

# Annual Audit Letter

Broads Authority

20 October 2014



Building a better  
working world

The Members  
Broads Authority  
Yare House  
62-64 Thorpe Road  
Norwich  
NR1 1RY

20 October 2014

Dear Members,

## **Annual Audit Letter**

The purpose of this Annual Audit Letter is to communicate to the Members of Broads Authority and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Broads Authority in the 2013/14 Audit Results Report issued to the Financial Scrutiny and Audit Committee on 10 September 2014.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Broads Authority for their assistance during the course of our work.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Neil Harris', is written over a faint, illegible background.

Neil Harris  
Director  
For and behalf of Ernst & Young LLP  
Enc

# Contents

<b>Executive summary.....</b>	<b>1</b>
<b>Key findings.....</b>	<b>3</b>
<b>Control themes and observations .....</b>	<b>5</b>
<b>Fees update .....</b>	<b>6</b>

# Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 11 February 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Broads Authority for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 10 September 2014 we issued our report in respect of the Authority.
Notify the NAO that the Authority is below the Whole of Government Accounts threshold and provide the supporting calculations to confirm.	We reported our findings to the National Audit Office on 25 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

---

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 26 September 2014 we issued our audit completion certificate.

---

# Key findings

## Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 26 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

### Significant risk 1: Valuation of property, plant and equipment

---

The last full valuation of property, plant and equipment was 2012. This increases the risk that assets are not recorded at the correct value.

We agreed the revaluations to reports provided by the Authority's valuation expert. We assessed the qualifications, independence and scope of the Authority's valuation expert to ensure we could rely upon the valuation reports provided.

We have no issues to report from our comparison to industry trends and the accounting treatment of revaluations.

---

### Other risk 1: Accounting for lease arrangements

---

The lease on Yare House included a rent free period which was not correctly accounted for in 2012/13. Officers have identified the error and made a correction in the 2013/14 accounts.

We reviewed the accounting treatment of the Yare House lease to ensure it had been correctly stated and sample tested other lease agreements to ensure the treatment was correct.

We have no issues to report from our review of lease arrangements.

---

### Other risk 2: Risk of misstatement due to fraud and error

---

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. This included testing capital expenditure to ensure the nature of the costs were not revenue costs.

There were no issues arising from this work.

---

## **Value for money conclusion**

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Audit Commission has determined that the scope of our work on value for money at the Authority is limited to a review of your annual governance statement (AGS) unless any specific risks are identified.

We issued an unqualified value for money conclusion on 26 September 2014. Our audit did not identify any significant matters.

## **Whole of government accounts**

We notified the National Audit Office that the Authority is below the Whole of Government Accounts threshold. We reported that the PPE disclosures and the pension liabilities in the Authority's consolidation pack are consistent with the audited statutory accounts.

## **Annual governance statement**

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

## Control themes and observations

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. Although our audit was not designed to express an opinion on the effectiveness of internal control, we communicate to those charged with governance at the Authority, as required, any significant deficiencies in internal control.

Our audit did not identify any control issues that we need to bring to your attention.



## Fees update

A breakdown of our agreed fee is shown below.

	<b>Final fee 2013/14 £</b>	<b>Planned fee 2013/14 £</b>	<b>Actual fee 2012/13 £</b>
Total Audit Fee – Code work	13,943	13,943	13,943

We communicated our planned fee to you within our Audit Plan issued in February 2014; providing an estimated update within our Audit Results Report issued in September 2014.

**EY** | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

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.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)