



# The Audit Findings (ISA260) Report for Exmoor National Park Authority

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Year ended 31 March 2020

21 September 2020



# Contents



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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Appendices

- A. Action Plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion (proposed)

Page

3

5

14

17

18

19

21

22

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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exmoor National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

<b>Covid-19</b>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Authority . Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>Our audit risk assessment considered the impact of the pandemic on our audit and we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VFM approach in our Audit Plan dated 30 April 2020. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant that both the Authority and audit teams have had to initiate remote working arrangements from home including the remote accessing of financial systems, the provision of working papers electronically by secure means, the use of video and telephone conferencing arrangements and using virtual technology to observe the download of data and other information to ensure its completeness and accuracy for testing.</p>
<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and 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:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on remotely during June-September. Our findings are summarised on pages 5 to 13. To date, we have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement. Presentational audit adjustments are detailed at Appendix B. We have also raised a small number of recommendations for management as a result of our audit work at Appendix A.</p> <p>At present, there are no matters of which we are aware that would require modification of our audit opinion (included at Appendix D) or material changes to the financial statements.</p> <p>Our audit is substantially complete although we are finalising our procedures in the following areas:</p> <ul style="list-style-type: none"> <li>• work on the significant audit risk of accounting for Pensions costs within the accounts (see page 8), including the assurance letter from the auditor of Somerset Pension Fund</li> <li>• receipt of the assurance letter from the auditor of Somerset CC in respect of the payroll system</li> <li>• completion of our work on employee benefits / payroll costs</li> <li>• completion of our internal quality review process, including final reviews of the file by both the manager and Engagement Lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability as well as work done on creditors, operating expenditure, income from fees and charges and grant income.</li> <li>• receipt of management representation letter (see separate agenda item)</li> <li>• review of the final set of financial statements, narrative report and Annual Governance Statement.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unmodified, however, will include an Emphasis of Matter paragraph, highlighting the valuation of land and buildings material uncertainty (as a result of Covid and in common with other authorities).</p>

# Headlines

## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Authority's value for money arrangements. We have concluded that the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources

We therefore anticipate issuing an unqualified value for money conclusion, as detailed at Appendix D. Our findings are summarised in section three of this report.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Audit approach

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

### Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our Audit Plan, which was communicated to you on 14 May 2020.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Final Accounts Committee meeting on 6 October 2020. These outstanding items are set out in the headlines on page 3.

As noted on page 3, our ability to conclude and sign off the audit will be dependent on resolving all outstanding work, particularly in respect of the pension related issues

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan.

Materiality area	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	104k	Financial statement materiality was determined based on a proportion of the gross expenditure of the Authority for the financial year.
Trivial matters	5k	Set at 5% of materiality
Materiality for senior officer remuneration	10k	Due to perceived public interest in these disclosures.

# Significant audit risks

## Risks identified in our Audit Plan

## Auditor commentary

### Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:

- Remote working arrangements may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

### The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As part of our audit work, we:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 12 June 2020.
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic
- evaluated whether sufficient audit evidence could be obtained through remote technology
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

Management produced the draft financial statements and working papers in advance of the updated timetable. This is a significant achievement with all of the Authority's staff working remotely. We completed our audit remotely and, while it took longer than normal as a result, we were able to utilise technology to corroborate information produced by the Authority. The Authority's finance team have generally been responsive to audit queries throughout the audit and we would like to express our appreciation for this.

We did not identify any implications for our audit report resulting from Covid-19, however our report includes standard reference to the macroeconomic conditions arising from Brexit and Covid-19.

The assessment in our audit plan to rebut the presumed risk of improper revenue recognition remains appropriate. We have rebutted this presumed risk for the Authority because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Exmoor National Park Authority, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the Authority.

# Significant audit risks


Risks identified in our Audit Plan	Auditor commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£18.8 million in the 2019-20 balance sheet) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>discussed with the valuer the basis on which the valuations were carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, included checking that the floor areas used are consistent with other records</li> <li>tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register.</li> </ul> <p>At the time of drafting this report, our audit work in respect of valuation of land and buildings is still in progress. We have identified that there is no disclosure in the draft financial statements of the material uncertainty in the external valuer's report – therefore we have proposed an enhanced disclosure on this matter – see Appendix B. There are no other significant issues arising to date and we will provide a verbal update to the Committee on 6 October in respect of our work on valuations.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report. This finding is in common with our audit work across other authorities.</p>

# Significant audit risks




Risks identified in our Audit Plan	Auditor commentary
<p><b>Valuation of pension fund net liability</b></p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£9.8 million in the 2019-20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> <p>Our audit work on the pension fund net liability is currently in progress. This work is partially dependent on the progress of the Somerset Pension Fund audit. In addition, we will need to review further information from the actuary that we have requested in respect of experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund. There may also be further audit work required on an emerging national issue in respect of updating the impact of the Goodwin judgement on the Authority's pension fund liability – this may also have a material impact on the figures.</p> <p>At the date of this report, both the experience items issue and the possible updating of the impact of Goodwin on the pension fund liability are live issues. They are national issues that have arisen towards the end of our audit fieldwork at the Authority. As a result of the pension fund balance being a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such we will need to closely consider the updated information that we receive from the actuary, and the assurance from our colleagues on the Somerset Pension Fund audit.</p> <p>Given that guidance is emerging on these national issues this may impact on our ability to issue our audit opinion on or after the Committee meeting on 6 October. We will provide a verbal update to members at the meeting on these issues.</p>



# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £18.4m</b>	<p>Other land and buildings comprises £18.4m of assets that are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Authority has engaged its internal valuer to complete the valuation of properties as at 31 March on an annual basis. All assets were revalued during 2019-20.</p> <p>In line with RICS guidance, the Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2020 as a result of Covid-19. The Authority did not include a disclosure on this issue in the draft financial statements.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £0.5m.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of management's expert</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Reviewed the assumptions used by the expert, including the floor areas</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets</li> <li>Considered the adequacy of disclosure of the estimate and Covid related material uncertainty in the financial statements.</li> </ul> <p>At the time of drafting this report, our audit work in respect of valuation of land and buildings is in progress. As set out on page 7, we have identified that there is no disclosure in the draft financial statements of the material uncertainty in the external valuer's report. There are no significant issues arising to date and we will provide a verbal update to the Committee on 6 October in respect of our work on valuations.</p>	<p> <b>Green</b> (after the material uncertainty is disclosed)</p>

## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
<b>Net pension liability – £9.8m</b>	<p>The Authority's net pension liability at 31 March 2020 is £9.8m (PY £9.6m) comprising the Somerset Local Government defined benefit pension scheme obligations. The Authority uses Barnet Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.7m net actuarial loss during 2019-20.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed management's expert</li> <li>Assessed the actuary's roll forward approach and deemed it reasonable</li> <li>Used PwC as our auditors expert to assess the actuary and assumptions made by actuary</li> </ul>																									
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.35%</td> <td>2.35%</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>1.85%</td> <td>1.85% - 1.95%</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>2.85%</td> <td>Value is in line with PwC report</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.7 23.3</td> <td>22.8 – 24.7 21.4 – 23.3</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.2 24.7</td> <td>25.2 – 26.2 23.7 – 24.7</td> <td>● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.35%	2.35%	● Green	Pension increase rate	1.85%	1.85% - 1.95%	● Green	Salary growth	2.85%	Value is in line with PwC report	● Green	Life expectancy – Males currently aged 45 / 65	24.7 23.3	22.8 – 24.7 21.4 – 23.3	● Green	Life expectancy – Females currently aged 45 / 65	26.2 24.7	25.2 – 26.2 23.7 – 24.7	● Green	
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		<ul style="list-style-type: none"> <li>Confirmed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed the reasonableness of the Authority's share of LGPS pension assets.</li> <li>Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary</li> </ul>																									

●  
Green

Our work in this area is still in progress, including the assurance from the Pension Fund auditor.

# Significant findings – going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

### Going concern commentary

### Auditor commentary

#### Management's assessment process

- Management's assessment is based on the public sector interpretation of going concern as the continuation of the provision of services to support the preparation of the accounts on a going concern basis.
- Management has considered the Authority's medium term financial planning documents in considering that no material uncertainties need to be disclosed.

The going concern assessment was completed by the Chief Finance Officer. We consider that management's arrangements for considering going concern are adequate.

We concur with management's assessment that the Authority is a going concern with no material uncertainties that would require disclosure.

#### Work performed

- We reviewed management's assessment of going concern provided to us, in conjunction with our knowledge and understanding of the Authority.
- We reviewed the Authority's medium term financial planning documents, and considered the impact of Covid-19

We considered management's assessment and also considered the potential impact of Covid-19 on the Going Concern assumption. The Authority has not made any claims to DEFRA for support in respect of Covid-19 and has not had the need to furlough any members of staff.

We did not identify any material uncertainties that would require additional disclosure.

#### Concluding comments

- No issues identified.

We did not identify any issues with the Authority's use of the going concern assumption. Our proposed audit opinion will be unmodified in respect of going concern.

## Other matters for communication

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	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Authority, which is included in the Committee papers for the meeting on 6 October. We have requested a specific representation in respect of the Authority's accounting treatment of £18k of monies held in an Authority bank account which is not included in the Authority's accounts.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Authority's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
<b>Disclosures</b>	Our review found no material omissions in the financial statements. A small number of presentational amendments have been discussed and agreed with the Authority and these are included at Appendix B.
<b>Audit evidence and explanations / significant difficulties</b>	Whilst the majority of our audit queries has been answered and resolved, we did experience some issues regarding the timeliness of receipt of supporting documentation not being available to conclude our sample testing. Whilst we did ultimately receive the supporting audit evidence (following intervention from the Chief Finance Officer), and we acknowledge the challenges of remote working during the pandemic we have raised a recommendation on supporting documentation <b>[Rec 1]</b> .

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We did identify some areas where the Narrative Report could be enhanced and this is summarised in the Action Plan at Appendix A. <b>[Rec 2]</b></p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix D.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <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 other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<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> <p>Work is not required as the Authority does not exceed the WGA audit threshold.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2019-20 audit of the Authority in the audit report, as detailed at Appendix D.</p>

## 3. Value for Money

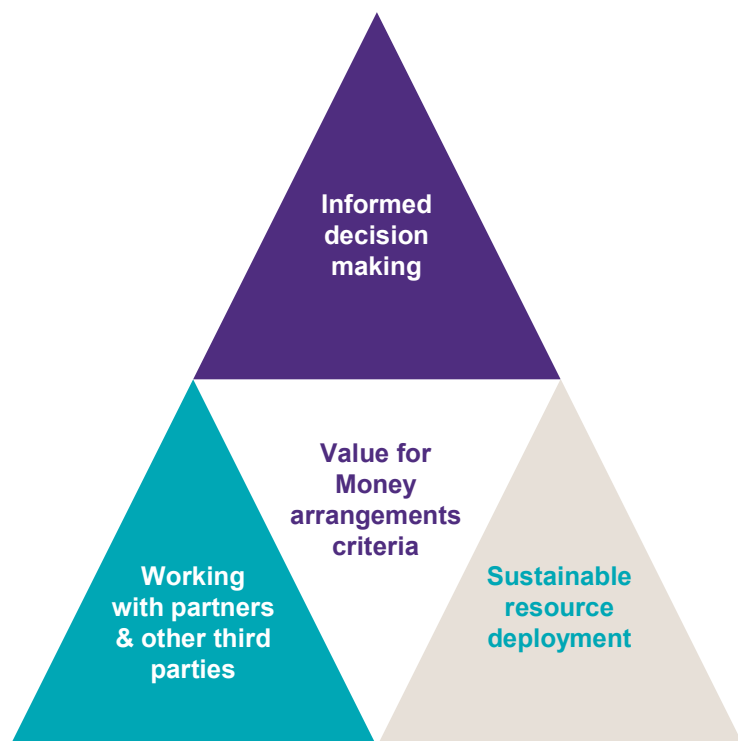
### Background to our VFM approach

We are required to satisfy ourselves that the Authority has made 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. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



### Risk assessment

We carried out an initial risk assessment in April 2020 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 30 April 2020.

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.

# Value for Money

## Our work

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 impact of Covid-19 on the Authority's revenue budget for 2020-21 and its medium term financial planning.

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 on page 16.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## 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.

# Value for Money

## 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 as identified in our Audit Plan:	Findings and conclusion
<p><b>Financial Sustainability</b></p> <p>The Authority has had a 5% cut in grant funding in 2020-21 which, although it was offset by one-off funding in the year, is below what had originally been assumed.</p> <p>This represents a £54k reduction in the assumed grant position for the Authority. The Authority's Medium Term Financial Plan shows savings to be identified in 2021-22 to 2024-25 of £249k, £280k, £318k and £358k respectively in order to achieve a balanced budget. This was based on an assumption that the one-off funding received in 2020-21 would not be repeated, however, it now appears more likely that the funding will continue.</p> <p>The Authority still faces a significant financial challenge. While a number of solutions are being explored to close these budget deficits, they reflect the level of financial challenge faced by the Authority.</p> <p>Since the budget was set the Covid-19 pandemic has impacted the financial plans of all sectors of the UK, including local government and National Parks. We have been discussing the impact of the lockdown on the Authority through our liaison with the S151 Officer.</p> <p>We will consider the impact of the Covid-19 lockdown on the Authority's income projections and wider budget for 2020-21 and its medium terms financial plans.</p>	<p>The Authority meeting on 4 August 2020 considered a report from the Chief Executive and Head of Strategy and Development on the on the impact of budget cuts and Covid-19 on the Corporate Plan.</p> <p>Exmoor has more limited financial risks in relation to Covid-19 as its current business model does not include significant commercial income, therefore in the context of the global pandemic the Authority is less exposed. The Authority has experienced reduced income from car parking charges, visitor centre sales and the Outdoor Education Centre at Pinkery (estimated at £130k), but these are offset to some extent by savings in expenditure, stock acquisition and travel costs.</p> <p>As a result of the Covid pandemic, DEFRA has offered to effectively underwrite National Parks' revenue budgets in 2020-21 but the Authority do not plan to request any additional financial support from the Government.</p> <p>There is speculation about the risk of a second wave of Covid-19 in the winter, but visitor numbers to the Park in the winter are likely to be lower and this is not considered to be a significant risk to the Authority's income projections.</p> <p>The key concern for the Authority is the longer-term implications for their core National Park Grant (NPG) funding. The NPG for 2021-22 onwards has not been confirmed and the current Medium Term Financial Plan includes assumptions for increases in NPG in line with the staff pay award.</p> <p>The Authority has relatively healthy useable reserves of £2.9m at 31 March 2020. However, many of these are earmarked for specific purposes and the Authority cannot rely on reserves to cover potential budget gaps going forward. We recommend the Authority should begin modelling for options for how it would deal with the potential budget gaps that may arise depending on the level of NPG awarded in future. <b>[Rec 3]</b></p> <p><b>On that basis we concluded that while the potential level of savings needed represent a significant challenge for the Authority, the risk was sufficiently mitigated and the Authority has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</b></p>



## 4. 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix C.




### **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

No non-audit services were identified.

# Appendix A: Action Plan

We have identified the following recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020-21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 <b>Medium</b>	<p><b>1. Timeliness of supporting audit documentation:</b></p> <p>There have been some issues regarding the timeliness of receipt of supporting documentation not being available to conclude our sample testing (until intervention from the Chief Finance Officer).</p>	<p>The Authority should ensure that it retains the source documentation for all items and that these are made available for audit scrutiny on a timely basis and with clarity.</p> <p><b>Management response:</b></p> <p><i>The pandemic has put unprecedented strain on staff's ability to access the office and associated records. I am confident that all staff did their best that they could have in the circumstances.</i></p>
 <b>Green</b>	<p><b>2. Narrative Report:</b></p> <p>The disclosures in the Narrative Report could be enhanced by further details on the Medium Term Financial Plan and plans to address any future resource shortfalls.</p>	<p>The Authority should enhance the information reported within the Narrative Report in line with the Code recommendations and suggestions.</p> <p><b>Management response:</b></p> <p><i>Management will consider enhancing the Medium Term Financial Plan element of the Narrative Report next year. However, the MTFP section of the forward year revenue budget is where Authority members will look if they wish to see information on this subject.</i></p>
 <b>Medium</b>	<p><b>3. Financial Sustainability:</b></p> <p>The National Park Grant (NPG) for 2021-22 onwards has not been confirmed and the Authority's Medium Term Financial Plan currently assumes increases in NPG higher than was received in 2020-21. The Authority should start modelling for worst case scenarios in future DEFRA funding.</p>	<p>The Authority should begin modelling for options for how it would deal with the potential budget gaps that may arise depending on the level of National Park Grant awarded in future.</p> <p><b>Management response:</b></p> <p><i>The Authority currently considers a range of risk and available mitigations when setting the Medium Term Financial Plan. The budget that will be set from 2021-22 onwards should contain less uncertainty as the Comprehensive Spending Review is committed to providing 3 years of notified funding. Management will consider enhanced scenario planning in budget setting if this is something that will benefit decision making for the Authority.</i></p>

## Appendix B: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Impact of adjusted misstatements

As at the date of this report, there are no adjusted misstatements.

### Misclassification 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.

Disclosure omission	Detail	Adjusted?
Duration of pension liabilities	The duration of liabilities not disclosed in Note 35 – Defined Benefit Pension Schemes.	✓
Material uncertainty on property valuations (note 4)	The draft financial statements did not include a disclosure of the material uncertainty that was included within the internal valuer's report.	✓
The financial instruments disclosures were split between notes 25 and 34 in the draft financial statements.	The Financial Instruments disclosures should be included within one note in the financial statements.	✓
General	A small number of amendments have been made to the draft accounts to correct minor disclosure and presentational issues that do not warrant being individually reported to Those Charged with Governance.	✓

# Audit adjustments

## **Impact of unadjusted misstatements**

As at the date of this report, there are no unadjusted misstatements.

## **Impact of prior year unadjusted misstatements**

There were no unadjusted misstatements in the 2018-19 financial statements.

# Appendix C: Fees

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

Audit fees	Proposed fee £	Final Fee £
Authority Scale fee	9,004	9,004
Audit fee variations	3,750	3,750*
<b>Total audit fees (excluding VAT)</b>	<b>£12,754</b>	<b>£12,754</b>

## Reconciliation of audit fees between the financial statements and this report:

£9k - fees per financial statements  
 £4k - audit fee variations (as above)  
 £13k – Total fees per above

\* Subject to PSAA approval. We wish to note that there is the potential for further audit fees in relation to the expected additional work on pension related figures, as set out in page 3. We will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year.

No non-audit or audited related services have been undertaken for the Authority.

# Appendix D: Audit opinion (proposed)

**We anticipate we will provide the Authority with an unmodified 'clean' accounts and value for money opinion, with the inclusion of a 'emphasis of matter' regarding the valuation of property, plant and equipment.**

## Independent auditor's report to the members of Exmoor National Park Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Exmoor National Park Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As disclosed in note 4 to the financial statements, the outbreak of the Covid-19 has impacted world financial markets. In the sphere of valuation, it has created inconsistent or reduced levels of data, either through difficulties in carrying out inspections or gathering evidential data. A material valuation uncertainty on property valuation was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

# Audit opinion

## Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Responsibilities of the Authority

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

# Audit opinion

## **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of Exmoor National Park Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Gareth Mills, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date





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