

# Audit and Risk Committee

17 November 2020

Agenda item number 8

## Annual Audit Results 2019/20

Report by Chief Financial Officer

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### Summary

This report appends the draft Annual Audit Results for 2019/20 prepared by the External Auditors, Ernst & Young LLP (EY).

### Recommendation

- i. To note the Annual Audit Results 2019/20; and
  - ii. That the Letter of Representation in connection with the Audit of the Financial Statements for 2019/20 be signed by the Chief Financial Officer and the Acting Chair of the Audit and Risk Committee.
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## 1. Annual Audit Results 2019/20

- 1.1. The External Audit for the Broads Authority's 2019/20 Statement of Accounts was undertaken during May and June 2020 and the draft Audit Results by EY for 2019/20 is at Appendix 1 to this report.
- 1.2. The External Auditors will attend today's meeting to present this item and answer any questions.
- 1.3. Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2019/20. It is presented for consideration and approval by the Committee in order to be signed and sent to the External Auditors.

Author: Emma Krelle

Date of report: 04 November 2020

Background papers: Statement of Accounts 2019/20

Appendix 1 – draft EY audit results 2019/2020

Appendix 2 – draft Letter of Representation

# **Broads Authority Audit Results Report**

Year ended 31 March 2020

4 November 2020

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better  
working world



**Audit & Risk Committee  
Broads Authority**

4 November 2020

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Risk Committee. This report summarises our preliminary audit conclusion in relation to the audit of the Broads Authority for 2019/20. We will issue our final report after the Broads Authority meeting scheduled for 20 November 2020.

We have substantially completed our audit of the Broads Authority for the year ended 31 March 2020. 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 deadline of 30 November 2020. We 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 Audit and Risk 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 Audit and Risk Committee meeting on 17 November 2020.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

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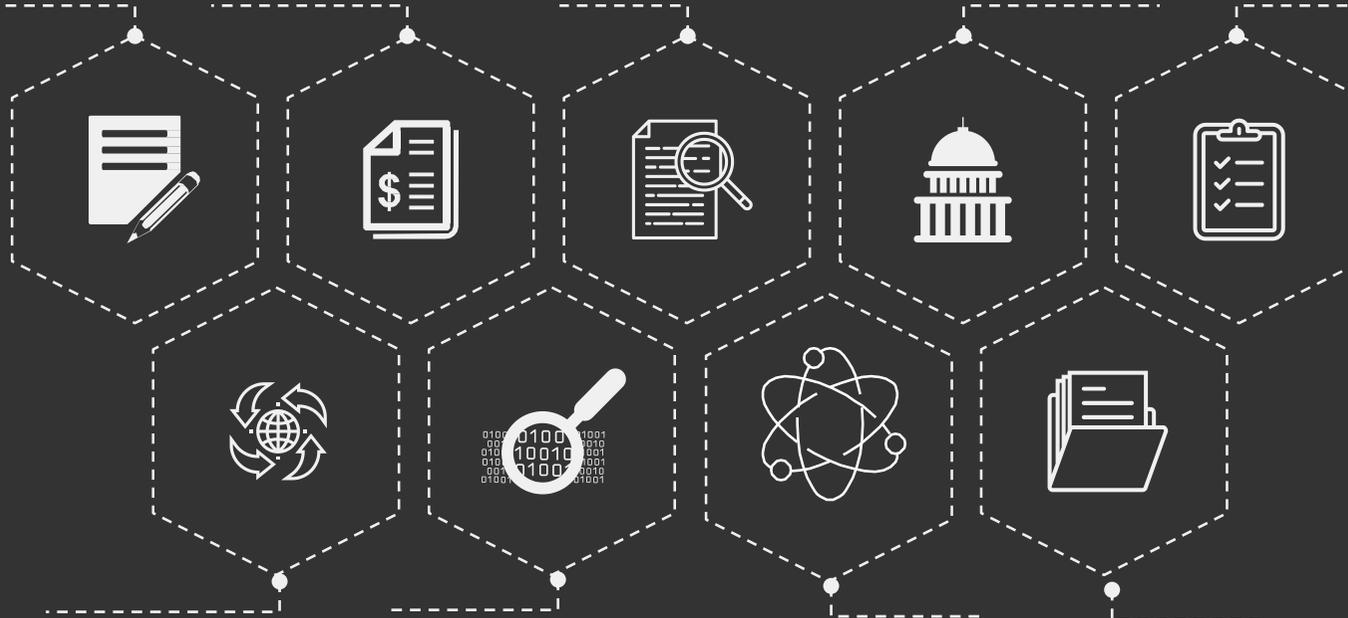
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



# 01 Executive Summary

## Executive Summary

### Scope update

In our Audit Plan dated 7 February 2020 (presented at the 3 March 2020 Audit & Risk Committee) and our Audit Plan Addendum dated 14 May 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes to reporting timescales - As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for approved financial statements from 31 July to 30 November 2020 for all relevant authorities.
- ▶ Changes to our risk assessment as a result of Covid-19
  - ▶ Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
  - ▶ Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
- ▶ Change in materiality - We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Plan remain appropriate.

We updated our planning materiality assessment using the 2019/20 draft statement of accounts. Based on our materiality measure of 2% of gross expenditure on the provision of services, we have updated our overall materiality assessment to £0.186 million (Audit Plan – £0.176 million).

This results in updated performance materiality, at 75% of our overall planning materiality, of £0.140 million, and an updated threshold for reporting misstatements of £9,307. (5% of Planning Materiality).

# Executive Summary

## Status of the audit

We have substantially completed our audit of the Broads Authority financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Plan.

The outstanding work at the date of this report is:

- ▶ Procedures in relation to assurances over the IAS 19 Pension Liability; and
- ▶ Whole of Government Accounts procedures.

Closing Procedures:

- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review, including unrecorded liability procedures;
- ▶ Receipt of the signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3.

We expect to issue the audit certificate at the same time as the audit opinion, subject to the work requirements for Whole of Government Accounts.

# Executive Summary

## Audit differences

We are aware of potential changes in the pension liability due to a revised estimate of the impact of McCloud, and as a result of updated Pension Fund asset valuations. We are yet to receive quantification of these and therefore whether Management will choose to adjust for them within the revised financial statements.

### Unadjusted differences

At the date of this report there are no unadjusted audit differences arising from our audit.

### Adjusted differences

During the audit we have identified some disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that the majority of these do not warrant flagging to the Audit and Risk Committee in this report. There are three that we do believe merit the attention of the Committee:

**1. Going Concern** - The impact of Covid-19 has substantial implications for the Authority's finances. We therefore assessed the work performed by the Authority to ensure that it was still operating as a going concern up to 12 months from the audit opinion date. Our procedures resulted in an additional disclosure in the statement of accounts, see Note 36.

**2. Estimation Uncertainty** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. As further guidance has been produced, the valuer have removed the uncertainty clause from their valuation. Appropriate disclosures have been included in the statement of accounts.

**3. Prior year restatement** - As a result of restructuring during the 2019/20 financial year, the prior year Comprehensive Income & Expenditure and associated notes have been restated. This is per Code requirements to allow year on year analysis, and does not represent an error in the prior year statement of accounts.

As above, until all our audit work is complete, further amendments may arise.

## Areas of audit focus

Our Audit Plan 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 "Areas of Audit Focus" 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; and
- ▶ 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 Audit and Risk Committee.

# Executive Summary

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## Correspondence from the Public

We did not receive any items of correspondence from members of the public during the year.  
We did not receive any formal objections from members of the public.

## Control observations

We have adopted a fully substantive audit 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.

We did not identify any Value for Money risks in our Audit Plan or Audit Plan addendum. We did however note that at the time of our Audit Plan, the Authority had not received notification of its grant allocation for 2020/21. This has now been provided.

Subject to completion of our planned procedures, we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

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

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

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02

## Areas of Audit Focus



## Areas of Audit Focus

### Fraud risk - misstatements due to fraud or error

#### What is the risk?

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

As identified in ISA (UK) 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 did we do?

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

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

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

#### What are our conclusions?

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

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

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



## Areas of Audit Focus

### Significant risks

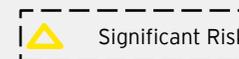
#### Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

##### What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

The Authority had capital additions of £0.273 million in 2019/20.



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

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We have focused on the Authority's judgement that an item is capital expenditure in nature. To address this risk we:

- ▶ Sample tested additions to property, plant and equipment to ensure that they had been correctly classified as capital transactions and included at the correct value; and
- ▶ Applied our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

##### What are our conclusions?

- ▶ Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value;
- ▶ Our sample testing of additions to Property, Plant and Equipment did not identify any revenue items that were incorrectly classified; and
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

## Areas of Audit Focus – Other Areas of Audit Focus

### Valuation of Land & Buildings -Inherent risk

#### What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts and are estimates which 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.

We note that Management have changed their external valuers for 2019/20 and will address this risk in our procedures..

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

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

We have identified a specific risk of misstatement that could affect the balance sheet. We consider the risk applies to the valuation of property, plant and equipment assets in the balance sheet. To address this risk we:

- ▶ Considered the work performed by the Authority's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base was not materially misstated; and
- ▶ Tested accounting entries had been correctly processed in the financial statements.

#### What are our conclusions?

- ▶ We did not identify any issues with the Authority's valuer, their scoping of work, professional capabilities or results of their valuation procedures;
- ▶ Our sample testing of key asset information used in the valuations did not identify any material differences;
- ▶ Our testing of assets not subject to valuation in 2019/20 did not identify any material differences;
- ▶ Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly; and
- ▶ No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

The revised financial statements include enhanced disclosure narrative in respect of estimation uncertainty as a result of our procedures.



## Areas of Audit Focus

### Other Areas of Audit Focus - continued

#### Pension liability valuation- Inherent risk

##### What is the risk?

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

The Authority's current pension fund deficit is a material (£8.8 million) and a sensitive item, and the Code requires that this liability be disclosed on the Authority's Balance Sheet.

The information disclosed is based on the IAS19 report issued by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement.

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

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

We have identified a specific risk of misstatement that could affect the balance sheet. We consider the risk applies to the valuation of the pension liability in the balance sheet and supporting disclosure notes. To address this risk we:

- ▶ Liaised with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Broads Authority;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19, including the 31 March 2019 triennial valuation.

##### What are our conclusions?

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

At the time of writing we are still awaiting the final assurance report from the Norfolk Pension Fund auditor, which will include assurances over the triennial valuation; and

We are aware that the Actuary has updated their assumptions in light of the McCloud Consultation remedy (July 2020) and that the Authority is planning to receive an updated liability report from the Actuary. We will review this updated report alongside the assurance letter from the Pension Fund Auditor.



## Areas of Audit Focus

### Other Areas of Audit Focus - continued

#### Impact of Covid-19 - going concern

##### What is the risk?

Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19.

We considered the unpredictability of the current environment gave rise to a risk that the Authority may not appropriately assess and disclose the key factors relating to going concern, underpinned by managements assessment, with particular reference to Covid-19 and the Authority's actual year end financial position and performance.

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

In order to address this risk we performed a range of procedures including:

- ▶ Obtaining management's going concern assessment and reviewing it for any evidence of bias and consistency with the accounts;
- ▶ Reviewing the financial forecasts prepared by the Authority. This considered key assumptions, and the risk to cash flow up to the date of 12 months after the signing date of the accounts and opinion;
- ▶ Ensuring that an appropriate going concern disclosure has been made within the statement of accounts; and
- ▶ Considering the impact on our audit report and complying with EY consultation requirements.

##### What are our conclusions?

We have received and reviewed Management's assessment of Going Concern and challenged the assessment appropriately.

Management have used the basis of the assessment to include an additional disclosure note within the revised financial statements at Note 36. We are satisfied, subject to some minor amendments, that this disclosure note appropriately sets out the circumstances surrounding the financial implications.

Management had initially included disclosure regarding the 'material valuation uncertainty' around PPE valuations in Note 4. This has been updated through Note 6 to indicate that the valuers have subsequently concluded that the asset base is no longer subject to this uncertainty



**03**

**Audit Report**

**DRAFT**



## Our proposed opinion on the financial statements

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

#### Opinion

We have audited the financial statements of Broads Authority for the year ended 31 March 2020 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,
- ▶ the Expenditure and Funding Analysis and the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Broads Authority as at 31 March 2020 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 2019/20.

#### 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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Chief Finance 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.



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Other information

The other information comprises the information included in the "Statement of Accounts 2019-20", other than the financial statements and our auditor's report thereon. The Chief Finance 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 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 April 2020, 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 2020.

#### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; 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.



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Responsibility of the Corporate Director and Chief Finance Officer

As explained more fully in the “Statement of Responsibilities for the Statement of Accounts”, set out on page 12, the Chief Finance 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 2019/20, 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. 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 April 2020, 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 2020.

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.



## Audit Report - continued

### Our proposed opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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 Broads Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Or

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

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

#### Use of our report

This report is made solely to the members of 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.

A woman with long brown hair, wearing a dark sleeveless top, is pointing her right index finger at a large digital display wall. The wall is filled with various financial data visualizations, including line charts with green and orange lines, and data tables. The background is a dimly lit room with blue ambient lighting.

# 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

We highlight misstatements greater than £9,307 which have been identified during the course of the audit and which management have chosen to adjust within the revised financial statements.

We have not identified any audit differences above this level at the time of drafting this report.

### Disclosure Notes

**1. Going Concern** - The impact of Covid-19 has substantial implications for the Authority’s finances. We therefore had to assess the work performed by the Authority to ensure that it was still operating as a going concern up to 12 months from the audit opinion date. Our procedures resulted in Management including an additional disclosure in the revised Statement of Accounts.

**2. Estimation Uncertainty** - Management has enhanced the narrative within Notes 4 & 6 to explain the basis of the Property, Plant & Equipment valuation and the valuers initial clause about a material uncertainty over that valuation at the balance sheet date, plus the subsequent consideration of the uncertainty.

**3. Combined Income & Expenditure Statement Re-presentation of Prior Year Figures** - As a result of restructuring, the comparative figures in the Combined Income & Expenditure Statement, Expenditure & Funding Analysis, Note 35 (Navigation Income and Expenditure account) and related notes, have been restated to reflect the same structure as in 2019/20.

A small number of other disclosure and presentational items have been highlights to management for amendment. We do not deem these to merit inclusion in this report.

## Summary of Unadjusted differences

There are no uncorrected material misstatements identified as part of our audit at the date of this report.



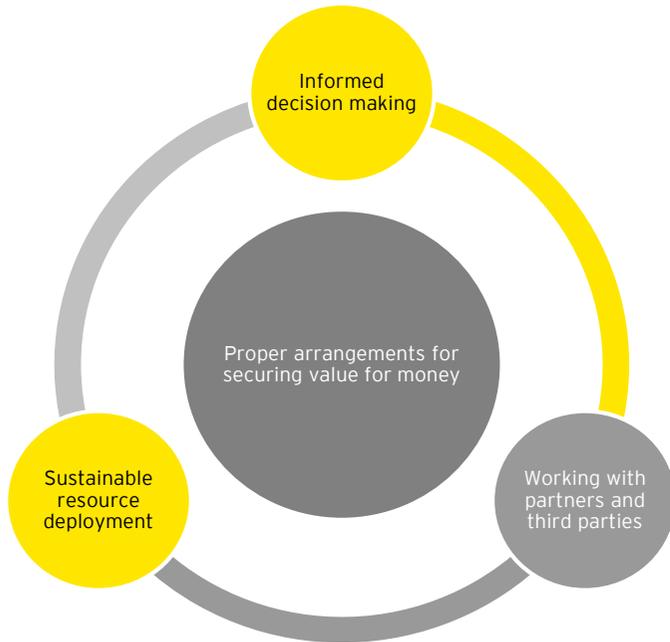
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# Value for Money Risks





# Value for Money



## Background

We are required to consider whether the Authority 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 2019/20 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.

## Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion. We did not identify any significant failures.

## Overall conclusion

We identified in our audit plan that the Authority had not yet received notification of their grant allocation for 2020/21. This has subsequently been received. We have reviewed revised budget forecasts as part of our going concern assessment, but also from a Value for Money perspective, and how Covid-19 could affect the Authority's ability to deploy resources in a sustainable manner.

As a result of our procedures, we have nothing to report at this stage from our Value for Money work. We therefore propose an unqualified Conclusion, as set out in Section 3 - Audit Report.



# 06 Other reporting issues



## 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 2019/20 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. We have reviewed the Annual Governance Statement and confirm it is consistent with other information from our audit of the financial statements. This is to be updated with reference to the fraud against the Broads Authority that was included in the 2018/19 Annual Governance Statement, but occurred in the 2019/20 financial year.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have no other matters to report.

### Whole of Government Accounts

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

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

### 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 and have not had course to use this duty.

# Other reporting issues - continued

### 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;
- ▶ Consideration of laws and regulations.

We have reported on respect to Going Concern earlier in this report on page 14. We have no other matters to report.



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## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of 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 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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



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Independence

## Independence

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### Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 7 February 2020.

We complied with the APB Ethical Standards. 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 Audit and Risk 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 Audit and Risk Committee on 17 November 2020.

### 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 2019 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 2020 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 2020. We confirm that we have not undertaken non-audit work.

	Proposed Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s
Total Audit Fee - Code work (see note below)	10,736	10,736	10,736
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	33,963	-	-
Revised Proposed Scale Fee	44,699	-	-
Additional work required for Covid-19 considerations (See Note 2)	To be confirmed	-	-
<b>Total Fees</b>	<b>To be confirmed</b>	<b>10,736</b>	<b>10,736</b>

*All fees exclude VAT*

### Notes:

**Note 1** - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Authority - £26,195
- Additional work to address increase in Regulatory standards - £7,768
- Client readiness and IT support for Data Analytics - £0

This revised scale fee has been discussed with management, who have disputed the proposed fee increase.

**Note 2** - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting and associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Risk Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Risk Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2019

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf)



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## Appendices

## Appendix A

# Required communications with the Audit and Risk Committee

There are certain communications that we must provide to the Audit & Risk Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Terms of engagement	Confirmation by the Audit & Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 7 February 2020 presented to the Audit and Risk Committee on 3 March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 7 February 2020 presented to the Audit and Risk Committee on 3 March 2020
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 presented to the Audit and Risk Committee on 17 November 2020

## Appendix A - continued

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
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 Broads Authority 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 presented to the Audit and Risk Committee on 17 November 2020
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report presented to the Audit and Risk Committee on 17 November 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Risk 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 Audit and Risk Committee responsibility.</li> </ul>	Audit Results Report presented to the Audit and Risk Committee on 17 November 2020



## Appendix A - continued

		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>	Audit Results Report presented to the Audit and Risk Committee on 17 November 2020
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 Plan - 7 February 2020 presented to the Audit and Risk Committee on 3 March 2020</p> <p>Audit Results Report presented to the Audit and Risk Committee on 17 November 2020</p>

## Appendix A - 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 received all requested confirmations	
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 Audit and Risk 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 and Risk Committee may be aware of</li> </ul>	Audit Results Report presented to the Audit and Risk Committee on 17 November 2020	
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report presented to the Audit and Risk Committee on 17 November 2020	

## Appendix A - continued

		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 presented to the Audit and Risk Committee on 17 November 2020
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 presented to the Audit and Risk Committee on 17 November 2020
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 presented to the Audit and Risk Committee on 17 November 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the Audit Plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	<p>Audit Plan - 7 February 2020 presented to the Audit and Risk Committee on 3 March 2020</p> <p>Audit Results Report presented to the Audit and Risk Committee on 17 November 2020</p>



# Appendix B – Request for a Management Representation Letter

## Request for a Management Representation Letter



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INVESTOR IN PEOPLE

2 November 2020

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: MHodgson@uk.ey.com

Emma Krelle,  
Chief Finance Officer  
Broads Authority  
Yare House,  
62-64 Thorpe Road,  
Norwich  
Norfolk,  
NR1 1RY

Dear Emma,

**Broads Authority – 2019/20 financial year  
Request for a letter of representation**

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of the Broads Authority as of 31 March 2020 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 2019/20.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



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

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

**A. Financial Statements and Financial Records**

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the Authority financial statements.
3. That 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 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



# Appendix B – Request for a Management Representation Letter (continued)

## Request for a Management Representation Letter



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

1. That you acknowledge that you are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 17 November 2020.



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4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

### E. Subsequent Events

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



# Appendix B – Request for a Management Representation Letter (continued)

## Request for a Management Representation Letter



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### F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### G. Expenditure Funding Analysis

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

### H. Going Concern

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

### I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet(s).

### J. Reserves

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



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

1. That you agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

### L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.



# Appendix B – Request for a Management Representation Letter (continued)

## Request for a Management Representation Letter



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4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Authority financial statements due to subsequent events.

#### M. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### N. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

#### O. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the "Statement of Accounts 2019/20".
2. You confirm that the content contained within the other information is consistent with the financial statements.



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#### P. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

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ED None

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Mark Hodgson  
Associate Partner  
Ernst & Young  
One Cambridge Business Park  
Cambridge  
CB4 0WZ

Date 20 November 2020

Our ref

Your ref

Dear Mark

### **Broads Authority Letter of Representation**

This letter of representations is provided in connection with your audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2020.

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 2020 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 2019/20.

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 (as amended in 2020 for COVID-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority's financial statements. We believe the Authority's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the Authority's financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system on internal controls.
5. That the effects of unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the financial statements taken as a whole.

That there are no unadjusted 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 identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Authority and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 17 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of our last management representation letter to you, through the date of this letter, we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### **D. Liabilities and Contingencies**

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, and have disclosed these in the financial statements, within note 32. There are no guarantees we have given to third parties.

#### **E. Subsequent Events**

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

#### **F. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **G. Expenditure Funding Analysis**

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

#### **H. Going Concern**

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

#### **I. Ownership of Assets**

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

#### **J. Reserves**

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

#### **K. Valuation of Property, Plant and Equipment Assets**

1. That we agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That we did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.
6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. We confirm that for assets carried at historic cost, that no impairment is required.

#### **L. Retirement benefits**

1. That on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly

accounted for.

2. We agree with the findings of the specialists that we have engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

#### **M. Use of the Work of a Specialist – Pension Liabilities**

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **N. Valuation of Pension Liabilities**

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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

**O. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2019/20.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Yours sincerely

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(Chief Financial Officer)

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(Chairman of the Audit and Risk Committee)