

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2005/2006

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2005/2006

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Explanatory Foreword

1. The Broads Authority's accounts for the year 2005/06 are set out on pages 8 to 35. They consist of:-
 - The General Account covering income and expenditure on all functions other than navigation. This includes conservation, planning, information and interpretation and recreation.
 - The Navigation Account which shows income and expenditure for the navigation function. This includes the cost of dredging, weed clearance, maintenance of moorings, notice board and channel marking, removal of obstructions, patrolling and income from tolls collection.
 - The Consolidated Balance Sheet which sets out the financial position of the Authority as at 31 March 2006.
 - A Statement of Total Movement in Reserves.
 - A Cash Flow Statement which focuses on the flow of cash through the Authority between 1 April 2005 and 31 March 2006.
 - A Statement of Responsibilities for the Statement of Accounts.
 - A Statement on Internal Control.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.

2. This foreword provides a brief explanation of the financial aspects of the Authority's activities, and draws attention to the main characteristics of the Authority's financial position. The three statements below show in broad terms where the Authority's money comes from, what it is spent on and what functions it performs.

3. Income Sources

	<u>2004/2005</u>		<u>2005/2006</u>	
	£'000	%	£'000	%
Defra	2,865	49	3,708	56
Tolls	1,653	28	1,723	26
Other Income (see note)	1,356	23	1,172	18
	<u>5,874</u>	<u>100</u>	<u>6,603</u>	<u>100</u>

Note

Other income includes sales and grants from supporting organisations.

4. Main Spend Headings

	<u>2004/05</u>		<u>2005/06</u>	
	£'000	%	£'000	%
Employees	2,858	50	3,054	48
Running Expenses (see note)	2,689	47	3,367	52
Capital Financing Costs	160	3	0	0
	<u>5,707</u>	<u>100</u>	<u>6,421</u>	<u>100</u>
Contribution to /(from) Reserves	<u>167</u>		<u>182</u>	
	<u>5,874</u>		<u>6,603</u>	

Note

48% of total expenditure is incurred on employee costs. Running expenses are incurred on broad's restoration, dredging, weed clearance, projects, tourist information centres, maintenance of buildings and the operation of vehicles.

5. Expenditure by Service Function

	<u>2004/05</u>		<u>2005/06</u>	
General Account	£'000	%	£'000	%
Research and Strategy	902	15	1,105	17
Field Services	1,124	19	1,387	21
Planning and Development	328	6	397	6
Corporate Services	1,661	29	1,700	26
Navigation Account				
Research and Strategy	162	3	211	3
Field Services	1,231	23	1,529	23
Corporate Services	275	5	281	4
	<u>5,683</u>	<u>100</u>	<u>6,610</u>	<u>100</u>
Accounting Adjustments	24		(189)	
	<u>5,707</u>		<u>6,421</u>	
Contribution to/(from) Reserves	<u>167</u>		<u>182</u>	
	<u>5,874</u>		<u>6,603</u>	

6. Revenue Expenditure - General Account 2005/06

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	4,631,900	4,499,210	(132,690)
<u>Income</u>			
Defra Grant	3,708,200	3,708,182	18
Interest on Balances	25,000	61,190	(36,190)
Other	799,500	914,032	(114,532)
Contribution from/(to) Reserves	<u>99,200</u>	<u>(184,194)</u>	<u>(283,394)</u>

Budget lines underspent will be carried forward to the next financial year subject to member's approval. Total underspends on the General Account are estimated to be £74,000. A budget of £4,681,000 has been adopted for 2006/07 and requires a draw on revenue of £1,500.

7. Revenue Expenditure - Navigation Account 2005/06

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	1,998,700	1,922,081	(76,619)
<u>Income</u>			
Tolls	1,722,400	1,723,065	(665)
Interest on Balances	40,000	52,906	(12,906)
Other	131,400	143,777	(12,377)
Contribution from/(to) Reserves	<u>104,900</u>	<u>2,333</u>	<u>(102,567)</u>

A budget of £2,156,900 has been adopted for 2006/07 and requires a draw on revenue of £131,700.

8. Accounting Policies and Pensions

The accounting policies adopted by the Authority comply with relevant recommended accounting practices. The Authority's policies are explained fully in the notes to the accounts set out from page 5 onwards. Pages 20 - 24 contain information relating to pensions and retirement benefits.

9. Further Information

Further information about the accounts is available from the Head of Finance, 18 Colegate, Norwich NR3 1BQ. This is part of the Authority's policy of providing full information about its affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

Date: _____

John Duvall (Treasurer and Finance Adviser)

Broads Authority

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005 Statement of Recommended practice, the recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of Statement of Standard Accounting Practices (SSAPs) and Financial Reporting Standards (FRSs) and Urgent Issues Task Force (UITF's).

2. Fixed Assets

Fixed Assets aged over five years are revalued following broadly the principles stated in the Public Sector Statement of Recommended Accounting Practice (SORP). The Broads Authority adopted the following valuation and accounting treatment.

Operating assets are valued at the lesser of:-

- (a) net current replacement cost; and
- (b) net realisable value in existing use.

The difference between the revalued amount and the historic cost of fixed assets is credited to a Fixed Asset Restatement Account. There is therefore, no effect on the revenue account.

A de minimus limit of £5,000 is used to recognise fixed assets.

Revaluation and Impairment reviews are conducted in accordance with FRS15 Tangible fixed assets. Land and Buildings are revalued by Norfolk Property Services every 5 years, with annual impairment reviews performed by Broads Authority Directors in the intervening years.

Depreciation is charged in accordance with FRS15 and each class of asset is considered separately. Assets (excluding land) are depreciated at cost or revalued amount less estimated residual value. The depreciable amount (i.e. cost, or revalued amount, less residual value) of a tangible fixed asset is recognised in the Revenue account, on a systematic basis that reflects as fairly as possible the pattern in which the assets economic benefits are consumed by the entity, over its useful economic life.

The notional rates of interest used are 3.5% (2004/05 – 3.5%) for those fixed assets included in the balance sheet at current value and 4.95% (2004/05 – 4.8%) for community assets.

3. Debtors and Creditors

The revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Accounting Practice and adopted in accordance with FRS18. That is, sums due to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year.

4. Stocks

Stock is included in the Balance Sheet at the lower of cost or net realisable value in accordance with SSAP9.

5. Reserves

Reserves can be cash or non-cash backed, and can be used to meet general or earmarked future expenditure. Non cash backed reserves are the Fixed Asset Restatement Account, the Capital Financing Account, the Government Grants Deferred Account and the Pension Reserve. Earmarked reserves are held for fulfilling specific projects, see balance sheet note 9, at page 25.

6. Investment Interest

Surplus revenue funds are invested with Broadland District Council and interest is credited to the General, Navigation and specific reserve accounts based on the average level of their balances.

7. Investments

Investments are shown in the Consolidated Balance Sheet at cost.

8. Defra Grant

Grants are essential to enable the Broads Authority to achieve its strategic aims and objectives as defined by the Norfolk and Suffolk Broads Act 1988 (as amended by the Natural Environment and Rural Communities Act 2006).

The strategic aims and objectives are:-

- (a) To conserve and enhance the natural beauty, wildlife and cultural heritage of the Broads;
- (b) To promote opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- (c) To protect the interests of navigation.

Grants are credited to the Authority's Revenue Account and matched with related expenditure in accordance with SSAP4, i.e. when:-

- (a) Conditions for receipt have been complied with;
- (b) There is reasonable assurance that the grant will be received.

9. Segmental Reporting

In accordance with the Norfolk and Suffolk Broads Act 1988 and SSAP25 the Broads Authority prepares separate General and Navigation Revenue Accounts.

10. Allocation of Costs

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

Recharges between the General and Navigation Accounts are made on a percentage basis of the service or goods consumed.

11. The Euro

An Economic and Monetary Union (EMU) came into being on 1 January 1999 and a new currency, the Euro, was introduced. However, the Government has agreed that the United Kingdom should not join at present.

Whilst it is recognised that membership of the Union would have implications for the Broads Authority, no significant resources have yet been devoted to dealing with the issue, nor has any assessment been made into the likely cost to the Broads Authority in the event of UK membership. At this stage a watching brief on developments is being maintained and advice issued nationally is being monitored.

12. Leasing

Leases are classified in accordance with SSAP21 "Accounting for Leases and Hire Purchase Contracts". Leases are appropriately classified as finance leases or operating leases. Finance leases are recorded in the balance sheet as an asset and as an obligation to pay future rentals. Operating lease obligations are not recorded in the balance sheet, but information of the obligation is disclosed by way of note to the financial statements. Operating lease rental are charged on a straight-line basis over the lease term to the revenue account.

13. Retirement Benefits

Retirement benefits are included in the financial statement in accordance with Financial Reporting Standard 17 (FRS17). The objectives of FRS17 are:

- the assets and liabilities arising from the employer's retirement benefit obligations are to be reflected at fair value;
- the operating costs of providing retirement benefits are to be recognised in the accounting periods in which the benefits are earned by the employees;
- the related financing costs and other charges in the value of assets and liabilities are to be recognised in the accounting period in which they arise;
- There is adequate disclosure in respect of the above.

14. Capital Grants

Government grants and other contributions of a capital nature are accounted for on an accruals basis and recognised in the Consolidated Balance Sheet when conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Capital grants when received in the future, will be initially credited to the Capital Grants and Contributions Account, from where they are transferred to the Government Grants Deferred Account when used to finance capital expenditure. Grants are then released to the Consolidated Revenue Account so as to offset the appropriate amount of depreciation on the assets to which they refer.

Broads Authority
General Account - Revenue Account

<u>2004/05</u>		<u>2005/06</u>	
<u>Net</u>		<u>Gross</u>	<u>Net</u>
<u>Expenditure</u>		<u>Expenditure</u>	<u>Income</u>
£		£	£
			<u>Expenditure/</u>
			<u>(Income)</u>
			£
	RESEARCH AND STRATEGY		
457,001	Employee and Operations	559,378	33,457
74,064	Broads Strategy	43,633	5,560
58,433	Conservation Strategy – Rivers and Broads	146,662	21,428
(9,131)	Conservation Strategy – Fen Harvesting	67,865	68,176
48,685	Conservation Strategy – Fen and Drained Marshland	52,443	8,400
(22,269)	Trinity Broads Partnership	44,612	68,333
23,548	Recreation and Tourism Strategy	148,791	28,425
(34,394)	Flood Alleviation	26,123	40,000
0	Navigation Strategy	15,711	0
	FIELD SERVICES		
871,802	Employee and Operations	968,912	59,420
37,261	Countryside Management	210,985	105,024
3,739	Navigation Operations	155,000	0
0	Navigation Works and Maintenance	13,071	5,654
73,741	Landscape and Project Management	38,525	17,318
	PLANNING AND DEVELOPMENT		
180,465	Employee and Operations	161,172	0
2,831	Development Control	180,339	63,180
7,791	Forward Planning	30,340	87
9,306	Landscape and Cultural Strategy	24,334	0
(35,935)	Beacon Council	1,340	0
	CORPORATE SERVICES		
622,415	Employee and Operations	819,400	11,366
52,129	Information and Design	39,550	1,000
88,028	Finance	95,844	0
92,560	Information Technology	188,183	100,000
42,893	Personnel	51,588	5,147
187,182	Support Services	305,920	68,149
54,690	Sustainable Development Fund	200,000	203,908
2,886,835		4,589,721	914,032
(215,338)	Less Corporate and Democratic Core	(250,170)	0
2,671,497		4,339,551	914,032
215,338	Add Corporate and Democratic Core	250,170	0
2,886,835		4,589,721	914,032
(27,937)	Transfer to/(from) Asset Management Reserve Account (Note 2)		
(39,124)	Interest		
(18,927)	Pensions interest cost and expected return on pensions assets (Page 20 – Note 7)		
2,800,847	Balance carry forward to next page		3,607,128

Broads Authority
General Account – Revenue Account (continued)

<u>2004/05</u> Net Expenditure £		<u>2005/06</u> Net Expenditure/ (Income) £
2,800,847	Balance brought forward from previous page	3,607,128
	APPROPRIATIONS	
	Contributions to/from Capital Reserves	
(25,125)	- Minimum Revenue Provision – Depreciation (Note 2)	(26,272)
28,410	- Financing of Capital Expenditure (Note 6)	0
(7,047)	Movement on pensions reserve (Note 5)	(56,868)
<u>2,797,085</u>		<u>3,523,988</u>
(2,865,680)	Amount to be met from Defra Grant	(3,708,182)
<u>(68,595)</u>	(Surplus)/Deficit for Year	<u>0</u> (184,194)
<u>(575,311)</u>	Opening Balance	<u>(643,906)</u>
<u>(643,906)</u>	Closing Balance	<u>(828,100)</u>

Broads Authority
General Account - Revenue Account

Notes to the General Account - Revenue Account

1. Staff Remuneration

The remuneration of staff within the relevant bands was as follows:-

£	<u>2004/05</u>	<u>2005/06</u>
	Number of Staff	Number of Staff
50,000 – 59,999	0	0
60,000 – 69,999	1	0
70,000 – 79,999	0	1

2. Asset Management Reserve Account

The following amounts have been charged on fixed assets during 2005/06:-

	Depreciation	Notional Interest
	£	£
Research and Strategy Operations	22,060	20,023
Field Services Operations	2,560	5,511
Field Services Countryside Management	1,652	2,147
Total	<u>26,272</u>	<u>27,681</u>

3. Revenue Account

The Broads Authority is a special statutory authority created under the provisions of the Norfolk and Suffolk Broads Act 1988. Due to the exceptional nature of the organisation, the Broads Authority has departed from the service expenditure analysis prescribed in the Best Value Accounting Code of Practice.

4. Disclosure of General Account Audit Costs

The Broads Authority has incurred the following fees relating to external audit:

	2004/05	2005/06
	£	£
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	10,700	11,620

5. Movement in Pension Reserve

The Broads Authority staff pension scheme is a defined benefit scheme administered by Norfolk County Council. Further information on this scheme can be found on page 20, note 7.

	2004/05	2005/06
	£000	£000
Service Cost	(233.8)	(255.9)
Interest Cost	(282.5)	(356.1)
Expected Return on Assets	301.4	335.8
Pension Costs	207.8	219.3
Total	<u>(7.1)</u>	<u>(56.9)</u>

6. Financing of Capital Expenditure

	2004/05	2005/06
	£000	£000
Water Bowser	7.2	0.0
Yanmar Tracked Carrier	9.4	0.0
Argocat Response	11.8	0.0
Total	<u>28.4</u>	<u>0.0</u>

7. Leasing – General Account

	Paid 2005/06	Future Commitments		
		Year 1	Year 2-5	>5 years
	£	£	£	£
Operating Leases - Vehicle Contract Hire	91,128	14,378	46,117	0
- Telephone Equipment	19,871	0	7,750	0
- Photocopiers	7,606	0	7,419	0
- Buildings	48,159	0	46,500	1,659
- Land	9,130	4,253	0	623

Some building and land operating leases have conditions which will require revisions in later years. These future commitments are stated above at current value.

8. Members Allowances – General Account

The total of members allowances paid in the year was £6,492 (2004/05 - £6,984).

9. Related Party Transactions – General Account

There were no material related party transactions notified during the year.

Broads Authority
Navigation Account - Revenue Account

<u>2004/05</u>		<u>2005/06</u>
£		£
	Expenditure	
	RESEARCH AND STRATEGY	
98,386	Employee and Operations	117,301
63,166	Navigation Strategy	93,774
	FIELD SERVICES	
691,339	Employee and Operations	758,666
(10,045)	Navigation Operations	158,427
549,511	Navigation Works and Maintenance	618,238
	CORPORATE SERVICES	
160,350	Employee and Operations	173,649
52,495	Finance	48,293
9,302	Navigation Tolls	11,997
9,602	Information Technology	13,214
10,673	Personnel	7,975
32,946	Support Services	25,826
1,667,725		2,027,360
(33,075)	Transfer to/(from) Asset Management Reserve Account (Note 1)	(30,999)
(42,405)	Interest	(52,906)
(8,073)	Pensions interest cost and expected return on pensions assets (Page 20 – Note 7)	9,690
1,584,172	Net Operating Expenditure	1,953,145
	APPROPRIATIONS	
(12,500)	Contributions to/(from) Capital Reserves	
	- Minimum Revenue Provision – Depreciation (Note 1)	(56,838)
131,925	- Financing of Capital Expenditure (Note 6)	0
(2,953)	Movement on pensions reserve (Note 5)	(27,132)
1,700,644		1,869,175
	INCOME	
(687,140)	Pleasure Craft – Hire (Note 2)	(680,999)
(941,763)	Pleasure Craft – Private (Note 2)	(1,014,145)
(24,428)	Short Visits (Note 2)	(27,921)
(146,019)	Other	(143,777)
(1,799,350)	Total Income	(1,866,842)
(98,706)	Deficit /(Surplus) for year	2,333
(382,195)	Opening Balance	(480,901)
(480,901)	Closing Balance	(478,568)

Notes to the Navigation Account - Revenue Account

1. Asset Management Reserve Account

The following amounts have been charged to fixed assets during 2005/06:-

	Depreciation	Notional Interest
	£	£
Field Services Operations	21,648	9,131
Field Services Navigation Works and Maintenance	35,190	21,868
Total	<u>56,838</u>	<u>30,999</u>

2. Income

The major element of income relates to pleasure craft tolls. For any craft using the rivers and broads within the Authority's Executive Area a toll is payable based on the dimensions of the vessel.

3. Revenue Account

The Broads Authority is a special statutory authority created under the provisions of the Norfolk and Suffolk Broads Act 1988. Due to the exceptional nature of the organisation, the Broads Authority has departed from the service expenditure analysis prescribed in the Best Value Accounting Code of Practice.

4. Disclosure of Navigation Account Audit Costs

The Broads Authority has incurred the following fees relating to external audit:

	2004/05	2005/06
	£	£
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	4,500	4,980

5. Movement in Pension Reserve

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. Further information on this scheme can be found on page 20, note 7.

	2004/05	2005/06
	£000	£000
Service Cost	(99.2)	(122.1)
Interest Cost	(120.5)	(169.9)
Expected Return on Assets	128.6	160.2
Pension Costs	88.2	104.7
Total	<u>(2.9)</u>	<u>(27.1)</u>

6. Financing of Capital Expenditure

	2004/05 £000	2005/06 £000
Shoveler Workboat	131.9	0.0
Total	<u>131.9</u>	<u>0.0</u>

7. Leasing – Navigation Account

	Paid 2005/2006 £	<u>Future Commitments</u>		
		Year 1 £	Year 2-5 £	>5 years £
Operating Leases - Vehicle Contract Hire	10,679	2,069	0	0
- Telephone Equipment	5,769	0	2,250	0
- Photocopiers	2,208	0	2,154	0
- Buildings	13,982	0	13,500	482
- Land	9,560	0	5196	4364

Some building and land operating leases have conditions which will require revisions in later years. These future commitments are stated above at current value.

8. Members Allowances – Navigation Account

The total of members allowances paid in the year was £2,782 (2004/05 - £2,993).

9. Related Party Transactions – Navigation Account

There were no material related party transactions notified during the year.

**Broads Authority
Consolidated Balance Sheet**

<u>As at</u> <u>31.03.05</u> £			£	<u>As at</u> <u>31.03.06</u> £
	<u>Fixed Assets</u>			
791,788	Land and Buildings - Operational Assets	Note 1	912,960	
333,544	Land and Buildings - Community Assets	Note 1	322,846	
-	Infrastructure Assets	Note 1	259,052	
473,969	Vehicles and Vessels	Note 1	396,399	
<u>1,599,301</u>			<u>1,891,257</u>	
20,693	Long Term Debtors	Note 3		7,441
	<u>Current Assets</u>			
109,316	Stock		151,719	
240,647	Debtors	Note 4	513,647	
1,990,000	Investments	Note 5	2,090,000	
625,851	Cash at Bank		2,144,238	
1,550	Cash in Hand		1,930	
<u>2,967,364</u>			<u>4,901,534</u>	
	<u>Current Liabilities</u>			
(2,530,000)	Pension Liability	Note 7	(2,830,000)	
(1,183,096)	Creditors	Note 6	(2,767,679)	
<u>(745,732)</u>	Net Current (Liabilities)/Assets			<u>(696,145)</u>
<u>874,262</u>				<u>1,202,553</u>
	<u>Represented by:-</u>			
1,616,087	Fixed Asset Restatement Account	Note 11		1,732,101
(16,786)	Capital Financing Account	Note 10		(99,882)
-	Government Grants Deferred	Note 2		259,052
(2,530,000)	Pension Reserve	Note 7		(2,830,000)
680,154	Earmarked Reserves	Note 9		834,614
	<u>Fund Balances</u>			
643,906	General Account Fund Balance			828,100
480,901	Navigation Account Fund Balance			478,568
<u>874,262</u>				<u>1,202,553</u>

Treasurer and Financial Adviser's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Broads Authority at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

John Duvall (Treasurer and Financial Adviser)

Date

**Broads Authority
Chairman's Statement**

I confirm that these accounts were approved by The Broads Authority at the meeting held on 30 June 2006.

Signed on behalf of The Broads Authority:

Chair of meeting approving the accounts.....
Professor R K Turner

Date.....

Broads Authority
Notes to the Consolidated Balance Sheet

1. Fixed Assets

Land and Buildings are split into Operational, Community and Infrastructure assets. Operational assets are revalued by Norfolk Property Services every five years. Where the asset consists of a mix of land and buildings, land is assumed to represent 20% of the value of the asset. Community assets are treated as consisting of only land, and are recorded on the Balance Sheet at historic cost. Infrastructure Assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created. They are carried at historical cost less depreciation (based on the useful economic life of the assets) in the balance sheet and currently consist of a Boardwalk. Buildings have been depreciated over a fifty year period and are included on the Balance Sheet at their revalued amount less depreciation.

Vehicles and Vessels are depreciated over a seven year period and are included on the Balance Sheet at their revalued amount less depreciation.

Fixtures and fittings are depreciated over a five year period and are included on the Balance Sheet at their revalued amount (or cost if agreed less than five years) less depreciation. There are currently no fixtures and fittings appearing on the Balance Sheet.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue.

An independent valuation of the following assets as at 31 March 2006 was carried out by Mr R L Arnett FRICS of NPS Property Consultants Limited at

- (a) Boathouse and land at Wroxham
- (b) Boathouse and land at Irstead
- (c) Public Conveniences at East Neatishead
- (d) Car Park at East Neatishead

An independent valuation of the following assets as at 31 March 2005 was carried out by Mr R L Arnett FRICS of NPS Property Consultants Limited at:

- (a) Ranworth Tourist Information Centre;
- (b) Ludham Field Base; and
- (c) How Hill Estate

These valuations are incorporated in the financial statements and have been used as 'beacon' figures to value other assets owned by the Broads Authority.

An impairment review has been undertaken. As at 31 March 2006 no assets belonging to the Authority were considered to be written down due to impairment.

The notional rates of interest used are 3.5% (2004/05 – 3.5%) for those fixed assets included in the balance sheet at current value and 4.95% (2004/05 – 4.8%) for community assets.

Land and Buildings

	Operational Assets £
Certified valuation at 31.3.2005	791,788
Accumulated Depreciation	0
Net book value at 31.3.2005	791,788
Valuation Adjustment re 04/05	22,212
Depreciation during year	(5,540)
Revaluations at 31.03.06	63,500
Transfer from Community Assets	41,000
Value at 31.3.2006	912,960

The valuation adjustment of £22,212 relates to correction of an accounting misstatement in the 31/03/05 accounts.

	Community Assets (at cost) £
Net book value at 31.3.2005	333,544
Revaluations at 31.03.2006	30,302
Transferred to Operational Assets	(41,000)
Net book value at 31.03.2006	322,846

	Vehicles and Vessels £
Certified valuation at 31.3.2005	542,851
Accumulated depreciation and impairment	(68,887)
Net book value at 31.3.2005	473,964
Additions	0
Disposal	0
Depreciation	(77,565)
Valuation adjustment	0
Net book value at 31.3.2006	396,399

Two boathouses and associated land at Wroxham and Irstead have been professionally valued by NPS at 31/03/2006, creating a revaluation adjustment of £30,302. These assets are more appropriately classified as operational assets and have therefore been subsequently transferred to operational assets at a valuation of £41,000.

	Infrastructure Assets (at cost)
Costs & NBV as at 31.03.2006	259,052

The Infrastructure asset consists of a Boardwalk constructed during 2001/2002 & 2002/03, but which the Authority has now identified as being a capital asset. It has been capitalised at cost of construction. It will be depreciated over its remaining useful life of 17 years. It is represented by a Government Grant Deferred Account shown in the balance sheet.

In accordance with FRS15, Fixed Assets are reviewed annually for significant impairment. During 2005/06 there has not been:-

- a significant decline in a fixed asset's market value;
- evidence of obsolescence or physical damage to a fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the Authority operates;
- A commitment by the Authority to undertake a significant reorganisation that will affect the value of Fixed Assets.

2. Government Grants Deferred

All capital grants received are amortised over the same period as the asset they finance. The Government Grants Deferred Account represents the balance of grants received not yet amortised.

During the year the Barton Boardwalk has been capitalised at the cost of construction. This project was primarily funded by The Millennium Commission and therefore a Government Grants Deferred Account has been created. This will be amortised in line with the depreciation on the Boardwalk.

3. Long Term Debtors

2004/05		2005/06
£		£
5,227	Loans to Employees	0
15,466	Initial vehicle rental paid in advance	7,441
<u>20,693</u>		<u>7,441</u>

4. Debtors due within 1 year

2004/05		2005/06
£		£
228,908	Sundry debtors and prepayments	500,355
7,740	Loans to employees	2,143
3,999	Initial vehicle rental paid in advance	11,149
<u>240,647</u>		<u>513,647</u>

Debtors and prepayments have increased during the year due to an increase in annual prepayments in advance, VAT, repayment of grant and an increase in sundry debtors.

Consideration has been given for bad and doubtful debts but it is felt that due to the system in operation bad debts will be very small and thus no provision is required.

5. Investments

Surplus revenue funds are invested with Broadland District Council and are shown in the Balance Sheet at cost.

6. Creditors and Receipts in Advance

2004/05		2005/06
£		£
308,494	Creditors and accruals	677,054
874,602	Tolls received in advance	802,625
0	Defra grant received in advance	1,288,000
<u>1,183,096</u>		<u>2,767,679</u>

Creditors have increased in 2005/06 mainly because Defra grant for 2006/07 was received in advance. Tolls received in advance are down because Easter was late and as a consequence the boat season started later. General creditors are higher due to large projects funded by Defra additional grant.

7. Pensions and Retirement Benefits

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. In 2005/06 the Authority paid an employer's contribution of £293,400 (2004/05 £264,963) into the Superannuation Fund representing 14.0% (2004/05 – 13.3%) of superannuable employee's reckonable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last full review was carried out on 1 April 2004, being effective from 1 April 2005. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition the Broads Authority is responsible for all pension payments relating to added years benefits it has awarded, together with lump sums, compensation payments and related increases. In 2005/06 these amounted to £30,518 (2004/05 - £30,218).

An actuarial valuation as at 31 March 2006 was made by Hymans Robertson (actuaries to the Norfolk County Council Pension Fund) for the purpose of Financial Reporting Standard (FRS) 17 – Retirement Benefits. Their calculations were carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits, under FRS17 issued by the Institute and Faculty of Actuaries.

Changes in the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Authority's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change in the pension scheme.

The actuary has calculated the value of assets by estimating the return on the fund for the year to 31 March 2006 to be 24.7%; this was based on actual fund returns of 20.8% for the period 1 April 2005 to 31 January 2006 and index returns for the period from 31 January 2006 to 31 March 2006.

The actual fund return for the year to 31 March 2006 was 28.4%, and the total fund value including all employers as at 31 March 2006 was £1,736,327,000. This total includes the assets attributable to the Broads Authority.

The following tables show the actuaries calculations and assumptions made for the year ended 31 March 2006 and shows a Net Pension Liability for the Broads Authority at 31 March 2006 of £2,830,000 (2004/05 - £2,530,000).

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2004, 31 March 2005 and 31 March 2006 are as follows:

Assumptions as at	31 Mar 2006	Real	31 Mar 2005	Real	31 Mar 2004	Real
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	3.1%	-	2.9%	-	2.9%	-
Salary Increases	4.6%	1.5%	4.4%	1.5%	4.9%	2.0%
Pension Increases	3.1%	-	2.9%	-	2.9%	-
Discount Rate	4.9%	1.7%	5.4%	2.4%	6.5%	3.5%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2006. Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The discount rate employed for the 2005/06 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date. For accounting periods prior to 2004/05, employers following CIPFA's guidance adopted a real discount rate of 3.5% per annum, as shown in the table above.

Norfolk Pension Fund Assets

An estimate of the assets of the whole Fund as at 31 March 2005 is shown in the table below:

Assets Whole Fund	Value at 31 Mar 2006	Asset Distribution	Value at 31 Mar 2005	Asset Distribution	Value at 31 Mar 2004	Asset Distribution
	£000	%	£000	%	£(000)	%
Equities	1,223,448	71%	908,350	69%	761,635	65%
Bonds	244,936	14%	211,536	16%	217,166	19%
Property	209,106	12%	146,347	11%	119,220	10%
Cash	40,882	2%	46,360	4%	65,806	6%
Total	1,718,372	100%	1,312,593	100%	1,163,827	100%

Please note that the actual total value of the Fund assets as at 31 March 2006 may be different from that shown. The figure in the table is only used to determine the asset distribution and does not allow for cashflows into/out of the Fund since 31 January 2006. This does not affect the assets attributed to each employer, which do allow for cashflows since 31 January 2006. Similarly, the value of the Fund assets shown as at 31 March 2005 may not match that shown in the 2005 FRS17 disclosures, which were based on estimated assets.

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2006 for the year to 31 March 2007).

FRS17 requires that the expected return on assets is to be set by the Employer having taken actuarial advice. The expected returns as at 31 March 2004, 31 March 2005 and 31 March 2006 are shown in the table below:

Asset Class	Expected Return at 31 March 2006 (% per annum)	Expected Return at 31 March 2005 (% per annum)	Expected Return at 31 March 2004 (% per annum)
Equities	7.4%	7.7%	7.7%
Bonds	4.6%	4.8%	5.1%
Property	5.5%	5.7%	6.5%
Cash	4.6%	4.8%	4.0%

Retirement Benefits Balance Sheet disclosure as at 31 March 2006

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to 31 March 2006		Year to 31 March 2005	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Service Cost	378	17.7%	333	16.7%
Past Service Costs	-	-	-	-
Curtailment and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	378	17.7%	333	16.7%
Amount Credited to Other Finance Income	Year to 31 March 2006		Year to 31 March 2005	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Expected Return on Employer Assets	496	23.2%	430	21.6%
Interest on Pension Scheme Liabilities	(526)	(24.6%)	(403)	(20.2%)
Net Return (B)	30	(1.4%)	27	1.4%
Net Revenue Account Cost (A)-(B)	408	19.1%	306	15.3%

The service cost figures are based on the Regulations as they currently stand, i.e. they allow for members to retire on their "Rule of 85" age as set out in the Local Government Pension Scheme (Amendment) Regulations 2005. They also include an allowance for expenses of 0.4%.

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 March 2006 £000s	Year to 31 March 2005 £000s
Actual Return Less Expected Return on Pension Scheme Assets	1,276	272
Experience Gains and Losses Arising on the Scheme Liabilities	(7)	(276)
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(1,485)	(1,470)
Actuarial (Loss) in Pension Plan	(216)	(1,474)
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial (Loss)/Gain Recognised in STRGL	(216)	(1,474)

Movement in Surplus/Deficit during the Year

	Year to 31 March 2006 £(000)	Year to 31 March 2005 £(000)
Surplus/ (Deficit) at beginning of the year	(2,530)	(1,046)
Current Service Cost	(378)	(333)
Employer Contributions	311	283
Contributions in respect of Unfunded Benefits	13	13
Other Income	-	-
Other Outgo (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of Settlements and Curtailments	-	-
Net Return on Assets	(30)	27
Actuarial Gains/(Losses)	(216)	(1,474)
Surplus/ (Deficit) at End of Year	(2,830)	(2,530)

History of Experience Gains and Losses

	Year to 31 March 2006 £(000)	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)	Year to 31 March 2003 £(000)
Difference Between the Expected and Actual Return on Assets	1,276	272	753	(1,474)
Value of Assets	9,020	7,124	6,210	4,885
Percentage of Assets	14.1%	3.8%	12.1%	(30.2%)
Experience Gains/(Losses) on Liabilities	(7)	(276)	(61)	(87)
Total Present Value of Liabilities	11,850	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	(0.1%)	(2.9%)	(0.8%)	(1.4%)
Actuarial Gains/Losses Recognised in STRGL	(216)	(1,474)	692	(1,561)
Total Present Value of Liabilities	11,850	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	(1.8%)	(15.3%)	9.5%	(24.2%)

The pension fund is a long term commitment and this will be reflected in the approach taken and the assumptions used in this actuarial valuation. To smooth out some of the volatility, the actuary will normally consider average market conditions in the 12 months leading up to the report.

FRS17 is an accounting standard, which details what pension fund information needs to be included in the accounts. The method of doing these calculations is prescribed, as are some of the assumptions. No smoothing is allowed so that these figures reflect the position of the Fund only on one particular day (in this case 31 March 2006) based on a prescribed set of assumptions.

The difference in smoothing means that the relationship between assets and liabilities in the FRS17 basis is much more volatile than the triennial valuation. In simple terms, the FRS17 surplus or deficit is likely to “jump around” much more than the triennial valuation.

Inevitably, FRS17 will produce different results from the above actuarial valuation. In particular, the surplus, or deficit, is likely to be different from that published in the triennial valuation. FRS17 valuations do not determine the contributions that employers need to pay into the fund. Actual contribution rates are set by a triennial valuation.

Further information regarding pensions and retirement benefits can be found in Norfolk County Council’s Superannuation Fund’s Annual Report which is available upon request from the Pension Services Manager, ITEX, County Hall, Martineau Lane, Norwich NR1 2DW.

8. Contingent Liability

The Authority has made payments since 1998/99 totalling £30,080 for conservation management’s agreements which fall within the European Union’s definition of “State Aid” in relation to farming support.

The Authority has also made payments since the year 2000 amounting to £1,453 per annum for public access agreements which also fall within the European Unions definition of “State Aid”. These access agreements are continuing but need to be terminated and renegotiated under the terms of the new scheme that has EU approval.

Advice received by the Authority is that these “State Aid” payments require retrospective approval from the EU and that the Department for Environment, Food and Rural Affairs has submitted an application to that effect. Should this approval not be forthcoming, this may result in a liability for the Authority to repay government funding it has received in support of these payments. It is not possible to at the date of these accounts to identify neither the expected timing of approval for these payments nor the likely outcome of the application.

9. Earmarked Reserves

2004/05		2005/06
£		£
0	New Office Accommodation	136,003
117,137	Vessel Replacement	140,590
82,752	Mutford Lock Endowment	134,982
168,132	Planning Delivery	272,232
239,532	Implementing Electronic Government	123,032
56,801	Sustainable Development Fund	27,775
15,800	Sediment Research Strategy	0
<u>680,154</u>	Total Earmarked Reserves	<u>834,614</u>

10. Capital Financing Reserve

2004/05		2005/06
£		£
(139,496)	Balance brought forward	(16,786)
122,710	Capital Discharged	(83,096)
<u>(16,786)</u>		<u>(99,882)</u>

11. Fixed Asset Restatement Account

2004/05		2005/06
£		£
1,314,184	Balance brought forward	1,616,087
301,903	Revaluations re 04/05	22,212
-	Revaluations re 05/06	93,802
<u>1,616,087</u>		<u>1,732,101</u>

Broads Authority
Statement of Total Movement in Reserves

2004/05		2005/06
£		£
68,595	General account surplus/(deficit) for the year	184,194
98,706	Navigation account surplus/(deficit) for the year	(2,333)
299,198	Add back movements on earmarked reserves	154,460
(10,000)	Appropriation to/from pension reserve	(84,000)
<u>(1,474,000)</u>	Actuarial gains and losses relating to pensions	<u>(216,000)</u>
(1,017,501)	Total increase/(decrease) in revenue resources	36,321
301,905	Gains/(losses) on revaluation of fixed assets	116,014
122,710	Increase/(decrease) on the capital financing account	(83,096)
-	Increase in Government Grants Deferred	<u>259,052</u>
<u>(592,886)</u>	Total recognised gains/(losses)	<u>328,291</u>

Notes to the Statement of Total Movements in Reserves

Movements in revenue resources

	General Account	Navigation Account	Earmarked Revenue Reserves	Pension Reserve
	£	£	£	£
Surplus/(deficit) for 2005/06	184,194	(2,333)	-	-
Appropriations to/from revenue	-	-	154,460	(84,000)
Actuarial gains and losses relating to pensions	-	-	-	(216,000)
	<u>184,194</u>	<u>(2,333)</u>	<u>154,460</u>	<u>(300,000)</u>
Balance brought forward 1 April 2005	643,906	480,901	680,154	(2,530,000)
Balance carried forward 31 March 2006	<u>828,100</u>	<u>478,568</u>	<u>834,614</u>	<u>(2,830,000)</u>

Earmarked reserves are for planning delivery, sustainable development, implementing electronic government, vessel replacement, Mutford Lock and new office accommodation. The pension reserve arises out of FRS17 (Retirement Benefits) to allow the pension asset/liability to be shown on the balance sheet without affecting the revenue accounts.

Movements in unrealised value of fixed assets

	Fixed Asset Restatement Account
	£
Balance brought forward 1 April 2005	1,616,087
Gains/losses on revaluation of fixed asset in 2004/05	22,212
Revaluations of fixed assets in 2005/06	93,802
Balance carried forward 31 March 2006	<u>1,732,101</u>

The fixed asset restatement account is used to revalue fixed assets on the balance sheet. It is not backed by cash.

The valuation adjustment of £22,212 relates to correction of an accounting misstatement in the 31/03/05 accounts.

Movements on the Pension Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2002/03		2003/04		2004/05		2005/06	
	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	(1,474)	(30.2)	753	12.1	272	3.8	1,276	14.1
Differences between actuarial assumptions about liabilities and actual experience	(87)	(1.4)	(61)	(0.8)	(276)	(2.9)	(7)	(0.1)
Changes in the demographic assumptions used to estimate liabilities	0	0	0	0	0	0	0	0
Changes in the financial assumptions used to estimate liabilities	Nil		Nil		(1,470)		(1,485)	
	<u>(1,561)</u>		<u>692</u>		<u>(1,474)</u>		<u>(216)</u>	

Broads Authority
Cash Flow Statement

<u>2004/05</u>		<u>2005/06</u>
£		£
	Revenue Activities	
	Cash Outflows	
2,865,885	Employees	3,045,809
<u>2,761,367</u>	Other Operating Cash Payments	<u>3,049,307</u>
5,627,252		6,095,116
	Cash Inflows	
(1,977,910)	Defra Grant	(4,996,182)
(1,750,467)	Tolls and Work Licences	(1,651,088)
<u>(1,564,446)</u>	Other Operating Cash Receipts	<u>(965,636)</u>
(5,292,823)		(7,612,906)
334,429	Net Cash Outflow/(Inflow) from Revenue Activities	(1,517,790)
	(Note 1)	
	Returns on Investments & Servicing of Finance	
(64,533)	Interest Received	(100,977)
<u>269,896</u>		<u>(1,618,767)</u>
	Capital Activities	
160,337	Purchase of Fixed Assets	0
<u>430,233</u>	Net Cash Outflow/(Inflow) Before Financing	<u>(1,618,767)</u>
	Managing of Liquid Resources	
690,000	Net Increase/(Decrease) in Short Term Deposits	100,000
	(Note 2)	
<u>1,120,233</u>	Net (Increase)/Decrease in Cash	<u>(1,518,767)</u>

Notes to the Cash Flow Statement

1. Reconciliation of operating surplus to net cash inflow from revenue activities.

<u>2004/05</u>		<u>2005/06</u>
£		£
(68,595)	(Surplus)/Deficit - General Account	(184,194)
<u>(98,706)</u>	(Surplus)/Deficit - Navigation Account	<u>2,333</u>
(167,301)		(181,861)
64,533	Interest Received	100,977
4,493	(Decrease)/Increase in Stocks	42,385
25,698	(Decrease)/Increase in Debtors	259,748
866,539	Decrease/(Increase) in Creditors	(1,584,583)
124,706	Contributions from Reserves	488,069
(423,904)	Contributions to Reserves	(642,525)
<u>(160,335)</u>	Purchase of Fixed Assets	<u>0</u>
<u><u>334,429</u></u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u><u>(1,517,790)</u></u>

2. Analysis of Cash and Investments

	31 March 2005	31 March 2006	Movement
	£	£	£
Cash in Hand	627,401	2,146,168	1,518,767
Investments	<u>1,990,000</u>	<u>2,090,000</u>	<u>100,000</u>
	<u><u>2,617,401</u></u>	<u><u>4,236,168</u></u>	<u><u>1,618,767</u></u>

Broads Authority

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:-

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

The Treasurer and Financial Adviser's Responsibilities

The Treasurer and Financial Adviser are responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Treasurer and Financial Adviser have:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Treasurer and Financial Adviser have also:-

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

The Treasurer and Financial Adviser should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

Broads Authority Statement on Internal Control

Scope of Responsibility

The Broads Authority is responsible for ensuring the safety of assets, making sure that management policies are adhered to and ensuring that the Authority is run in an orderly and efficient manner.

The Chief Executive, Treasurer and Financial Adviser and other members of the Management Team are responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which include arrangements for the management of risk. A continuous programme of improvements are in place to ensure economy, efficiency and effectiveness.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk or failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Broads Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Broads Authority for the year ended 31 March 2006 and up to the date of approval of the accounts.

The Internal Control Environment

Internal control is establishing and monitoring the achievements of the Broads Authority. It includes:-

- Organisational controls with clear lines of responsibility. The constitution of committees, standing orders relating to contracts, financial regulations and delegated powers are examples of organisational controls that are used by the Broads Authority. There are also supervisory controls in place;
- Segregation of duties between initiation and the recording of transactions. The custody of assets is controlled by the Finance Section undertaking an inventory of major items of plant and equipment;
- authorisation, approval and acknowledgement controls;
- physical controls such as the use of safes, the controlled issue of keys, security of assets and restriction of access to rooms and buildings;
- personnel controls such as training, recruitment and induction;
- arithmetical and accounting controls such as control accounts, trial balance and reconciliations;
- risk management;
- Management controls such as internal audit, establishing / monitoring the achievement of objectives, policy / decision making including accountability to members and variance analysis. Variance analysis is undertaken by producing monthly management reports that summarise the annual budget, profiled budgets and actual income and expenditure to date.

Review of Effectiveness

The Broads Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors (since 1 April 2003 ACIT Services Ltd (now Bentley Jennison) a partnership arrangement with Breckland, Broadland and South Norfolk Councils), the Management Team and Treasurer and Financial Adviser who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors.

The Management Team, by conducting a review, concluded on 25 April 2006 that the current internal controls are adequate and appropriate for the Authority's size.

Significant Internal Control Issues

Broads Authority officers have addressed, or are addressing all significant internal control issues identified and reported by Internal Audit and the Audit Commission. These are:

- To update the procedure manual for business critical systems. This task is ongoing as systems are upgraded. The Head of Finance has updated and substantially rewritten this procedure manual.
- To put in place a risk management strategy. This was completed on 24 January 2005 and is subject to an annual review by officers and periodically reported to Broads Authority members. In February 2006 the Management Forum considered the risk register and made amendments where it was considered that the risk had changed.
- To arrange for Internal Audit to undertake a review of the effectiveness of the internal control environment. Internal Audit has undertaken an audit and have been asked to provide an opinion on the system of the Authority's internal controls.
- To arrange for Internal Audit to report formally to members. In future an annual summary of the internal audit report will be provided to members.
- To have approved by the Broads Authority by 1 April each year the Annual Investment Strategy. The 2006/07 Investment Strategy was approved by the Broads Authority at its meeting on 24 March 2006.

During the 2005/06 financial year, the Broads Authority implemented a Document Management System, integrated with the accounts package. The new system allows staff to electronically authorise invoices for payment. Many of the internal control processes that were incorporated in the manual process of authorising invoices have been replicated and in some cases they have been enhanced in the computerised system. Computer passwords are used to restrict access to the authorisation process.

Chief Executive Date

Chairman Date

Independent auditor's report to the Members of the Broads Authority

Opinion on the financial statements

I have audited the financial statements of the Broads Authority for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the General Fund Revenue Account, the Navigation Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Broads Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Andy Perrin
Audit Commission
1st Floor, Sheffield House
Lytton Way off Gates Way
Stevenage, Herts,
SG1 3HB

2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in September 2005, in all significant respects, the Broads Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for

- the failure to put in place arrangements to maintain a sound system of internal control; and
- the failure to put in place arrangements for the management of its asset base.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 in December 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Perrin
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