

# Audit and Risk Committee

14 March 2023

Agenda item number 11

## External Audit

Report by Director of Finance

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### Summary

This report appends the Audit Results Report for 2021/22.

### Recommendation

That the Audit Results Report for 2021/22 is noted.

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## 1. Introduction

- 1.1. At the Audit and Risk meeting on 29 November 2022 the committee received a progress update on the audit of the 2021/22 Statement of Accounts. It was agreed at the Broads Authority meeting on 2 December 2022 to delegate the final signing to the Chair of the Authority and the Director of Finance if there were no significant findings.
- 1.2. EY completed their audit on 16 December 2022 and the audit results report was circulated to members of this committee on 19 December 2022. The 2021/22 Statement of Accounts were signed and published on the Broads Authority website on 21 December 2022. This report documents its receipt in Appendix 1.

## 2. Financial implications

- 2.1. At the date of writing there has not been any indication that the fee required for additional work has been determined (appendix 1 page 36). However it is anticipated that EY will be submitting a request in due course. As with previous years officers will look to mitigate any additional costs.

Author: Emma Krelle

Date of report: 27 February 2023

Appendix 1 – Audit Results Report (16 December 2022)

**Broads Authority**

**Audit Results Report**

Year ended 31 March 2022

16 December 2022



Building a better  
working world



Audit & Risk Committee Members  
Broads Authority

16 December 2022

Dear Audit & Risk Committee Members

### 2021/22 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit following our progress report which we presented to the Audit Committee on the 29 November 2022.

This report summarises our audit conclusion in relation to the audit of Broads for 2021/22. The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Broads Authority accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on the Authority's value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you ahead of the formal authorisation of the financial statements.

Yours faithfully

*MARK HODGSON*

Associate Partner

For and on behalf of Ernst & Young LLP

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# Contents

01 Executive Summary

02

Areas of Audit Focus

03

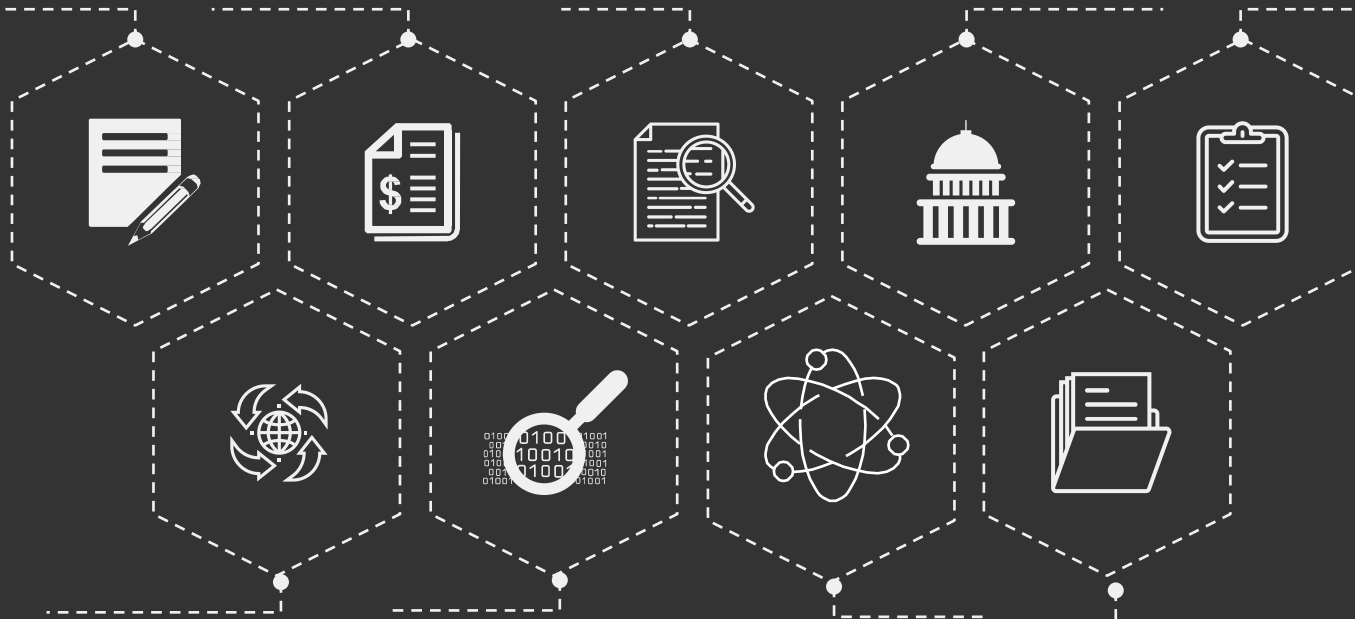
Audit Report

04

Audit Differences

05

Value for Money



06

Other reporting issues

07

Assessment of Control Environment

08

Independence

09

Appendices

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

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

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



# 01 Executive Summary

# Executive Summary

## Scope update

In our Provisional Audit Plan dated the 8 July 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.168 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £0.196 million. This results in updated performance materiality, at 76% of overall materiality, of £0.147 million, and an updated threshold for reporting misstatements of £9,840.

## Status of the audit

Our audit work in respect of the Authority audit opinion is substantially complete, as we only have our conclusion procedures to complete. The following items relating to the conclusion procedures were outstanding at the date of this report:

### Closing Procedures:

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

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

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

## Audit differences

### Uncorrected audit differences

Other expenditure testing identified a number of items related to the 2020/21 period, as well as prepayment not appropriately adjusted for. These amounts while immaterial on their own, were part of an audit sample and therefore required extrapolation across the population, as we could not conclude that they were isolated differences. This extrapolation would lead to a total audit difference of £30,424 (reduction in expenses) with Prepayments understated by £6,600 and Short-term Creditors overstated by £23,824. Management have chosen not to adjust for this audit difference.

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

# Executive Summary

## Audit differences (continued)

### Corrected audit differences

A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.

We also identified a limited number of minor audit disclosure differences in the financial statements, which management have adjusted for within the revised financial statements and Annual Governance Statement.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. A clear disclosure that there were no significant weaknesses governance matters has been included within the revised Annual Governance Statement.

We have not yet been able to perform the relevant procedures in relation to the Whole of Government Accounts (WGA) as the instructions have not yet been issued by the National Audit Office (NAO). Our audit certificate cannot therefore be issued and our audit report wording reflects this (Section 3)

We have no other matters to report.

## Control observations

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.

**Recommendation:** The Authority should either use an appropriately qualified person as per the Code requirements to review all the valuations for this class assets (VPE) or opt to use the allowance under the CIPFA code to value these assets using the historic cost plus depreciation approach.

However, we have performed alternative analysis which has provided sufficient appropriate assurance that the carrying value at the 31 March 2022 is not materially mis-stated.

# Executive Summary

## Status of the audit - Value for Money

In Section 05 of this report, we confirm that we have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment throughout the completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

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

We plan to issue the VFM commentary by the end of January 2023 as part of issuing the Auditor's Annual Report.

## Independence

Please refer to Section 7 for our update on Independence.

## Areas of audit focus

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

*Management Override: Misstatements due to fraud or error*

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

*Management Override: Inappropriate capitalisation of revenue expenditure*

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

*Inherent Risk: Pensions valuations and disclosures*

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

*Inherent Risk: Accounting for infrastructure assets*

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





## Executive Summary

### Areas of audit focus (continued)

#### *Inherent Risk: Valuation of Property, Plant, and Equipment and Investment Properties*

- *We have completed our work in this area and have noted a control observation over the methodology applied to the valuation of Vehicles, Plant and Equipment.*
- *We have also noted that an increase in one assets valuation accounted for as a capital addition to the fixed asset register rather than a revaluation gain in the amount of £79,500.*

#### *Inherent Risk: Recoverability of Debtors*

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

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

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

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



02

## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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

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

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

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

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

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

### Incorrect capitalisation of revenue expenditure

#### What is the risk?

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

As the Authority is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

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

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

- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ Sample tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that they meet the statutory definition for REFCUS and therefore confirm that revenue costs have not been inappropriately funded from capital.
- ▶ Considered the effectiveness of management's controls designed to address the risk.
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

#### What are our conclusions?

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

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

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



## Areas of Audit Focus

### Inherent risk

#### Pension valuations and disclosures

##### What is the risk?

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

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

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

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

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

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

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

##### What are our conclusions?

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



## Areas of Audit Focus

# Inherent Risk

### Accounting for Infrastructure Assets

#### What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. CIPFA has now released a code modification and a statutory instrument has been approved by parliament which comes into law December 25, 2022.

As a result of not writing out gross cost and accumulated depreciation where components are replaced, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated. As a result, we have raised an Inherent risk in this area.

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

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

- ▶ Continue to discuss the matter with the Authority as guidance on accounting for Infrastructure Assets is updated;
- ▶ Understand the Infrastructure Assets balance and the individual assets comprising this balance; and
- ▶ Understand the Authority's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.

#### What are our conclusions?

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

The movement in Infrastructure Assets has been immaterial and the Authority were able to evidence compliance with the Code of Audit Practice requirements in respect of Infrastructure Assets (as they currently stand).



## Areas of Audit Focus

### Significant Risk

#### Valuation of Property, Plant and Equipment & Investment Property

##### What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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

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

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

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

(Continued over the page).



## Areas of Audit Focus

### Significant Risk

#### Valuation of Property, Plant and Equipment & Investment Property

#### What are our conclusions?

We have concluded our work on Property, Plant & Equipment and identified 3 matters to report:

- ▶ A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.
- ▶ For one asset (24 Hour Moorings - Womack) we identified that an upward revaluation gain reported by the external valuer was not recorded to the Fixed Asset Register and financial statements. Following further audit procedures, we consider that this is appropriate, as a review of the asset identified that the Authority's appropriate legal title to the asset could not be proven. We therefore recommended that the asset be removed from the Fixed Asset Register in full until such a point that ownership can be proven. The carrying value of this asset is currently below our materiality threshold at £5,750. Management has updated the disclosures accordingly.
- ▶ In the current year it was identified that Vehicles, Plant, and Equipment were subject to significant revaluation movement requiring additional procedures to be performed to obtain audit assurance.

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.





## Areas of Audit Focus

### Inherent risk

#### Recoverability of Debtors

##### What is the risk?

As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Authority to revisit their provision for bad debt calculation in light of COVID-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Authority will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

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

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

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables.

##### What are our conclusions?

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



## 03 Audit Report



## Our proposed opinion on the financial statements

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

#### Opinion

We have audited the financial statements of the Broads Authority ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Authority Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 35.

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 2021/22.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of the Broads Authority as at 31 March 2022 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 2021/22.

#### 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. 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 AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

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



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Other information

The other information comprises the information included in the 'Statement of Accounts 2021/22', other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the 'Statement of Accounts 2021/22'.

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

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

We have nothing to report in this regard.

#### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Responsibility of the Director of Finance

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 12, the Director of Finance 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance 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 has no realistic alternative but to do so.

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

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

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

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

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

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



## Audit Report - continued

### Our proposed opinion on the financial statements

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Broads Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Broads Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

#### **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 work on value for money arrangements.

#### **Use of our report**

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



# 04 Audit Differences







# Audit Differences

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

We highlight misstatements greater than £47,000 which have been corrected by management that were identified during the course of our audit.

## Summary of unadjusted differences

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

- ▶ **Comprehensive Income and Expenditure Statement - Overstatement of ‘Other Expenditure’** - Other expenditure testing identified a number of items related to the 2020/21 period, as well as prepayment not appropriately adjusted for. These amounts while immaterial on their own, were part of an audit sample and therefore required extrapolation across the population, as we could not conclude that they were isolated differences. This extrapolation would lead to a total audit difference of £30,424 (reduction in expenses) with Prepayments understated by £6,600 and Short-term Creditors overstated by £23,824. Management have chosen not to adjust for this audit difference.

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

## Summary of adjusted differences

### Corrected Differences

- ▶ **Balance Sheet - Property, Plant & Equipment - Addition incorrectly recorded as expense** - A revaluation of £79,500 to one asset (Ranworth 24 Hour Moorings) was recorded as a Capital Addition rather than a Revaluation gain within the Fixed Asset Register and financial statements. This has resulted in a re-classification between the General Fund and the Revaluation Reserve together with a reduction in the Comprehensive Income & Expenditure Statement.

### Disclosure Differences

There were a number of other disclosure differences which have been adjusted for by Management within the revised financial statements and Annual Governance Statement. We do not deem any to be so significant as to merit reporting to you.



05

## Value for Money

# Value for money

## Broads Authority's responsibilities for value for money

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

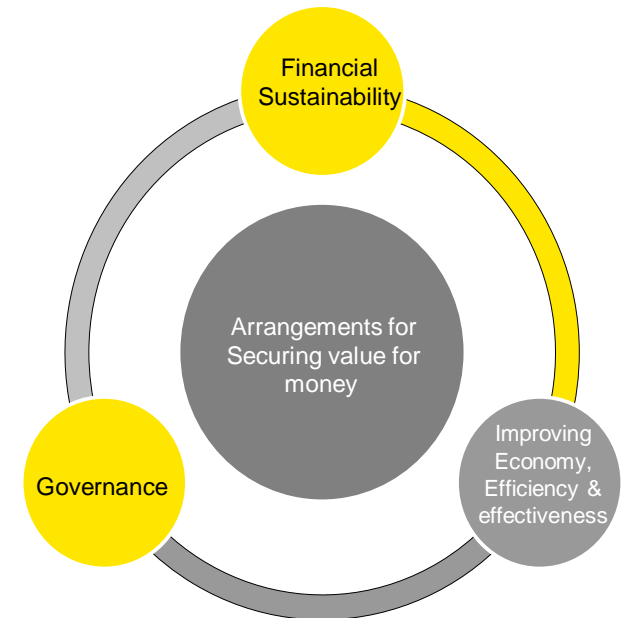
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect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

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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





## Value for money risks

### Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.



## Value for money risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

### Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Authority has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Authority management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Authority's arrangements.

As a result we had no risk based procedures to carry out and anticipate having no matters to report on VFM - as set out in Section 03 of this report. We plan to issue the VFM commentary, as required under the new Code, in January 2023, within our Auditor's Annual 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 Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent 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 can confirm it is consistent with other information from our audit of the financial statements. A clear disclosure that there were no significant weaknesses governance matters has been included within the revised Annual Governance Statement.

### Whole of Government Accounts

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

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

# Other reporting issues

### Other matters

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

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





07

## 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.

### **1. Methodology for valuation of Vehicles, Plant and Equipment.**

We identified that Management's approach to valuing Vehicles, Plant and Equipment (VPE) under the Authority's accounting policy, was not in compliance with the relevant CIPFA Code of Practice on Local Authority accounting guidance, as the 'valuer' (the relevant budget holder) of the relevant assets does not have sufficient relevant expertise and experience or with access to authoritative sources of information. This non-compliance is a control weaknesses in the valuation methodology for these assets.

The CIPFA Code of Practice does allow this class of assets with a short-life, to be valued on a Historic Cost with depreciation basis, where there is no active market for the type of asset within that class. Given the lack of an appropriately qualified person to provide a valuation of current value in existing use, the Historic Cost with depreciation methodology would be more suitable and be in compliance with the Code of Audit Practice.

**Recommendation:** The Authority should either use an appropriately qualified person as per the Code requirements to review all the valuations for this class assets (VPE) or opt to use the allowance under the CIPFA code to value these assets using the historic cost plus depreciation approach.



8

Independence

## Relationships, services and related threats and safeguards

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

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

### Services provided by Ernst & Young

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

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

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

## Other communications

### EY Transparency Report 2022

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 2022:

[EY UK Transparency Report 2022 | EY UK](#)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

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

#### *All fees exclude VAT*

**Note 1** - For 2021/22 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2020/21 and is subject to formal determination by PSAA Ltd and we would expect it to be at a similar level to that determined for 2020/21, increased by the stated annual uplift amount notified by PSAA Ltd. This includes the additional amounts in relation to the VFM reporting requirements of the NAO Code of Practice and impact of ISA540 on Estimates as in 2020/21.

**Note 2** - In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks and findings. 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 Auditor's Annual Report, or separately to this Committee depending on the timing of the determination by PSAA Ltd.







# 11 Appendices




## Appendix A

# Required communications with the Audit Committee

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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 15 July 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 15 July 2022
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 Result Report - 16 December 2022

## Appendix A

		 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 related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Result Report - 16 December 2022
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Result Report - 16 December 2022
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Result Report - 16 December 2022



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <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 Committee responsibility.</li> </ul>	Audit Result Report - 16 December 2022
Related parties	<p>Significant matters arising during the audit in connection with the entity'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 entity</li> </ul>	Audit Result Report - 16 December 2022
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>Provisional Audit Plan - 15 July 2022</p> <p>Audit Result Report - 16 December 2022</p>

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
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>	Audit Result Report - 16 December 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Result Report - 16 December 2022




# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Result Report - 16 December 2022
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Result Report - 16 December 2022
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 Result Report - 16 December 2022
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 Result Report - 16 December 2022
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Result Report - 16 December 2022

## Appendix B

# Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the financial statements. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current audit opinion is included in Section 3.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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

14 December 2022

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

Dear Emma,

### Broads Authority – 2021/22 financial year Request for a letter of representation

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

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

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

#### General statement

That the letter of representations is provided in connection with our audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2022.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2022 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 2021/22.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC30001 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.



2

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

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

#### A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority the Accounts and Audit Regulations 2015 (as amended in 2021 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. You believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. You have approved the Authority financial statements.
3. That the significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, you believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 the unadjusted audit difference, summarised in our Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Authority's financial statements taken as a whole.

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

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



3

### 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 Authority 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, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
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



4

prepared) held through the year to the most recent meeting on the following date: 14 December 2022.

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

### D. Liabilities and Contingencies

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 Authority's 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 Authority's financial statements (please specify the Notes) all guarantees that you have given to third parties.

### E. Subsequent Events

1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. 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 2021-22.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



5

2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. 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.

### H. Expenditure Funding Analysis

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

### I. Going Concern

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

### J. Ownership of Assets

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

### K. Reserves

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



6

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

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Authority's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
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 2021/22.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including due to the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
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.

### M. 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 pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



7

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 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, including due to the Covid-19 Pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

#### N. 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 and Risk Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson  
Audit Partner  
Ernst & Young LLP  
United Kingdom



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