

## Financial Scrutiny and Audit Committee

### AGENDA

24 July 2018

2:00pm

- |  | Page |
|--|------|
| 1. <b>To receive apologies for absence</b>   |      |
| 2. <b>To note whether any items have been proposed as matters of urgent business</b>   |      |
| 3. <b>To receive declarations of interest</b>  |      |
| 4. <b>To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 6 March 2018 (herewith)</b> | 3-9  |
| 5. <b>Public Question Time</b><br>To note whether any questions have been raised by members of the public                          |      |

### FINANCIAL SCRUTINY

- |  |           |
|--|-----------|
| 6. <b>Internal Audit Annual Report and Opinion 2017/18</b><br>Report by Head of Internal Audit (herewith)            | 10 - 37   |
| 7. <b>Annual Governance Statement 2017/18</b><br>Report by Solicitor and Monitoring Officer (herewith)               | 38 - 55   |
| 8. <b>Statement of Accounts 2017/18</b><br>Report by Chief Financial Officer (herewith)                              | 56 - 139  |
| 9. <b>Annual Audit Results</b><br>Report by Chief Financial Officer (herewith)                                       | 140 - 182 |
| 10. <b>Investment Strategy and Performance Annual Report 2017/18</b><br>Report by Chief Financial Officer (herewith) | 183 - 184 |

## AUDIT

- |     |  |           |
|-----|--|-----------|
| 11. | <b>External Audit</b><br>Report by Chief Financial Officer (herewith)  | 185 - 201 |
| 12. | <b>Implementation of Internal Audit Recommendations:<br/>Summary of Progress</b><br>Report by Chief Financial Officer (herewith) | 202 - 220 |

## OTHER MATTERS

- |     |   |           |
|-----|---|-----------|
| 13. | <b>Updated Terms of Reference of Committees</b><br>Report by Chief Financial Officer and Solicitor & Monitoring<br>Officer (herewith)   | 221 - 237 |
| 14. | <b>To consider any other items of business which the<br/>Chairman decides should be considered as a matter of<br/>urgency pursuant to Section 100B (4) (b) of the Local<br/>Government Act 1972</b> |           |
| 15. | <b>To answer any formal questions of which due notice has<br/>been given</b>  |           |
| 16. | <b>To note the date of the next meeting – Tuesday 11<br/>December 2018 at 2.00pm at Yare House, 62-64 Thorpe<br/>Road, Norwich</b>  |           |

**Broads Authority**

**Financial Scrutiny and Audit Committee**

Minutes of the meeting held on 6 March 2018

**Present:**

Mr Louis Baugh (Chairman)  
Prof. Jacquie Burgess  
Mr Bill Dickson  
Ms Gail Harris  
Mrs Nicky Talbot  
Mr Haydn Thirtle

**In Attendance:**

Ms Esmeralda Guds – Administrative Officer  
Mr David Harris – Solicitor and Monitoring Officer  
Miss Emma Krelle – Chief Financial Officer  
Dr John Packman – Chief Executive

**Also in Attendance:**

Ms Emma Hodds – Head of Internal Audit  
Ms Sappho Powell – Audit Manager, External Audit Ernst & Young LLP  
Mr Kevin Sutter – Audit Director, External Audit Ernst & Young LLP

**1 To receive apologies for absence**

Apologies were received from Greg Munford and Sarah Mukherjee. Further apologies were received from the directors Marie-Pierre and Rob Rogers.

**2 To note whether any items have been proposed as matters of urgent business**

There were no items being proposed as matters of urgent business.

**3 Declarations of Interests**

Haydn Thirtle expressed his declaration of interests as set out in Appendix 1 to these minutes, that he sits on the Board of Nplaw and that they had discussed General Data Protection Regulations.

**4 To receive and confirm the minutes of the Financial Scrutiny and Audit Committee meeting held on 14 November 2018 (herewith)**

The minutes of the meeting held on 14 November 2017 were approved as a correct record and signed by the Chairman.

## **5 Public Question Time**

No questions were raised by members of the public.

## **6 Investment Strategy and Performance Report 2017/18**

Members received a report which set out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the ten months to 31 January 2018.

The Chief Financial Officer highlighted that taking the investments In-House had enabled the Authority to save money and commented that since the report was written the Authority had placed a further £1,000,000 with Lloyds Bank against a secured interest rate of 0.8%.

The Committee was made aware of a mistake in the Table of Investment where the Fixed Term Investments should read September 2017 and not September 2018.

The Chief Executive updated the Members on the progress being made in regards to the sale of the Ludham Field Base and informed the Committee they were still negotiating the conditions of the sale.

The minute taker stopped the recording and the meeting continued into a private session due to commercially sensitive information.

Members noted the current arrangements regarding the investment of its unallocated cash.

## **7 Consolidated Income and Expenditure: 1 April to 31 January 2018 Actual and 2017/18 Forecast Outturn**

Members received a report which provided them with details of the actual income and expenditure for the ten months period to 31 January 2018, and provided a forecast of the projected expenditure at the end of the financial year (31 March 2018)

The Chief Financial Officer explained that although the original budget predicted a deficit, the forecast was now showing a surplus due to internal recruitment within the Constructions and Maintenance Team. Further savings had been made on Asset Management and income at the Yacht Stations and Visitor Centres was above that budgeted.

A small portion of income within the Communications Team was explained through holding ticketed events and charging for the Education Officer's time to the Whitlingham Charitable Trust.

The Committee was informed that currently the Authority was recruiting for a Rivers Engineer and for two vacancies to the Planning Department. It was

explained that although having a very stable workforce that when recruiting for certain roles the Authority was competing in markets where demand was high.

Members noted the report.

## **8 Internal Audit Strategic and Annual Plans 2018/19**

The Members received a report which provided them with an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2018/19.

The Annual Internal Audit Plan served as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provided the basis upon which the Head of Internal Audit would subsequently give an Annual Audit Opinion for 2018/19.

The Committee was asked to approve the Internal Audit Strategy for 2018/19, which showed how the internal audit was delivered. It was further asked to approve the Annual Internal Audit Plan for 2018/19 which outlined the audits to be undertaken in 2018/19 but also gave a historical look of the audits undertaken in the past and the ones scheduled for next year.

The Members welcomed the audit on branding and were pleased with what had been achieved. It was explained that because CANAPE received EU funding it was not included in the audit as it would be audited separately and had its own risk register.

The Head of Internal Audit explained that a score of 90% (on page 42 of the agenda papers) as a percentage of recommendations accepted by management was considered a good result.

The Committee was informed of having to complete an annual self-assessment exercise which would address how to work as a group and deliver best practice. It was suggested that the training wouldn't take place until later in the year once the Committee had settled in its role.

Members approved both the Internal Audit Strategy for 2018/19 and the Annual Internal Audit Plan for 2018/19 and noted the Performance Management measures for the Internal Audit Contractor.

## **9 External Audit**

Members were provided with copies of the Audit Plan for the 2017/18 audit and the Local Government Audit Committee Briefing by Ernst & Young.

The Audit Director took the Members through the report, highlighting the two audit responsibilities, financial statements and value for money conclusions.

Significant potential risks were identified as management override, property plant and equipment valuation and the pension liability valuation.

It was further highlighted that the deadline for the accounts would be brought forward to the end of July, previously end of September. The risk attached to this was that potentially the quality of the accounts could slip, however the auditors were confident that the Authority would be able to achieve the new deadline with minimal risk.

Sappho Powell introduced herself as the new Audit Manager at Ernst & Young LLP, taking over from Mark Russel, and informed the Committee that she had been a manager in Norfolk for several years.

The Audit Director clarified that regulations allow the Authority to employ the same auditors. By rotating their senior staff every five years E&Y ensured that even when the Authority remained with the same firm, different auditors would be carrying out the work.

In regards to an incident last year when a Member had not fully disclosed all related party transactions, the Committee was informed that the Authority would remind Members at the next Broads Authority meeting on 16 March, when related party declaration letters would be handed out, of the importance of disclosing fully all relevant transactions and that it was an offence not to do so.

The Chief Financial Officer mentioned there was an update since the Audit Briefing had been published and an increase in planning fees had been agreed on 17 January 2018.

The Members noted the Audit Plan for the 2017/18 audit and the Local Government Audit Committee Briefing by Ernst & Young.

## **10 Implementation of Internal Audit Recommendations: Summary of Progress**

Members received a report which updated them on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17 and 2017/18.

The Committee was informed that recommendations relating to Tolls, Asset Management and Port Marine Safety Code had been completed. One recommendation relating to External Funding by the Heritage Lottery Fund remained outstanding, however since the board meeting this was on target to be completed by 31 March 2018.

The Committee was reassured that in regards to the Heritage Lottery Fund the process of managing the funds had been made clear. It was confirmed that the Broads Authority was part of the decision making process, that the Director of Operations sat on the Board as the Vice-Chairman and the Authority was kept informed of the progress being made.

In regards to the Port Marine Safety Code it was explained that formal reporting to committees by the original date of 31 March had been ambitious

but that it had been confirmed by the Head of Safety Management that 31 May was achievable.

Members noted the report.

## **11 Review of Strategic Risk Register**

The Members were presented with the Strategic Risk Register which had been reviewed and updated following a consultation with the risk owners in December 2017 and implemented a recommendation from Internal Audit and a new risk on Data Protection.

The Solicitor and Monitoring Officer suggested expanding the Risk Register to include Risk Appetite helping them to decide by means of the matrix whether to either transfer, tolerate, treat or terminate a risk.

When asked about the risk to volunteers as lone workers it was clarified volunteers work in pairs and that correct procedures for their safety were in place.

The Solicitor and Monitoring Officer informed the Committee that after a debrief with the Internal Auditors it was stipulated that the review of Risk 22 on GDPR needed to be brought forward, so this was changed from June to March 2018.

The Members were reassured that the Risk Register would be updated every six months and be presented to the FSAC Committee twice a year. It was further confirmed that the Auditors would be looking at Risk in quarter four.

The Members adopted the Strategic Risk Register.

## **12 Review of Code of Corporate Governance**

The Committee was provided with a draft of the Code of Corporate Governance which had been redrafted to reflect the 2016 CIPFA framework.

A suggestion was made to change the wording under the heading 'Develop the capability of leadership' on page 155 to be more fitting to the Broads Authority rather than to a Local Authority.

The Members noted the report.

## **13 Update on Implementation of General Data Protection Regulation**

Members received a report which updated the Committee on steps being taken to implement GDPR in the Authority and informed that they would be offered training on it.

Some discussion was had whether Members would need to be registered individually. It was further explained that Members would only need to be

registered once and that County or District Members might already be covered through their Local Authority.

The Solicitor and Monitoring Officer assured the Committee they would receive the appropriate training and be informed whether they would need to register individually.

Members noted the report and thanked the Solicitor and Monitoring Officer for his efforts.

#### **14 Strategy and Regulation Updates**

Members of the Committee received a report which provided a revised Procurement Strategy, Counter Fraud, Corruption and Bribery Strategy and Financial Regulations for their consideration.

The Procurement Strategy was last updated in 2014 and a review resulted in a few minor changes in the document which mainly related to changes in job titles.

A Member welcomed the fact that the use of voluntary, community and social enterprises was now included in the Authority's overriding procurement objectives.

It was commented that there was no mention of the Modern Slavery Act within the Procurement Strategy. Although this was not a legal requirement, Members believed that modern slavery was an issue particularly relevant to the Broads. An amendment to the document was therefore suggested stating that a policy was created with a commitment to addressing modern slavery.

The second document, Counter Fraud, was last reviewed in 2016 and included a minor amendment relating legislation in the appendix, ensuring there was enough cover against money laundering.

The main change to the final document, Financial Regulations, was limiting the amount of cash in one single transaction.

Members adopted the strategies and regulations subject to an amendment relating to modern slavery.

#### **15 To consider any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act 1972**

There were no further items of business which the Chairman decided should be considered as a matter of urgency pursuant to Section 100B (4) (b) of the Local Government Act.



## 16 Formal Questions

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

## 17 Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 24 July 2018 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The meeting concluded at 3.42 pm.

CHAIRMAN

## APPENDIX 1

### Declaration of Interests

Committee: Financial Scrutiny and Audit Committee

Date of Meeting: 6 March 2018

<b>Name</b> <b>Please Print</b>	Agenda/ Minute No(s)	<b>Nature of Interest</b> (Please describe the nature of the interest)	Please tick here if the interest is a Pecuniary Interest ✓
Louis Baugh			
Jacquie Burgess			
Bill Dickson			
Nicky Talbot			
Haydn Thirtle		Board Member of Nplaw (discussing Data Protection)	
Gail Harris			

**Internal Audit Annual Report and Opinion 2017/18**

Report by Head of Internal Audit

**Summary:**

This report provides the Authority with an Annual Report and Opinion for 2017/18, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

**Recommendation:**

The Committee is requested to:

- 1) Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.
- 2) Note that a reasonable audit opinion (positive) has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2018.
- 3) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2017/18.
- 4) Note the conclusions of the Review of the Effectiveness of Internal Audit.

**1 Introduction / Background**

- 1.1 In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the work that supports the opinion should be submitted;
  - Reliance placed on other assurance providers should be recognised;
  - Any qualifications to that opinion, together with the reason for qualification must be provided;
  - There should be disclosure of any impairments or restriction to the scope of the opinion;
  - There should be a comparison of actual audit work undertaken with planned work;
  - The performance of internal audit against its performance measures and targets should be summarised; and,

- Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 1.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
  - The outcomes of the performance indicators; and,
  - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 1.3 The Annual Report and Opinion 2017/18 and the Review of the Effectiveness of Internal Audit are shown in the report attached.
- 1.4 On the basis of Internal Audit work performed during 2017/18, the Head of Internal Audit is able to give a **reasonable** opinion (positive) on the framework of governance, risk management and control at the Broads Authority.
- 1.5 The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
  - Is continually monitoring performance and looking for ways to improve; and.
  - Is complaint with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

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

Background Papers:	None
Author:	Emma Hodds, Head of Internal Audit
Date of Report:	14 June 2018
Broads Plan Objectives:	None
Appendices:	Annual Report and Opinion 2017/18

# Eastern Internal Audit Services



## BROADS AUTHORITY

### Annual Report and Opinion 2017/18

Responsible Officer: Emma Hodds – Head of Internal for Broads Authority

## CONTENTS

1. INTRODUCTION.....	2
2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT .....	2
2.1 Roles and responsibilities .....	2
2.2 The opinion itself.....	3
3. AUDIT WORK UNDERTAKEN DURING THE YEAR.....	3
4. THIRD PARTY ASSURANCES.....	5
5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT.....	5
APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2017/18.....	9
APPENDIX 2 ASSURANCE CHART.....	10
APPENDIX 3 – EXECUTIVE SUMMARIES.....	11
APPENDIX 4 – AUDIT RECOMMENDATIONS.....	24
APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES.....	26

## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Financial Scrutiny and Audit Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control during 2017/18, together with reasons if the opinion is unfavourable;
  - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Financial Scrutiny and Audit Committee and statutory officers of the Authority should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 5**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

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

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Management Team and key stakeholders and then approved by the Financial Scrutiny and Audit Committee at its meeting on 7 February 2017. Any justifiable amendments that are requested during the year are discussed and agreed with senior management. This opinion does not imply that internal audit has reviewed all risks and

assurances, but it is one component to be taken into account during the preparation of the AGS.

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

## 2.2 The opinion itself

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

It is worth noting that the Authority recently participated in a Peer Review, with the recommendations stating that the governance arrangements need to be reviewed to ensure that the structure is fit for the future. An action plan is in place to address this, with six proposals being progressed. The Head of Internal Audit will monitor progress over the forthcoming year and consider if further internal audit review is required.

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

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

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

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

### 3.2 Summary of internal audit work

The Financial Scrutiny and Audit Committee approved the Annual Internal Audit Plan for 2017/18, which is summarised at **Appendix 1** to this report and totalled 38 days, encompassing:

- An annual opinion of Corporate Governance and Risk Management;
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- Service audit of Asset Management; and
- Port Marine Safety Code.

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

#### Asset Management

The review sought to provide insight into the management of the Broads Authority assets, with particular regard to: the policies and procedures that are in place, acquisitions and disposals, leases, maintenance and insurance, valuations and reconciliations to the fixed asset register.

The audit concluded with a reasonable assurance, with one important (priority two) and two needs attention (priority three) recommendations agreed with management. The important recommendation remains outstanding relating to the creation of a master record of building condition monitoring surveys, this action is now due to be completed by the end of July 2018. One needs attention action remains outstanding and is now due to be completed by end of September 2018, with the final needs attention recommendation now addressed.

#### Port Marine Safety Code

The objective of this review was to independently audit the Authority's Safety Management System, in line with the requirement of the Port Marine Safety Code (PMSC).

The audit concluded with a **reasonable** assurance, with four important and five needs attention recommendations agreed with management. Six of the recommendations have now been completed, with the final three (two important and one needs attention) due to be completed over the 2018/19 financial year.

#### Key Controls and Assurance

The audit looked at the fundamental systems that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts and Follow Up of Internal Audit Recommendations.

The audit concluded with a **reasonable** assurance and two important and two needs attention recommendations were agreed with management on conclusion of the review, one needs attention action remains outstanding and will be completed by the end of July 2018.

#### Corporate Governance and Risk Management

The audit focused on the Corporate Governance arrangements for 2017/18, with the specific focus of the review being the General Data Protection Regulation (GDPR) which comes into force on 25 May 2018.

The audit concluded with a **reasonable** assurance, with three important and two needs attention recommendations agreed with management. Four recommendations have been addressed by management with one important recommendation outstanding, which is now due to be completed by end of June 2018. This relates to ensuring that the data asset register is finalised to take account of the ICO checklists.

### 3.4 Follow up of management action

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 21 recommendations raised by TIIA Ltd in 2017/18, 14 have been actioned by management, four are outstanding and three are not yet due for implementation.

The following table is the overall summarised year end position, with an overall summary and the management responses for the outstanding recommendations provided at **Appendix 4**.

Number raised	21	
Complete	14	67%
Outstanding	4	19%
Not Yet Due	3	14%

The six recommendations that required action from the 2016/17 financial year have also been addressed by management.

It is encouraging to note that recommendations relating to prior financial years have now been addressed, it is also positive to note that prompt action has been taken by management to address the majority of recommendations that have been made within the financial year.

### 3.5 Issues for inclusion in the Annual Governance Statement

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

## 4. **THIRD PARTY ASSURANCES**

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

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

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

#### 5.1.1 Internal Assessment

A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2017/18. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

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

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist full conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

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



### 5.1.2 External Assessment

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

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

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

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

## 5.2 Performance Indicator outcomes

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

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

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	TBC
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved

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

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

It is also extremely encouraging to note that all four audit reviews were finalised by 28 March 2018, thus ensuring that audits are completed within financial year.

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

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

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

5.3.2 Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within. There are some minor action that are required as followed:

- To review the Financial Regulations in light of the changes in the support from the Treasurer and Financial Advisor – these are currently being reviewed by the Chief Finance Officer.
- Regular meetings need to be scheduled between the Chief Finance Officer and the Head of Internal Audit (HIA) to ensure that the HIA is kept up to date over the course of the year – this has happened as and when required informally over the last year and does need to be formally set up going forwards.

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

## APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2017/18

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
<b>Annual Opinion Audits</b>							
Corporate Governance and Risk Management	Reasonable	5	4	0	1	0	0
<b>Fundamental Financial Systems</b>							
Key Controls and Assurance	Reasonable	4	3	0	0	1	0
<b>Service area audits</b>							
Asset Management	Reasonable	3	1	0	1	1	0
Port Marine Safety Code	Reasonable	9	6	0	0	0	3
<b>Total</b>		<b>21</b>	<b>14</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>3</b>

<b>Assurance level definitions</b>		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	0
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	4
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

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

## APPENDIX 2 ASSURANCE CHART

	Current Contract			
	2015-16	2016-17	2017-18	2018-19
<b>Annual Opinion Audits</b>				
Corporate Governance and Risk Management	Substantial Review relates to 2014/15	Reasonable	Reasonable	X
Governance	Reasonable			
<b>Fundamental Financial Systems</b>				
Key Controls and Assurance Work	Reasonable	Reasonable	Reasonable	X
Procurement				
<b>Services Area Reviews</b>				
Consultation Activities and Partnerships Provisions				
External Funding - HLF Bid and National Parks Partnership		Reasonable		
Asset Management			Reasonable	
Port Marine Safety Code			Reasonable	
Branding				X
Planning	Reasonable			
<b>IT Audits</b>				
Toll Management Application				
Network Security				
End User Controls				
Disaster Recovery				X
Virus Protection/Spyware, Data Backup and Data Centre controls		Reasonable		

## Assurance Review of Asset Management

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Leases	0	0	1	0
Maintenance and insurance	0	1	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>

#### SCOPE

This review will provide insight into the management of the Broads Authority assets, with particular regard to: the policies and procedures that are in place, acquisitions and disposals, leases, maintenance and insurance, valuations and reconciliations to the fixed asset register.

## RATIONALE

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

## POSITIVE FINDINGS

---

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

- The Authority has an asset management strategy which sets out a clear strategy for managing its property portfolio.
- A fixed asset register is maintained by the Finance Department and regularly updated.
- Asset acquisitions and disposals are made in line with the asset management strategy and financial regulations.
- Rent is invoiced on a regular basis and action is taken to collect rent arrears.
- A planned maintenance programme has been created for all of the Authority's property assets.
- Regular inspections and maintenance of moorings is carried out to ensure that they are kept in a good state of repair.
- Assets are adequately covered by an extant insurance policy.
- Assets are revalued on a five year rolling programme.
- The fixed asset register is reconciled to other asset records and to the general ledger on an annual basis.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas where one 'important' recommendation has been made.

### **Maintenance and insurance**

- A central database of property condition surveys is created, to reduce the risk of surveys not being conducted at the required time and to ensure that the condition of the property is appropriately maintained.

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

### **Policies and procedures**

- Written guidance or procedural notes is produced for the asset management process, to reduce the risk of inconsistent practices being applied.

### **Leases**

- The Authority works with partners to improve the timescales for signing lease agreements, to reduce the risk of lease agreements not being concluded in the required timeframe.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Other points of note**

The Authority is developing its Document Management System (DMS) as the complete consolidated record of assets and this is considered to be fit for purpose once it is finished, as it will contain the majority of the information about each asset. However, progress on updating records on the system is slow due to the lack of available resources and it is expected to take another year before the records on DMS are complete.

### **Previous audit recommendations**

The previous review of asset management was undertaken in the 2008/09 financial year, concluding with an adequate (reasonable) assurance level. No recommendations raised remain outstanding. Asset management is included as a control area within the annual key controls audit and the 2016/17 audit (BA1704) raised no recommendations in relation to this area.



# Assurance Review of Port Marine Safety Code

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance*	0	4	4	0
Hazards**	0	0	1	0
<b>Total</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>0</b>

\*Governance includes the areas of Roles and Responsibilities; Consultation; Management of the Navigation; and Monitoring and Auditing. \*\* This recommendation also applies to the area of Risk Assessment.

No weaknesses were found with regard to the areas of Conservancy, Pilotage; Marine Services and Emergency Response.

### SCOPE

The objective of the audit is to undertake an independent audit of the Authority's Safety Management System, in line with the requirement of the Port Marine Safety Code (PMSC).

## RATIONALE

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

## POSITIVE FINDINGS

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

- The Designated Person (DP) (Head of Safety Management) has direct access to the Duty Holder, which is the full Broads Authority. There is a standing item on every Broads Authority meeting agenda and DP has direct access to the lead member for safety, who also chairs the Navigation Committee and the Boat Safety Management Group (BSMG).
- The Harbour Masters National Occupational Standards have been reviewed and a responsibility matrix has been produced, which details those posts within the Authority where certain harbour master functions reside, such as the Director of Operations and the Head of Safety Management.
- There is a standing safety committee meeting, namely the BSMG, for which terms of reference include providing advice on the on-going maintenance and delivery of the Safety Management System (SMS) in a timely fashion.
- An annual training plan is in place for the Operation Directorate, which includes the key officers involved with the SMS.
- The approach to consultation is contained within section 4 of the SMS, which describes how consultation is undertaken with the Navigation Committee, BSMG, Broads Forum and Broads Local Access Forum. In addition, consultation is undertaken with a number of stakeholders that include other harbour authorities, statutory/legislative bodies, special interest groups and local groups.
- The Norfolk and Suffolk Broads Act 1988 gives the Broads Authority the power to make byelaws “for the good management of the navigation area”. The SMS and Broads Authority website is up to date with the latest set of byelaws.
- A Hydrographic Policy audit has been undertaken which is due to be reported to the BSMG and there is a programme of hydrographic surveys in place which feeds into the dredging programme. The results of the surveys are also placed on the Broads Authority website so that this information can be viewed by users of the broads.
- The 2015/16 hazard review log is appended to the SMS and is reviewed every three years by way of a full stakeholder review. This is also reviewed on an ongoing basis by an annual and six monthly review and report to the BSMG of incidents that have occurred. Anything significant is also reported to the BSMG, in a timely manner, such as Hazard No. 26 Obstructions to navigation, which was reviewed at the 27 February 2017 BSMG.
- The Head of Safety Management monitors the Marine Accident Investigation Branch (MAIB) website and is sent reports from a variety of sources including the UK harbour masters and Boat Safety Scheme.

## ISSUES TO BE ADDRESSED

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

### Governance

- To arrange for a peer review to be undertaken of the Broads Authority's Safety Management System (SMS) by the Canal and River Trust as a reciprocal arrangement in between external audit visits. This will help to mitigate the associated risks with safety management and contribute to assessing the performance of the SMS through benchmarking against other similar organisations.
- A PMSC dedicated page is developed on the Authority's website, to include a performance dashboard, and a link to SMS, to reduce the risk that the PMSC is not complied with and performance of the PMSC is not transparent.
- The Authority's annual report should refer to the PMSC, including compliance with this and the standard of performance, cross referenced to the performance dashboard to help mitigate the risk that the PMSC is not complied with and performance of the PMSC is not transparent.
- To update the Authority's SMS to include reference to the commitment of the Broads Authority to comply with the standards laid down within the PMSC; reference be made to the harbour revision order being progressed for the transfer of Mutford Lock to the Authority; inclusion of an overall section on contractors and their obligations in respect of the PMSC; and the general direction and special direction policies as agreed with the Navigation Committee. Inclusion of relevant policies and harbour orders mitigates the risk that the Authority's powers and procedures are not transparent.

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

### Governance

- To formalise the reporting of internal audits by the Head of Safety Management to the appropriate committees / groups, e.g. the BSMG, including the annual schedule / internal audit programme of audits. This will help to mitigate the risk that some areas may not be in compliance.
- The PMSC is included as a standard item in the Authority's officer induction pack / process to reduce the risk that staff undertake tasks that are not in compliance with the code.
- Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs, in relation to the risk assessment process, hazard identification and assessment and the ALARP principle, are made available to all new appointees to the Navigation Committee and the BSMG. This will help reduce the risk that misinformed decisions are made resulting in inadequate port marine safety.
- A timescale is finalised for the roll out of the document management system in relation to the safety management team, to mitigate the risk that out of date or incomplete documents are used.

## **Hazards**

- To review the SMS risk categories / criteria of 'people', 'environment' and 'assets' against the four criteria of: 'life, environment, business (reputation) and damage (port and shipping)' as contained in the latest PMSC Guide to Good Practice, mitigating the risk that the consequences of risks/hazards are not appropriately assessed and mitigated as required.

## **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

## **Previous audit recommendations**

The last independent audit was undertaken in September 2014 by BMT Isis (technical consultancy firm) with the report issued in December 2014, which was reported to the full Broads Authority on 15<sup>th</sup> May 2015. Of the six recommendations made within this audit report, three remain outstanding which relate to the use of a reciprocal arrangement with another harbour authority for external audit purposes; the status of each performance indicator to be clearly presented on a designated page on the Authority's website; and all new appointees to the Navigation Committee and the Boating Safety Management Group receive training on the risk assessment process, hazard identification and assessment and the ALARP principle. These have been superseded by recommendations raised within this audit, the control issues are still present but the recommendations have been expanded and modified to reflect the testing results and current situation.

# Assurance Review of Key Controls and Assurance

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Budgetary control	0	0	1	0
Accounts receivable	0	1	1	0
Accounts payable	0	1	0	1
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>

No recommendations have been raised in respect of treasury management, general ledger, asset management, control accounts, cash and banking, payroll or toll income.

### SCOPE

This audit looks at the fundamental systems that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed as part of this review are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts and Follow Up of Internal Audit Recommendations.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- This assurance opinion indicates that the overall level of control has not changed since the previous audit of Key Controls and Assurance in 2016/17, which also concluded in a 'reasonable' assurance opinion. However, while the overall opinion has not changed, fewer recommendations have been raised in this report which indicates a positive direction of travel.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

## POSITIVE FINDINGS

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

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

## ISSUES TO BE ADDRESSED

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

### Accounts receivable

- Invoices are to be raised promptly upon receipt of invoice requisitions within Finance, so as to reduce delays in the Authority receiving payments.

### Accounts payable

- Changes to supplier details are confirmed with the supplier, using existing contact details, to reduce the risk of fraudulent or erroneous payments being made.

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

### Budgetary control

- The limit for reporting on variances identified through budget monitoring is reviewed and amended if necessary, to reduce the risk of potentially significant variances going unchallenged.

### Accounts receivable

- The Scheme of Powers Delegated to Officers is updated to ensure that all job titles are up to date, thereby reducing the risk of confusion over the decision-making arrangements which could also lead to decisions being made by unauthorised members of staff.

### Operational Effectiveness Matters

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

- Security permissions are amended to allow emails to be sent directly from Dimensions.

### Other issues to note

Testing of expense claims identified one member's mileage claim that was not accompanied by a fuel receipt detailing the amount, including the VAT element. The Payroll and HR Coordinator stated that this has been a more widespread issue in the past with members now having been reminded of the requirement to provide VAT receipts, with the claim remaining outstanding until such time as a receipt *is* provided. The fixed asset register is only reconciled to the general ledger at year end. Therefore it was not possible to test this reconciliation for 2017/18 during the audit.

Previous audit recommendations The previous audit of Key Controls and Assurance, BA/17/04, was completed in February 2017. Seven recommendations were raised in the report, of which six have been confirmed as implemented. The outstanding recommendation relates to updating the toll procedure manual and a revised deadline of 31<sup>st</sup> March 2018 has been set for the completion of this recommendation.

# Assurance Review of Corporate Governance

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
GDPR	0	3	2	1

### SCOPE

The audit focused on the Corporate Governance arrangements for 2017/18, with the specific focus of the review being the General Data Protection Regulation (GDPR) which comes into force on 25 May 2018.



## RATIONALE

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

## POSITIVE FINDINGS

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

- A GDPR Compliance Plan has been produced which contains a number of actions to be taken to comply with GDPR requirements. This is monitored and updated by the GDPR Project Group set up in August 2017 to ensure GDPR compliance.
- The Solicitor and Monitoring Officer has been assigned as the authority's Data Protection Officer and is now a qualified GDPR practitioner having attended and successfully completed the GDPR practitioner course.
- The authority's privacy statements have been revised to include mandatory information in relation to GDPR requirements.
- Compulsory training sessions for staff have been held in respect of GDPR and further training is scheduled in March and April. Members training is also due to be arranged.

## ISSUES TO BE ADDRESSED

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

- The authority's existing Information Retention Policy and the ICT Communications Policy (and any other policies, if relevant) to be reviewed and updated to include the approach to the technical and security measures in place and the ongoing review of those measures to ensure compliance with the GDPR is demonstrated. This mitigates the risk of non-compliance with the GDPR, specifically article 32 - security of processing and the new accountability principle in Article 5(2) to demonstrate compliance with the principles of the GDPR.
- The data asset register to be finalised so that all incomplete data fields are complete and the ICO checklists and template are taken into account. This thereby mitigates the risk that best practice is not followed which could lead to non-compliance with the GDPR.
- The GDPR compliance plan to be updated to include production of a light touch Data Protection Impact Assessment (DPIA) template; timeline for applying full DPIAs; and DPIA requirements being built into existing processes for new projects. This should reduce the risk that processes/data are not assessed sufficiently leading to non-compliance with the GDPR.

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

- The general privacy statement title heading - 'Your rights in relation to data processing including rights to access' to specifically state the right to erasure. This mitigates the risk that this right is overlooked by the general public/users of the website and the authority is not clearly demonstrating compliance in a transparent manner.
- The DPO to notify the Finance Scrutiny and Audit Committee (FSAC) that a review of the GDPR corporate risk will be undertaken at the end of March 2018 to ascertain if the risk is being mitigated as planned and to ascertain that the authority will be compliant by the time it comes into force on May. This helps reduce the risk that the authority will not be compliant with the GDPR when it comes into force on the 25 May 2018.

### Operational Effectiveness Matters

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

- To undertake a further review of existing processes/documentation in place in relation to the security element (article 32) of the GDPR once the new ICO guidance, to assist organisations in securing the personal data they hold with regards to the GDPR requirements, is published.

### Other points noted

The authority has produced a GDPR Compliance Plan which has been agreed by management forum and is being monitored by the GDPR Project Group and the Data Protection Officer on an ongoing basis. This plan contains key actions and timescales to achieve compliance with the regulations by the 25 May 2018. Examples of these actions include institute review of all authority used databases with all departments required to report all datasets containing personal data of data subjects; compile Data Asset Register to include Location, type of personal data, identify legal basis for processing and who has access; update the Authority's Data and Information Retention Policy; decide whether there is the need for a Data Privacy Impact Assessment (DPIA) of any databases where high risk to the rights and freedoms of individuals; prepare GDPR compliant Data Protection Policy; and issue new terms and conditions (GDPR compliant) to contractors. Due to the compliance list being work in progress, no specific recommendations have been raised to complete the areas of work contained here.

## APPENDIX 4 – AUDIT RECOMMENDATIONS

			Completed bt 01/04/2017 and 31/03/2018			Outstanding			Total	Not yet due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Outstanding	Priority 1	Priority 2	Priority 3
<b>2016/17 Internal Audit Reviews</b>									<b>0</b>			
BA1701	External Funding	Reasonable		1					0			
BA1703	Corporate Governance & Risk Management	Reasonable		1	1				0			
BA1704	Key Controls & Assurance	Reasonable		2	1				0			
<b>2017/18 Internal Audit Reviews</b>												
BA1801	Asset Management	Reasonable			1		1	1				
BA1802	Port Marine Safety Code	Reasonable		2	4						2	1
BA1803	Key Controls & Assurance	Reasonable		2	1			1				
BA1804	Corporate Governance	Reasonable		2	2		1					
<b>TOTALS</b>			<b>0</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA1801 Asset Management	Recommendation 1: A master record of building condition monitoring surveys is created, to provide assurance that all surveys are completed when required. Rationale and risk:	2	Conditioning monitoring is dependent on the IT work plan and priorities. Meeting to scope project and timescale to be undertaken by end of September 2017.	Asset Officer	30/09/2017	31/07/2018	Outstanding	Ready to go but some of the building managers requested a couple of changes to the system that would improve it for all concerned. It was decided to defer until the improvements were incorporated into the system.
BA1801 Asset Management	Recommendation 3: The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays.	3	Delayed responses from our current legal provider have been identified. This will be addressed when we go out to tender for Legal Services. Control over the lessee legal services are difficult to influence due to the size and type of their organisations.	Solicitor & Monitoring Officer	01/04/2018	30/09/2018	Outstanding	We are currently reviewing our legal services provision including which suppliers we use.
BA1804 Corporate Governance and Risk Management	Recommendation 2: The data asset register incomplete columns to be finalised and to take into account the ICO checklists for 'Documentation of processing activities - requirements' and 'Documentation of processing activities - best practice; and ICO documentation template for controllers.	2	Agreed.	Solicitor and Monitoring officer	30/04/2018	30/06/2018	Outstanding	This is still being worked on and revised date of end of June given.
BA1803 Key Control and Assurance	Recommendation 4: The Scheme of Powers Delegated to Officers is updated to remove outdated references to the Treasurer and Financial Advisor to the Authority and to replace them with current references including the Chief Financial Officer (Section 17 Officer).	3	Scheme of Powers to be updated and adopted by the Authority.	Solicitor and Monitoring officer	16/05/2018	30/07/2018	Outstanding	The Scheme of Delegated Powers has been reviewed by Management team. Will be taken to the Broads Authority meeting in July 2018.

## **APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES**

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

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

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2017/18 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit briefs and reports.

### **Internal Control**

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

### **Future Periods**

Internal Audit's assessment of controls relating to the Broads Authority is for the year ended 31 March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

### **Responsibilities of Management and Internal Auditors**

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

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

**Financial Scrutiny and Audit  
Committee**

24 July 2018

Agenda Item No 7

**Annual Governance Statement 2017/18**

Report by Solicitor and Monitoring Officer

**Summary:** This report explains the legal requirement, background and purpose of the Annual Governance Statement, and the requirement to carry out an annual review of the Authority's systems of internal control and governance arrangements. The draft Annual Governance Statement for 2017/18 is attached, for members' consideration.

**Recommendations:**

- (i) That the Annual Governance Statement for 2017/18 and Action Plan for 2018/19 are approved.
- (ii) That the Committee notes, subject to implementation of the improvements identified in the Action Plan, that the Authority's internal control systems and governance arrangements are considered to be adequate and effective.

**1 Introduction**

- 1.1 The Accounts and Audit Regulations 2015 ("the Regulations") contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved 'by the relevant authority' (in this case the Broads Authority) and must accompany the Statement of Accounts.
- 1.2 As effective from last year the Regulations specify a new, earlier date for publication of an Annual Governance Statement than in the past, now to be no later than 31<sup>st</sup> July of the financial year immediately following the end of the financial year to which the Statement relates.
- 1.3 The implementation of the Regulations is undertaken by the Authority following advice, guidance and recommendations of the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 1.4 The Regulations require local authorities to conduct a review at least once a year of the effectiveness of their systems of internal control and risk management, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses. The Regulations require an authority to ensure that it has a sound system of internal control which:-

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk

1.5 The Authority has received the Assurance Review of Corporate Governance by the Head of Internal Audit for 2017/18 as set out in the attached draft Annual Governance Statement at paragraph 8.9. The overall opinion was stated as follows:

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

*It is worth noting that the Authority recently participated in a Peer Review, with one of the recommendations stating that the governance arrangements need to be reviewed to ensure that the structure is fit for the future. An action plan is in place to address, with six proposals being progressed. The Head of Internal Audit will monitor progress over the forthcoming year and consider if further internal audit review is required.*

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

1.6 A further annual report setting out the Opinion of the Head of Internal Audit will have been considered by the Financial Scrutiny and Audit Committee at its meeting on 24<sup>th</sup> July 2018. The draft Annual Governance Statement sets out further details from the annual report and any recommendations and improvements are contained in the Action Plan for 2018/19.

1.7 Once agreed, the Annual Governance Statement should be signed by the Chairman of the Authority and the Chief Executive.

## **2 Code of Corporate Governance**

2.1 The Authority’s systems for delivering good governance are set out in the Code of Corporate Governance which has been completely rewritten in the light of the 2016 CIPFA/Solace Framework ‘*Delivering Good Governance in Local Government*’. (“the Framework”). The new Code was reviewed by the Broads Authority at its meeting on 18<sup>th</sup> May 2018 and welcomed by Members as a clear and concise document.

2.2 The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The

Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

- 2.3 The Authority's Code of Corporate Governance is signed by the Chairman and Chief Executive.

### **3 Role of the Chief Financial Officer**

- 3.1 In 2010 CIPFA issued a document entitled '*The Role of the Chief Financial Officer in Local Government*'. The Statement supports CIPFA's work to strengthen governance and financial management across the public services, and sets out five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer (CFO) in local government and the governance requirements needed to support them. These are set out in paragraphs 3.2 and 3.3 below.

- 3.2 The CFO in a local authority:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the authority's financial strategy;
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- 3.3 To deliver these responsibilities the CFO:

- must lead and direct a finance function that is resourced to be fit for purpose;
- must be professionally qualified and suitably experienced.

- 3.4 It is further recommended that, in their Annual Governance Statements, local authorities should 'include a specific statement on whether the authority's financial management arrangements conform with the guidance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact'. This statement is set out in paragraph 3.11 of the Annual Governance Statement.



## **4 Annual Review of Governance Arrangements**

- 4.1 The production and publication of the Annual Governance Statement is the result of an on-going review of the adequacy of internal control systems and governance arrangements, and is not an activity which should be viewed in isolation.
- 4.2 The review has been informed by the work of officers of the Authority, who have responsibility for the maintenance and review of the internal control environment, internal audit reports and the recommendations made by external auditors and inspectors. The review of Partnership arrangements and the review of the Strategic Risk Register also contributes towards the review.
- 4.3 Where significant weaknesses have been identified these are set out in the Action Plan (Appendix 1b). It should be noted that this Action Plan does not cover all the activities which will be undertaken during the year and which will contribute towards good governance, but focuses on those activities, and especially new initiatives and those issues identified by auditors, which will address weaknesses, ensure continuous improvement of the system and generally 'add value' to the arrangements.
- 4.4 A copy of the 2017/18 Action Plan is also appended (Appendix 2), with progress to date added. Where the appropriate action is still outstanding, it has been carried forward into the 2018/19 Action Plan.
- 4.5 The Financial Scrutiny and Audit Committee shall review the Annual Governance Statement and Action Plan at its meeting on 24<sup>th</sup> July 2018 and should there be any amendments proposed by the Committee, those amendments along with the Committees' recommendations shall be presented to the Authority for approval.

## **5 Summary**

- 5.1 The Committee is asked:
- to review and comment on the internal control systems and governance arrangements in place;
  - to recommend the Annual Governance Statement for approval by the Broads Authority and confirm that it represents a true reflection of the control environment present in the Authority; and
  - to note that, subject to implementation of the improvements identified in the Action Plan, these are adequate and effective.
- 5.2 The Action Plan will be implemented during 2018/19 in order that there is on-going review and improvement of the systems of internal control and governance arrangements. Progress in implementing the Action Plan will be reported in the next Annual Governance Statement.

Background papers:

Author: David Harris

Date of report: 25<sup>th</sup> May 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1a– draft Annual Governance Statement 2017/18  
APPENDIX 1b – 2018/19 Action Plan  
APPENDIX 2 – 2017/18 Action Plan: Summary of Progress

## Broads Authority

### Annual Governance Statement 2017/18

#### 1 The requirement for an Annual Governance Statement

- 1.1 The Broads Authority, as a relevant authority, is required to produce an Annual Governance Statement. This requirement is found in Regulation 6 (1)(a) and (b) of the Accounts and Audit Regulations 2015. It consists of a review of the effectiveness of internal control and the inclusion of a statement reporting on the review with any published Statement of Accounts.

#### 2 The CIPFA/Solace Framework guidance

- 2.1 The Broads Authority acknowledges its responsibility for ensuring that there is a sound system of governance together with appropriate internal control systems to achieve this, including for the management of risk.
- 2.2 The Broads Authority implements the guidance contained in the CIPFA/Solace framework document "*Delivering Good Governance in Local Government*". This guidance was updated by CIPFA in 2016, following the introduction of the Accounts and Audit Regulations 2015.
- 2.3 The framework defines the principles that should underpin the governance of each authority. Authorities should test their governance structures and partnerships against the principles in the framework by:
- Reviewing existing governance arrangements.
  - Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness.
  - Reporting publicly on compliance with their own code on an annual basis, and on how they have monitored their effectiveness of their governance arrangements in the year and on planned changes.
- 2.4 The framework sets out a number of core and sub-principles against which authorities should demonstrate the compliance of their governance structures. These core principles are:
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong public financial management

- Implementing good practices in transparency, reporting and audit to deliver effective accountability

2.5 The Authority has approved and adopted a Code of Corporate Governance in accordance with the previous CIPFA guidance. This Code has been completely revised and rewritten during 2018 and was reviewed by the Broads Authority at its meeting on 18<sup>th</sup> May 2018. A copy of the Code is available on the Authority's website at [www.broads-authority.gov.uk](http://www.broads-authority.gov.uk) or from the Monitoring Officer at Yare House, 62-64 Thorpe Road, Norwich NR1 1RY.

### **3 The governance framework of the Broads Authority**

3.1 The Broads Authority is an independent body working within the framework of local government. It is constituted as a body corporate by the Norfolk and Suffolk Broads Act 1988 with three general duties:

- To conserve and enhance the natural beauty, wildlife and cultural heritage of the Broads
- To promote opportunities for the understanding enjoyment of the special qualities of the Broads by the public
- To protect the interests of navigation

Section 2(4) sets out the matters the Authority must have regard to in carrying out these functions. These include the national importance of the area as an area of natural beauty, desirability of protecting it from damage and the needs of agriculture, forestry and the local economic and societal needs.

In relation to the interests of navigation, section 10 (a) and (b) sets out specific requirements to maintain the navigation area to such standard as appears to be reasonably required and to develop and improve it as it thinks fit.

The Broads Authority is also the local planning authority for the area and a harbour and navigation authority.

3.2 The Broads Authority has unique governance arrangements that combine elements of accountability to central government (via DEFRA) and to local communities. This reflects the needs and interests of both national and local stakeholders. In relation to the former, 10 members are appointed by the Secretary of State. Local accountability is achieved by the appointment of nine members who are also locally elected County and District Councillors. In addition, the Authority has a number of co-opted members to its Navigation Committee to advise it in protecting the interests of navigation, and 2 of these members are appointed to the Broads Authority. In total, the Broads Authority has 21 members and meets four times a year, with two additional workshops.

3.3 All matters, other than the Planning Committee and those matters specifically delegated to the Chief Executive, are dealt with by the full Broads Authority as the prime decision maker. The framework consists of decision making carried out by Members of the Authority at its meetings, which are held every two months. Day-to-day routine decision making is delegated by Members to officers of the Authority through the Scheme of Delegated Powers. This scheme is available as one of many constitutional documents, from the Monitoring Officer.

- 3.4 The Audit and Risk Committee (previously known as Financial Scrutiny and Audit Committee) consists of up to 7 members of the Authority and meets three times a year. It has responsibility for financial scrutiny, including a review of the Statement of Accounts and Annual Governance Statement, financial planning, audit and risk management. It takes a strategic view on whether the resources allocated to the Authority are used effectively. This is an advisory committee to the Authority and does not make decisions.
- 3.5 The Authority's functions as a local planning authority are carried out by its Planning Committee of 12 members, with powers delegated to officers in accordance with nationally established legislation. The Planning Committee is a decision-making committee and normally meets 4-weekly. Planning decisions, whether made at Committee or through delegated powers, are published on the Authority's website.
- 3.6 The Authority's Navigation Committee of 13 members and co-opted members advises on the navigation function of the Authority and meets five times a year. It is an advisory committee to the Broads Authority and does not make decisions. However, if the Broads Authority does not accept recommendations by the Navigation Committee it is required to give reasons.
- 3.7 The Broads Local Access Forum is a semi-independent body to advise the Authority on the improvement of public access to land within the Broads executive area.
- 3.8 The Broads Authority is currently reviewing its engagement with stakeholders and this has in past years been carried out through the Broads Forum. New arrangements are currently being considered by Members.
- 3.9 The Authority has two Independent Persons, appointed in July 2016, who are regularly consulted to enable the Authority to achieve high ethical standards.
- 3.10 The Authority has three officers as required by statute, who carry out specific duties, namely the Head of Paid Service (the Chief Executive), the Monitoring Officer (the Solicitor and Monitoring Officer) and the Section 17 Officer (Chief Financial Officer). The Chief Financial Officer manages the financial arrangements and internal financial controls on a day-to-day basis. Along with the Director of Strategic Services and the Director of Operations, these officers comprise the Authority's Management Team. From May 2018 the Authority was required to have a Data Protection Officer and this role is carried out by the Solicitor and Monitoring Officer who has qualifications as a Data Practitioner.
- 3.11 It is considered that the authority's financial management arrangements conform with the guidance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 3.12 There are a number of procedures to ensure that the Authority obtains best value for money in all that it does, including Financial Regulations, Standing Orders Relating to Contracts and a Procurement Strategy. These are all reviewed and updated on a regular basis. The Financial Regulations have been reviewed to reflect that the Section 17 Officer and Treasury is now managed in-house. The Standing Orders Relating to Contracts were updated in May 2018. The Authority also adopted a Counter Fraud Bribery and Corruption Strategy, which was updated in February 2016.

- 3.13 The Authority monitors the effectiveness of internal control systems through the consideration of regular internal audits, performance management and budget monitoring reports, and through monitoring and receiving reports on the work of the Audit and Risk Committee.

#### **4 Arrangements for decision making and openness**

- 4.1 The Authority's arrangements for decision making were the subject of an internal audit in 2016/17 and are set out in publicly available documents. These include Standing Orders, Scheme of Delegated Powers, a description of the role of Members and of co-opted Members, and a Protocol on Member and Officer Relations.
- 4.2 The Authority and its committees have distinct terms of reference. Meetings of the Authority and its committees are in public (save for items which are exempt under legislative guidance). In January 2017 the Authority approved a trial recording of all its meetings, which has been continued on a permanent basis. Members of the public may ask questions at meetings.
- 4.3 Officer responsibilities are defined through their job descriptions and a clear set of policies and procedures, including core values, that officers are expected to follow. An officer code of conduct and appraisal system underpins effective delivery of service and performance standards, as well as setting out areas of decision-making responsibility.
- 4.4 As a recommendation from internal audit, the Authority has, in relation to delegated decisions, implemented a Register of certain categories of delegated decisions. This register is available for inspection and will be published on the Authority's website. The Authority has also reviewed its implementation of the Local Government Transparency Code 2015 in the last two years. This includes the publication of specified categories of information on its website, such as information on procurement, assets, salaries and pay multiples, and is found on the 'Transparency' page of the Authority's website.
- 4.5 Standing Orders for Procurement of contracts set out arrangements governing the award of contracts, to ensure that procurement processes are fair, transparent and lawful and that value for money is being obtained.
- 4.6 The Protocol on Member and Officer Relations was reviewed and updated by the Authority in May 2017.
- 4.7 The Standing Orders for the regulation of Authority Business were reviewed and updated in May 2017.

#### **5 Core values, ethics and behaving with integrity**

- 5.1 The Localism Act 2011 transferred to local authorities the duty to promote and maintain high standards, previously exercised by Standards for England. Accordingly the Broads Authority seeks to achieve this throughout the spectrum of its governance documentation. For example, the Nolan Principles feature in the Members' code of conduct, reviewed in September 2016, and the Authority's Independent Persons provide external scrutiny of its standards processes.
- 5.2 In May 2017 the Solicitor and Monitoring Officer undertook a review of ethics within the Authority, which was considered by Members. His report considered the broad

question of ethical standards at the Authority in the context of governance, reviewing available guidelines and making appropriate recommendations.

- 5.3 The Broads Authority has adopted the following set of core values as a local ethics code:

**Sustainable** – We consider the environmental and financial implications in everything we do

**Exemplary** – We strive for excellence in all we do

**Commitment** – We are committed to making a difference for the Broads for the benefit of everyone

**Caring** – We are considerate and respectful of each other

**Open and Honest** – We are open, honest and inclusive in all our decisions and communications

- 5.4 The Authority uses these core values in its codes of conduct for officer and Members, recruitment, staff interviews and appraisals, in the Protocol on Member and Officer Relations, and in staff and Member development programmes.

## 6 Engaging with stakeholders and the Broads Plan

- 6.1 The Broads Plan is the management strategy for the Broads, drawing together and guiding a wide range of partnership plans and programmes relevant to the area. The Plan sets out the long-term vision for the area and short-term actions for the benefit of the natural and cultural environment, local communities and visitors. While the Authority is responsible for its production, many organisations and local interest, amenity and community groups are involved in its implementation and review. Broads Plan 2017-22 was adopted in March 2017, following an 18-month review and consultation process.
- 6.2 Members of the Authority are regularly updated on progress on actions in the Plan at Authority meetings, which are open to the public, and published on the Authority's website. Updates are also sent to Plan partners and to stakeholders.
- 6.3 Monitoring indicators, including a 'State of the Park' report, help assess progress and changes in the Broads over time, and are updated and reported in line with the Broads Plan 5-year review cycle.
- 6.4 The views of users have been sought through a number of means, including the visitor centres annual survey, inviting comment and feedback at parish forums, an on-going survey of users of the corporate website and the annual Broads Outdoors Festival feedback forms.
- 6.5 A major stakeholder survey of hire boat operators, private boat owners, residents and visitors took place in 2014. Members support the view of repeating this exercise in 2019 as part of strategic approach in formulating the Broads Plan and its priorities for the following five year period. Public consultations were undertaken during February and April 2016 on the draft Broads Plan and on the Issues and Options of the Broads Local Plan. All comments received were made publicly available.
- 6.6 The Authority communicates the results of surveys, and other relevant information, through its website and social media, and through its regular publications including Broad Sheet (aimed at toll payers), Broadcaster (visitor newspaper) and the Annual Report. It also holds community and stakeholder events, such as parish forums and stakeholder workshops, which are open to the public and attended by Members and

officers of the Authority. Members and officers may also be invited to community and partner meetings and events, to provide information and respond to questions.

## **7 Managing risk and performance**

- 7.1 The responsibility of the Audit and Risk Committee includes obtaining assurances from a range of measures and reports that value for money is obtained in the use of the Authority's resources and that risk and performance are actively managed to achieve best results. Specifically, this includes the effective development and operation of risk management, and reviews the Authority's Strategic Risk Register.
- 7.2 The Authority's Strategic Risk Register is reviewed six-monthly by risk owners so that the Management Team can provide assurance that key strategic and operational risks have been identified, monitored and reviewed during the year and that key controls to mitigate the identified risks have operated effectively throughout the year. It is also on the agenda of the Audit and Risk Committee for each meeting. In addition the Risk Management Strategy is reviewed annually.
- 7.3 The Strategic Risk Register was the subject of a comprehensive review in January 2017. New risks were identified and analysed and the Register was reformatted, with risks analysed in terms of numeric probability and severity both before and after the application of risk mitigation factors. The Strategic Risk register will have had a further 6-monthly review in June 2018 by Risk Owners.
- 7.4 The Authority has a Business Continuity Plan, which is reviewed annually to mitigate the effects of a major incident affecting some or all of the Authority's operations. In February 2017, to test the Plan, Management Forum undertook a simulated incident of systems failures causing an evacuation in a table top exercise that also involved the representatives of the landlord. The Authority also has specific continuity plans for finance and IT.
- 7.5 A Partnerships Protocol and Register of Partnerships have been developed, and the Management Team has identified and reviewed the governance arrangements in respect of all significant partnerships. Identified weaknesses are being addressed through an Action Plan, with responsibility for action and timescales. It has also been agreed to provide an annual report on Partnerships to the Broads Authority. The next one will be provided in September 2018.
- 7.6 The Authority has in place a series of internal financial controls, including approved budgets, separation of duties and authorised signatures, to reflect good practice and ensure that its finances are managed securely to minimise risk.
- 7.7 The Authority has data of all its land and property assets on a consolidated Excel database and an Asset Management Strategy which includes a full asset disposal policy.
- 7.8 The Authority's performance across its operations is the subject of regular meetings of the Management Team, with financial reports and budgets considered monthly and reports provided to members at each meeting.
- 7.9 The Authority has a whistleblowing policy for its staff, and its Monitoring Officer has a duty to write a report if the Authority or any of its committees proposes action that would be unlawful or amount to maladministration.



## **8 Sources of Assurance, Peer Review and Internal audit conclusions**

- 8.1 The main independent sources of assurance on the operation of the governance framework are the work of the Authority's Internal and External Auditors, supported by other external organisations such as Investors in People. Independent scrutiny in relation to implementation of a number of procedures is provided by the Independent Persons.
- 8.2 In October 2017 the Authority underwent a Peer Review organised through the Local Government Association. The Review team was asked by the Authority 'Whether the Authority's governance structure including its membership, committees, and other decision-making processes, could be revised to better fit the changing environment within which it operates. A copy of the Peer review report is available on the Authority's web site at <http://www.broads-authority.gov.uk/broads-authority/how-we-work/lga-peer-review>
- 8.3 Following a period in development and as an outcome to the Peer review process the Broads Authority considered a report which developed six proposals and recommendations at its meeting on 18<sup>th</sup> May 2018.
- 8.4 Internal audit reports are considered by the Management Team and other officers as appropriate. A management response is submitted in respect of each recommendation, setting out whether the recommendation is accepted, what action will be taken, which officer is responsible and the timetable for action. Each audit report contains an independent assurance of opinion on the adequacy and effectiveness of controls in place to mitigate risks. The agreed actions are followed up to ensure implementation, thus ensuring that the Authority's risks are properly managed. A summary of all internal audit work carried out during the year is received by the Audit and Risk Committee, together with regular reports setting out progress made in implementing internal audit recommendations. Any significant issues of concern are brought to the attention of the Broads Authority.
- 8.5 The Head of Internal Audit for the Authority develops annually a strategic audit plan, using a risk based approach.
- 8.6 The Accounts and Audit Regulations 2015 require that the Authority must undertake an annual review of the effectiveness of its internal audit function, and that this review must be carried out by the same body that reviews the effectiveness of the system of internal control. The aim is not only to make the Authority more aware of the work of Internal Audit and its key role in governance, but also to make those charged with governance more able to understand the connection between, and the Authority's responsibility for, risk management, internal control and the function of internal audit.
- 8.7 Internal audit work is divided into 4 broad categories:
- Annual opinion audits;
  - Fundamental financial systems that underpin the Authority's financial processing and reporting;
  - Service area audits identified as worthy of review by the risk assessment processes within internal audit;
  - Significant computer systems which provide the capability to administer and control the Authority's main activities.

8.8 Additionally, the Broads Authority is informed of the work of the appointed auditors and inspectors, including receipt of the Audit Results report and annual audit and inspection letter from the External Auditors. The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's internal control environment, including its corporate governance framework and risk management arrangements, identifying any weaknesses that qualify this opinion and highlighting significant issues.

8.9 The Authority has received the Opinion 2017/18 by the Head of Internal Audit. It contains the following statement:

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

*It is worth noting that the Authority recently participated in a Peer Review, with one of the recommendations stating that the governance arrangements need to be reviewed to ensure that the structure is fit for the future. An action plan is in place to address, with six proposals being progressed. The Head of Internal Audit will monitor progress over the forthcoming year and consider if further internal audit review is required.*

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

8.10 As part of the work of Internal Audit concluded within the year was an audit of the Authority's preparations for implementing the provisions of the EU General Data Protection Regulation (GDPR), concluding with Reasonable Assurance and which falls within the overall opinion noted in 8.9.

8.11 The Authority is accredited by Investors in People (IIP), having had its *Silver* accreditation rating reconfirmed in December 2017.

## **9 Review and implementation of interventions**

9.1 An Action Plan has been developed to address any governance issues identified as needing review or improvement, and to secure continuous improvement in the Authority's governance arrangements. This is set out at Appendix 1 in two parts.

9.2 This Action Plan has been informed by the results of audit and other reports, and by the results of a self-assessment assurance statement. The statement was circulated to all senior managers, inviting them to assess the Authority's performance across a range of governance issues to identify any gaps and weaknesses and add value to the Authority's governance arrangements.

9.3 The Authority proposes over the coming year to take steps to address the above matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements identified in the review of effectiveness, and will monitor their implementation and operation as part of its next annual review.

Signed .....  
Chair of the Authority

Date .....2018

Signed.....  
Dr J Packman, Chief Executive

Date .....2018

## Appendix 1b

### Annual Governance Statement 2017/18

#### 2018/19 Action Plan

Action	Lead Officer(s)	Target Date	Priority
Continue implementation of Authority's GDPR compliance plan and review policies and procedures in the light of forthcoming guidance by ICO.	Solicitor and Monitoring Officer (Data Protection Officer)	31 March 2019	H
Equalities Working Group to report on an equality analysis of employment policies and practices	Head of HR, Volunteer Co-ordinator and Solicitor and Monitoring Officer	31 March 2019	L
Complete implementation of action plan following Peer Review report.	Chief Executive	31 December 2018	H
Complete draft of Members Handbook on Induction to incorporate key Member documents	Solicitor and Monitoring Officer	30 September 2018	L
Completion of phase 2 of internal HR policies and procedures	Head of HR	31 March 2019	M
Agree a timetable for completion of lease agreements with legal service providers to avoid delay. This will be part of the review of external legal services currently being undertaken, with the intention of setting up standing lists.	Solicitor and Monitoring Officer	30 September 2018	M
Inclusion of Port and Marine Safety Code in future annual reports to include compliance and standard of performance cross-referenced to performance dashboard.	Head of Safety Management, Head of Communications.	30 September 2018	M

Action	Lead Officer(s)	Target Date	Priority
Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should be made available to all new appointees to the Navigation Committee and the BSMG and training records kept.	Solicitor and Monitoring Officer, Head of Safety Management	February 2019	M
The Scheme of Powers Delegated to Officers is updated to remove outdated references to the Treasurer and Financial Advisor to the Authority and to replace them with current references including the Chief Financial Officer (Section 17 Officer).	Solicitor and Monitoring Officer	July 2018	L

## Appendix 2

### Annual Governance Statement 2017/18

#### 2017/18 Action Plan Summary of Progress

Action	Lead Officer(s)	Target Date	Priority	Status
Implement the provisions required of the Authority by the new General Data Protection Regulation, which comes into effect on 25 May 2018. Nominate Data Protection Officer.	Head of IT and Collector of Tolls, Head of Communications and Solicitor and Monitoring Officer	31 March 2018	H	Data Protection Officer appointed. Task essentially complete and has been subject of internal audit. Some ongoing work as part of our GDPR Compliance Plan.
Update Standing Orders on Committees specifically to address issue concerning terms of reference of FSAC raised by internal audit	Solicitor and Monitoring Officer	31 July 2017	M	Completed
Review of Ethical standards and recommendations on any improvements	Solicitor and Monitoring officer	31 March 2017	L	Completed, report to BA in May 2017
Review and implement specific guidance on majority and casting vote to Standing Orders regulating Authority Business raised by internal audit	Solicitor and Monitoring Officer	31 July 2017	H	Completed
Produce Members Handbook on Induction to incorporate key Member documents	Solicitor and Monitoring Officer	30 September 2017	L	Draft completed awaiting some further amendment following Peer Review outcomes. Carried forward to 2018/19 Action Plan
Produce Register of delegated decisions under Openness Regulations 2014 and place on web page as recommended by	Solicitor and Monitoring Officer	31 July 2017	H	Complete

<b>Action</b>	<b>Lead Officer(s)</b>	<b>Target Date</b>	<b>Priority</b>	<b>Status</b>
internal audit March 2017				
Implement core values and continue to define a set of behaviours and embed them in recruitment, appraisal, 360 appraisal, survey and management training as recommended by IIP	Chief Executive	30 November 2017	M	Complete and was reviewed by IIP as part of re-accreditation in December 2017.
Management Team to introduce more transparency in monitoring of key Performance Indicators (KPIs) in terms of continuous improvement and innovation as recommended by IIP	Chief Executive	30 November 2017	M	Completed and was reviewed by IIP as part of re-accreditation in December 2017.
Completion of phase 2 of internal HR policies and procedures	Head of HR	31 December 2017	M	Incomplete due to staff resource issues and will be carried forward to 2018/19
Equalities Working Group to report on an equality analysis of employment policies and practices	Head of HR, Volunteer Co-ordinator and Solicitor and Monitoring officer.	30 November 2017	M	Group established and has had two meetings but recent meetings postponed due to GDPR priorities. Will carry forward to 2018/19
Completion of updated procurement training to officers who have responsibilities for conducting procurements to include updated processes of procuring intermediaries under the IR35 legislation.	Chief Financial Officer	30 November 2017	M	Completed June 2018.

**Statement of Accounts 2017/18**  
Report by Chief Financial Officer

**Summary:** This report summarises the Broads Authority's Statement of Accounts for the year ended 31 March 2018.

**Recommendation:** That the Statement of Accounts for 2017/18 be recommended to the Broads Authority for approval, subject to any amendments suggested by the Committee.

## **1 Introduction**

- 1.1 Members will recall that the Financial Performance and Direction report to the Authority on 18 May 2018 provided the draft year end figures for 2017/18 which detailed a surplus of £70,308. These figures were then used to produce the Statement of Accounts.
- 1.2 There have been no subsequent changes to these figures and the draft Statement of Accounts was signed on 25 May 2018. Ernst and Young (external audit) then undertook their onsite work between 29 May and 8 June 2018. Their Annual Audit Results Report is the next item on this agenda. Appended to this report is the Statement of Accounts for 2017/18 (excluding the Annual Governance Statement, under agenda item 7).

## **2 Changes to the 2017/18 Accounts**

- 2.1 This year has seen some amendments to the Narrative Report which can be found on pages 3 to 9 of the Statement of Accounts. The Narrative Report is designed to help readers understand the Authority's main objectives and strategies and the principal risks it faces. It must provide a fair, balanced and understandable analysis of the Authority's performance and how it has used its resources to achieve its outcomes. The report is broken down into sections which include: how the Authority was established and is managed; governance; how the authority is structured (operational model); risks; opportunities; strategy and resource allocation; performance and outlook.
- 2.2 As with the 2016/17 Statement of Accounts the table below has been produced to help members understand the additional adjustments made at year end.



<b>Income and Expenditure 2017/18</b>	<b>Operations £</b>	<b>Strategic Services £</b>	<b>Chief Executive £</b>	<b>HLF &amp; CANAPE £</b>	<b>Corporate Amounts £</b>	<b>Total £</b>
Fees charges and other service income	(313,949)	(411,340)	(34,523)	(174,642)	(3,272,018)	(4,206,472)
Contribution from reserves	0	0	0	0	(226,816)	(226,816)
Government Grants	0	0	0	0	(3,299,595)	(3,299,595)
<b>Total Income</b>	<b>(313,949)</b>	<b>(411,340)</b>	<b>(34,523)</b>	<b>(174,642)</b>	<b>(6,798,429)</b>	<b>(7,732,883)</b>
Employee expenses	1,981,267	1,795,676	423,409	33,802	61,708	4,295,862
Other service expenses	1,665,073	782,820	678,345	240,475	0	3,366,713
<b>Total expenditure</b>	<b>3,646,340</b>	<b>2,578,496</b>	<b>1,101,754</b>	<b>274,277</b>	<b>61,708</b>	<b>7,662,575</b>
<b>Net expenditure</b>	<b>3,332,391</b>	<b>2,167,156</b>	<b>1,067,231</b>	<b>99,635</b>	<b>(6,736,721)</b>	<b>(70,308)</b>

1. Net expenditure above	(70,308)
2. Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	909,950
3. Amounts included in analysis not in Comprehensive Income and Expenditure Statement	2,648,037
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>3,487,679</b>

- 2.4 Items that are included in the amounts in the second line under Comprehensive Income and Expenditure Statement which are not reported to management include year end adjustments for the Pension scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the Actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation and movements on revaluations of fixed assets.
- 2.5 The main adjustments in the third line which is in the analysis above but not the Comprehensive Income and Expenditure Statement is the removal of the DEFRA grant, interest and investment income, interest payable and expenditure in relation to investment properties (Ludham Fieldbase). These items are added back in the lines under the cost of services. Further adjustments relate to the accounting treatment of capital expenditure, reserve expenditure and finance leases.

2.6 The table below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 14 in the Statement of Accounts.

	Service Analysis £	Not reported to Management £	Not included in CIES £	Cost of Services £	Other Operating Expenditure, Financing & Investment Income and Government grant £	Deficit on Provision of Services £
Fees, charges and other service income	(4,183,895)	0	0	(4,183,895)	0	(4,183,895)
Interest and Investment income	(22,577)	0	22,577	0	(22,577)	(22,577)
Contributions from reserves	(226,816)	0	(180,796)	(407,612)	0	(407,612)
Government Grants	(3,299,595)	0	3,299,595	0	(3,299,595)	(3,299,595)
<b>Total Income</b>	<b>(7,732,883)</b>	<b>0</b>	<b>3,141,376</b>	<b>(4,591,507)</b>	<b>(3,322,172)</b>	<b>(7,913,679)</b>
Employee expenses	4,295,862	581,425	0	4,877,287	210,000	5,087,287
Other service expenses	3,366,713	0	(493,339)	2,873,374	0	2,873,374
Depreciation, amortisation & impairment	0	328,525	0	328,525	0	328,525
Interest payments	0	0	0	0	37,946	37,946
Expenditure in relation to investment properties	0	0	0	0	(2,093)	(2,093)
Loss on disposal of Fixed Assets	0	0	0	0	3,001	3,001
<b>Total Operating Expenditure</b>	<b>7,662,575</b>	<b>909,950</b>	<b>(493,339)</b>	<b>8,079,186</b>	<b>248,854</b>	<b>8,328,040</b>
<b>Deficit on Provision of Services</b>	<b>(70,308)</b>	<b>909,950</b>	<b>2,648,037</b>	<b>3,487,679</b>	<b>(3,073,318)</b>	<b>414,361</b>

### **3 Balance Sheet**

- 3.1 This year the Balance Sheet has moved back to a net asset position of £85,000. The movement from a net liability position in 2016/17 to a net asset position is £622,000. The cause of this movement is the increase in Assets (Acle Bridge, Linkflotes, JCB and concrete pump) and the movement in the Pension Fund liability which has decreased by £209,000 since 2016/17. The pension fluctuations are due to the increased fair value of the assets and return received. The fund also seeks to maintain contributions at a constant rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. The next valuation will take place on 31 March 2019. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 33.
- 3.2 The bottom section of the Balance Sheet on page 20 splits the reserves between useable and unuseable reserves. The useable reserves can be used to fund future operating expenditure whilst the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3 The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as reported on 18 May 2018. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 40. The year end balances of the reserves are:
- National Park £1,058,321
  - Navigation £367,662
  - Earmarked £1,584,939 of which £641,986 relates to Navigation

### **4 Other Significant Issues**

- 4.1 There are no other significant issues arising from the preparation of the accounts which it is considered need to be drawn to the attention of the Committee.

### **5 Annual Governance Statement**

- 5.1 The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The draft Annual Governance Statement will be considered under agenda item number 6.

## **6 Audit of the Statement of Accounts**

- 6.1 The Authority's external auditors, Ernst & Young, have completed the audit and their Audit results can be found under agenda item number 10. The audit timetable was set out in the Audit Plan presented at the last meeting of this Committee, 6 March 2018.
- 6.2 Upon completion of any outstanding items detailed in their report the audit report will be signed and incorporated into the Statement of Accounts.

## **7 Financial Implications**

- 7.1 The Statement of Accounts for 2017/18 shows revenue reserves of £1,425,983 (general reserves £1,058,321, navigation reserves £367,662) that are considered to be adequate. The navigation reserve at the end of 2017/18 stands at 11.5% of net expenditure. This is higher than the Financial Strategy forecast for the end of 2017/18. With these taken alongside the earmarked reserve balances, the Authority's reserves are therefore considered to be sound. The outturn figures for 2017/18, and their implication for the overall level of reserves, will be taken into account in future budgeting proposals, and when making decisions about income and expenditure in 2018/19.

Background Papers:	Nil
Author:	Emma Krelle
Date of Report:	9 July 2018
Broads Plan Objectives:	None
Appendices:	APPENDIX 1: Statement of Accounts 2017/18 (excluding the Audit Report and Annual Governance Statement)

**BROADS AUTHORITY**

STATEMENT OF ACCOUNTS

2017/18

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Broads Authority Statement of Accounts  
**Contents**

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Narrative Report	3
Statement of Responsibilities for the Statement of Accounts	10
Certificate of Committee Resolution	11
Independent Auditor's Report to the Members of the Broads Authority	12
Expenditure and Funding Analysis	16
Comprehensive Income and Expenditure Statement	17
Movement in Reserves Statement	18
Balance Sheet	20
Cash Flow Statement	21
Notes to the Statement of Accounts	22
Glossary of Terms	76

## **Narrative Report**

### Introduction

The purpose of the Narrative Report is to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. It also provides commentary on how the Authority has used its resources to achieve its outcomes in line with its objectives and strategies.

### About the Broads Authority

The Broads Authority was established by the Norfolk and Suffolk Broads Act 1988.

Its duties, as subsequently amended by the Natural Environment and Rural Communities Act 2006, are to manage the Broads for the purpose of:

- conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- protecting the interests of navigation.

This brought the first two purposes into line with those of the English National Park Authorities, as recommended in the Department for Environment, Food and Rural Affairs (Defra) report 'Review of English Park Authorities' published in July 2002.

In discharging its function, the Authority should have regard to:

- the national importance of the Broads as an area of natural beauty and one which affords opportunities for open air recreation;
- the desirability of protecting the natural resources of the Broads from damage; and
- the needs of agriculture and forestry and the economic and social interests of those who live and work in the Broads.

In respect of its navigation area the Authority is required to:

- maintain the navigation area for the purposes of navigation to such a standard as appears to it to be reasonably required; and
- take such steps to improve and develop it as it thinks fit.

The Broads Authority Act 2009 amended the 1988 Act and is primarily concerned with augmenting the Authority's powers to ensure safety on the Broads, including the application of the Boat Safety Scheme and compulsory third party insurance. It also made provision for the transfer of responsibility for the navigation in Breydon Water to the Authority which was implemented in 2012. The 2009 Act removed the need for the Authority to maintain a separate navigation account and contained provisions which require the Authority to ensure that, taking one year with another, expenditure on navigation matters is equal to navigation income.

The Broads Plan is a key management plan for the Broads. It sets out a long-term vision for the benefit of the natural and cultural environment, local communities and visitors. Although the Authority is responsible for its production it is a plan for the whole of the Broads, and its success very much depends on a common vision, strong partnership working and the best use of shared resources. The current plan covers the period 2017-22 and is publicly

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Broads Authority Statement of Accounts  
**Narrative Report**

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available via the website. A six monthly newsletter is produced to provide updates and can also be found in the link below.

<http://www.broads-authority.gov.uk/broads-authority/how-we-work/strategy>

The Authority's Strategic Priorities are set annually by the members in line with objectives in the Broads Plan. Progress against the Strategic Priorities is reported regularly to the Authority and details of 2017/18 can be found in the link below:

[http://www.broads-authority.gov.uk/\\_data/assets/pdf\\_file/0011/1137386/Strategic-Direction-Strategic-Priorities-ba160318.pdf](http://www.broads-authority.gov.uk/_data/assets/pdf_file/0011/1137386/Strategic-Direction-Strategic-Priorities-ba160318.pdf)

All decisions are supported by the Authority's core values. These are enduring beliefs or ideals about what is good or desirable and what is not. They are:

- Sustainable - we take the long-term view, are passionate about our environment and its ability to provide for a vibrant local economy and the well-being of local people;
- Exemplary - we strive for excellence in all we do. We are ambitious, innovative and lead by example;
- Commitment - we are committed to making a difference to the Broads for the benefit of all, and will have the courage of our convictions when faced with difficult issues;
- Caring - we are considerate and respectful of each other, working together to provide the best service we can; and
- Open and Honest - we are open, honest and inclusive in our communication and in making decisions. We are approachable and available, reaching out to all groups.

The Authority is funded from two major sources; National Park Grant from Defra and Navigation Toll Income. These are approximately equal to each other and are used to fund the activities (including staffing) across the organisation.

### Governance

The Annual Governance Statement provides details of progress against the current year and provides the new financial year action plan. This is available via the link below:

<http://www.broads-authority.gov.uk/broads-authority/spending/annual-accounts>

2017/18 saw the Authority undertake a peer review supported by the Local Government Association which looked specifically at governance. Although not specifically impacting the governance arrangements in 2017/18 the Authority has committed to reviewing these in 2018/19. The report is available via the link below:

<http://www.broads-authority.gov.uk/broads-authority/how-we-work/lga-peer-review>

### Operational model

The Authority consists of the Chief Executive team and two Directorates; Operations and Strategic Services (formally Planning and Resources). The total number of staff employed by the Authority gives a head count of 151 or 133.48 Full Time Equivalents (FTE) as at 31 March 2018. This is split 71 (65.89 FTE) Operations, 66 (57.34 FTE) Strategic Services and 14 (10.25 FTE) Chief Executive. Due to the seasonal nature of the Authority's activities the levels of staff can vary throughout the year and the year end position may vary depending on when Easter falls.



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Broads Authority Statement of Accounts  
**Narrative Report**

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The Chief Executive is supported by the Governance Team who service the Authority's various committees; the Solicitor and Monitoring Officer who oversees legal services; and the Chief Financial Officer who is responsible for the Asset Management, Finance and Insurance team.

The Operations Directorate consists of; the Construction, Maintenance and Environment team who carry out the practical work on the Broads, from dredging to the maintenance and refurbishment of moorings and land based sites and project managing the Heritage Lottery Fund (HLF) project Water, Mills and Marshes; the Ranger team who patrol the waterways enforcing our byelaws to small scale practical works; Safety Management for both waterways and land based activities; and Volunteer Services which support volunteering opportunities across all areas of the Authority.

The Strategic Services Directorate consists of; Planning - responsible for all planning applications, enforcement and the Local Plan within the Authority's executive area; Strategy and Projects - responsible for setting strategy across all areas including the Broads Plan; Communications - responsible for all publications, events and visitor services; Collection of Tolls - processing the applications and payments of 12,500 boats every year; IT - supporting all of the Authority's IT systems and users; HR - supporting all of the Authority's employees; and the management of the European Regional Development Fund (ERDF) INTERREG project 'Creating A New Approach to Peatland Ecosystems' (CANAPE).

The Authority's income is supplemented by income from planning fees, contributions from landowners towards fen management and from the Rural Payments Agency, staff recharges to Whitlingham Charitable Trust, Visitor Centres and Yacht Station sales and external funding such as HLF and ERDF.

### Risks

Whilst the Authority has some degree of confidence over the level of its National Park Grant funding until 2019/20, uncertainty remains about future year's settlements and their duration. In 2015/16 the Authority received a four year settlement which was the first time the Authority had been able to plan for such a period as prior years notifications had been provided on an annual basis. Cuts to National Park Grant in years 2010/11 to 2015/16 has meant the Authority has already restructured from four Directorates to two. If there were future reductions to the National Park grant beyond 2019/20 it would mean difficult decisions would be needed to determine future services. Whilst increases from Toll income has helped minimise the impact, this income cannot be spent on National Park purposes. Healthy reserves means that such impact would be cushioned in the short term until the longer vision of services is determined; however this is not sustainable in the longer term.

Risks are reviewed on a regular basis with actions being taken to mitigate any possible impacts. Reports to the Authority highlight risks on potential new areas of activity. The Financial Scrutiny and Audit Committee receive detailed reports on the current risks with details of the individual risks, risk owner and actions. A link to the latest report can be found below.

[http://www.broads-authority.gov.uk/\\_data/assets/pdf\\_file/0003/1126380/Review-of-Strategic-Risk-Register-fsac060318.pdf](http://www.broads-authority.gov.uk/_data/assets/pdf_file/0003/1126380/Review-of-Strategic-Risk-Register-fsac060318.pdf)

### Opportunities

External funding opportunities continue to be investigated and supported by National Parks Partnership LLP (NPP). NPP continues to promote corporate partnerships for the UK National Parks with the aim to make a significant, sustainable and discernible contribution to the improved quality of UK National Parks and the benefits they offer for generations to

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Broads Authority Statement of Accounts  
**Narrative Report**

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come. There has already been a high level of success including funding from; the HLF for Water, Mills and Marshes, ERDF for CANAPE, Tesco for Broadland Catchment Partnership and Columbia providing clothing to all front line staff for five years from 2017/18.

The UK National Parks also continue to investigate efficiencies through joint procurement and services and also to create resilience amongst the Parks.

The developments at Acle Bridge over the coming years will seek to further our National Park purposes and increase income opportunities.

### Strategy and Resource Allocation

The current Financial Strategy was drawn up having regard to the Authority's grant settlement and the priorities in the Broads Plan. It sets out a prudent strategy for managing the limited resources available in order to build on the work underway across the organisation and to continue to deliver the Authority's key priorities over the next three years. The focus in developing the Financial Strategy has been to deliver the maximum possible efficiencies and savings in order to minimise the impact on front-line activity. The Authority recognises that without its employees continued commitment and hard work this would not be possible.

In developing the Financial Strategy, a number of assumptions have been made in respect of National Park Grant allocations, future boat numbers and the level of staff pay inflation. The Strategy follows the general principle that the Authority should seek to maintain the general (National Park) reserve at a minimum of £100,000 plus 10% of net expenditure, and the navigation reserves at a minimum of 10% of net expenditure. It also expects that General and Navigation income and expenditure should be broadly in balance across the life of the Financial Strategy.

On 20 November 2007, the Authority took out a £290,000 loan from the Public Works Loan Board. The repayment period of the loan is 20 years at a fixed interest rate of 4.82%, repayable by equal instalments of principal. The Public Works Loan Board has advised that the fair value of the debt as at 31 March 2018 is £163,919.

The purpose of this loan was to finance the purchase of the Dockyard Operation from May Gurney to enable the Authority to continue to dredge the Broads in an economical and efficient manner.

### Performance

Performance is assessed against progress made towards the Broads Plan, Strategic Priorities and the Budget with regular updates being provided to the Authority.

#### *General (National Park) Income and Expenditure*

The Authority received National Park Grant of £3,299k from Defra (£3,244k in 2016/17). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £726k (£825k in 2016/17). Total income for 2017/18 was £4,025k (£4,069k in 2016/17).

The Authority set a budget for 2017/18 with a forecast deficit of £42k (£27k deficit for 2016/17). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for the year 2017/18 indicated an anticipated deficit of £20k. The actual outturn saw a surplus of £20k (a favourable variance of £40k). The Authority has a policy for carry forward requests in

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Broads Authority Statement of Accounts  
**Narrative Report**

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respect of underspends. These have been subsequently approved by the Authority for £1k (£22k for 2016/17) and will be added to the 2018/19 budget.

#### *Navigation Income and Expenditure*

Income from tolls was £3,230k (£3,075k in 2016/17), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £240k, (£176k in 2016/17) and interest was £11k (£7k in 2016/17). Total income for 2017/18 was £3,481k (£3,258k in 2016/17).

The Authority set a budget with a forecast surplus of £1k for 2017/18 (surplus of £16k for 2016/17). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for 2017/18, which took account of approved budget changes, indicated an anticipated surplus of £81k. The actual outturn saw a surplus of £50k (an adverse variance of £31k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £1k (£9k for 2016/17) and will be added to the 2018/19 budget.

The Statement of Accounts consolidates these results and the combined figures are found in the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure Funding Analysis (EFA). The CIES can be found on page 17 and the EFA on page 16.

#### Outlook

2018/19 focuses on the successful delivery of our two external funded projects from the HLF and ERDF. Although both projects are claimed in arrears the impact and the Authority's cash flows is minimal. However, there is some uncertainty on future exchange rates which are difficult to forecast for the ERDF grant which is contracted in Euro. The use of a prudent exchange rate during the application phase should minimise any future impact. Also the Authority is fortunate that it receives a large proportion of its toll income prior to the start of the financial year whilst the National Park Grant is received quarterly. The budget supports this with Navigation funding currently projecting a small deficit of £3k in 2018/19 (after taking into account carry forward requests), with reserves at 10.8% of net expenditure at the end of the year. For General (National Park) funding there is a projected deficit of £71k (after taking into account carry forwards requests) in 2018/19, with reserves at 28.7% of net expenditure.

The Strategy also covers capital expenditure with the majority being funded from Earmarked Reserves and the rest from National Park Grant and Navigation income.

There are a significant number of variables – and some unknown quantities, such as future inflation – which could impact on these figures. The Financial Strategy will therefore be reviewed and updated by the Authority, having regard to any changes in circumstances and the annual outturn figures, at its meeting in January 2019. The annual toll increase for 2018/19 was set at an overall 3%. When setting the future strategy the Authority will continue to consult with the Navigation Committee and other stakeholders.

2018/19 also sees the launch of the Acle Bridge Design competition. The long term ambition is to build a landmark building to create a new visitor attraction for the National Park and raise the profile of the area's special qualities. The Authority is running a worldwide architectural competition for architects and architect-led practices for the initial concept designs. The deadline for submissions is the end of May 2018 with the winning design to be notified in July 2018. Taking this project forward will be dependent on confirmation of partnership funding but the Authority would want to progress the development of the Acle bridge project in 2019.

### Changes to the 2017/18 Accounts

There have been no key changes to the Statement of Accounts in 2017/18.

### The Accounting Statements

The Broads Authority's accounts for the year 2017/18 are set out on pages 10 to 75. They consist of:

#### **Statement of Responsibilities for the Statement of Accounts**

#### **Statement of Corporate Governance**

**Expenditure and Funding Analysis** – This statement shows how annual expenditure is used and funded from resources (government grants and rents) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements, however its position next to the Comprehensive Income and Expenditure Statement is to provide a link from the figures reported in the Review of the Year within the Narrative Report.

**Comprehensive Income & Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves and 'other' reserves. The 'surplus / deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

**Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. Reserves are reported in two categories. The first category of reserves are 'usable' reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of tolls and grant income or from the recipients of services provided by

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Broads Authority Statement of Accounts  
**Narrative Report**

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the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

These accounts are supported by the Statement of Accounting Policies in Note 1, which follows the Accounting Statements, and various notes to the accounts.

The information included in these accounts incorporates spending relating to the Broads Navigation. The Navigation income and expenditure is separately accounted for in the records to ensure the proper control of income from toll payers and to ensure it is spent primarily to benefit the users of the navigation. Navigation income and expenditure is shown in full at note 37 on page 75.

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Broads Authority Statement of Accounts  
**Statement of Responsibilities for the Statement of Accounts**

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**Statement of Responsibilities for the Statement of Accounts**

*The Authority's Responsibilities*

The Authority is required to:-

- (a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- (b) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) Approve the statement of accounts.

*The Chief Financial Officer's Responsibilities*

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

*Chief Financial Officer's Certificate*

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Broads Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Emma Krelle (Chief Financial Officer)

**Certificate of Committee Resolution**

I confirm that these accounts were approved by The Broads Authority at its meeting held 27 July 2018.

Signed on behalf of The Broads Authority:

(Chair of meeting approving the accounts)

27 July 2018

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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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**Independent Auditor's Report to the Members of the Broads Authority**



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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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Broads Authority Statement of Accounts  
**Expenditure and Funding Analysis**

**Expenditure and Funding Analysis**

This statement shows how funding available to the Authority for the year has been used in providing services in accordance with generally accepted accounting practices.

2016/17				2017/18		
Net Expenditure Chargeable to the General and Navigation Fund Balances £000	Adjustments between the Funding and Accounting Basis * £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General and Navigation Fund Balances £000	Adjustments between the Funding and Accounting Basis * £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
982	65	1,047	Operations	957	133	1,090
1,814	26	1,840	Strategic Services	1,574	145	1,719
284	6	290	Chief Executive	617	36	653
95	0	95	Corporate Amounts	37	0	37
22	265	287	Broads Navigation Account	(153)	141	(12)
<b>3,197</b>	<b>362</b>	<b>3,559</b>	<b>Net Cost of services</b>	<b>3,032</b>	<b>455</b>	<b>3,487</b>
(3,235)	187	(3,048)	Other Income and Expenditure	(3,283)	210	(3,073)
<b>(38)</b>	<b>549</b>	<b>511</b>	<b>Surplus or (Deficit)</b>	<b>(251)</b>	<b>665</b>	<b>414</b>
(1,378)			Opening General and Navigation Fund Balance	(1,368)		
(38)			Less/Plus Surplus or (Deficit) on General and Navigation Balance in Year	(251)		
48			Transfer (to)/from Earmarked Reserves	193		
<b>(1,368)</b>			<b>Closing General and Navigation Fund Balance at 31 March</b>	<b>(1,426)</b>		

\* Further details on the adjustments between Funding and Accounting Basis can be found in Note 7.

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported under Performance within the Narrative Report to the Comprehensive Income and Expenditure Statement.

Broads Authority Statement of Accounts  
**Comprehensive Income and Expenditure Statement**

**Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2016/17				Note	2017/18		
Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000			Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000
1,177	(130)	1,047	Operations		1,263	(173)	1,090
2,568	(728)	1,840	Strategic Services		2,233	(514)	1,719
294	(4)	290	Chief Executive		678	(25)	653
95	0	95	Corporate Items		37	0	37
3,525	(3,238)	287	Broads Navigation Account	37	3,456	(3,468)	(12)
<b>7,659</b>	<b>(4,100)</b>	<b>3,559</b>	<b>Cost of services</b>		<b>7,667</b>	<b>(4,180)</b>	<b>3,487</b>
		1	(Gains)/Losses on the disposal of non-current assets				3
		195	Financing and investment income and expenditure	11			223
		(3,244)	DEFRA National Park grant income				(3,299)
		511	(Surplus) or deficit on provision of services				414
		(230)	(Surplus) or deficit on revaluation of fixed assets				(36)
		2,166	Actuarial (gains) / losses on pension assets / liabilities				(1,000)
		1,936	Other comprehensive income and expenditure				(1,036)
		<b>2,447</b>	<b>Total comprehensive income and expenditure</b>				<b>(622)</b>

Broads Authority Statement of Accounts  
**Movement in Reserves Statement**

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure) and 'other' reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2016/17	General Fund and Navigation Fund Balance £000	Earmarked Reserves £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 (A)	1,378	1,344	2,722	(812)	1,910
Total comprehensive income and expenditure	(511)	0	(511)	(1,936)	(2,447)
Adjustments between accounting basis and funding basis under regulations (Note 9)	549	0	549	(549)	0
Transfers to or from Earmarked Reserves (Note 10)	(48)	48	0	0	0
Increase or (decrease) in 2016/17 (B)	(10)	48	38	(2,485)	(2,447)
<b>Balance at 31 March 2017 (=A+B)</b>	<b>1,368</b>	<b>1,392</b>	<b>2,760</b>	<b>(3,297)</b>	<b>(537)</b>

Broads Authority Statement of Accounts  
**Movement in Reserves Statement**

2017/18	General Fund and Navigation Fund Balance £000	Earmarked Reserves £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 (A)	1,368	1,392	2,760	(3,297)	(537)
Total comprehensive income and expenditure	(414)	0	(414)	1,036	622
Adjustments between accounting basis and funding basis under regulations (Note 9)	665	0	665	(665)	0
Transfers to or from Earmarked Reserves (Note 10)	(193)	193	0	0	0
Increase or (decrease) in 2017/18 (B)	58	193	251	371	622
<b>Balance at 31 March 2018 (=A+B)</b>	<b>1,426</b>	<b>1,585</b>	<b>3,011</b>	<b>(2,926)</b>	<b>85</b>

Broads Authority Statement of Accounts  
**Balance Sheet**

**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

As at 31 Mar 17 £000		Note	As at 31 Mar 18 £000
4,439	Property, Plant & Equipment	12	4,754
275	Investment Property Held for Sale	13	275
43	Intangible Assets	14	37
3	Long term debtors		0
4,760	Long term assets		5,066
2,001	Short term investments		2,505
88	Inventories	15	91
549	Short term debtors	16	699
1,981	Cash and cash equivalents	17	1,694
4,619	Current assets		4,989
(15)	Short term borrowing		(15)
(1,761)	Short term creditors	18	(1,903)
(63)	Provisions	19	(66)
(1,839)	Current liabilities		(1,984)
(137)	Long term borrowing		(123)
(7,940)	Other long term liabilities	31, 33	(7,863)
(8,077)	Long term liabilities		(7,986)
<b>(537)</b>	<b>Net assets/(liabilities)</b>		<b>85</b>
	<u>Useable reserves</u>		
1,042	General Account fund balance		1,058
326	Navigation Account fund balance		368
1,392	Earmarked Reserves	10	1,585
	<u>Unusable reserves</u>	21	
1,641	Revaluation Reserve		1,774
2,892	Capital Adjustment Account		2,921
(7,780)	Pension Reserve		(7,571)
(50)	Accumulated Absence Reserve		(50)
<b>(537)</b>	<b>Total reserves</b>		<b>85</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018. These financial statements replace the unaudited statements certified by the Chief Financial Officer on 25 May 2018.

Emma Krelle (Chief Financial Officer)

27 July 2018



Broads Authority Statement of Accounts  
**Cash Flow Statement**

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17 £000	Revenue Activities	Note	2017/18 £000
(511)	Net surplus or (deficit) on the provision of services		(414)
815	Adjustments to net surplus or deficit on the provision of services for non-cash movements		1,102
(14)	Adjust for items in the net surplus or deficit on the provision of services that are Investing and Financing Activities		(5)
290	Net cash flows from Operating Activities	22	683
(2,383)	Investing Activities	23	(904)
(63)	Financing Activities	24	(66)
(2,156)	Net increase or (decrease) in cash and cash equivalents		(287)
4,137	Cash and cash equivalents at the beginning of the reporting period		1,981
<b>1,981</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>1,694</b>

## Notes to the Statement of Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amounts is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Specific bad debt provisions are reviewed annually.

#### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

vii. Employee Benefits

*Benefits payable during employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### *Post-Employment Benefits*

Employees of the Broads Authority are members of Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### ix. Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quotes prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

x. Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term financial instrument covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities such as trade receivables and trade payables and the complex ones such as derivatives.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Long term loans are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due within the current year and amounts due outside the year. Any interest paid is taken directly to the income and expenditure account. The 'fair value' of any loans is disclosed in the notes to the accounts with accompanying explanations.

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments, but are not quoted on an active market.
- Available for Sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

The Authority has not made any material loans.

xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the general reserve balances. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general reserve balances. The gains and losses are therefore reversed out of the general reserve balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO (first-in, first-out) costing formula.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

*Finance Leases*

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Authority as Lessor

##### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis limit of £5,000 is used to recognise fixed assets.



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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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*Measurement*

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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*Impairment*

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

*Depreciation*

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation between 5 and 50 years, as advised by a professional valuer;
- vehicles, plant, furniture and equipment – straight-line allocation between 5 and 10 years, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation between 20 and 25 years, as advised by a suitably qualified officer.

Where an asset has been acquired under a finance lease arrangement, and the lease term is shorter than the asset's estimated useful life, the asset is depreciated over the lease term.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue. The Broads Authority has a policy of not depreciating assets in the first year of ownership.

*Disposals and Non-current Assets*

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Provisions, Contingent Liabilities and Contingent Assets

*Provisions*

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

*Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note (note 34) to the accounts.

*Contingent Assets*

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

xx. Operating Segments

In accordance with IFRS 8 and the Code, the Broads Authority keeps the general fund and navigation fund separately. Under the Code, the Authority has prepared a single income and expenditure account for 2017/18, however in note 37 to the accounts the navigation income and expenditure is shown.

xxi. Allocation of Costs

Salary, vehicle and other revenue costs are reallocated within the general expenditure to major projects that are grant aided partially or wholly by sources other than Defra grant. The method of allocation is kept as simple as possible and is either made on usage, such as number of hours spent on a project, or estimated on a percentage basis.

Recharges between the general and navigation funds are based on staff time and usage.

xxii. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**2. Accounting Standards that have been issued but have not yet been adopted**

The 2018/19 Code of Practice on Local Authority Accounting adopts the following amendments to International Accounting Standards and International Financial Reporting Standards, which will be required from 1 April 2018:

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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- IFRS 9 Financial Instruments includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39. Based on the current financial assets held by the Authority, this is not expected to have a material effect in the financial statements, as the assets held will be classified at amortised cost on transition.
- The following amendments to the accounting standards are either not relevant or have minor changes which are not expected to have a material effect on the Authority's Statement of Accounts. These include: IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses, IFRS 15 Revenue from Contracts with Customers and its clarifications and IAS 7 Statement of Cash Flows.

### **3. Critical judgements in applying accounting policies**

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the remaining two years of the original four year settlement from DEFRA there remains a degree of uncertainty about the longer term levels of funding for National Parks. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is a member of Whitlingham Charitable Trust of which there are four members. The Authority can appoint up to four trustees and there shall be no more than nine in total. The Trust is limited by guarantee in which each member agrees to contribute £1 in the event of it being wound up. Whitlingham Charitable Trust was established to manage and maintain Whitlingham Country Park for public benefit. Whilst the Authority does have significant influence in the management of the Trust, it does not have a controlling influence, and it does not have any share equity, or any share in profits or losses. It is considered therefore that International Accounting Standard (IAS) 28 – Accounting for Investments in Associates - does not apply as the charity has no formal equity structure, and the Authority does not derive any financial benefit from the Trust.

### **4. Assumptions made about the future and other major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.  It is estimated that the annual depreciation charge would increase by £51,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £3,479,000. Further details are set out in the sensitivity analysis in note 33.

**5. Material Items of Income and Expense**

There are no material items of expense in relation to 2017/18 which are not disclosed elsewhere within the Statement of Accounts.

**6. Events after the balance sheet date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 27 July 2018. Events that occur after this date are not reflected in the financial statements or notes.

Subsequent to the approval of the draft accounts, the Authority received further information regarding the contingent liabilities disclosed in note 34 on page 70.

*Appeal against Adjacent tolls decision*

The defendant's 'Application to Magistrates' Court or Crown Court to State a Case for an Appeal to the High Court' for the 2017/18 toll was refused on 25 May 2018 which concluded the matter. The Authority did not receive notice of this decision until 5 June 2018.

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**7. Note to the Expenditure and Funding Analysis**

Adjustments from General and Navigation Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

2016/17					2017/18			
Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments		Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
38	28	(1)	65	Operations	25	108	0	133
(29)	49	6	26	Strategic Services	(31)	179	(3)	145
0	7	(1)	6	Chief Executive	0	34	2	36
0	0	0	0	Corporate Items	0	0	0	0
194	69	2	265	Broads Navigation Account	(119)	260	0	141
203	153	6	362	<b>Net Cost of Services</b>	(125)	581	(1)	455
0	187	0	187	Other income and expenditure from the Expenditure and Funding Analysis	0	210	0	210
<b>203</b>	<b>340</b>	<b>6</b>	<b>549</b>	<b>Difference between General and Navigation Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(125)</b>	<b>791</b>	<b>(1)</b>	<b>665</b>

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Note

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - Other operating expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets.
  - Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
2. Net change for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income:
  - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.
3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute including accumulated absences.

Income received on a segmental basis is analysed below:

Service	2016/17 Income from Services £000	2017/18 Income from Services £000
Operations	(130)	(173)
Strategic Services	(728)	(514)
Chief Executive	(4)	(25)
Corporate Items	0	0
Specialist Ringfenced Account (Navigation)	(3,238)	(3,468)
<b>Total income analysed on a segmental basis</b>	<b>(4,100)</b>	<b>(4,180)</b>



## 8. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Expenditure/Income *	2016/17 £000	2017/18 £000
Expenditure		
Employee benefits expenses	4,310	5,025
Other services expenses	3,384	2,935
Depreciation, amortisation, impairment	623	329
Interest payments	36	38
Expenditure in relation to investment properties	(13)	(2)
Loss on the disposal of assets	1	3
<b>Total expenditure</b>	<b>8,341</b>	<b>8,328</b>
Income		
Fees, charges and other service income	(4,113)	(4,184)
Interest and investment income	(15)	(23)
Contributions from reserves	(458)	(408)
Government grants and contributions	(3,244)	(3,299)
<b>Total income</b>	<b>(7,830)</b>	<b>(7,914)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>511</b>	<b>414</b>

\* In addition to the amounts reported within the Comprehensive Income and Expenditure Statement the breakdown above also includes income and expenditure funded from the earmarked reserves.

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**9. Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

General Fund & Navigation Fund 2016/17 £000	Movement in Unusable Reserves 2016/17 £000		General Fund & Navigation Fund 2017/18 £000	Movement in Unusable Reserves 2017/18 £000
		<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
		<b>Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:</b>		
315	(315)	Charges for depreciation and impairment of non-current assets	312	(312)
307	(307)	Revaluation losses on property, plant and equipment	7	(7)
0	0	Amortisation of intangible assets	6	(6)
6	(6)	Movements in the fair value of investment properties	0	0
15	(15)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8	(8)
		<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(63)	63	Statutory provision for the financing of capital investment	(67)	67
(378)	378	Capital expenditure charged against the General Fund	(392)	392

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

General Fund & Navigation Fund 2016/17 £000	Movement in Unusable Reserves 2016/17 £000		General Fund & Navigation Fund 2017/18 £000	Movement in Unusable Reserves 2017/18 £000
937	(937)	<b>Adjustments involving the Pensions Reserve:</b> Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 33)	1,475	(1,475)
(597)	597	Employer's pension contributions and direct payments to pensioners payable in the year	(684)	684
7	(7)	<b>Adjustments involving the accumulated Absences Account:</b> Adjustments in relation to short-term compensated absences	0	0
0	0	<b>Adjustments involving the Capital Grant Unapplied Account:</b> Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0
<b>549</b>	<b>(549)</b>	<b>Total Adjustments</b>	<b>665</b>	<b>(665)</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**10. Transfers to / from earmarked reserves**

This note presents details of the amounts set aside in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet expenditure in 2017/18. A description of each of the earmarked reserves follows in the table below.

	Balance at 31 March 2016 £000	Transfers in 2016/17 £000	Transfers out 2016/17 £000	Balance at 31 March 2017 £000	Transfers in 2017/18 £000	Transfers out 2017/18 £000	Balance at 31 March 2018 £000
Property	(361)	(75)	7	(429)	(76)	26	(479)
Plant, Vessels and Equipment	(301)	(175)	262	(214)	(170)	182	(202)
Premises	(202)	(31)	54	(179)	(31)	61	(149)
Planning Delivery Grant	(292)	(54)	151	(195)	(43)	11	(227)
Upper Thurne Enhancement Scheme	(56)	(22)	0	(78)	(24)	2	(100)
Section 106 Agreements	(76)	(33)	0	(109)	(1)	8	(102)
Heritage Lottery Fund	(56)	(217)	180	(93)	(205)	184	(114)
Catchment Partnership	0	(95)	0	(95)	(32)	27	(100)
CANAPE	0	0	0	0	(112)	40	(72)
Computer Software	0	0	0	0	(40)	0	(40)
<b>Total</b>	<b>(1,344)</b>	<b>(702)</b>	<b>654</b>	<b>(1,392)</b>	<b>(734)</b>	<b>541</b>	<b>(1,585)</b>

Earmarked reserves

*Property*

A reserve account set up to provide for the ongoing maintenance of the Authority's major assets, moorings and operational property assets, including Mutford Lock.

*Plant, Vessels and Equipment*

Reserve established to provide for the maintenance and replacement of the Authority's plant and equipment, including launches, construction and maintenance vessels and equipment, pool vehicles and fen management equipment.

*Premises*

A reserve account established to provide for the maintenance and development of the Authority's Dockyard facility and other buildings throughout the Broads.

*Planning Delivery Grant*

Balance of Defra and OPDM grants awarded to deliver the planning service.

*Upper Thurne Enhancement Scheme*

Reserve established to hold the balance of ring-fenced Environment Agency funding for enhancement works in the Upper Thurne.

*Section 106 Agreements*

A reserve account established to hold ring-fenced developers' contributions relating to planning application conditions.

*Heritage Lottery Fund*

A reserve account established for the Landscape Partnership project funded by the Heritage Lottery Fund.

*Catchment Partnership*

A reserve account set up to hold ring-fenced income from various partners within the Catchment Partnership.

*CANAPE*

A reserve account set up for European grant part funded project relating to the Creating A New Approach to Peatland Ecosystems.

*Computer Software*

A reserve account set up to provide for the ongoing replacement of Authority's Computer Software.

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**11. Financing and Investment Income and Expenditure**

2016/17 £000		2017/18 £000
36	Interest payable and similar charges	38
187	Net interest on the net defined benefit liability (asset)	210
(15)	Interest receivable and similar income	(23)
(13)	Income and expenditure in relation to investment properties and changes in their fair value	(2)
<b>195</b>	<b>Total</b>	<b>223</b>

**12. Property, Plant and Equipment**

Movements on balances 2016/17

Cost or valuation	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2016	2,835	2,632	302	323	169	6,261
additions	0	304	0	0	30	334
revaluation increases / (decreases) recognised in the Revaluation Reserve	213	(58)	0	0	0	155
revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(303)	(6)	0	0	0	(309)
derecognition – disposals	(13)	(99)	0	0	0	(112)
asset reclassification (to)/from Assets Under Construction	0	169	0	0	(169)	0
<b>At 31 March 2017</b>	<b>2,732</b>	<b>2,942</b>	<b>302</b>	<b>323</b>	<b>30</b>	<b>6,329</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2016	79	1,536	193	0	0	1,808
depreciation charge	4	296	15	0	0	315
derecognition – disposals	(13)	(84)	0	0	0	(97)
depreciation written out to the Revaluation Reserve	(55)	(76)	0	0	0	(131)
depreciation written out to the Surplus/Deficit on the Provision of Services	(2)	(3)	0	0	0	(5)
<b>At 31 March 2017</b>	<b>13</b>	<b>1,669</b>	<b>208</b>	<b>0</b>	<b>0</b>	<b>1,890</b>

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>At 31 March 2017</b>	<b>2,719</b>	<b>1,273</b>	<b>94</b>	<b>323</b>	<b>30</b>	<b>4,439</b>
At 31 March 2016	2,756	1,096	109	323	169	4,453

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Movements on balances 2017/18

Cost or valuation	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2017	2,732	2,942	302	323	30	6,329
additions	180	404	0	0	22	606
revaluation increases / (decreases) recognised in the Revaluation Reserve	(50)	4	0	0	0	(46)
revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7)	0	0	0	0	(7)
derecognition – disposals	0	(31)	0	0	0	(31)
asset reclassification (to)/from Assets Under Construction	30	0	0	0	(30)	0
<b>At 31 March 2018</b>	<b>2,885</b>	<b>3,319</b>	<b>302</b>	<b>323</b>	<b>22</b>	<b>6,851</b>



Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2017	13	1,669	208	0	0	1,890
depreciation charge	23	274	15	0	0	312
derecognition – disposals	(13)	(69)	0	0	0	(82)
depreciation written out to the Revaluation Reserve	0	(23)	0	0	0	(23)
<b>At 31 March 2018</b>	<b>23</b>	<b>1,851</b>	<b>223</b>	<b>0</b>	<b>0</b>	<b>2,097</b>

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>At 31 March 2018</b>	<b>2,862</b>	<b>1,468</b>	<b>79</b>	<b>323</b>	<b>22</b>	<b>4,754</b>
At 31 March 2017	2,719	1,273	94	323	30	4,439

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Category of Asset	Depreciation method	Depreciation period
Operational Land and Buildings	Straight line. (The split between land and buildings is determined by the Authority's property consultant)	Between 5 to 50 years as per professional advice
Community Land	Not depreciated	Not depreciated
Infrastructure Asset	Straight line	Between 20 to 25 years
Vehicles, Vessels and Equipment	Straight line	Between 5 to 10 Years
Computer and Office Equipment	Straight line	5 years

Capital Commitments

The Authority has no capital commitments as at the balance sheet date. At 31 March 2017 there was one commitment relating to the purchase of Linkflote Pontoons for £111,000. This purchase was completed during 2017/18.

Impairments

In accordance with IAS 36 and the Code, Directors have undertaken an annual impairment review. No assets were considered to be impaired.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued every five years. Valuations were carried out internally and externally. Valuations of land and buildings were carried out externally by Concertus Design and Property Consultants, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Significant assumptions applied in estimating the current values are:

Property, Plant and Equipment of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset.

Infrastructure Assets and Community Assets have been valued at historic cost rather than fair value.

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Authority is lessor or lessee.

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	0	0	79	323	0	402
Valued at current value as at:						
31 March 2018	332	629	0	0	22	983
31 March 2017	2,225	370	0	0	0	2,595
31 March 2016	305	219	0	0	0	524
31 March 2015	0	180	0	0	0	180
31 March 2014	0	70	0	0	0	70
<b>Total cost or valuation</b>	<b>2,862</b>	<b>1,468</b>	<b>79</b>	<b>323</b>	<b>22</b>	<b>4,754</b>

### 13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2016/17 £000		2017/18 £000
20	Rental income from investment property	21
(7)	Direct operating expenses arising from investment property	(19)
<b>13</b>	<b>Net gain / (loss)</b>	<b>2</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

The following table summarises the movement in the fair value of investment properties over the year.

2016/17 £000		2017/18 £000
340	Balance at start of the year	275
(65)	Net gains / losses from fair value adjustments	0
<b>275</b>	<b>Balance at end of the year</b>	<b>275</b>

Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2018 are as follows:

	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2017 £000s	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2018 £000s
Fieldbase (Held for Sale)	275	275	275	275
	<b>275</b>	<b>275</b>	<b>275</b>	<b>275</b>

Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that information for similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in valuation techniques used during the year for investment properties.

Highest and best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

Valuation Process for Investment Properties

The investment property has been valued by Concertus Design and Property Consultants in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

**14. Intangible Assets**

The Authority internally generated a website [www.visitthebroads.co.uk](http://www.visitthebroads.co.uk) which would be classified as an intangible asset as it meets strict IAS 38 requirements to be recognised on

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

the balance sheet. The useful life of the website is 5 years and the carrying amount is amortised on a straight line basis.

The movement on Intangible Assets balances during the year is as follows:

	Internally Generate d Assets £000	Other Assets £000	2016/17 Total £000	Internally Generated Assets £000	Other Assets £000	2017/18 Total £000
Balance at start of year:						
Gross carrying amounts	43	0	43	43	0	43
Accumulated amortisation	0	0	0	(9)	0	(9)
Net carrying amount at start of year	0	0	0	0	0	0
Additions:						
Internal development	13	0	13	3	0	3
Purchases	30	0	30	0	0	0
Amortisation for the period	0	0	0	0	0	0
<b>Net Carrying Amount at the end of the year</b>	<b>43</b>	<b>0</b>	<b>43</b>	<b>37</b>	<b>0</b>	<b>37</b>
Comprising:						
Gross carrying amounts	43	0	43	46	0	46
Accumulated amortisation	0	0	0	(9)	0	(9)
	<b>43</b>	<b>0</b>	<b>43</b>	<b>37</b>	<b>0</b>	<b>37</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**15. Inventories**

	Consumable Stores		Maintenance Materials		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	34	31	70	57	104	88
Purchases	26	43	85	87	111	130
Recognised as an expense in year	(29)	(37)	(98)	(90)	(127)	(127)
Written off balances	0	0	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>31</b>	<b>37</b>	<b>57</b>	<b>54</b>	<b>88</b>	<b>91</b>

**16. Debtors**

31 March 2017 £000		31 March 2018 £000
134	Central government bodies	138
3	Other local authorities	34
327	Prepayments and accrued income	417
85	Other entities and individuals	110
<b>549</b>	<b>Total</b>	<b>699</b>

**17. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £000		31 March 2018 £000
2	Cash held by the Broads Authority	2
1,979	Bank current accounts	1,692
<b>1,981</b>	<b>Total Cash and Cash Equivalents</b>	<b>1,694</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**18. Creditors**

31 March 2017 £000		31 March 2018 £000
69	Central government bodies	72
15	Other local authorities	121
1	NHS bodies	0
1,337	Accruals and income in advance	1,298
0	Public corporations and trading funds	1
339	Other entities and individuals	411
<b>1,761</b>	<b>Total</b>	<b>1,903</b>

**19. Provisions**

2016/17				2017/18			
Accumulated Absences Provision £000	Redundancy Provision £000	Total £000		Accumulated Absences Provision £000	Redundancy Provision £000	HMRC Provision £000	Total £000
43	0	43	Balance at 1 April	50	13	0	63
50	13	63	Additional provisions made in year	50	0	16	66
(43)	0	(43)	Settlements or cancellation of provision made at end of preceding year	(50)	(13)	0	(63)
<b>50</b>	<b>13</b>	<b>63</b>	<b>Balance at 31 March</b>	<b>50</b>	<b>0</b>	<b>16</b>	<b>66</b>

The redundancy provision made in 2016/17 was for the costs of organisational restructuring. The provision relates to a redundancy payment for a post which left the Authority in April 2017. The post effected was notified in January 2017 and the payment was made during 2017/18. No further redundancy provisions were made in 2017/18.

The HMRC Provision relates to the non-taxation of members expenses for attendance at committee meetings during the period 2012/13-2017/18. It should be noted that the Authority believes that the Local Authority exemption should apply to National Parks.

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

For more information on the Accumulated Absence Account, see note 21.

**20. Usable reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

**21. Unusable reserves**

31 March 2017 £000		31 March 2018 £000
1,641	Revaluation reserve	1,774
2,892	Capital Adjustment Account	2,921
(7,780)	Pensions Reserve	(7,571)
(50)	Accumulated Absences Account	(50)
<b>(3,297)</b>	<b>Total unusable reserves</b>	<b>(2,926)</b>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000			2017/18 £000
1,426	Balance at 1 April		1,641
234	Upward revaluation of assets	258	
(3)	Downward revaluation of assets	(222)	
231	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services		36
(16)	Difference between current value depreciation and historical cost depreciation	97	
(16)	Amount written off to the Capital Adjustment Account		97
<b>1,641</b>	<b>Balance at 31 March</b>		<b>1,774</b>



Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000			2017/18 £000
3,079	Balance at 1 April		2,892
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(315)	Charges for depreciation and impairment of non current assets	(312)	
(307)	Revaluation losses on Property Plant & Equipment	(7)	
(6)	Movements in the market value of investment properties	0	
0	Amortisation of intangible assets	(9)	
(15)	Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(8)	
(643)		(336)	
16	Adjusting amounts written out of the revaluation reserve	(97)	
(627)	Net written out amount of the cost of non-current assets consumed in the year		(433)
	Capital financing applied in the year:		
63	Statutory provision for the financing of capital investment charged against the General Fund	67	
377	Removal of Finance Lease Liability for assets returned in year		
377	Capital expenditure charged against the General Fund	395	
440			462
<b>2,892</b>	<b>Balance at 31 March</b>		<b>2,921</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000		2017/18 £000
(5,274)	Balance at 1 April	(7,780)
(2,166)	Remeasurements of the net defined benefit liability / (asset)	1,000
(937)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,475)
597	Employer's pension contributions and direct payments to pensioners payable in the year	684
<b>(7,780)</b>	<b>Balance at 31 March</b>	<b>(7,571)</b>

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2016/17 £000		2017/18 £000
(43)	Balance at 1 April	(50)
43	Settlement or cancellation of accrual made at the end of the preceding year	50
(50)	Amounts accrued at the end of the current year	(50)
7	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>(50)</b>	<b>Balance at 31 March</b>	<b>(50)</b>

## 22. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2016/17 £000		2017/18 £000
(24)	Interest received	(20)
36	Interest paid	38
<b>12</b>	<b>Net cash flows from operating activities</b>	<b>18</b>

## 23. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
(378)	Purchase of property, plant and equipment, investment property and intangible assets	(395)
(2,000)	Purchase of short term investments	(500)
9	Other payments from investing activities	(4)
(14)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5)
<b>(2,383)</b>	<b>Net cash flows from investing activities</b>	<b>(904)</b>

## 24. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
(49)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(52)
(14)	Repayments of short and long term borrowing	(14)
<b>(63)</b>	<b>Net cash flows from financing activities</b>	<b>(66)</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**25. Members' Allowances**

The Authority paid the following amounts to Members of the Authority during the year:

2016/17 £000		2017/18 £000
37	Allowances	36
9	Expenses	7
<b>46</b>	<b>Total</b>	<b>43</b>

**26. Officers' Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Pension Contribution £000	Total £000
Chief Executive	2016/17	84	0	0	13	<b>97</b>
	2017/18	85	0	0	16	<b>101</b>
Director of Planning & Resources <sup>1</sup> / Director of Strategic Services	2016/17	59	0	0	9	<b>68</b>
	2017/18	51	0	0	9	<b>60</b>
Director of Operations	2016/17	51	0	0	7	<b>58</b>
	2017/18	54	0	0	10	<b>64</b>

The Director of Planning & Resources<sup>1</sup> resigned with effect from 6 August 2017. This role was replaced by the Director of Strategic Services whose employment commenced 18 September 2017.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below:

2016/17 Number of Employees		2017/18 Number of Employees
1	£50,000 - £54,999	1
1	£55,000 - £59,999	0
0	£60,000 - £64,999	0
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
1	£80,000 - £84,999	1

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Exit Packages

The number and cost of exit packages agreed, analysed between compulsory redundancies and other departures, are disclosed in the table below:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	1	0	0	0	1	0	13	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>13</b>	<b>0</b>

The total cost in the table above for exit packages have been charged to the authority's Comprehensive Income and Expenditure Statement in the previous year.

**27. External Audit Costs**

The Broads Authority has incurred the following fees relating to audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2016/17 £000		2017/18 £000
13	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	13
<b>13</b>	<b>Total</b>	<b>13</b>

**28. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2016/17 £000		2017/18 £000
3,244	Credited to taxation and non-specific grant income: Defra National Park Grant	3,299
166	Credited to services: Heritage Lottery Fund – Landscape Partnership Scheme	144
0	CANAPE – ERDF	21
<b>3,410</b>	<b>Total</b>	<b>3,464</b>

## **29. Related Parties**

The Broads Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

### Members

Members of the Broads Authority have direct control over the Authority's financial and operating policies. Members of the Navigation Committee have a consultative role in respect of navigation matters. The Authority wrote to all Members requesting details of any related party transactions. Details of Members' expenses are included in note 25.

A number of members of the Broads Authority are appointed by Local Authorities within the Broads area. The Authority transacts with these other Local Authorities for items such as rates in the normal course of business. There were no material transactions with Local Authorities which are not disclosed elsewhere within the Statement of Accounts.

Mr Alan Goodchild is a member of the Navigation Committee and is a Director of 'Goodchild Marine' which was contracted by the Authority to build a new launch in 2016/17 and complete refits along with supplying diesel fuel and mooring facilities during 2017/18. The Authority paid £8,131 for refits and £5,649 for fuel and moorings during 2017/18 (£55,851 for the launch, £347 for refits, and £5,653 for fuel and moorings in 2016/17). £7,001 was outstanding at 31 March 2018. Goodchild Marine paid £582 in navigation tolls to the Broads Authority in 2017/18 (£565 in 2016/17). Mr Goodchild took no part in the decision-making process associated with these contracts.

Mr James Knight is a member of the Navigation Committee and is a Director of 'Waveney River Centre (2003) Ltd' which paid £7,570 navigation tolls to the Broads Authority in 2017/18 (£8,628 in 2016/17). The Authority also made fuel purchases of £880 (£1,256 in 2016/17) and used mooring facilities of £2,400 (£2,300 in 2016/17) during 2017/18. Mr Knight is also a Director of 'Ferry Marina Ltd' which paid £48,393 navigation tolls to the Broads Authority in 2017/18 (£44,216 in 2016/17). No amounts were outstanding at 31 March 2018. Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority and Navigation Committee and is Chief Executive of 'Richardson's Leisure Ltd' which also wholly owns 'Moonfleet Marine Ltd'. Richardson's Leisure paid £375,116 (£360,631 in 2016/17) and Moonfleet Marine Ltd paid £6,448 (£4,315 in 2016/17) navigation tolls to the Broads Authority in 2017/18. The Authority made no further purchases from Richardson's during 2017/18 (£432 for lifting a boat in 2016/17), or received any further amounts during the year 2017/18 (Richardson's Holiday Group provided £5,700 to the Authority for tourism event sponsorship in 2016/17). The Authority made purchases from Moonfleet Marine Ltd of £92 in respect of fuel in 2017/18 (£8,516 in respect of refits and £1,282 fuel in 2016/17). No amounts were outstanding at 31 March 2018. Mr Munford took no part in the decision-making process associated with these contracts.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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Mr Michael Whitaker is a member of the Broads Authority and Navigation Committee and is a partner of 'Herbert Woods LLP' which paid £170,538 navigation tolls to the Broads Authority in 2017/18 (£170,128 in 2016/17). The Authority also made fuel purchases of £1,775 (£1,661 for fuel and £400 for boat hire in 2016/17) in 2017/18. No amounts were outstanding at 31 March 2018. Mr Whitaker took no part in the decision-making process associated with these contracts.

Mr Brian Wilkins is a member of the Navigation Committee and is a contractor via 'Windwood Solutions Ltd' to 'Canham Consulting Ltd', which was contracted for engineering design services. The Authority paid £8,256 during 2017/18 (£3,144 in 2016/17). No amounts were outstanding at 31 March 2018. Mr Wilkins took no part in the decision-making process associated with this contract.

#### Officers

The Chief Executive represents the Broads Authority on the board of the Whitlingham Charitable Trust. Officer remuneration is detailed in note 26.

#### Whitlingham Charitable Trust

During the year the Authority provided administration services for Whitlingham Charitable Trust of £52,664 (£43,294 in 2016/17). The balance outstanding at 31 March 2018 was £21,892 (£7,646 at 31 March 2017).

The Broads Authority also provides a recharge service for purchase invoices and salaries of £64,731 (£48,802 in 2016/17). The balance outstanding at 31 March 2018 was £9,670 (£4,466 at 31 March 2017).

The Whitlingham Charitable Trust also invoiced the Authority £15,264 (£15,264 in 2016/17) for rental income for the lease of the visitor centre and moorings. The balance outstanding at 31 March 2018 was £864 (£864 in 2016/17).

During the year the Authority purchased an Education Pavilion for £6,227 which was funded by Tesco Bags for Help that the Authority applied for on Trust's behalf. This income was received in 2016/17 and carried forward in the 2017/18 budget. This has been donated to Whitlingham Charitable Trust. In addition a second hand Gator Buggy was also donated to the Trust. This item had originally been purchased by the Authority in 2007 for £1,763 and had become surplus to operational requirements with an estimated value of £1,200.

#### Other Public Bodies

The Authority recharged Broadland District Council for staff time of £13,542 during 2017/18 (£10,797 in 2016/17). The balance outstanding at 31 March 2018 was £1,985 (£2,541 in 2016/17).

Up until 31 March 2017 the Council provided financial services for the Broads Authority and was charged £3,062 in 2016/17 for the provision of this service. The Head of Finance and Revenue Services for Broadland District Council served until 31 March 2017 as the Treasurer and Financial Adviser (Section 17 Officer) for the Broads Authority. As part of the financial services arrangement the Council also provided treasury management of the Authority's investments. All investments were returned in 2016/17 for the Authority to manage in house.

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £71,734 for legal services in 2017/18 (£179,462 in 2016/17). The Practice Director of NPLaw served as the Solicitor and Monitoring Officer to the Broads Authority until end of May 2016. No amounts were outstanding at 31 March 2018.

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid £4,685 for this in 2017/18 (£7,167 in 2016/17). No amounts were outstanding at 31 March 2018.

**30. Capital expenditure and capital financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2016/17 £000		2017/18 £000
280	Opening Capital Finance Requirement	217
	<u>Capital Investment</u>	
377	Property, Plant and Equipment	606
	<u>Sources of Finance</u>	
	Sums set aside from revenue:	
(377)	Direct revenue contributions	(392)
(63)	MRP	(67)
<b>217</b>	<b>Closing Capital Finance Requirement</b>	<b>364</b>
	<u>Explanation of movements in year</u>	
(63)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance)	(67)
0	Assets acquired under finance leases	214
<b>(63)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>147</b>



Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**31. Leases**

Authority as Lessee

*Finance Leases*

The Authority has a number of vehicles, plant and office equipment acquired under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2016/17 £000		2017/18 £000
0	Other Land and Buildings	0
85	Vehicles, Plant, Furniture and Equipment	254
<b>85</b>	<b>Total</b>	<b>254</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2016/17 £000		2017/18 £000
	Finance lease liabilities (net present value of minimum lease payments):	
37	• Current	54
37	• Non-current	181
3	Finance costs payable in future years	12
<b>77</b>	<b>Minimum lease payments</b>	<b>247</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Not later than one year	39	60	37	54
Later than one year and not later than 5 years	38	187	37	181
Later than 5 years	0	0	0	0
	<b>77</b>	<b>247</b>	<b>74</b>	<b>235</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18, no (£nil) contingent rents were payable by the Authority (2016/17 £nil).

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

*Operating Leases*

The Authority has acquired vehicles by entering into operating leases, with typical lives of 7 years. The Authority has also established operating leases in relation to land and buildings with typical lives between 10 and 20 years. The future minimum lease payments due under non-cancellable leases in future years are:

2016/17 £000		2017/18 £000
150	Not later than one year	144
513	Later than one year and not later than 5 years	446
128	Later than 5 years	49
<b>791</b>	<b>Total</b>	<b>639</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2016/17 £000		2017/18 £000
175	Minimum lease payments	169
<b>175</b>	<b>Total</b>	<b>169</b>

Authority as Lessor

*Finance Leases*

The Authority has no leased out property on a finance lease.

*Operating Leases*

The Authority leases out land and property under operating leases for the following purposes:

- For the provision of community services, such as tourism services; and
- For an outdoor education and study centre.

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

2016/17 £000		2017/18 £000
53	Not later than one year	25
191	Later than one year and not later than 5 years	0
8	Later than 5 years	0
<b>252</b>	<b>Total</b>	<b>25</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### **32. Termination Benefits**

The Authority terminated the contract of one employee who was made redundant at the beginning of 2017/18 as part of the Broads Authority's organisational restructuring. In terminating these contracts the Authority incurred liabilities of £13,203, of which £nil related to enhanced pension benefits. This liability was recognised within the Provision Account in 2016/17. No additional liabilities relating to termination benefits were incurred during 2017/18 and no provision for any future redundancy payments was established in the year.

### **33. Defined Benefit Pension Schemes**

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Broads Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Authority participates in one pension scheme:

- The Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered locally by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against tolls and Defra grant is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

2016/17 £000		2017/18 £000
	Comprehensive Income and Expenditure Statement	
750	Cost of services: <ul style="list-style-type: none"> <li>• current service cost</li> </ul>	1,265
187	Financing and investment income and expenditure <ul style="list-style-type: none"> <li>• net interest expense</li> </ul>	210
<b>937</b>	<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>1,475</b>
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
(2,709)	<ul style="list-style-type: none"> <li>• return on plan assets (excluding the amount included in the net interest expense)</li> </ul>	(329)
(223)	<ul style="list-style-type: none"> <li>• actuarial gains and losses arising on changes in demographic assumptions</li> </ul>	-
5,676	<ul style="list-style-type: none"> <li>• actuarial gains and losses arising on changes in financial assumptions</li> </ul>	(667)
(578)	<ul style="list-style-type: none"> <li>• other experience</li> </ul>	(4)
<b>2,166</b>	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,000)</b>
	Movement in Reserves Statement	
937	<ul style="list-style-type: none"> <li>• reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code</li> </ul>	1,475
	Actual amount charged against the General Fund balance for pensions in the year:	
(597)	<ul style="list-style-type: none"> <li>• employers' contributions payable to scheme</li> </ul>	(684)

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

2016/17 £000		2017/18 £000
(31,888)	Present value of the defined benefit obligation	(32,782)
24,108	Fair value of plan assets	25,211
<b>(7,780)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(7,571)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2016/17 £000		2017/18 £000
20,571	Opening fair value of scheme assets	24,108
721	Interest income	628
2,709	Remeasurement gain / (loss): <ul style="list-style-type: none"> <li>• The return on plan assets, excluding the amount included in the net interest expense</li> </ul>	329
597	Contributions from employer	684
198	Contributions from employees into the scheme	208
(688)	Benefits paid	(746)
<b>24,108</b>	<b>Closing fair value of scheme assets</b>	<b>25,211</b>

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2016/17 £000		2017/18 £000
25,845	Balance at 1 April	31,888
750	Current service cost	1,265
908	Interest cost	838
198	Contributions from scheme participants	208
	Remeasurement (gains) and losses:	
(223)	• Actuarial gains / losses from changes in demographic assumptions	-
5,676	• Actuarial gains / losses arising from changes in financial assumptions	(667)
(578)	• Other	(4)
(688)	Benefits paid	(746)
<b>31,888</b>	<b>Balance at 31 March</b>	<b>32,782</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2016/17 £000				Fair value of scheme assets 2017/18 £000		
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total
-	694.5	694.5	Cash and cash equivalents:	-	939.4	939.4
			• All cash and cash equivalents			
			Equity instruments:			
1,795.4	-	1,795.4	• Consumer	1,657.6	-	1,657.6
1,401.0	-	1,401.0	• Manufacturing	1,413.7	-	1,413.7
669.7	-	669.7	• Energy and utilities	449.9	-	449.9
1,549.5	-	1,549.5	• Financial institutions	1,406.4	-	1,406.4
728.9	-	728.9	• Health and care	462.0	-	462.0
689.1	-	689.1	• Information technology	790.6	-	790.6
-	-	-	• Other	-	-	-
			Bonds (Debt securities):			
-	-	-	• Corporate bonds (investment grade)	-	-	-
-	-	-	• Corporate bonds (non-investment grade)	-	-	-
-	-	-	• UK Government	379.5	-	379.5
			Private equity:			
-	1,506.7	1,506.7	• All private equity	-	1,392.8	1,392.8
			Property:			
-	2,250.3	2,250.3	• UK property	-	2,211.6	2,211.6
-	376.3	376.3	• Overseas property	-	362.6	362.6
			Other investment funds and unit trusts:			
6,403.0	-	6,403.0	• Equities	6,749.6	-	6,749.6
6,093.5	-	6,093.5	• Bonds	6,975.9	-	6,975.9
			Derivatives:			
-	-	-	• Other derivatives	(19.1)	-	(19.1)
(49.9)	-	(49.9)	• Foreign exchange	38.5	-	38.5
<b>19,280.2</b>	<b>4,827.8</b>	<b>24,108.0</b>		<b>20,304.6</b>	<b>4,906.4</b>	<b>25,211.0</b>

Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

31 March 2017		31 March 2018
	Long term expected rate of return on assets in the scheme:	
2.6%	• Equity investments*	2.7%
2.6%	• Bonds*	2.7%
2.6%	• Property*	2.7%
2.6%	• Cash*	2.7%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1 years	• Men	22.1 years
24.4 years	• Women	24.4 years
	Longevity at 65 for future pensioners:	
24.1 years	• Men	24.1 years
26.4 years	• Women	26.4 years
2.4%	Rate of inflation	2.4%
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%
	Take up of option to convert annual pension into retirement lump sum:	
50%	Pre- April 2008 service	50%
75%	Post- April 2008 service	75%

\*The expected rates of return are set equal to the discount rate (per the revised version of IAS19).

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions at the end of the reporting period and assumes for each other change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are consistent with those adopted in the previous period.



Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

Sensitivity analysis – impact on the defined benefit obligation in the scheme

Change in assumptions at 31 March 2018	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate	11%	3,479
1 year increase in member life expectancy	3-5%	Dependent on revised assumption
0.5% increase in the salary increase rate	1%	421
0.5% increase in the pension increase rate	9%	3,019

Techniques used to manage risk

The Pensions Committee of Norfolk County Council considers long term liabilities when setting its investment strategy but does not follow a specific liability matching investment approach having taken appropriate professional advice. The Committee has agreed an asset allocation benchmark, a performance target and various controls on the Fund's investments. These reflect their views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. The Committee monitors and reviews the performance of investments and the overall strategy on a regular basis, supported by advice from professional advisers as required. A large proportion of the Fund's assets relate to equities (57% of scheme assets) and bonds (29%). These percentages are materially the same as the previous year. The scheme also invests in properties as part of the diversification of the scheme's investments.

Further details of the Fund's investment approach are outlined in the Statement of Investment Principles and Funding Strategy Statement that are published on the Fund's website [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates paying contributions of approximately £1,105,000 to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is as follows:

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

	Liability split	Weighted average duration
Active members	49.6%	21.7
Deferred members	25.6%	23.4
Pensioner members	24.8%	12.0
<b>Total</b>	<b>100.0%</b>	<b>19.0</b>

### 34. Contingent Liabilities

The Authority has identified two material contingent liabilities:

#### *Postwick Tip*

The Authority uses a site "Postwick Tip," which is included in the Authority's Fixed Asset Register, for the treatment of sediment material from dredging operations. This natural treatment process involves the drying of sediment so that mercury content is absorbed. As such there would be no clean-up costs at the end of the site's life. However, if the Authority were to stop using the site, there would be a cost of £33,000 to surrender the license. There is currently no expectation that the Authority will cease using the site. The Authority's use of the site is the subject of a bond / financial provision to the Environment Agency in the amount of £6.4m. This covers the estimated cost of restoration which could arise if there were to be a catastrophic event at the site. Defra are the guarantors for this bond and the Authority would not itself anticipate making any payment under the terms of this agreement.

#### *Appeal against Adjacent tolls decision*

An individual's request for Judicial Review was refused for the 2014/15 toll year and the High Court ordered the defendant to pay a contribution towards costs which concluded that year's decision. In early 2018 the individual was found guilty of failing to pay the appropriate toll for mooring a vessel for 2015/16, 2016/17 and 2017/18. The defendant appealed to the Crown Court for 2015/16 and 2016/17 and lost the case with the Judge awarding further costs to the Authority. The defendant has submitted an 'Application to Magistrates' Court or Crown Court to State a Case for an Appeal to the High Court' for the 2017/18 toll. A decision on this latest appeal is anticipated shortly and currently the costs of such action cannot be determined.

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

### 35. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and receivables	0	0	2,001	2,505
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>2,001</b>	<b>2,505</b>
Debtors				
Loans and receivables	3	0	222	282
<b>Total debtors</b>	<b>3</b>	<b>0</b>	<b>222</b>	<b>282</b>
Borrowings				
Financial liabilities at amortised cost	138	123	15	15
<b>Total borrowings</b>	<b>138</b>	<b>123</b>	<b>15</b>	<b>15</b>
Other Long Term Liabilities				
Finance lease liabilities	37	181	37	54
<b>Total other long term liabilities</b>	<b>37</b>	<b>181</b>	<b>37</b>	<b>54</b>
Creditors				
Financial liabilities carried at contract amount	0	0	1,724	1,849
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>1,724</b>	<b>1,849</b>

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

Income, Expense Gains and Losses

2016/17				2017/18		
Financial Liabilities measured at amortised cost £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000		Financial Liabilities measured at amortised cost £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
36	0	36	Interest Expense	38	0	38
36	0	36	Total expense in Surplus or Deficit on the Provision of Services	38	0	38
0	(15)	(15)	Interest Income	0	(23)	(23)
0	(15)	(15)	Total Income in Surplus or Deficit on the Provision of Services	0	(23)	(23)
<b>36</b>	<b>(15)</b>	<b>21</b>	<b>Net (gain) / loss for the year</b>	<b>38</b>	<b>(23)</b>	<b>15</b>

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- Fixed interest rate of 4.82% over the 20 year PWLB loan;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be invoices or billed amount.

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	175	226	304	345

	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Long term Debtors	3	3	0	0

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the balance sheet at their fair value. These fair values are based on public quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

**36. Nature and Extent of Risks Arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

Credit Risk                                      The possibility that other parties might fail to pay amounts due to the Authority.

Liquidity Risk                                    The possibility that the Authority might not have funds available to meet its commitments to make payments.

Market Risk                                        The possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market investments.

Foreign Exchange Risk      The possibility that financial loss might arise for the Authority as a result of changes in the exchange rate (GBP and Euro).

The Broads Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made in line with the Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore the Broads Authority does not consider there to be any quantifiable risk in relation to investments.

The Authority's standard terms and conditions for payment of invoices are 30 days from invoice date. The Authority does not allow credit for customers, and only a small proportion of invoices were overdue and outstanding as at 31 March 2018 for which a bad debt provision had not been put in place.

#### Liquidity Risk

The remaining two years of the original four year agreement from DEFRA means the Broads Authority has some certainty over the next few years. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future three-year funding will be available. Given the significant cash balances there is no significant risk that it will be unable to meet its commitments under financial instruments. All financial liabilities are due to be repaid within one to five years with the exception of the 20 year PWLB loan. Therefore there is no risk of having to borrow at unfavourable rates in future to replenish borrowings.

#### Market Risk

With the exception of the PWLB loan, the Broads Authority is debt free. Excess cash is invested at variable or fixed money market rates depending on forecasts for interest rates under the period of review.

#### Foreign Exchange Risk

The Authority's Annual Investment and Capital Financing Strategy for 2018/19 states that if the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Chief Financial Officer will be sought on the advisability of hedging the exchange risk before entering into the contract.

Broads Authority Statement of Accounts  
Notes to the Statement of Accounts

**37. Navigation Income and Expenditure Account**

2016/17				2017/18		
Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000
3,525	(3,238)	287	Navigation Fund	3,456	(3,468)	(12)
<b>3,525</b>	<b>(3,238)</b>	<b>287</b>	<b>Net cost of services</b>	<b>3,456</b>	<b>(3,468)</b>	<b>(12)</b>
		(2)	Other operating expenditure			(1)
		101	Financing and investment income and expenditure			109
		386	<b>(Surplus) or deficit on the provision of services</b>			96
		(242)	(Surplus) or deficit on revaluation of fixed assets			60
		981	Actuarial (gains) / losses on pension assets / liabilities			(447)
		<b>1,125</b>	<b>Total comprehensive income and expenditure</b>			<b>(291)</b>

## **Glossary of Terms**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCOUNTING POLICIES**

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

### **AMORTISATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long term asset.

### **AMORTISED COST**

This is cost that has been adjusted for amortisation.

### **ASSET**

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

### **BUDGET**

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

### **CAPITAL INCOME AND EXPENDITURE**

Expenditure on the acquisition of a long term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long term asset.

### **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CASH EQUIVALENTS**

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.



**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

**CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)**

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

**COMMUNITY ASSETS**

Community assets are assets that the Authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal.

**CONTINGENT LIABILITIES**

Potential costs that the Authority may incur in the future because of something that happened in the past.

**CREDITORS**

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

**CURRENT VALUE**

This is the cost of an asset if bought in the current year.

**DEBTORS**

Sums of money due to the Authority but not received at the end of the financial year.

**DEFICIT**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

**DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE**

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

**FINANCIAL ASSET**

A right to future economic benefits.

**FINANCIAL INSTRUMENT**

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

**FINANCIAL LIABILITY**

An obligation to transfer economic benefits.

#### **FINANCE LEASE**

A lease which transfers all of the risks and rewards of ownership of a long term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

#### **LONG TERM ASSETS**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

#### **GOVERNMENT GRANTS**

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

#### **HISTORIC COST**

The cost of an asset when originally bought.

#### **IAS19 RETIREMENT BENEFITS**

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

#### **IMPAIRMENT**

A reduction in the value of a long term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

#### **INFRASTRUCTURE ASSETS**

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

#### **INTANGIBLE ASSETS**

Intangible assets are non-financial long term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) are issued by the International Accounting Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

#### **INVESTMENT PROPERTIES**

Assets that the Authority owns but which are not used in the direct delivery of services.

#### **LIABILITY**

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

#### **MARKET PRICE**

This is the price at which another organisation is prepared to buy or sell an asset.

#### **MINIMUM REVENUE PROVISION (MRP)**

The minimum sum charged to the Authority's revenue account each year to provide for the repayment of loans.

#### NET BOOK VALUE

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

#### NON DISTRIBUTED COSTS

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

#### OPERATING LEASE

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long term assets in the balance sheet (see also: finance lease).

#### OUTTURN

The actual amount spent in the financial year.

#### PENSION FUND

A fund which makes pension payments on retirement of its participants.

#### PROVISION

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

#### RESERVES

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

#### REVENUE INCOME AND EXPENDITURE

Expenditure which relates to day to day expenses, such as salaries and wages, general running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

#### SURPLUS

Arises when income exceeds expenditure or when expenditure is less than available budget.

#### VALUE ADDED TAX (VAT)

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

#### VARIANCE / VARIATION

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'.

**Annual Audit Results**  
Report by Chief Financial Officer

**Summary:** This report appends the Annual Audit Results for 2017/18 prepared by the External Auditors, Ernst & Young.

**Recommendation:**

- (i) That the Annual Audit Results 2017/18 be noted.
- (ii) That the Letter of Representation in connection with the Audit of the Financial Statements for 2017/18 be signed by the Chief Financial Officer and the Chairman of the FSAC.

**1. Annual Audit Results 2017/18**

- 1.1 The External Audit of the Authority's 2017/18 Statement of Accounts was undertaken during the end of May and the beginning of June 2018 and the final Audit Results by Ernst & Young for 2017/18 is appended.
- 1.2 The External Auditors will be attending the 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 2017/18, which is presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Background papers: Statement of Accounts 2017/18  
Annual Governance Statement 2017/18

Author: Emma Krelle  
Date of report: 21 June 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Annual Audit Results 2017/18  
APPENDIX 2 – Draft Letter of Representation 2017/18

# Broads Authority Audit results report

Year ended 31 March 2018

July 2018



Building a better  
working world



The Members  
Financial Scrutiny & Audit Committee  
Broads Authority  
Yare House  
62-64 Thorpe Road  
Norwich NR1 1RY

10 July 2018

Dear Members

We are pleased to attach our audit results report for the forthcoming meeting of the Financial Scrutiny & Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Broads Authority for 2017/18. We will issue our final report after the Broads Authority meeting scheduled for 27 July 2018.

We have substantially completed our audit of the Broads Authority for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Financial Scrutiny & Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Financial Scrutiny & Audit Committee meeting 24 July 2018.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents

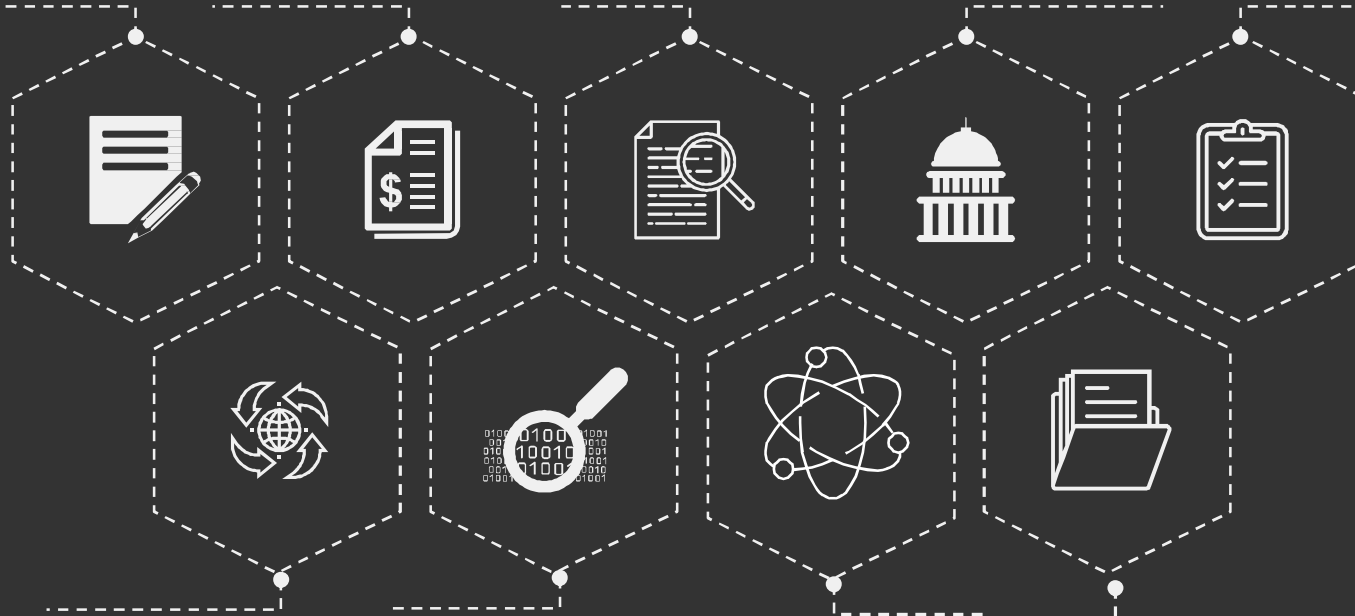
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other reporting issues

07 Assessment of Control Environment

08 Independence

09 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). 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 (updated February 2017)" 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 Financial Scrutiny & Audit Committee and management of the Broads Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Financial Scrutiny & Audit Committee, and management of the 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 Financial Scrutiny & Audit Committee and management of the Broads Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



## Executive Summary

### Scope update

In our audit planning report presented at the 06 March 2018 Financial Scrutiny & Audit Committee meeting, 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.

In our Financial Scrutiny & Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £158k. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement) is £118k.

### Status of the audit

We have substantially completed our audit of the Broads Authority financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- completion of subsequent events review
- receipt of the signed management representation letter
- Manager and Engagement Partner final reviews

We expect to issue the audit certificate at the same time as the audit opinion.

### Audit differences

There are no unadjusted audit differences and one adjusted audit differences arising from our audit. See section 2 and 4 for further information.

# Executive Summary

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## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Broads Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Financial Scrutiny and Audit Committee.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



# Executive Summary

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## 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 performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Management Override

#### 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.

#### What judgements are we focused on?

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.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to the inappropriate capitalization of revenue expenditure. An area where management can override accounting policies to reduce expenditure in year by transferring it to the balance sheet as a capital addition.

#### What did we do?

We performed mandatory procedures, including:

- testing of journal entries and other adjustments in the preparation of the financial statements
- A review to identify any significant unusual transactions
- Testing of accounting estimates, which is covered in areas of audit focus

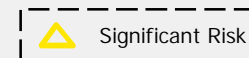
Capitalisation of expenditure is set out in the Authority's accounting policies at note xvii – Recognition and we have used that to assess the items identified as additions in 2017/18 to ensure they meet the requirements of the accounting policy and international financial reporting standards.

#### What are our conclusions?

Our testing has not identified any material misstatements from management override.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Testing of the capitalisation of revenue expenditure did not identify any items inappropriately capitalised.





# Areas of Audit Focus

## What is the area of focus?

### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Broads Authority accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

## What did we do?

We:

- Considered the work performed by the Broads Authority valuer, 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 including floor plans to support valuations based on price per square metre;
- Considered the annual cycle of valuations to ensure that assets had been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated by using market indices to assess movements from last revaluation dates;
- 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,

## Our Conclusions

We did not identify any material misstatements from the work undertaken.

The work performed by the valuer was based on reasonable assumption that we were able to corroborate through our sample testing.

Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.

The audit work undertaken on the entries to the financial statements identified one misstatement with regards to revaluations, which was above SAD but below Tolerable Error and effected the disclosure note only. This resulted in a reallocation of amounts between revaluation headings within the disclosure note.



## Areas of Audit Focus

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Broads Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.</p> <p>The Broad's Authority pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Broads Authority balance sheet. At 31 March 2017 this totalled £7.7m million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Broads Authority by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>• Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Broads Authority;</li><li>• 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 National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li><li>• Reviewed and test the accounting entries and disclosures made within the Broads Authority's financial statements in relation to IAS19.</li></ul>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.</p> <p>A movement on the total fund asset between the estimated year end balance and the actual was identified by the pension fund auditor. The impact of this was an understatement of the Broads Authority's pension assets by £226k. This amount is material and has been adjusted in the accounts. See Section 4 for the adjustments.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements.</p>



# Areas of Audit Focus

## Other matters

### IFRS 15 – Revenue from Customers with Contracts

The Broads Authority have undertaken an assessment on the new accounting standard that has been implemented from 1 April 2018.

The main source of income for the Broads Authority that may fall under the application of IFRS15 is the Annual tolls income (which makes up the bulk of the navigation Comprehensive Income and Expenditure account). The Broads Authority have undertaken a review of the source of these transactions and concluded that this is a statutory charge, as defined in The Broads Act. As such, IFRS 15 will not cause any material changes to the way that the Broads Authority account for annual tolls income as the 2018/19 CiPFA Code of Practice on Local Authority Accounting (the Code) has excluded statutory charges from the application of IFRS 15.

### IFRS 9 – Financial Instruments

This standard includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

The Broads Authority have considered the guidance issued in 2018/19 CiPFA Code and reviewed CiPFA's IFRS 9 Financial Instrument guidance.

They have concluded that they hold very basic instruments (debtors, creditors, PWLB loan, fixed term deposits and Investment property). All of their instruments (apart from investment properties which is valued at fair value) are held to collect contractual cash flows at specific dates so they would continue to be valued at amortised costs (although initially recognised at FV).

Therefore this is unlikely to have a material effect when the standard is introduced for the 2018/19 accounts.





## 03 Audit Report

## Draft audit report

### Our 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 2018 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; and
- related notes 1 to 37, and the Expenditure and Funding Analysis.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Broads Authority as at 31 March 2018 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 2017/18.

##### 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the Narrative Report set out on pages 3 to 9, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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



# Audit Report

## Our opinion on the financial statements

financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Broads Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 Council;
- 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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10 and 11, 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance 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.



# Audit Report

## Our opinion on the financial statements

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Broads Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

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.



# 04 Audit Differences

## Audit Differences

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

### Summary of adjusted differences

There were was one corrected misstatements greater than £118k.

#### Pension Adjustments

The Authority is an admitted body within the Norfolk Pension Fund. The Authority is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Authority’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary’s estimate. The Authority’s share of this increase is £355k, based on their proportion of assets.

Given that the difference is above our materiality level (£158k) we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Authority’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at the scheduled body level, updated the IAS 19 report that it provided to the Authority, taking into account the actual year end asset valuations. The Authority has adjusted the revised financial statements using the revised figures from the updated IAS 19 report, an actual movement of the Authority’s share of the assets of £226k. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

#### Disclosure Adjustments

We identified one disclosure difference in note 12 Property, Plant and Equipment:

- the figure disclosed for revaluation increase/decrease recognised in the revaluation reserve was understated by £14k;
- and the figure disclosed in the revaluation increase/decrease recognised in the surplus/deficit on the provision of services was over stated by the same amount.

We have identified a number of other minor text and disclosure adjustments during the audit that have been adjusted by management in the financial statements.

### Summary of unadjusted differences

#### Unadjusted Audit Differences

There are no other uncorrected misstatements.



05

## Value for Money Risks





## Background

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

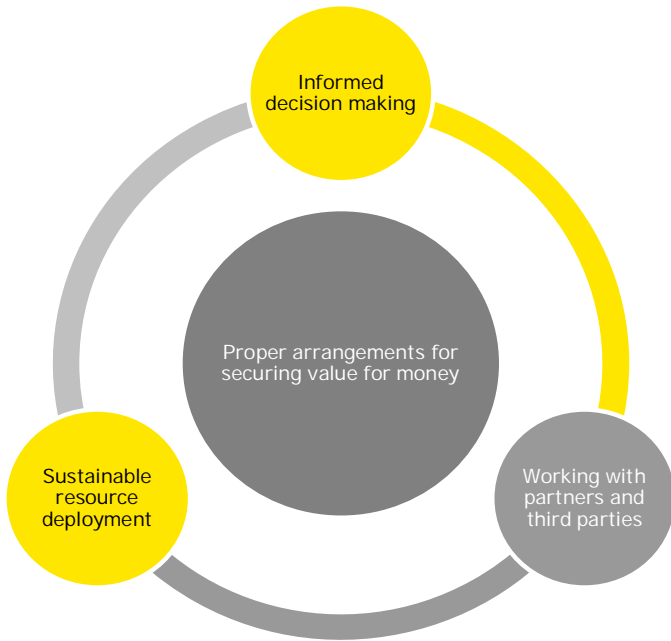
For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





# 06 Other reporting issues



## Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 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 Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

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 no issues to raise.

# 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.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

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

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

We have no matters to report.



07

# Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

It is the responsibility of the Broads Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Broads Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.


We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

# Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 12 February 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Financial Scrutiny & Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Financial Scrutiny & Audit Committee on 24 July 2018.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 01 April 2017 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

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

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.

### Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 217/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£
Total Audit Fee – Code work	13,943	13,943	13,943





# 09 Appendices




## Appendix C

# Required communications with the Financial Scrutiny & Audit Committee

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

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Financial Scrutiny & Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – February 2018
Significant findings from the audit	<ul style="list-style-type: none"> <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>	Audit results report – July 2018  No matters to report.




## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the Broads Authority's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</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 – July 2018
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Financial Scrutiny and Audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Financial Scrutiny and Audit Committee 24 <sup>th</sup> July 2018
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Financial Scrutiny &amp; Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</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 Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <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> </ol> </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 Financial Scrutiny &amp; Audit Committee's responsibility.</li> </ul>	<p>Audit results report – July 2018</p> <p>No identified fraud.</p>

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>Audit results report – July 2018</p> <p>No matters to report.</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report – February 2018</p> <p>Audit results report – July 2018</p>

## Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have obtained all confirmations requested.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Financial Scrutiny &amp; 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 - July 2018
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - July 2018

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report – July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report – July 2018
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report – July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report – February 2018 Audit results report – July 2018

# Management representation letter

## Management Rep Letter

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 2018. 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 financial position of the Broads Authority as of 31 March 2018 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 2017/18.

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

1. 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 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the 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 2017/18. We have approved the 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 2017/18, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### 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 identify and address 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:

## Management representation letter (continued)

### Management Rep Letter

- 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;
- 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.

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: 27 July 2018.

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 year 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.

#### D. Liabilities and Contingencies

1. 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. There are no guarantees we have given to third parties.



## Management representation letter (continued)

### Management Rep Letter

#### E. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Report.

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

#### G. Reserves

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

#### H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

#### I. Estimates

##### Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates

1. 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

2. We confirm that the significant assumptions used in making the valuation of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### J. Retirement benefits

1. 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.

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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.

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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](http://ey.com)

Kevin Suter  
Ernst & Young  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

Date

27 July 2018

Our ref

Your ref

Dear Kevin

## **Broads Authority Letter of Representations**

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 2018. 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 financial position of the Broads Authority as of 31 March 2018 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 2017/18.

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**

1. 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 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the 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 2017/18. We have approved the 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **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 identify and address 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;
  - 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.

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: 27 July 2018.
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 year 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.

#### **D. Liabilities and Contingencies**

1. 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. There are no guarantees we have given to third parties.

#### **E. Subsequent Events**

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **F. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **G. Reserves**

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

#### **H. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

## **I. Estimates**

### **Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates**

1. 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the valuation of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

## **J. Retirement benefits**

1. 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.

Yours sincerely

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(Chief Financial Officer)

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(Chairman of the Financial Scrutiny and Audit Committee)

**Investment Strategy and Performance Annual Report 2017/18**  
 Report by Chief Financial Officer

**Summary:** This report sets out details of the Authority’s investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2018.

**Recommendation:** That the current arrangements regarding the investment of its unallocated cash are noted.

**1 Introduction**

1.1 It has been agreed that a six monthly report on the performance of the Authority’s investments will be presented to the Financial Scrutiny and Audit Committee, with a fuller ‘year end analysis’ at the July meeting, and a mid year progress report at the appropriate half year meeting.

**2 Investment Principles and Performance**

2.1 The investment of unallocated cash was governed by the Authority’s Treasury and Investment Strategy 2017/18 which agreed by the Authority on 24 March 2017. This is the first full year the Authority has managed this in house following it being brought in house in November 2016.

2.2 Unallocated cash sums are calculated by the Authority’s Finance staff and transferred to either a Fixed Term Deposit, Notice Account or remain within the instant access bank account. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the year to 31 March 2018 were:

	<b>Opening Balance</b>	<b>Closing Balance</b>	<b>Highest sum</b>	<b>Lowest sum</b>
Instant Access	£1.93 million	£1.53 million	£3.17 million	£1.19 million
Fixed Term *	£2 million	£2 million	£2 million	£2 million
95 Day Notice Account	£0	£500 thousand	£500 thousand	£0

\* During 2017/18 the Authority held two separate £1 million investments due for repayment on 05/09/18 and 04/03/19.

2.3 The figures for the previous year (2016/17) were:

	<b>Opening Balance</b>	<b>Closing Balance</b>	<b>Highest sum</b>	<b>Lowest sum</b>
Broadland District Council	£2.75 million	£0 million	£4.25 million	£0 million
Instant Access	£1.39 million	£1.93 million	£4.22 million	£352 thousand
Fixed Term	£0 million	£2 million	£2 million	£0 million

2.4 A transaction charge was made to cover the Council's costs in the administration of the investments (including bank charges for direct money transfers). For 2016/17 the actual interest receivable by the Broads Authority was based on the actual interest received on Broadland's internal investments.

2.5 The amount of interest received during 2017/18 was £22,577.01 based on interest rates ranging from 0.15% to 1%. Forecast interest for 2017/18 was £20,000. The sum received for 2016/17 was £14,770.70 based on interest rates that ranged from 0.31% to 1%.

2.6 Since the 2017/18 year end (31 March 2018), the 95 day notice account balance has increased to £1 million at the end of June. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. Cash flow is monitored on a weekly basis against budget profiling to ensure access to sufficient funds. The possibility to make additional fixed term deposits are limited due to the timing differences between grant expenditure and claim repayment.

2.7 The interest income budget for 2018/19 is £15,000 based on the assumption that interest receivable will slightly lower due to the decreased fixed term interest rates available. If there is a gradual improvement in interest rates and investment returns, the forecast will be reviewed and if necessary updated at the six month review (end September 2018) to inform year-end and budget planning.

Background papers: Treasury and Investment Strategy 2017/18

Author: Emma Krelle  
Date of report: 18 June 2018

Broads Plan Objectives: None

Appendices: Nil



**External Audit**  
Report by Chief Financial Officer

**Summary:** This report appends:

- (i) the annual audit fee letter from Ernst & Young for undertaking the 2018/19 audit. The fee will be £10,736.
- (ii) the Local Government Audit Committee Briefing by Ernst & Young.

**Recommendation:**

- (i) That the details of the annual audit fee letter be noted.
- (ii) That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

**1 External Audit fee 2018/19**

1.1 This report appends Ernst & Young's 2018/19 audit fee letter (Appendix 1), setting out the audit fee which will be payable for undertaking the 2018/19 audit of the Authority's accounts and its financial, governance and value for money arrangements.

1.2 Members will note that the audit fee will be £10,736, which represents a decrease of £3,207 when compared with the audit fee charged for 2017/18 and 2016/17. The reduction in fee is a result of the Public Sector Audit Appointments Ltd (PSAA) procurement that appointed the Authority's auditors for the next five years (until 2022/23).

**2 Financial implications**

2.1 Provision for the annual audit fee was included in the 2017/18 budget and has been charged in the accounts for the year. The proposed External Audit fee for 2018/19 has similarly been provided for in the current year's budget.

**3 Briefing Key Issues**

3.1 This briefing is presented to Members "for information".

3.2 The items of relevance to the Authority are:

- The UK economy and Brexit (page 2);
- IFRS 15 (pages 4 and 5); and
- EU General Data Protection regulation (page 7)

Background papers: None

Author: Emma Krelle  
Date of report: 21 June 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Ernst & Young audit fee letter 2018/19  
APPENDIX 2 - Ernst & Young Local Government Audit  
Committee Briefing (March 2018)



Ernst & Young LLP  
One Cambridge Business Park  
Cambridge  
CB4 0WZ  
Tel: + 44 1223 394 400  
Fax: + 44 1223 394 401  
ey.com

John Packman  
Chief Executive  
Broads Authority  
Yare House  
62-64 Thorpe Road  
Norwich  
NR1 1RY

22 May 2018

Ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear John

## Broads Authority – Annual Audit Fee Letter – 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Broads Authority.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 31 December 2017 were confirmed, following consultation, in December 2017.

### Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that have opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts



For Broads Authority our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by Broads Authority;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	10,736	13,943	

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

### Billing

The indicative audit fee will be billed in 4 quarterly instalments of 2,684.



### **Audit plan**

Our plan is expected to be in the January – March 2018 period. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with you and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me as your Engagement Lead. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'M. Hodgson', written over a blue diagonal line that extends across the signature area.

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

cc. Emma Krelle, Director of Finance  
Louis Baugh, Chair of the Audit Committee

# Local Government Audit Committee Briefing



**EY**

Building a better  
working world



# Contents at a glance




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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

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It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.





# Government and economic news

## Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop.

The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

## Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

**Council tax referendum principles** – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

**Business rate retention** – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020-21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

**New homes bonus** – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

### **Carillion liquidation**

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities.

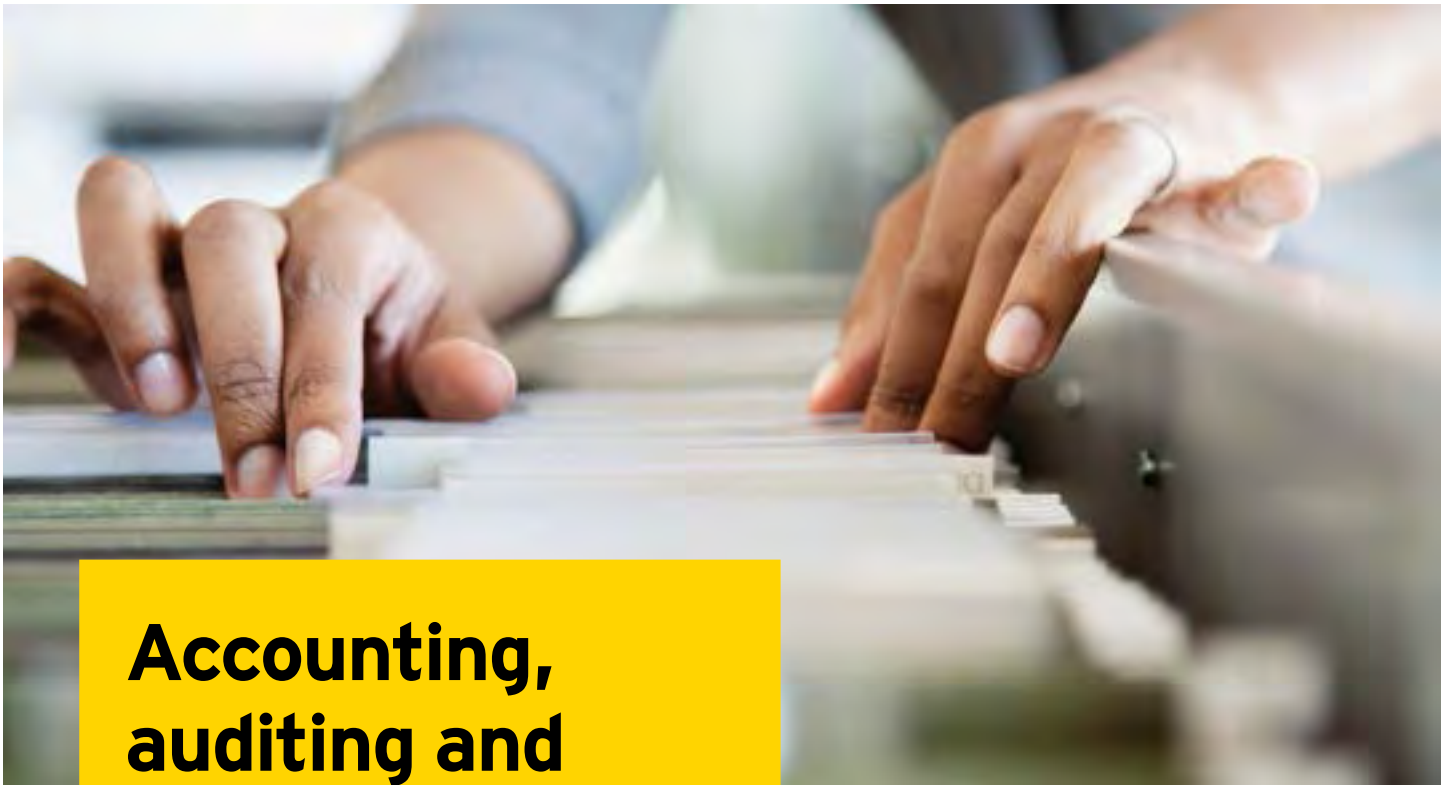
The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

### **Public sector pay**

Since 2013, the Government has implemented a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able to award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent within the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will receive higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.



# Accounting, auditing and governance

## **IFRS 15 – revenue from contracts with customers**

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

- ▶ Fees and charges for services under statutory requirements
- ▶ Sale of goods provided by the authority
- ▶ Charges for services provided by a local authority

## **EY – CIPFA Accounts Closedown Workshop 2017-18**

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for

both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Failure to meet a deadline at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ Good quality draft financial statements and supporting working papers by the agreed deadline
- ▶ Appropriate staff to be available throughout the agreed audit period
- ▶ Complete and prompt responses to audit questions

If your authority is unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

## Summary of faster close activities

Finance teams are:

- ▶ Critically appraising the content of their accounts, removing unnecessary disclosures
- ▶ Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals
- ▶ Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work
- ▶ Focusing on judgements and significant estimates earlier including engagement with auditors
- ▶ Reviewing the de-minimis level for accruals, including discussion with auditors
- ▶ Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old
- ▶ Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

- ▶ Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

- ▶ Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas
- ▶ Increasing the use of analytics to interrogate ledger and payroll transaction data
- ▶ Using the online EY client portal to streamline communications with finance teams
- ▶ Attending workshops with finance teams on accounting issues and effective working papers
- ▶ Selecting items for sample testing earlier

Together finance teams and auditors are:

- ▶ Holding regular meetings throughout the year to share progress and discuss issues
- ▶ Planning respective activities to ensure sufficient capacity on both sides
- ▶ Revisiting audit issues from the prior year, agreeing how similar issues can be avoided
- ▶ Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.



## Regulation news

### EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

- ▶ Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000
- ▶ Data Protection Officers (DPOs) – DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data
- ▶ Accountability – organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures
- ▶ Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

- ▶ Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent
- ▶ Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals
- ▶ Introduction of new rights – right to be forgotten, right to data portability and right to object to profiling
- ▶ Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default
- ▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

# Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

## Find out more

### EY ITEM Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

### 2018-19 Local Government Finance Settlement

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/669538/LGFS\\_consultation\\_2018-19.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf)

<https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day>

<http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0>

### Carillion collapse

<http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion>

<http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse>

### Public sector pay

<http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf>

<http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years>

### IFRS 15 – revenue from contracts with customers

[http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/\\$FILE/ey-applying-revenue-october-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/$FILE/ey-applying-revenue-october-2017.pdf)

### EY – CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at <http://www.cipfa.org/training>





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**Implementation of Internal Audit Recommendations: Summary of Progress**  
Report by Chief Financial Officer

**Summary:** This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2016/17 and 2017/18.

**Recommendation:** That the report be noted.

## **1 Introduction**

- 1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.
- 1.2 This report summarizes the current position regarding recommendations arising out of internal audit reports which have been produced for 2016/17 and 2017/18. It sets out in the appendix details of:
- recommendations not yet implemented;
  - recommendations not implemented at the time of the last meeting which have since been implemented: and
  - New recommendations since the last meeting.

## **2 Summary of Progress**

- 2.1 In the previous report to this Committee in March the final recommendation relating to External Funding has been completed. Four of the recommendations relating to the Port Marine Safety Code have been completed. Commentary on the outstanding recommendations is provided in Appendix 1.

## **3 Internal Audit Programme 2017/18 and 2018/19**

- 3.1 The fourth audit from the 2017/18 programme has now been completed, with further details below. The first two audits from the 2018/19 programme are not due to commence until the third quarter of this year. These audits will cover Corporate Governance and Key Controls with Branding and Disaster Recovery due in the final quarter. The outcome of these audits will be reported to the March committee.

## 3.2 Corporate Governance

3.2.1 The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls being put in place for the General Data Protection Regulation (GDPR) coming into force on 25 May 2018. This resulted in a “reasonable” audit opinion with three “important” and two “needs attention” recommendations.

3.2.2 The audit identified five areas for improvement. Details of these recommendations and their progress can be found in Appendix 1.

3.2.3 Good practice was noted relating to sound controls that are in place and operating consistently:

- A GDPR Compliance Plan has been produced which contains a number of actions to be taken to comply with GDPR requirements. This is monitored and updated by the GDPR Project Group set up in August 2017 to ensure GDPR compliance.
- The Solicitor and Monitoring Officer has been assigned as the Authority's Data Protection Officer and is now a qualified GDPR practitioner having attended and successfully completed the GDPR practitioner course.
- The Authority's privacy statements have been revised to include mandatory information in relation to GDPR requirements.
- Compulsory training sessions for staff have been held in respect of GDPR and further training is scheduled in March and April. Members training is also due to be arranged.

3.2.4 Two of the “important” and the two “needs attention” recommendations have been completed. One “important” remains outstanding but on target for completion by the new revised date.

Background papers:	None
Author:	Emma Krelle
Date of report:	21 June 2018
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Summary of Actions / Responses to Internal Audit Recommendations 2016/17 and 2017/18

## Summary of Actions / Responses to Internal Audit Recommendations 2016/17

## External Funding: October 2016

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. <b>Procedural guidance</b> To develop procedural guidance for the Broads Landscape Partnership. This procedure should cover the administrative processes, including project management, governance, systems used such as base camp, and the staff involved.</p> <p>The procedures should be version controlled.</p> <p>The compilation of such procedural guidance would enable a consistent approach to be applied with the day to day management of the service. Procedures can also be used as a training tool and to highlight process improvements and efficiencies. This will help to mitigate the risks of inconsistent practices occurring, inefficient and ineffective processes being applied and disrupted business continuity.</p>	Important	Broads Landscape Partnership Programme Manager	<p>Agreed. Procedural guidelines will be produced in draft by the end of January to be presented to the next Board meeting (March) for approval.</p> <p>Update: Following the Board meeting it was agreed to develop procedural guidelines following the submission of the second round application. These guidelines will include management of payments, reporting structure and evaluation requirements. There will also be a contract specific to each project which will include responsibilities related to CDM, insurance, safeguarding, etc. The board decided that we need to speak to all board members and gather a number of</p>	<p>Originally agreed by 31/01/17</p> <p>Updated to 31/03/18</p>

## Summary of Actions / Responses to Internal Audit Recommendations 2016/17

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			<p>organisations policies and procedures to allow us to create a bespoke set for the delivery phase of the Scheme.</p> <p>Following the successful submission of the second round application the board has yet to reconvene. A whole new board needs to be appointed who will agree the reporting structures and evaluation requirements. To be completed prior to 31 March 2018 before the first claim is submitted for the delivery phase.</p> <p>The new board is due to meet week commencing 19/02/18.</p> <p>Completed.</p>	

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

## Asset Management: August 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. <b>Maintenance and insurance</b> A master record of building condition monitoring surveys is created, to provide assurance that all surveys are completed when required.</p> <p>An overall record of building surveys will provide management with assurance that condition of assets is being monitored and that necessary maintenance tasks are completed. If this kind of overview is not available, it is more difficult to determine whether surveys are being completed. Hence there is a risk that the condition of properties deteriorates, potentially leading to financial and reputational loss to the Authority.</p>	Important	Asset Officer	<p>Conditioning monitoring is dependent on the IT work plan and priorities. A meeting to scope project and timescale to be undertaken by end of September 2017.</p> <p>Update: Although reported complete at the last FSAC the system was taken down so that conditioning monitoring forms were stored against specific building sites. Responsible officers are now being informed and DMS will be available for use by the end of July.</p>	<p>Originally agreed by 30/09/17</p> <p>Updated to 31/07/18</p>
<p>3. <b>Leases</b> The Authority agrees timescales for completing lease agreements with key stakeholders to reduce delays.</p> <p>Agreeing a timescale with all parties involved will help to ensure that key tasks are completed in a timely</p>	Needs Attention	Solicitor & Monitoring Officer	Delayed responses from our current legal provider have been identified. This will be addressed when we go out to tender for Legal Services. The tender is due to go out by the end of September with the new contract to	<p>Originally agreed by 01/04/18</p> <p>Updated to 28/09/18</p>

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>manner.</p> <p>If there is no agreed timescale, it is more difficult for the Authority to conclude lease agreements in advance.</p>			<p>start 1 April 2018.</p> <p>New/extension leases are planned 12 months prior to expiry date. Control over the lessee legal services are difficult to influence due to the size and type of their organisations.</p> <p>Update: Due to delays in the procurement process a new provider for legal services has yet to be determined. The preferred option at this stage is to move to a standing list of property legal providers which will need to be agreed by the next Full Authority meeting in September.</p>	

## Port Marine Safety Code: September 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. <b>Governance</b> To arrange for a peer review to be</p>	Important	Head of Safety	Agreed. The Authority has considered the issue of	By 31/01/19

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>undertaken of the Broads Authority's Safety Management System (SMS) by the Canal and River Trust, or another suitable organisation, as a reciprocal arrangement in between external audit visits in addition to the 3 yearly external audit.</p> <p>The PMSC Guide to Good Practice advocates that the DP is independent of the SMS process and external / peer reviews would assist in mitigating the risks associated with this. This will also assist in assessing the performance of the SMS through benchmarking against other similar organisations.</p>		Management	<p>independence of the external auditors and the appointed designated person. The Authority is assured that the recent change in external audit providers adequately provides the assurance that the process is independent and complies with the requirements of the Port Marine Safety Code. However the recommendation of using a peer review or a MCA health check will give further assurance of independence. The Authority will commence talks with possible providers, by September 2018, regarding this proposal with the aim of scheduling an interim peer review or Health check in 2019.</p> <p>Update: Initial contact made with both the MCA and an external independent</p>	



## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
			consultant who offer PMSC health checks.	
<p>2. <b>Governance</b> To include a PMSC dedicated page on the Authority's website. This should include:</p> <ul style="list-style-type: none"> <li>- A performance dashboard showing the status of each indicator, detailing the target, current performance against the target and the historic trend.</li> <li>- The Authority's SMS, highlighting the Authority's responsibilities as Duty Holder for the Broads.</li> </ul> <p>A dedicated page on the website would increase the awareness and prominence of the PMSC and a consistent approach to reporting performance, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.</p>	Important	Head of Safety Management, Head of Communications.	<p>Agreed. A dedicated webpage will be developed to pull together the elements that are already published but scattered around the website. This "new" page will allow for the compliance statements to be located where a clear focus exists on the PMSC and the SMS.</p> <p>Completed, please see link below.</p> <p><a href="http://www.broads-authority.gov.uk/boating/navigating-the-broads/safety/port-marine-safety-code">http://www.broads-authority.gov.uk/boating/navigating-the-broads/safety/port-marine-safety-code</a></p>	By 31/03/18
<p>3. <b>Governance</b> The Authority's annual report should refer to the PMSC, including compliance with this and the standard of performance, cross referenced to the performance dashboard.</p>	Important	Head of Safety Management, Head of Communications.	Agreed. The Annual report is prepared during the spring of each year and published in the Summer. A statement to reflect the recommendation will be	By 30/09/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
Inclusion in the authority's annual report would increase the awareness and prominence of the PMSC, mitigating the risk that the PMSC is not complied with and performance of the PMSC is not transparent.			included in the next annual report and will feature as a standing item in future reports.	
<p>4. <b>Governance</b>            To update the Authority's SMS as follows:</p> <ul style="list-style-type: none"> <li>- The Introduction chapter to include reference to the commitment of the Broads Authority to comply with the standards laid down within the PMSC;</li> <li>- Reference is made to the harbour revision order being progressed for the transfer of Mutford Lock to the Authority;</li> <li>- Inclusion of an overall section on contractors and their obligations in respect of the PMSC;</li> <li>- Inclusion of the general direction and special direction policies as supported by the Navigation Committee.</li> </ul> <p>This will document that the Duty Holder makes a clear published commitment to comply with the standards laid down in the Code. Clearly documented obligations of</p>	Important	Head of Safety Management	<p>Agreed. The SMS will be updated during the winter of 2017 for adoption by the Authority at its meeting in March 2018.</p> <p>All of the recommended changes and additions will be included in the new version 7 of the SMS.</p> <p>Completed.</p>	By 31/03/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
contractors mitigates the risk that contactors do not comply with the code. Inclusion of relevant policies and harbour orders mitigates the risk that the authority's powers and procedures are not transparent.				
<p>5. <b>Governance</b> To formalise the reporting of internal audits by the Head of Safety Management to the appropriate committees / groups, e.g. the BSMG including the annual schedule / Internal Audit Programme of audits. To ensure these cover all aspects of the PMSC.</p> <p>The BSMG would receive assurance that the SMS is reviewed against all aspects of the PMSC mitigating the risk that some areas may not be in compliance.</p>	Needs Attention	Head of Safety Management	<p>Agreed. SMS audits for 2017 will be reported to the Boat Safety Management Group in Jan 2018, Navigation Committee Feb 2018 and to the duty holders in March 2018. The SMS will be updated to reflect this formal reporting requirement at its next issue in March 2018.</p> <p>Completed.</p>	<p>Originally agreed by 31/03/18</p> <p>Updated to 31/05/18</p>
<p>7. <b>Governance</b> Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs in relation to the risk</p>	Needs Attention	Solicitor and Monitoring Officer, Head of Safety Management	Agreed. All members of Boat safety management group, the stakeholder hazard review group, the navigation committee and the Broads Authority receive training on risk assessment and ALARP principles	By 28/02/19

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG.</p> <p>A record of all training provides confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.</p>			<p>before dealing with the risk assessments process. This formal training will be recorded in the minutes of each of the groups/ committees at the next opportunity when hazards are reviewed/ assessed scheduled for Feb 2019</p> <p>Any new members to the group will be trained in this regard prior to any risk review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into.</p>	
<p>9. <b>Hazards</b> To review the SMS risk categories / criteria of people, environment and assets against the four criteria of: life, environment, business (reputation) and damage (port and shipping), as contained in the latest PMSC Guide to Good Practice.</p> <p>The risk categories/criteria will be based on the latest PMSC Guide to Good Practice mitigating the risk that</p>	Needs Attention	Head of Safety Management	<p>Agreed. A review of assessment criteria will be carried out by the Boat Safety management Group at its meeting in March 2018.</p> <p>Any “new” criteria will be used as the basis for the next formal stakeholder hazard review in February 2019.</p>	By 31/03/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
the consequences of risks/hazards are not appropriately assessed and mitigated as required.			Update: Proposed assessment criteria are set out in the draft update to the Safety Management System, BSMG are being consulted as part of the SMS update. It is proposed that the new criteria will be considered by the Authority in March 2018  Completed.	

## Key Controls: December 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
3. <b>Budgetary Control</b> The limit for reporting on variances identified through budget monitoring is reviewed and reduced if necessary, to reduce the risk of potentially significant variances going unchallenged. The review could consider introducing a percentage in addition to an amount.  Reviewing the limit for variances will	Needs Attention	Chief Financial Officer	Agreed for a review to be undertaken with members whilst taking into account variance reporting levels at other National Parks.  Completed. Review of other National Parks undertaken and agreed to keep reporting at current limit of +/- £10k. Budget holders will	By 31/03/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
ensure that it is set at an appropriate level so that all significant variances are addressed. If this threshold is not reviewed, then there is a risk that some significant variances will not be challenged or reported on.			provide monthly commentary on +/- £5k which will be reviewed with Directors from the new financial year.	
<p>4. <b>Accounts receivable</b> The Scheme of Powers Delegated to Officers is updated to remove outdated references to the Treasurer and Financial Advisor to the Authority and to replace them with current references including the Chief Financial Officer (Section 17 Officer).</p> <p>Updating the Scheme of Powers Delegated to Officers will align governance arrangements to the Authority's current officer structure. If the document is not up to date, there is a risk of confusion over the decision making arrangements which could also lead to decisions being made by unauthorised members of staff.</p>	Needs Attention	Solicitor and Monitoring Officer	<p>Agreed. Scheme of Powers to be updated and adopted by the Authority.</p> <p>Update: Amended scheme of powers will be considered by the Broads Authority on 27/07/18</p>	<p>Originally agreed by 16/05/18</p> <p>Updated to 27/07/18</p>

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

## Corporate Governance: March 2018

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>1. <b>Compliance</b>            The authority's existing Information Retention Policy and the ICT Communications Policy (and any other policies , if relevant) to be reviewed and updated to include the approach to the technical and security measures in place and the ongoing review of them to ensure compliance with the GDPR. Policies to include data cleansing (data retention, minimisation and accuracy) and how this is carried out on an ongoing basis for all types of files including online systems, data on drives, paper files, data in other formats, and emails (shared/own drives).            Policies should refer to the data asset register which verifies data cleansing undertaken and include a timetable for conducting data cleansing on a timely basis. Explicit reference to be made to the GDPR and the Data Retention and Information Management Policy to be uploaded onto the authority's website.</p>	Important	Solicitor and Monitoring Officer	Agreed.  Completed.	By 30/04/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>The review and update of existing policies is a way of ensuring all key areas/requirements of the GDPR are covered and provide consistent processes for data collection, validation and cleansing. This mitigates the risk of non-compliance with the GDPR specifically article 32 - security of processing and the new accountability principle in Article 5(2) to demonstrate compliance with the principles of the GDPR.</p>				
<p>2. <b>Compliance</b>  The data asset register incomplete columns to be finalised and to take into account the ICO checklists for 'Documentation of processing activities – requirements' and 'Documentation of processing activities – best practice; and ICO documentation template for controllers.  This should include, but not be limited to the following:  - The source of the personal data;  - Legal basis for processing data;  - Plan for return and destruction of the data once processing is complete</p>	Important	Solicitor and Monitoring Officer	<p>Agreed.</p> <p>With the exception of the plan for the return and destruction of data column this is complete. Terms have recently been agreed with the Payroll processors in this regard and the final version of the data asset register will be submitted to Internal audit during the week commencing 9 July 2018.</p>	<p>Originally agreed by 30/04/18.</p> <p>In hand for completion by 31<sup>st</sup> July 2018.</p>



## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>(shared data);</p> <ul style="list-style-type: none"> <li>- Occupational health records;</li> <li>- The name and contact details of your organisation (and where applicable, of other controllers, your representative and your data protection officer); and</li> <li>- Description of technical and organisational security measures (including records, devices, emails, which are encrypted)</li> </ul> <p>Adhering to ICO checklists and the documentation template should assist in ensuring mandatory information is included, best practice is followed and terminology and approach is consistent with the ICO. This thereby mitigating the risk that there is non-compliance with the GDPR.</p>				
<p>3. <b>Compliance</b> The GDPR compliance plan to be updated to include:</p> <ul style="list-style-type: none"> <li>- Production of a 'light touch' DPIA template for more simple processes/data which do not require a full DPIA assessment.</li> <li>- Timeline for applying full DPIAs to the areas identified as requiring them</li> </ul>	Important	Solicitor and Monitoring Officer	Agreed.  Completed.	By 30/04/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>- DPIA requirements are built into existing processes (for project management and risk management) for new projects and new systems, etc. in accordance with the GDPR requirements.</p> <p>The above actions should take into account the ICO Conducting Privacy Impact Assessments Code of Practice including the screening questions which help organisations identify whether a DPIA is needed; and the DPIA template includes actions which can be taken to reduce the risks, and any future steps which would be necessary. These actions should be accompanied by implementation dates.</p> <p>The ICO has promoted the use of DPIAs as an integral part of taking a privacy by design approach and inclusion of these within the GDPR compliance plan should reduce the risk that processes/data are not assessed sufficient leading to non-compliance with the GDPR.</p>				
<p>4. <b>Compliance</b> The general privacy statement title</p>	Needs Attention	Solicitor and Monitoring	Agreed.	By 30/04/18

## Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
<p>heading - 'Your rights in relation to data processing including rights to access' to specifically state the right to erasure. The narrative within this section refer to the specific element of the GDPR (i.e. article 17) and the extra requirements when the request for erasure relates to children's personal data.</p> <p>Specific reference to the right to erasure in the general privacy statement makes this clear and mitigates the risk that this right is overlooked by the general public/users of the website and the authority is not clearly demonstrating compliance in a transparent manner.</p>		Officer	Completed.	
<p>5. <b>Compliance</b> The Data Protection Officer (DPO) to notify the Finance Scrutiny and Audit Committee (FSAC) that a review of the GDPR corporate risk will be undertaken at the end of March 2018 to ascertain if the risk is being mitigated as planned and that the authority will be compliant by the time it comes into force in May.</p>	Needs Attention	Solicitor and Monitoring Officer	<p>Agreed.</p> <p>Completed. Risk Register to be considered by FSAC at the November meeting.</p>	N/A

Summary of Actions / Responses to Internal Audit Recommendations 2017/18

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
Reviewing the corporate risk in a timely manner helps mitigate the risk that the authority will not be compliant with the GDPR when it comes into force on the 25 May 2018.				

**Financial Scrutiny and Audit  
Committee**

24 July 2018

Agenda Item No 13

**Updated Terms of Reference of Committees**

Report by Chief Financial Officer and Solicitor and Monitoring Officer

**Summary:** In line with actions agreed following the Broads Authority's 2017 Peer Review, the Terms of Reference of Committees has been revised.

**Recommendations:** That the Committee reviews and comments on the attached draft revised Terms of Reference.

**1 Introduction**

- 1.1 The Terms of Reference of Committees sets out the purposes and scope, together with powers delegated to such committees by the Broads Authority.
- 1.2 The Terms of Reference have been reviewed following the decision to rename and refocus the Financial Scrutiny and Audit Committee.

**2 Proposed changes**

- 2.1 The proposed changes draw on a standard draft produced by CIPFA and incorporate comments made by the Authority's internal auditors. They represent a replacement of most of the current wording in the current Terms of Reference, as applied to the Financial Scrutiny and Audit Committee.
- 2.2 The opportunity has also been taken to make some other minor amendments to the Terms of Reference.
- 2.3 The proposed changes are highlighted in yellow within the attached draft, for ease of identification.

**3 Conclusion**

- 3.1 The Committee is invited to consider the draft amendments and to comment prior to them being considered by the Broads Authority on the 27<sup>th</sup> July 2018.

Background papers: Peer Review

Author: Emma Krelle and David Harris

Date of report: 4 July 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Draft amended terms of Reference of Committees

## **Broads Authority**

### **Draft/Terms of Reference of Committees** **Adopted July 2018**

#### **General Duty**

It is the general duty of the Authority to manage the Broads for the purposes of:

- (a) conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- (b) promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- (c) protecting the interests of navigation.

In discharging its functions the Authority shall have regard to-

- (a) the national importance of the Broads as an area of natural beauty and one which affords opportunities for open-air recreation;
- (b) the desirability of protecting the natural resources of the Broads from damage; and
- (c) the needs of agriculture and forestry and the economic and social interests of those who live or work in the Broads.

#### **Powers Reserved to the Full Broads Authority**

##### **A Policy**

- (1) To set the Authority's overall policy and direction, including adopting and varying key documents such as the Broads Plan.
- (2) To adopt the Broads Local Development Scheme and the Broads Local Plan and approve any revisions which have policy implications.
- (3) To approve the list of annual strategic priority and key milestones.
- (4) To initiate special policy studies and investigations of particular significance to the Broads.
- (5) To approve the Authority's response to consultation papers which have strategic or policy importance for the Broads or the work of the Authority.

## **B Finance**

- (6) To appoint an officer to be responsible for the proper administration of the Authority's financial affairs in accordance with section 17 of the Norfolk and Suffolk Broads Act 1988.
- (7) To approve the annual consolidated (general and navigation income and expenditure) budget (the latter after consultation with the Navigation Committee), to fix navigation tolls (after consultation with the Navigation Committee) and to approve additional expenditure over and above that provided for in the approved budgets.
- (8) To adopt the annual Statement of Accounts.
- (9) To monitor the resources of the Authority, and to have responsibility for the following specific matters:
  - (i) making decisions about raising, varying or redeeming loans;
  - (ii) approving individual grants which are not within the scope of the powers delegated to the Chief Executive;
  - (iii) writing off any obsolete stores or equipment, loss of property or debt owing to the Authority insofar as such matters are not within the scope of the powers delegated to the Treasurer and Financial Adviser;
  - (iv) approving the Annual Investment Strategy.
- (10) To monitor projects undertaken by the Authority, with particular regard to the letting of and compliance with contracts.

## **C Navigation**

- (11) To apply for and object to Harbour Revision Orders (after consultation with the Navigation Committee).
- (12) To approve the closure of navigations for conservation purposes (except in cases of emergency, after consultation with the Navigation Committee).
- (13) To perform the role of Duty Holder under the Port Marine Safety Code, and to appoint the Designated Person.



## **D Conservation**

- (14) To make decisions about the exercise of the Authority's functions in respect of conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads in accordance with the powers and duties set out under Sections 4 and 5 the Norfolk and Suffolk Broads Act 1988.

## **E Recreation and Tourism**

- (15) To make decisions about the exercise of the Authority's functions in respect of promoting the enjoyment of the Broads by the public as set out in Schedule 3 of Part II of the Norfolk and Suffolk Broads Act 1988.

## **F Committees and Members**

- (16) To approve the setting up of any standing committees.
- (17) To approve the terms of reference of all committees.
- (18) To appoint members to any standing committee of the Authority (subject, in respect of the Navigation Committee, to prior consultation with that committee).
- (19) To appoint members to outside bodies where this function does not stand referred to another committee.
- (20) To approve the annual timetable of Authority and committee meetings.
- (21) To approve the Code of Conduct for Members.
- (22) To appoint the Authority's Monitoring Officer.
- (23) To consider and if necessary act on recommendations from the Hearings Committee in respect of matters relating to complaints of non-compliance with the Authority's Code of Conduct.
- (24) To set members allowances.
- (25) To make Standing Orders in relation to the business of the Authority.

## **G Personnel Matters**

- (26) To determine the grading, salary and terms and conditions of service of the Chief Executive.
- (27) To make arrangements for and approve the appointment of the Chief Executive.

- (28) To adopt amendments to local conditions of service where there are unresolved objections from members of staff and/or trade unions.
- (29) To determine any ex-gratia payments or honoraria to staff which are not within the scope of the powers delegated to **the Audit and Risk Committee**.

## **H General**

- (30) To make byelaws (after consultation with the Navigation Committee in the case of byelaws relating to the navigation area).
- (31) To make proposals for:
  - (i) the variation of the area of the Authority;
  - (ii) the variation of the navigation area (after consultation with the Navigation Committee); and
  - (iii) the alteration of the Authority's constitution.
- (32) To promote and oppose local Bills.
- (33) To exercise Compulsory Purchase Powers.
- (34) To take decisions:
  - (i) to exercise powers not hitherto exercised by the Authority;
  - (ii) to cease to exercise any power of the Authority;
  - (iii) involving the exercise of any powers of the Authority by any body other than the Authority or the Committee of the Authority to which those powers then stand delegated; and
  - (iv) involving the endowment of the Authority with powers not hitherto held by it.

### **Powers Reserved to Committees: General Clauses**

- (1) Any mention in the following terms of reference and delegations of any Act or statutory instrument or of any section or clause shall be deemed to refer to the same as at any time amended. Where that Act, instrument, section or clause has been replaced, consolidated or re-enacted, with or without amendment, such mention shall be deemed to refer to the relevant provisions of the replacing, consolidating or re-enacting statute or instrument.
- (2) References to powers and duties under any Act include powers and duties under any statutory instrument made under that Act.
- (3) No general reference of a power, duty, function or other matter to a committee shall include any matters specifically referred to another committee.
- (4) It is a condition of all delegations to all committees that they must report all important steps taken by them in exercise of their delegated powers to the extent necessary to ensure that

all members of the Authority are broadly aware of the progress and the problems of the Authority in every sphere.

- (5) All delegated powers must be exercised in accordance with the approved Business Plan and budgets and the Standing Orders and Financial Regulations of the Authority.

## 1 Navigation Committee

### Matters Arising from the 1988 Act (as amended by the 2009 Act)

- (1) To be consulted on:
- (i) proposals to vary the navigation area (section 8(4) and the area of jurisdiction of the Authority (schedule 7 paragraph 5);
  - (ii) all the matters listed in section 9 (6) namely:
    - (a) before delegating any function of the Authority in relation to the navigation area to any person;
    - (b) before appointing any member of the Navigation Committee under this section;
    - (c) before proposing, determining or bringing into force any new policy, plan, strategy or procedure or any change to an existing policy, plan, strategy or procedure which may significantly affect the use or enjoyment of the whole or any part of the navigation area;
    - (d) before determining any application for planning permission which may significantly affect the use or enjoyment of the whole or any part of the navigation area and which materially conflicts with any policy, plan, strategy or procedure of the Authority;
    - (e) on the preparation of the annual budget, including in particular any income or expenditure attributable to the navigation area;
    - (f) (except in case of urgency) before incurring expenditure which may have a significant effect on the use or enjoyment of the whole or any part of the navigation area and which has not been specifically provided for in the annual budget approved by the Authority;
    - (g) before applying for any amendment of or alteration to the Navigation Committee's constitution as set out in this section or the Authority's constitutions as set out in section 1 of this Act or any change to the functions of the Authority in relation to the navigation area as set out in Part II of and Schedule 5 to this Act and under Parts 2 and 3 of the 2009 Act.
  - (iii) making, varying or revoking any byelaws under subsection 10(3) (see section 10(17) (a));
  - (iv) making any appointment under subsection 10(7) (see section 10(17)(b));
  - (v) determining any application for a works licence (see section 11 (13)).
  - (vi) determining the level of any tolls or other charges to be imposed in respect of the navigation area or adjacent waters. (see section 13 (3)).
  - (vii) The exercise of the powers under Part I of Schedule 5 (as required by paragraph 16 of Schedule 5). These functions are:

- (a) Maintenance and improvement;
  - (b) Dredging;
  - (c) Communication with vessels;
  - (d) Byelaws;
  - (e) Supplementary provisions in relation to byelaws;
  - (f) Contravention of byelaws
  - (g) Information as to navigation by pleasure craft;
  - (h) Temporary closure of waterways;
  - (i) Repair of landing places etc;
  - (j) Removal of wrecks etc;
  - (k) Nature conservation.
- (viii) The exercise of the powers under Part III of Schedule 5 (as required by paragraph 16 of Schedule 5) concerning New rights of navigation (see paragraph 23 of Schedule 5).

### **Broads Authority Act 2009**

- (2) To be consulted on:
- (i) any proposal to give, amend or revoke a general direction (see sections 4 and 5 and schedule 1);
  - (ii) designating under section 14 any category of small unpowered vessels (see section 16(5)).
  - (iii) designating, amending or revoking any part of the navigation area as a zone where waterskiing or wake boarding is to be permitted (see section 26(5)).

### **Other**

- (3) To be consulted on:
- (i) applications for harbour revision orders.

### **Matters Arising from the Legal Agreements with National Boating Bodies in respect of the Broads Authority Act 2009**

(Note that these overlap the provisions listed above)

- (4) To be consulted on:
- (i) implementation of the provisions in the 2009 Act;
  - (ii) information to be included on the application forms for registration and payment of tolls;
  - (iii) introduction of the Boat Safety Standards;
  - (iv) inspection procedure for vessels;
  - (v) removal of vessels procedures;
  - (vi) request for information procedure (including visiting craft);
  - (vii) hire boat licensing conditions;
  - (viii) policy for the temporary closure of waterways for recreational purposes.

- (5) To agree changes to the exemptions in respect of Boat Safety Standards as set out in section 16(6). (NB: This provision in the Agreement was intended to prevent the removal of any of the exemptions, which the 2009 Act now secures. However, the wording of the Agreement means that the Committee's agreement is required to add to the exemptions in section 16(6).
- (6) To agree exemptions from the need for compulsory insurance for small unpowered craft (see also section 16(5)).
- (7) To agree the format of financial reporting on navigation matters.

(Note: The requirement to consult under the legal Agreements extends to changes to anything previously agreed by the Authority following consultation).

## 2 Planning Committee

In accordance with the Code of Practice for Members of the Planning Committee and Officers:

- (1) To make recommendations to the Broads Authority on plan making functions with the objective of contributing to the achievement of sustainable development.
- (2) To prepare a statement of community involvement for the preparation and revision of the Broads Local Plan and for the exercise of the Authority's functions in relation to development control.
- (3) To make recommendations to the Authority on the preparation and maintenance of the Local Development Scheme and on the contents of the Broads Local Plan.
- (4) To respond to consultations from Government and other agencies and organisations in respect of any matter for which powers are delegated to this Committee.
- (5) To keep under review matters which are likely to affect the development of the area or the planning of its development including relevant matters in any neighbouring area and make representations accordingly.
- (6) In accordance with the policies and any directions of the Authority, to exercise the powers and duties of the Authority relating to:
  - (i) development control, including the determination of planning applications, enforcement, revocation, modification and discontinuance orders, completion notices and Section 106 Agreements;
  - (ii) buildings of architectural and historic interest and town schemes (including their grant aid);
  - (iii) conservation areas;
  - (iv) ancient monuments;
  - (v) trees;
  - (vi) derelict and waste land;

- (vii) advertisements;
  - (viii) the stopping up and diversion of public paths affected by development proposals and the downgrading of highways for amenity purposes;
  - (ix) hazardous substances;
  - (x) certificates of appropriate alternative development;
  - (xi) litter, abandoned motor vehicles and rubbish;
  - (xii) goods vehicles operator's licences;
  - (xiii) conservation of buildings and vessels, etc., under paragraph 42 of Schedule 3 to the Norfolk and Suffolk Broads Act 1988;
  - (xiv) spatial plans;
  - (xv) determining whether approval be given for the exercise of permitted development rights within a European Site, following consultation with Natural England, under the terms of the Conservation (Natural Habitats Etc) Regulations 1994.
- (7) To agree with an adjoining planning authority that individual cross-border planning applications be wholly determined by either the Authority or the relevant Council.
- (8) To consider and confirm Neighbourhood Area Plans and the designation of "neighbourhood areas" and to make recommendations to the Authority for their adoption.

### 3 Hearings Committee

- (1) The function of the Committee is to hear and determine allegations of breaches of the Members Code of Conduct referred to it by the Monitoring Officer and in conducting hearings the Committee shall follow procedures prescribed by the Monitoring Officer.
- (2) The Hearings Committee shall be convened by the Monitoring Officer when required under the Members' Code of Conduct and this shall include one of the Authority's Independent Persons (as a non-voting co-opted member) and three other members from a group of six nominated by the Authority at its annual meeting, which will include the Chairman of the Audit and Risk Committee. The Independent Person shall not Chair the Committee.
- (3) Where a vacancy subsequently occurs in the group appointed by the Authority at its annual meeting, or the Monitoring Officer reports that circumstances of a particular matter require an additional Member to be appointed to the group, a replacement or additional Member may be appointed by the Authority at any of its meetings pending the next annual meeting.
- (4) The Hearings Committee shall make such recommendations to the Broads Authority as appear to it appropriate following the determination of any Code of Conduct

complaints, including recommendations in relation to sanctions under the Code of Conduct.

## **4 Audit and Risk Committee**

### **Statement of purpose**

- (1) The Audit and Risk Committee save for its powers in paras (5),(15), (19), (22) and (36), is a consultative non-decision making committee appointed by the Broads Authority and which shall have the functions set out within the following paragraphs.
- (2) References to the Financial Scrutiny and Audit Committee (the predecessor committee) within existing documents, policies, procedures and standing orders of the Authority shall be interpreted as referring to the Audit and Risk Committee, unless the context clearly dictates otherwise.
- (3) The Audit and Risk Committee is a key component of the Authority's corporate governance. It provides an independent and high-level focus on the audit assurance and reporting arrangements that underpin good governance and financial standards.
- (4) The purpose of the Audit and Risk Committee is to provide independent assurance to the Members of the Authority of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Broads Authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- (5) The Audit Committee is empowered to:
  - Appoint, compensate, and oversee all internal audit services
  - Pre-approve all auditing services performed
- (6) In discharging its responsibilities the Audit and Risk Committee has unrestricted access to officers and relevant information it considers is necessary to discharge its duties.

### **Governance, risk and control**

- (7) To review the authority's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- (8) To review the Annual Governance Statement (AGS) prior to Full Authority approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control.

- (9) To consider the authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (10) To consider the authority's Strategic Risk Register to ensure that it adequately addresses the risks and priorities of the authority.
- (11) To monitor the effective development and operation of risk management in the authority.
- (12) To monitor progress in addressing risk-related issues reported to the committee and to seek assurance that risks are being managed appropriately and using good practice.
- (13) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (14) To review the assessment of fraud risks and potential harm to the authority from fraud and corruption.
- (15) To monitor and approve the financial regulations, standing orders relating to contracts and the counter-fraud, corruption and bribery strategy.
- (16) To review the governance and assurance arrangements for significant partnerships or collaborations.
- (17) To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
- (18) To review and assess the policies, procedures, and practices established by the Broads Authority to monitor conformance with its code of conduct and ethical policies and provide oversight of the mechanisms established by management to establish and maintain ethical standards

#### **Internal audit**

- (19) To review and approve the internal audit charter.
- (20) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (21) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (22) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (23) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.



- (24) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- (25) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
- (i) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - (ii) regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)
  - (iii) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- (26) To consider the head of internal audit's annual report:
- (i) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
  - (ii) The opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- (27) To consider summaries of specific internal audit reports as requested.
- (28) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (29) To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- (30) To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- (31) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

## External audit

- (32) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

- (33) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- (34) To consider specific reports as agreed with the external auditor.
- (35) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (36) To commission work from internal and external audit.
- (37) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- (38) To obtain reasonable assurance that management has acted on the results and recommendations of external audit engagements.

### **Financial reporting**

- (39) To monitor and oversee the Authority's medium term financial planning, including the annual business plan.
- (40) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the authority.
- (41) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Treasury Management**

- (42) To monitor and review the treasury management policy and procedures to be satisfied that controls are satisfactory. This includes receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities.
- (43) To review the Treasury and Investment Strategy prior to Full Authority approval.

### **Accountability arrangements**

- (44) To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

### **Miscellaneous**

- (45) To determine any payments or honoraria to staff which are not within the scope of powers delegated to the Chief Executive up to a maximum of £50,000 per event.

(46) To consider any matters referred to the Broads Authority or the Chief Executive which are appropriate to its Terms of Reference.

(47) The Audit and Risk Committee shall receive formal training on the purpose and mandate of the committee and any areas deemed necessary to assist in the discharge of its duties

Originally adopted by Broads Authority: 21 November 2014

Adopted by Authority on xx xxxx 2018

Next review date: July 2020

## **BROADS AUTHORITY**

### **Broads Local Access Forum**

#### **Terms of Reference**

- 1 The Broads Local Access Forum will have the following terms of reference:
  - (i) To be a statutory advisory body to provide guidance and advice to relevant authorities on the improvement of public access to the countryside of the Broads Executive Area and to contribute to opportunities for the enjoyment of the area.
  - (ii) To comment on draft maps of open countryside and registered common land for the Broads as will be produced by the Countryside Agency.
  - (iii) To provide a consultative forum for and advising on issues relating to access land, exclusions, restrictions and the appointment of access wardens on land where new rights of access exist.
  - (iv) To contribute (in an advisory capacity) to the development of Rights of Way Improvement Plans which cover any part of the Broads Executive Area, together with any other strategies or plans relating to rights of way and open access.
  - (v) To advise on all other aspects of improvement of public access to land in the Broads for the purposes of open air-recreation.
  - (vi) To advise on issues relating to public access to water.
  - (vii) To advise on the promotion and appropriate use of opportunities for all types of user to enjoy access to the countryside.
  - (viii) To promote closer liaison and understanding between the various interest bodies and organisations which have an interest in access to the Broads and its wider catchment area.
- 2 In providing advice, the Forum will have regard to:
  - (i) the needs of land management;
  - (ii) the conservation of the natural beauty of the area;
  - (iii) the management and maintenance of recreational access whilst balancing this against the needs of nature conservation, agriculture, the interests of landowners and managers, navigation and countryside management projects within the Broads;
  - (iv) the general duty of the Authority to manage the Broads for the purposes of:

- (a) conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- (b) promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- (c) protecting the interests of navigation.

3 In providing such advice and comment the Forum shall also bear in mind the Authority's requirement to have regard to:

- (i) the national importance of the Broads as an area of natural beauty and one which affords opportunities for open-air recreation;
- (ii) the desirability of protecting the natural resources of the Broads from damage; and
- (iii) the needs of agriculture and forestry and the economic and social interest of those who live or work in the Broads.