

The background of the image is a photograph of a modern building's interior, featuring a long, brightly lit hallway with a polished floor and glass walls. The glass reflects the interior lights and the surrounding environment. A yellow rectangular box is overlaid on the left side of the image, containing text.

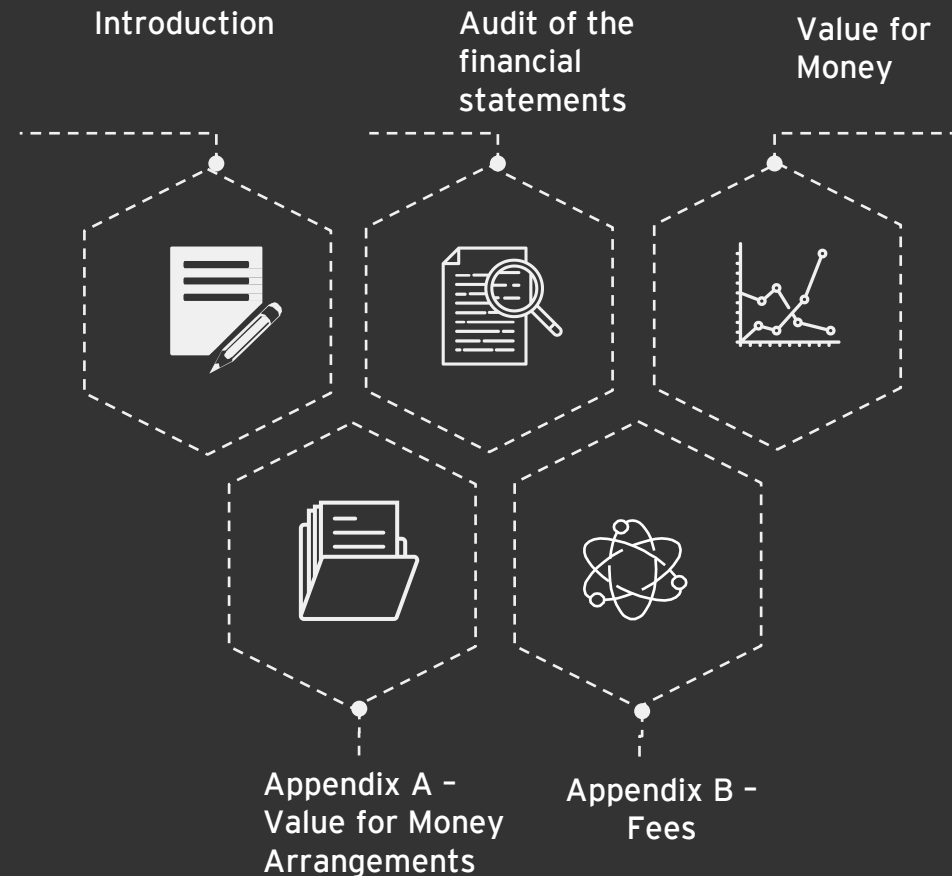
Broads Authority

Auditor's Annual Report

7 March 2023

Year ended 31 March 2022

Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 12 July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 21 December 2022.
Going concern	We have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 03 and Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2021/22 is yet to be issued. We will liaise with the Authority to complete this work if and when required.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. As set out above, the guidance for 2021/22 is delayed and has not yet been issued.



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 21 December 2022, we issued an unqualified opinion on the financial statements. We reported our interim detailed findings to the Audit & Risk Committee on the 29 November 2022 and issued a final Audit Results Report on the 16 December 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We identified one area for improvement within the control environment in the Audit Results Report, which is set out on page 6.

Significant risk	Conclusion
Risk of fraud in revenue and expenditure recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Authority, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We had no matters to report.</p>
Misstatements due to fraud or error - inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	<p>On every audit engagement, we expect at least one of the identified significant risks to have an element of management override. Where this element has been identified, we must be specific about the risk (management bias, management optimism, etc.) and ensure we design our procedures to address this risk.</p> <p>Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p>



Audit of the financial statements

Key findings

Area of Audit Focus	Conclusion
Pension valuations and disclosures	<p>The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet.</p> <p>We had no matters to report.</p>
Accounting for Infrastructure Assets	<p>The movement in Infrastructure Assets has been immaterial and the Authority were able to evidence compliance with the Code of Audit Practice requirements in respect of Infrastructure Assets.</p>
Valuation of Property, Plant and Equipment & Investment Property	<p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>We identified one re-classification for an asset valuation between the General Fund and Revaluation Reserve.</p> <p>We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.</p> <p>The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.</p> <p>Recommendation: The Authority should either use an appropriately qualified person as per the Code requirements to review all the valuations for this class assets (VPE) or opt to use the allowance under the CIPFA code to value these assets using the historic cost plus depreciation approach.</p>
Recoverability of Debtors	<p>As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement.</p> <p>We had no matters to report.</p>

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Audit & Risk Committee meeting on the 29 November 2022, which was based on a combination of our cumulative audit knowledge and experience, our review of Authority committee reports, meetings with the relevant finance officers and evaluation of associated documentation through our regular engagement with Authority management and the finance team.

Reporting

We completed our risk assessment procedures in November 2022 and did not identify any significant weaknesses in the Authority's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 9. The commentary on these pages summarises our conclusions over the arrangements at the Authority in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

During 2021/22 the Authority have continued to manage the impact of Covid on finances, as well as the impact of uncertainties in relation to the amount of National Park Grant to be received in the future. The direct financial impact of the pandemic have reduced from previous years and income streams related to tolls have seen an positive rebound.

The final outturn for General (National Park) Income and Expenditure for the year was a deficit of £0.066 million, compared to the budgeted deficit of £0.124 million. Navigation Income and Expenditure for the year was a deficit of £0.044 million, compared to the budgeted deficit of £0.299 million. This is driven by positive variances in budget amounts for tolls on hire craft, private craft, and short visits income of £0.203. As well as underspend on services of £0.103 million which is spread across the various services provided by the Authority. This underspend was caused by a variety of reasons including lack of availability of equipment, vehicles, and vessels for replacements in the market, as well as vacancies in the catchment partnership.

During the year, the Authority have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services. The Authority recognise the challenges ahead and projects deficits over the 3 year period to 2024/25 totalling £0.793 million which will be covered via the use of reserves. The Authority also performed budget sensitivity analysis against key assumptions to remain aware of the downside savings requirements for 2022/24 this is scenario identifies additional potential deficit of £0.197 million.

At the 31 March 2022, the Authority held a General Fund Reserve balance of £1.669 million and had further Earmarked General Fund reserves of £2.873 million, which provides a strong level of resources if future savings are not identified or achieved in each of the 3 financial years of the Medium Term Financial Strategy, to allow the Authority to continue to deliver services.

The Authority should continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

The Authority have continued to manage governance considerations in response to the pandemic, including in partnership working and joint delivery of services with other local authorities. The Authority reviewed the Budget Setting Report in January 2021, with the Medium Term Financial Strategy updated during the year. Both documents were taken to the Broads Authority for approval, which ensures that all Members are kept well informed of the process.

The Authority's Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Authority's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2021/22 financial year, reasonable assurance may be awarded over the adequacy and effectiveness of the Authority's overall internal control environment.

The risk register and risk management policy were also updated in 2021/22 to focus on both strategic risks through the Corporate Risk Register and operational risks through the Directorate Risk Register. Risks on the Corporate Risks Register are reviewed at every Audit and Risk Committee meeting with elevation to full Authority meetings for significant risks identified.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

The 'Broads Plan' for 2022-27 was introduced in the year, which sets the vision, principles, and strategic objectives for the Authority.

An Annual Business Plan integrating strategic priorities based on the 'Broads Plan' is agreed each year by the full Authority. Performance reporting is maintained against the identified strategic priorities, with regular reporting on performance and finances taken to the full Authority throughout the year to continuously monitor performance.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Authority produces an annual budget and an update to the financial strategy at the start of each financial year. Significant financial pressures to the Authority, based on the nature of income and expenditure, are salary increases and the number of boats within the system that will require a toll. The Authority include an element of prudence within the estimates in the annual budget setting for salary increases, and monitors boat numbers through discussion with boat yards and review of annual toll payments.
How the body plans to bridge its funding gaps and identifies achievable savings	Funding gaps are considered as part of the budget setting process. In the short term, funding gaps are balanced through the use of reserves whilst savings plans and further external funding opportunities are investigated. A review of the reserve policy is due to take place during 2021/22 to ensure that minimum levels are adequate to manage future uncertainty. The medium term financial plan does include ongoing receipt of DEFRA grant income at a flat rate, which is still subject to some uncertainty whilst the outcome of a new settlement is awaited.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The budget is monitored with respect to minimum levels of reserves as set by the Chief Finance Officer, which is based on net expenditure totals. This ensures that delivery of services can be maintained into the future. The annual budget is produced on a zero base to ensure it is line with strategic priorities, assuming no rollover of previous budgets. Spending is split between essential and desirable expenditure in line with key priorities of the Authority.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Workforce planning is considered by the Directors as part of the budget setting process. Capital expenditure is funded via revenue or the earmarked reserves in line with capital planning. This is considered at the same time as looking at the forecast future year replacements to consider the adequacy of earmarked reserves levels and contributions. The financial plan is taken to the Broads Authority at the same time as a strategic direction update which sets priorities for the financial year.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Income and expenditure is monitored on a monthly basis with budget holders providing updates on any variances. Tolls income is carefully monitored against profile so that drops in demand, such as that experienced during the start of the Covid-19 pandemic and national lockdown arrangements, can be quickly identified and expenditure plans can be reprioritised. Financial position updates are taken to the Audit and Risk Committee which provides members with the latest financial information to inform decision making.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
<p>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>Risks are monitored on a six monthly basis through the corporate and directorate registers. New areas of work are reported to Committee with risk being identified as part of the report. Internal Audit's plan is carried out through a risk based approach to help determine which service areas should be reviewed. Key controls and corporate governance are always reviewed annually, with IT audits on specific areas every 2 years in line, with the Internal Audit strategy. The Head of Internal Audit provides an annual opinion on the effectiveness of controls and if any areas require improvement. For 2020/21, a 'reasonable assurance' opinion was issued by Internal Audit.</p>
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The Authority produces an annual budget alongside an update to the financial strategy at the start of each financial year. The budget is produced by the Chief Finance Officer based on information from relevant budget holders, and taken to the full Authority meeting for approval.</p>
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>Monthly monitoring of income and expenditure is performed, with explanations for variances obtained from relevant budget holders. These are followed up at monthly meetings with the Chief Finance Officer to ensure corrective action has been taken where required, or where savings can be re-distributed elsewhere within the Authority to relieve financial pressures. Budget monitoring is lead through the finance system, and Internal Audit include Budgetary Control within their scope of work for the year.</p>
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<p>Decisions are made in line with the delegated powers, budgetary provision, strategic priorities and the wider Broads Plan. Decisions made by the membership are supported by Committee reports and openly debated at Committee. Planning delegated decisions are published and expenditure is disclosed for transparency regulations. Audit and Risk Committee terms and reference are guided by CIPFA's guidelines. All members are provided annual training in relation to their responsibilities with the Statement of Accounts.</p>
<p>How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)</p>	<p>The 'Code of Conduct for Employees' and the 'Code of Conduct for Members and Complaints Procedure' sets out regulatory requirements and behaviour expectations. This also provides guidance on accepting gifts and hospitality. There are terms of reference for each Committee setting out responsibilities. Members interests are recorded and maintained within a formal register and any conflicts of interest must be declared at the start of each meeting so that the member does not participate in decision making for any item for which they have a conflict of interest. The Monitoring Officer is available to provide advice to members on meeting the appropriate requirements.</p>

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	Financial outturn is compared against budget to identify areas of improvement and potential saving or service improvement. Directors are responsible for raising improvement areas where they are then investigated and discussed with the Chief Finance Officer. The Narrative Report sets out the review of performance for the year.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The 'Broads Plan' is the overarching management plan for the Broads executive area as a whole, produced by the Broads Authority as a partnership plan. Strategic priorities are aligned to the plan and this is reinforced through the Business Plan. The strategies developed reinforce the day to day delivery and these are reviewed on a regular basis by the Board and improvements identified.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Authority maintains a partnership register which is reviewed annually to ensure it remains appropriate and up to date. The most significant partnerships are those in respect of external funding where partnership agreements are in place. Performance for these agreements is assessed against agreed expectations and modified where required.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Authority has 'Financial Regulations', 'Standing Orders Relating to Contracts' and a 'Procurement Strategy' that follow the relevant legislation and are updated regularly. All tenders are reviewed by the Chief Finance Officer to ensure the procurement meets the required standard. Contract templates build in monitoring throughout the contract against key performance indicators to ensure the contract is delivering as expected.

Appendix B - Fees

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
None performed	Not applicable	None required

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

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

Appendix B - Fees

Relationships, services and related threats and safeguards

Audit Fees

Our fee for 2021/22 is in line with the audit fee reported in our Final Audit Results Report dated 16 December 2022.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	10,736	10,736	10,736
Additional Fee determined by PSAA Ltd (Note 1)	-	-	24,224
Revised Proposed Scale Fee	10,736	10,736	34,960
2021/22 Additional work:			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	24,224		
2021/22 Additional Procedures required in response to the risks and issues identified in this Audit Plan and this Audit Results Report	Note 3		
Total fees	TBC	10,736	34,960

Note 1 - PSAA Ltd determined the 2020/21 Fee Variation in August 2022.

Note 2 - For 2021/22 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2020/21 and is subject to formal determination by PSAA Ltd and we would expect it to be at a similar level to that determined for 2020/21, increased by the stated annual uplift amount notified by PSAA Ltd. This includes the additional amounts in relation to the VFM reporting requirements of the NAO Code of Practice and impact of ISA540 on Estimates as in 2020/21.

Note 3 - In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks and findings set out in our Audit Results Report (16 December 2022). As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time but will discuss with the Director Finance. We will provide an update to the Audit & Risk Committee once it has been subject to determination by PSAA Ltd.

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