

# The Audit Findings for Exmoor National Park Authority

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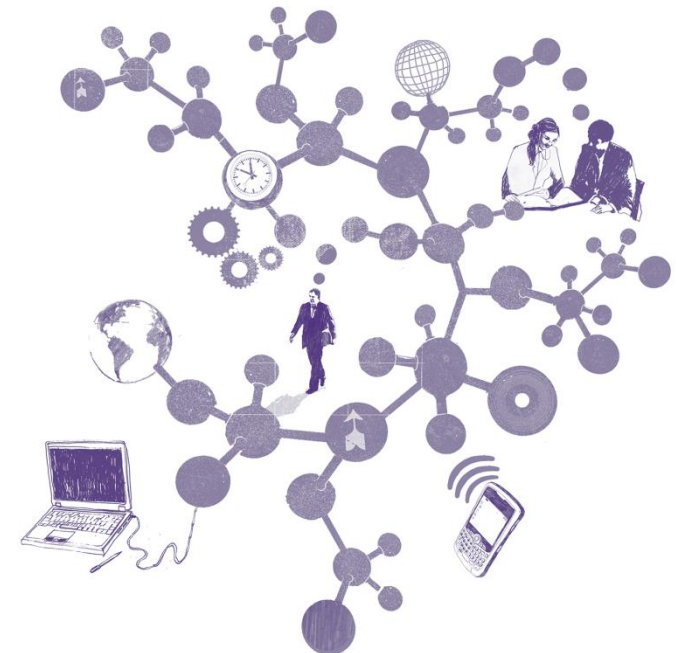
**Year ended 31 March 2016**

September 2016

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15 September 2016

Dear Members of the Authority

**Audit Findings for Exmoor National Park Authority for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (Exmoor National Park, the Authority), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely



Geraldine Daly  
Engagement Lead

**Chartered Accountants**

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## **Appendices**

A Action plan

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# Section 1: Executive summary

**01. Executive summary**

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## Purpose of this report

This report highlights the key issues affecting the results of Exmoor National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 20 April 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have identified no adjustments affecting the Authority's reported financial position. The financial statements for the year ended 31 March 2016 recorded net expenditure of £(949)k.

The key messages arising from our audit of the Authority's financial statements are:

- the draft financial statements and the supporting working papers were prepared to a high standard. The Authority dealt with our additional audit requests and queries in a timely manner.
- there were some minor disclosure changes requested which have been amended in the final accounts

Further details are set out in section two of this report.

We anticipate providing an unqualified audit opinion in respect of the financial statements.

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement and Narrative statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

## **Controls**

### **Roles and responsibilities**

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

### **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

### **The way forward**

Matters arising from the financial statements audit and our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made recommendations, which is set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2016**

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## Section 2: Audit findings

01. Executive summary

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# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £100k (being 1.9% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality .

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £5k. This remains the same as reported in our audit plan .

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Authority affect the balance and it is therefore considered to be material by nature.	£1,000
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Exmoor National Park Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Exmoor National Park Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• testing (including walkthrough) of journal entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of property, plant and equipment</b> The Authority revalues its assets on a rolling basis over a five year period . Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> <li>Review of the competence, expertise and objectivity of management experts used.</li> <li>Review of the instructions issued to valuation experts and the scope of their work</li> <li>Discussions with valuer about the basis on which the valuation is carried out and challenge as well as evaluation of the key assumptions.</li> <li>Testing of revaluations made during the year to ensure they are input correctly into the Authority's asset register</li> <li>Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of property plant and equipment.</p> <p>The Authority has considered fair values as at 31 March 2016 using a suitably qualified expert.</p>
4.	<p><b>Valuation of pension fund net liability</b> The Authority's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> <li>Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</li> <li>Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation.</li> <li>Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. Reviewed management's challenge on actuarial assumptions</li> </ul>	<p>Our audit work has not identified any issues in respect of the pension fund net liability.</p>



# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transaction</li> <li>• Trend analysis analytical review</li> <li>• Reconcile the pay expenditure reported in the financial statements to total expenditure recorded in the payroll.</li> <li>• Substantively test a sample of remuneration transactions.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transaction</li> <li>• Agree creditors to the ledger</li> <li>• Review of a sample of creditors/accruals to confirm they have been appropriately accounted for.</li> <li>• Review of after date payments and sample check for unrecorded liabilities.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority</li> <li>• Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits associated with the transaction will flow to the Authority</li> </ul>	<p>We have reviewed the Authority's revenue recognition policy and found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies have been used under the relevant accounting framework</li> <li>• Revenue has been appropriately recognised</li> <li>• Accounting policies have been adequately disclosed</li> </ul>	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Valuations of PPE</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> </ul> </li> </ul>	<p>We have reviewed the accounting areas where the Authority has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies have been used</li> <li>• Areas where judgement has been used were supported by the work of an expert of third party where appropriate</li> <li>• Accounting policies have been adequately disclosed</li> </ul>	 <b>Green</b>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Director of Finance, s151 officer has a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	<b>Green</b> 
<b>Other accounting policies</b>		We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.	<b>Green</b> 

**Assessment**

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to all institutions where the Authority holds cash balances. This permission was granted and the requests were sent. Of these requests all returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas</li> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Authority acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>We note that work is not required as the Authority does not exceed the threshold.</li> </ul>

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	Financial Instruments	We discussed with management the 2015/16 guidance to disclose financial instruments in line with the requirements of IFRS 13 detailing the different levels of the financial instruments held. An additional disclosure is to be included in the accounts. the accounting policy for financial instruments should also include reference to requirements of IFRS13.
2 Disclosure	10	Note 35 Defined pensions	The disclosure relating to the assumptions used requires a line relating to the take up of active members to pay 50% contribution for 50% benefits to be included. This has been omitted in the draft accounts
3 Misclassification	26	Note 35 Defined pensions	Current service cost requires a £(26)k adjustment. increasing Past service costs by the opposite amount. This is to ensure that the Current and Past service costs are disclosed separately.
4 Misclassification	Various	Note 14 Financial Instruments	Non contractual debtors of £17k and £35k of HMRC creditors has been disclosed as financial instruments in error.



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## Section 3: Value for Money

01. Executive summary

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## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in March 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 20 April 2016.

- **Resource deployment:** Given the size of the authority and the range of its activities, there is a risk on relying too heavily on key members of staff or for there to not be sufficient resources to achieve the Authority's planned outcomes. Such challenges are further compounded by the large and varied asset base that the Authority holds which requires effective management.
- **Medium term financial planning and reliance on key income streams:** Whilst the Authority has a strong record of managing its financial affairs, it is heavily reliant on the National Park DEFRA Grant as well as a range of smaller income streams which may be temporary or ring fenced. Whilst the future 4 year settlement announced in January 2016 has been welcomed, there is increasing demands on outcomes. There is a requirement to continue to develop income generating activity in the medium term to ensure outcomes are met. There is a risk that income received reduces and does not meet the level required to achieve the Authority's priorities.
- **Working with partners:** The Authority works with and places reliance on a number of partnership working arrangements across a number of its operations and this is considered core to its business. There is a need for effective partnership working across the organisation to achieve its goals and objectives especially given its size.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the arrangements for acting in the public interest through demonstrating and applying the principles of good governance; and for deploying workforce to deliver the Authority's priorities effectively.
- the arrangements for medium term financial planning finances and to effectively support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making
- the arrangements for working effectively with third parties to deliver strategic priorities

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

### **Recommendations for improvement (expecting to remove)**

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Management's response to these can be found in the Action Plan at Appendix A.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Resource deployment</b>                      Given the size of the authority and the range of its activities, there is a risk on relying too heavily on key members of staff or for there to not be sufficient resources to achieve the Authority's planned outcomes. Such challenges are further compounded by the large and varied asset base that the Authority holds which requires effective management.</p>	<p>This links to the Authority's arrangements for acting in the public interest through demonstrating and applying the principles of good governance; and for deploying workforce to deliver the Authority's priorities effectively.</p> <p>This links with the Authority's arrangements for managing and utilising assets effectively.</p>	<p>The Authority recognises the risks associated with its size and has monitoring arrangements in place to effectively deploy resources to meet the strategic goals of the organisation.</p> <p>The Authority has a HR people strategy which is currently being renewed and the Leadership team reviews requirements regarding workforce to deliver its strategic goals. The Authority regularly reviews its resources factoring in workforce requirements. The Authority uses external parties to provide certain services as appropriate to help achieve its goals as well as working with partners and volunteers.</p> <p>The Authority reviews its estate on an annual basis which involves engagement with members. For key developments with respect to asset use, the Authority reviews and approves proposals for future use. Examples include considering the use of the Pinkery Centre and White Rock Cottage in Simonsbath. The Authority recognises that it does not currently have an asset management strategy in place and is looking to develop this going forward. Whilst this is an area of development, overall we have concluded that the risk was sufficiently mitigated and the Authority has proper arrangements for managing its resources.</p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>Medium term financial planning and reliance on key income streams</b>            Whilst the Authority has a strong record of managing its financial affairs, it is heavily reliant on the National Park DEFRA Grant as well as a range of smaller income streams which may be temporary or ring fenced. Whilst the future 4 year settlement announced in January 2016 has been welcomed, there is increasing demands on outcomes. There is a requirement to continue to develop income generating activity in the medium term to ensure outcomes are met. There is a risk that income received reduces and does not meet the level required to achieve the Authority's priorities.</p>	<p>This links to the Authority's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>Whilst the Authority does heavily rely on the National Park DEFRA grant and this is considered a risk, the 4 year settlement announced in January 2016 has provided more certainty compared to previous years. The settlement confirmed the National Park Grant for the period up until 2019/20. For 2016/17 the Defra grant is £3,051k and rises to £3,212k in 2019/20 to take into account annual uplifts for inflation.</p> <p>Whilst the Authority receives grant income, it is looking to develop alternative streams of income. A prudent approach is taken to forecasting income and including only recurrent income.</p> <p>The Authority has a four year medium term financial plan which was approved by members in February 2016. The Authority has a 2016/17 core budget of £3,340k and this is due to rise over the medium term period up to £3,649k in 2020/21. The Programmes and Partnership Budget is planned to remain in line with prior and current years. Given the updated 4 year settlement which was not factored into the latest plan, the Authority recognises that this requires updating going forward however the revised position is more favourable as the Authority was anticipating a decrease in DEFRA grant funding. The medium term financial plan includes salary &amp; core budget cost plans as well as self generating income forecasts which are considered robust.</p> <p>Overall, we have concluded that the risk was sufficiently mitigated and the Authority has proper arrangements in place with respect to its medium term financial planning.</p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>Working with partners</b>                      The Authority works with and places reliance on a number of partnership working arrangements across a number of its operations and this is considered core to its business. There is a need for effective partnership working across the organisation to achieve its goals and objectives especially given its size.</p>	<p>This links to the Authority's arrangements for working effectively with third parties to deliver strategic priorities.</p>	<p>During 2015/16 the Authority has worked collaboratively with a range of different partners. This includes running the Partnership Fund which was established in 2011 which is a grant funding programme provided by the Authority promoting partnership working to achieve benefits for the National Park. The funding is open to a mix of bodies which include communities, voluntary organisations, businesses and Individuals. The Fund allows external parties to work with the Authority to deliver priorities and is linked to the key strategic themes.</p> <p>The Authority has also been a lead partner in The Heart of Exmoor Scheme which has run for 5 years and ended in December 2015. This was a Heritage Lottery Funded Landscape Partnership Scheme with a budget of £1.2 million managed by the Exmoor Moorland Landscape Partnership (EMLP) comprising 12 organisations in total. The scheme has had educational benefits, significant volunteer partner working and has promoted moorland heritage in various ways.</p> <p>Other examples include working on the "Connecting Devon and Somerset" Broadband Project which is led by the Connecting Devon and Somerset Partnership and is supported by the Authority as well as contributing to the devolution agenda.</p> <p>The Authority has demonstrated close working with partners during 2015/16 to achieve its objectives. This includes working with a variety of different organisations. Monitoring and evaluation of partnership working is assessed by Authority members.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements for working effectively with third parties to deliver strategic priorities.</p>

**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters



We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	<b>Issue</b>	<b>Commentary</b>
1.	<b>Public interest report</b>	<ul style="list-style-type: none"><li>• We have not identified any matters that would require a public interest report to be issued</li></ul>
2.	<b>Written recommendations</b>	<ul style="list-style-type: none"><li>• We have not made any written recommendations that the Authority is required to respond to publicly</li></ul>
3.	<b>Application to the court for a declaration that an item of account is contrary to law</b>	<ul style="list-style-type: none"><li>• We have not used this duty</li></ul>
4.	<b>Issue of an advisory notice</b>	<ul style="list-style-type: none"><li>• We have not used this duty</li></ul>
5.	<b>Application for judicial review</b>	<ul style="list-style-type: none"><li>• We have not used this duty</li></ul>

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

**05. Fees, non audit services and independence**

06. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Proposed fee £	Final fee £
Authority audit	11,693	11,693
<b>Total audit fees (excluding VAT)</b>	<b>11,693</b>	<b>11,693</b>

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

**06. Communication of audit matters**

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities and these are detailed in our audit findings report.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority
1	The Authority should consider the impact of the settlement and update the medium term financial plan accordingly	Low



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