Equipment

#### What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts (£4.706 million at 31 March 2021).

These balances are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

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

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

- Considered the work performed by the Authority's valuer (NPS), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g., floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

#### What are our conclusions?

We have concluded our work in this area and have identified the following issues:

- The Authority had not updated the valuation of a Boathouse asset, this asset was therefore understated within the accounts by £0.043 million.
- The valuer had not provided the latest valuation for one mooring site, this asset had therefore been overstated within the accounts by £0.014 million
- Valuation movements had been incorrectly split between the Comprehensive Income & Expenditure Statement and the Revaluation Reserve. The Revaluation Reserve was therefore understated by £0.027 million.
- Management have updated the financial statements in relation to these matters.



## Inherent risk

Pension valuations and disclosures - Inherent Risk

#### What is the risk?

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

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

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

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

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

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

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

#### What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.

We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.301 million. Management have adjusted for this audit difference. See Section 4 for further information.

We have agreed the Authority's IAS 19 disclosures to the revised actuaries' report to ensure these are fairly stated in the accounts. The disclosures in the accounts have been amended to reflect the most recent valuation of the Pension Fund's assets as per the updated IAS 19 report from the actuaries.

At the time of writing this report we are still awaiting the final assurance report from the Norfolk Pension Fund auditor. (Continued over the page).



### Other Areas of Audit Focus - continued

Pensions valuations and disclosures - Inherent risk

#### What are our conclusions?

We have been notified of an issue has arisen across all Local Government audits within the sector that needs to be resolved prior to us being able to fully conclude our work in this area.

This is in relation to the impact of the new auditing standard on accounting estimates on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements.

Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance. The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Committee with a verbal update on progress at the 21 September 2021 meeting.



## Inherent risk

Recoverability of Debtors -Inherent Risk

#### What is the risk?

As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique.

Given that there might be some subjectivity to the recoverability of debtors the Authority will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

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

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

- Confirmed with the Authority that no bad debt provision is held;
- Considered the reasonableness of nil bad debt provision to the breakdown of trade receivable balances;
- Performed a review of the debtors balances and assessed for likelihood of recoverability: and
- Considered the recoverability of debts in testing a sample of trade receivables.

#### What are our conclusions?

Our sample testing of debtors did not identify any balances that were deemed irrecoverable.

Our assessment of the Authority's conclusion that no bad debt provision was required did not identify any issues with the recoverability of debtors.

One error was identified in our debtors sample testing, relating to the valuation of grant funding from the Heritage Lottery Fund. The receivable was overstated by £0.012 million. Management have decided not to adjust for this audit difference. This is a valuation issue for the receivable only and was unrelated to the recoverability of the debtor balance.





#### Going concern

Management have prepared the financial statements on a going concern basis. Based on our discussions with management to date, the going concern conclusion has been informed by the reserves position of the Authority at 31<sup>st</sup> March 2021 and the forecast reserves position during the going concern period. It is also informed by cash flow forecasting during the going concern period.

We will focus on management's assessment of the going concern assumption in preparing the Authority's financial statements. We will also review management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Authority continue its operations.

Our procedures around Going Concern covered:

- Reviewing for any bias in the Authority's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Authority.
- Considering key assumptions applied in the Authority's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

Based on our procedures performed to date, we have not identified any events or conditions in the course of our audit that would cast significant doubt on the entity's ability to continue as going concern. Management have included an additional disclosure note (Note 36) in respect of their assessment and key factors pertaining to going concern.





### **Audit Report**



#### Our proposed opinion on the financial statements

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

#### Opinion

We have audited the financial statements of the Broads Authority for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ► Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement,
- Balance Sheet.
- ► Cash Flow Statement
- Expenditure and Funding Analysis,
- ▶ the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Broads Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

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

Conclusions relating to going concern

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

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





#### Our proposed opinion on the financial statements

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

#### Other information

The other information comprises the information included in the 'Statement of Accounts 2020/21', other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the 'Statement of Accounts 2020/21'.

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

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

We have nothing to report in this regard.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014:
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.





#### Our proposed opinion on the financial statements

#### Responsibility of the Chief Financial Officer

As explained more fully in the "Statement of Responsibilities for the Statement of Accounts" set out on page 12, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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





#### Our proposed opinion on the financial statements

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

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

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

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Broads Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Broads Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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





#### Our proposed opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Certificate

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

(Or depending on timing)

#### Delay in certification of completion of the audit

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

#### Use of our report

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





### Audit Differences

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

### Summary of unadjusted differences

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

 Current Debtors - £0.012 million. We identified one item within our debtors sample testing, relating to the valuation of grant funding from the Heritage Lottery Fund. Where the receivable was overstated by £0.012 million. Management have decided not to adjust for this audit difference.

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

### Summary of adjusted differences

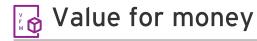
We highlight the following misstatements greater than £8,410 which have been corrected by management that were identified during the course of our audit.

- Pension Liability £0.301 million reduction to the Authority's Liability. We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.301 million.
- Debtors £0.012 million in relation to overstated receivable amount from the Heritage Lottery Fund in respect of grant funding.
- Property, Plant & Equipment £0.043 million in relation to asset valuations which had not been correctly updated through the Fixed Asset register.
- Property, Plant & Equipment £0.014 million in relation to asset valuations which had not been updated correctly by the valuer.
- Revaluation Reserve £0.027 million in relation to valuation movements that had incorrectly increased the Revaluation Reserve instead of reversing historic impairment losses within the Comprehensive Income & Expenditure Statement.
- Provisions £0.041 million in respect of notified additional audit fees which are with PSAA Ltd for determination.
- Going Concern An additional disclosure note (Note 36) in relation to Going Concern has been included within the revised financial statements.

#### **Disclosure Issues**

A limited number of other disclosure and presentational items have been highlights to management and have been amended within the revised financial statements. This includes the inclusion of an additional disclosure note (Note 36) for Going Concern. We do not deem any of the other amendments to merit inclusion in this report.





#### The Authority's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

#### Risk assessment

We issued an Audit Plan Addendum dated 7 September 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the Authority's arrangements.

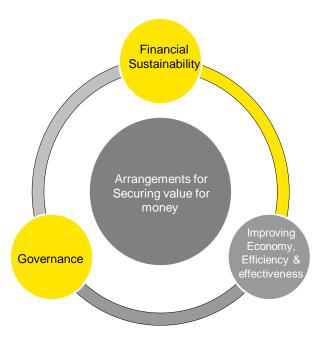
We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

#### Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the Authority's VFM arrangements in Appendix E to this report.

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of October 2021.





# Other reporting issues

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

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

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

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to our outstanding audit procedures.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

#### **Whole of Government Accounts**

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance, that the Authority would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

# **Contract** Other reporting issues

# Other reporting issues

#### Other powers and duties

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

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

#### Other matters

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

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

We have reported in respect of going concern earlier in this report on page 16.

#### **Account & Audit Regulations**

Under the Accounts and Audit Regulations (2015 as amended), the Authority are required to publish the notice for the inspection period, alongside the publication of the draft financial statements, with the inspection period commencing the day after the publication date. The Authority did not meet this requirement. The Authority published the draft financial statements on the 17 June 2021. The Authority commenced the inspection period from 12 July 2021.

Recommendation: We therefore recommend that the Accounts and Audit Regulations are understood and fully complied with in future accounting periods.

We have no other matters to report.





## Relationships, services and related threats and safeguards

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

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

#### Services provided by Ernst & Young

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

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

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

### Other communications

#### EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK



## Relationships, services and related threats and safeguards

#### Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	10,736	10,736	10,736
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	33,963		33,963
Revised Proposed Scale Fee	44,699	10,736	59,140
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)	-	-	6,588
<ul> <li>2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:</li> <li>Accounting for PPE Valuations, Recoverability of Receivables, Going Concern.</li> </ul>	Note 3	-	
Total fees	TBC	34,293	67,060

#### All fees exclude VAT

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 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

Note 2 - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee has been discussed with Management and is subject to formal approval by PSAA Ltd.

Note 3 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas and the audit overall, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Auditors report.





# Required communications with the Audit and Risk Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 23 June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 23 June 2021
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Provisional Audit Plan - 23 June 2021



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <li>Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Material misstatements corrected by management</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Subsequent events	► Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 10 September 2021 - Audit & Risk Committee



		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:         <ul> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to the Audit and Risk Committee responsibility.</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable:  ► Non-disclosure by management  ► Inappropriate authorisation and approval of transactions  ► Disagreement over disclosures  ► Non-compliance with laws and regulations  ► Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.  Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:  The principal threats  Safeguards adopted and their effectiveness  An overall assessment of threats and safeguards  Information about the general policies and process within the firm to maintain objectivity and independence	Provisional Audit Plan - 23 June 2021  Audit Results Report - 10 September 2021 - Audit & Risk Committee



		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.  For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:  Relationships between EY, the company and senior management, its affiliates and its connected parties  Services provided by EY that may reasonably bear on the auditors' objectivity and independence  Related safeguards  Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees  A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit  Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy  Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard  The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Consideration of laws and regulations	<ul> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee



		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Group Audits	<ul> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Provisional Audit Plan - 23 June 2021  Audit Results Report - 10 September 2021 - Audit & Risk Committee
Written representations we are requesting from management and/or those charged with governance	<ul> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	► Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 10 September 2021 - Audit & Risk Committee
Auditors report	<ul> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 10 September 2021 - Audit & Risk Committee



# Appendix B

# **Outstanding matters**

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

Item	Actions to resolve	Responsibility
Pensions valuation	Receipt of IAS 19 response from the Pension Fund auditor and additional procedures	EY
Other Income & Expenditure testing	Conclude our testing and documentation in this area	EY and management
Whole of Government Accounts procedures	NAO instructions to be received and reviewed, procedures performed and reported in accordance with the instructions	EY
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of audit procedures including review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 4.



### Request for a Management Representation Letter



Ernst & Young LLP Tel: + 44 1223 394400 One Cambridge Business ParkFax: + 44 1223 394401 Cambridge ey.com



Emma Krelle Chief Finance Officer Broads Authority 62-64 Thorpe Road Norwich Norfolk NR1 1RY 10 September 2021

Ref: Your ref

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Emma

#### Broads Authority – 2020/21 financial year Request for a letter of representation

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The UK firm Ernst 8, Young LLP is a limited liability partnership registered in England and Wales with registered number 0C300001 and is a member firm of Ernst 8, Young Global Limited. A list members is available for inspection at 11 More 1 and Place. London SET 128. The firm's principal size of business and recisized different recisized endings.



2

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

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

A. Financial Statements and Financial Records

- That you have fulfilled your responsibilities, under the relevant statutory authorities, for the
  preparation of the financial statements in accordance with, for the Authority the Accounts and Audit
  Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on
  Local Authority Accounting in the United Kingdom 2020/21.
- 2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. You believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the Authority financial statements.
- That the significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
- 4. As members of management of the Authority, you believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
- That you believe that the effects of the unadjusted audit difference, summarised in the our Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Authority's financial statements taken as a whole.

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

- B. Non-compliance with law and regulations, including fraud
- That you acknowledge that you are responsible to determine that the Authority's activities are
  conducted in accordance with laws and regulations and that you are responsible for identifying and
  addressing any non-compliance with applicable laws and regulations, including fraud.
- That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.



### Request for a Management Representation Letter



3

- 4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - · involving financial statements
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - · involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

- 1. You have provided us with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit exidence.
- That all material transactions have been recorded in the accounting records and are reflected in the Authority financial statements, including those related to the COVID-19 pandemic.
- That you have made available to us all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 September 2021
- 4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Authority's financial statements.
- That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.



4

- That you have disclosed to us, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.
- D. Liabilities and Contingencies
- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Authority's financial statements.
- That you have informed us of all outstanding and possible litigation and claims, whether or not they
  have been discussed with legal coursel
- That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Authority's financial statements (please specify the Notes) all guarantees that you have given to third parties.
- E. Subsequent Events
- That other than the disclosure described in Note X (insert Note) to the Authority's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- F. Other information
- You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.
- 2. You confirm that the content contained within the other information is consistent with the financial statements
- G. Accounting Estimates
- That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
- 2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you
    used in determining accounting estimates is appropriate and the application of these processes
    is consistent.



### Request for a Management Representation Letter



.

- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent
  and ability to carry out specific courses of action on behalf of the entity, where relevant to the
  accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements
- H. Expenditure Funding Analysis
- You confirm that the financial statements reflect the operating segments reported internally to the Authority.

#### I. Going Concern

- 1. That the Authority has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Environment, Food and Rural Affairs, the sufficiency of cash flows to support those financial plans.
- J. Ownership of Assets
- That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

#### K. Reserves

- You have properly recorded or disclosed in the Authority's financial statements the useable and unusable reserves.
- L. Valuation of Property, Plant and Equipment Assets
- 1. That you agree with the findings of the experts engaged to evaluate the valuation of the Authority's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
- You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

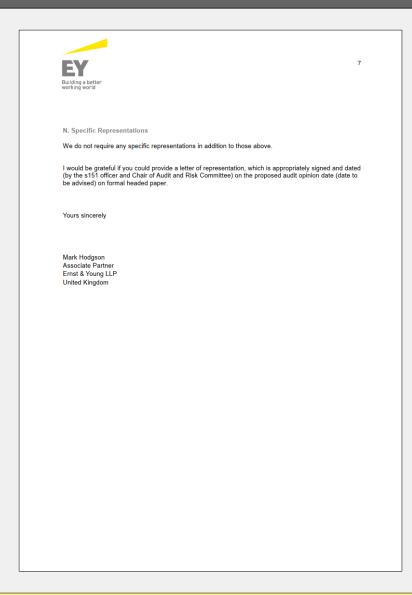


6

- You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
- 4. You confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including due to the Covid-19 pandemic.
- You confirm that you have performed a desktop review of all assets not subject to revaluation as part
  of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
- 7. You confirm that for assets carried at historic cost, that no impairment is required
- M. Retirement benefits
- That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
- 2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
- You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- You confirm that the significant assumptions used in making the valuation of the pension scheme
  liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of
  the active.
- You confirm that the disclosures made in the Authority's financial statements with respect to the
  accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension
  Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local
  Authority Accounting in the United Kingdom 2020/21.
- You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including due to the Covid-19 Pandemic.



# Request for a Management Representation Letter





# Implementation of IFRS 16 Leases

In previous reports to the Audit and Risk Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Authority until 1 April 2022. However, officers should be acting now to assess the Authority's leasing positions and secure the required information to ensure the Authority will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	<ul> <li>Management should:</li> <li>Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	The Authority needs to agree on certain policy choices. In particular:  Whether to adopt a portfolio approach  What low value threshold to set and agree with auditors  Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components  What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Authority is lessee; and potentially for sub-leases, where the Authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.



# Appendix E - Provisional VFM Commentary



# Financial Sustainability

For 2020/21, the Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

# 1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority produces an annual budget and an update to the financial strategy at the start of each financial year. Significant financial pressures to the Authority, based on the nature of income and expenditure, are salary increases and the number of boats within the system that will require a toll. The Authority include an element of prudency within the estimates in the annual budget setting for salary increases, and monitors boat numbers through discussion with boat yards and review of annual toll payments.

# 2. How the body plans to bridge its funding gaps and identifies achievable savings

Funding gaps are considered as part of the budget setting process. In the short term, funding gaps are balanced through the use of reserves whilst savings plans and further external funding opportunities are investigated. A review of the reserve policy is due to take place during 2021/22 to ensure that minimum levels are adequate to manage future uncertainty. The medium term financial plan does include ongoing receipt of DEFRA grant income at a flat rate, which is still subject to some uncertainty whilst the outcome of a new settlement is awaited.

# 3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget is monitored with respect to minimum levels of reserves as set by the Chief Finance Officer, which is based on net expenditure totals. This ensures that delivery of services can be maintained into the future. The annual budget is produced on a zero base to ensure it is line with strategic priorities, assuming no rollover of previous budgets. Spending is split between essential and desirable expenditure in line with key priorities of the Authority.



# Appendix E - Provisional VFM Commentary (continued)



# Financial Sustainability (continued)

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Workforce planning is considered by the Directors as part of the budget setting process. Capital expenditure is funded via revenue or the earmarked reserves in line with capital planning. This is considered at the same time as looking at the forecast future year replacements to consider the adequacy of earmarked reserves levels and contributions. The financial plan is taken to the Broads Authority at the same time as a strategic direction update which sets priorities for the financial year.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Income and expenditure is monitored on a monthly basis with budget holders providing updates on any variances. Tolls income is carefully monitored against profile so that drops in demand, such as that experienced during the start of the Covid-19 pandemic and national lockdown arrangements, can be quickly identified and expenditure plans can be reprioritised. Financial position updates are taken to the Audit and Risk Committee which provides members with the latest financial information to inform decision making.



# Appendix E - Provisional VFM Commentary (continued)



## Governance

For 2020/21, the Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

Risks are monitored on a six monthly basis through the corporate and directorate registers. New areas of work are reported to Committee with risk being identified as part of the report. Internal Audit's plan is carried out through a risk based approach to help determine which service areas should be reviewed. Key controls and corporate governance are always reviewed annually, with IT audits on specific areas every 2 years in line, with the Internal Audit strategy. The Head of Internal Audit provides an annual opinion on the effectiveness of controls and if any areas require improvement. For 2020/21, a 'reasonable assurance' opinion was issued by Internal Audit.

2. How the body approaches and carries out its annual budget setting process

The Authority produces an annual budget alongside an update to the financial strategy at the start of each financial year. The budget is produced by the Chief Finance Officer based on information from relevant budget holders, and taken to the full Authority meeting for approval.

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;

Monthly monitoring of income and expenditure is performed, with explanations for variances obtained from relevant budget holders. These are followed up at monthly meetings with the Chief Finance Officer to ensure corrective action has been taken where required, or where savings can be re-distributed elsewhere within the Authority to relieve financial pressures. Budget monitoring is lead through the finance system, and Internal Audit include Budgetary Control within their scope of work for the year.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee;

Decisions are made in line with the delegated powers, budgetary provision, strategic priorities and the wider Broads Plan. Decisions made by the membership are supported by Committee reports and openly debated at Committee. Planning delegated decisions are published and expenditure is disclosed for transparency regulations. Audit and Risk Committee terms and reference are guided by CIPFA's guidelines. All members are provided annual training in relation to their responsibilities with the Statement of Accounts.







# **Governance (continued)**

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The 'Code of Conduct for Employees' and the 'Code of Conduct for Members and Complaints Procedure' sets out regulatory requirements and behaviour expectations. This also provides guidance on accepting gifts and hospitality. There are terms of reference for each Committee setting out responsibilities. Members interests are recorded and maintained within a formal register and any conflicts of interest must be declared at the start of each meeting so that the member does not participate in decision making for any item for which they have a conflict of interest. The Monitoring Officer is available to provide advice to members on meeting the appropriate requirements



# Appendix E - Provisional VFM Commentary (continued)



# Improving economy, efficiency and effectiveness

For 2020/21, the Authority has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

1. How financial and performance information has been used to assess performance to identify areas for improvement;

Financial outturn is compared against budget to identify areas of improvement and potential saving or service improvement. Directors are responsible for raising improvement areas where they are then investigated and discussed with the Chief Finance Officer. The Narrative Report sets out the review of performance for the year.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The 'Broads Plan' is the overarching management plan for the Broads executive area as a whole, produced by the Broads Authority as a partnership plan. Strategic priorities are aligned to the plan and this is reinforced through the Business Plan. The strategies developed reinforce the day to day delivery and these are reviewed on a regular basis by the Board and improvements identified.

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;

The Authority maintains a partnership register which is reviewed annually to ensure it remains appropriate and up to date. The most significant partnerships are those in respect of external funding where partnership agreements are in place. Performance for these agreements is assessed against agreed expectations and modified where required.

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority has 'Financial Regulations', 'Standing Orders Relating to Contracts' and a 'Procurement Strategy' that follow the relevant legislation and are updated regularly. All tenders are reviewed by the Chief Finance Officer to ensure the procurement meets the required standard. Contract templates build in monitoring throughout the contract against key performance indicators to ensure the contract is delivering as expected.

# EY | Assurance | Tax | Transactions | Advisory

#### 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.

© 2017 EYGM Limited. All Rights Reserved.

ED None

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



Yare House 62-64 Thorpe Road Norwich Norfolk NR1 1RY tel 01603 610734 broads@broads-authority.gov.uk www.broads-authority.gov.uk

Mark Hodgson Associate Partner Ernst & Young One Cambridge Business Park Cambridge CB4 OWZ

30 September 2021

Dear Mark

# **Broads Authority Letter of Representation**

This letter of representations is provided in connection with your audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2021.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority's financial position of the Broads Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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



### A. Financial Statements and Financial Records

- We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 (as amended in 2020 for COVID-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority's financial statements. We believe the Authority's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the Authority's financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system on internal controls.
- 5. That the effects of unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the financial statements taken as a whole.

We have not corrected the difference relating to the debtor for the Heritage Lottery Fund identified and brought to our attention. Management accepts that the movement is not considered material and does not relate to the recoverability of the grant.

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

- 1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;

- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

# C. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
- 3. We have made available to you all minutes of the meetings of the Authority and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 September 2021.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. That from the date of our last management representation letter to you, through the date of this letter, we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including reports submitted to us by

third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

# **D. Liabilities and Contingencies**

- All liabilities and contingencies, including those associated with guarantees, whether
  written or oral, have been disclosed to you and are appropriately reflected in the
  financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed these in the financial statements, within note 32. There are no guarantees we have given to third parties.

### **E. Subsequent Events**

1. Other than described in Note 6 to the Authority's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

- 4. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.
- 5. We confirm that the content contained within the other information is consistent with the financial statements.

### **G.** Accounting Estimates

- 1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

 That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

# **H. Expenditure Funding Analysis**

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

## **I. Going Concern**

1. That the Authority has prepared the financial statements on a going concern basis and that Note 36 to the financial statements discloses all of the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Food & Rural Affairs (DEFRA), the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

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

### K. Reserves

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

### L. Valuation of Property, Plant and Equipment Assets

- 1. That we agree with the findings of the experts engaged to evaluate the values of the Authority's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That we did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
- 2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

- 4. We confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events, including due to the Covid-19 pandemic.
- 6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5-year rolling programme for valuations and that each asset category is not materially misstated.
- 7. We confirm that for assets carried at historic cost, that no impairment is required.

#### M. Retirement benefits

- That on the basis of the process established by us and having made appropriate
  enquiries, we are satisfied that the actuarial assumptions underlying the scheme
  liabilities are consistent with our knowledge of the business. All significant retirement
  benefits and all settlements and curtailments have been identified and properly
  accounted for.
- We agree with the findings of the specialists that we have engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
- 3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
- 5. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including

Yours sincerely	
(Chief Financial Officer)	_
(Chair of Audit and Risk)	_

due to the Covid-19 Pandemic.