



# External Audit Plan update

*Year ending 31 March 2020*

**North York Moors National Park Authority**  
**30 April 2020**



# 1. Introduction & headlines

## Purpose

This document provides an update to the planned scope and timing of the statutory audit of North York Moors National Park Authority ('the Authority') as reported in our Audit Plan dated 22 January 2020, for those charged with governance.

## The current environment

In addition to the audit risks communicated at the FRAS Committee to those charged with governance in our Audit Plan on 3 February 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VFM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

## Impact on our audit and VFM work

Management and those charged with governance 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. Since the Covid-19 lockdown we have been in regular contact with the Chief Financial Officer and are working to agree a mutually beneficial timeframe for the delivery of the 2019-20 audit. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VFM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021-22.

## Changes to our Accounts audit approach

To date we have:

- Identified a new significant financial statement level risk, as described overleaf on page three
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

## Changes to our VFM approach

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. In addition, since the Authority's 2020-21 budget was set the Covid-19 pandemic has impacted the financial plans of all sectors of the UK, including local government and National Parks. This follows the DEFRA announcement on a flat cash funding envelope for park authorities in 2020-21. We have been discussing the financial impact of DEFRA funding and the lockdown on the Authority through our liaison with the CFO. We note the actions the Authority has taken to mitigate the impact of the lockdown in the Authority's revenue streams and cost base.

In light of the impact of the lockdown on the Authority's financial plans for 2020-21 and in the medium term, we believe that it is appropriate to add a significant risk and area of focus for our 2019-20 VFM work. Our focus will be on the Authority's financial resilience in light of the impact of the funding announcement and Covid-19. Further details are provided at page four.

## Conclusion

We will ensure any further changes in our audit and VFM approach and procedures are communicated with management and reported to those charged with governance in our Audit Findings (ISA260) Report to the FRAS Committee later this year. We wish to thank management for their timely collaboration at this difficult time.

## 2. Significant risks identified: Covid-19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Covid – 19</b>	<p>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;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>- 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</li> <li>- 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</li> <li>- 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.</li> </ul> <p>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 and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul>

## 3. Value for Money conclusion update

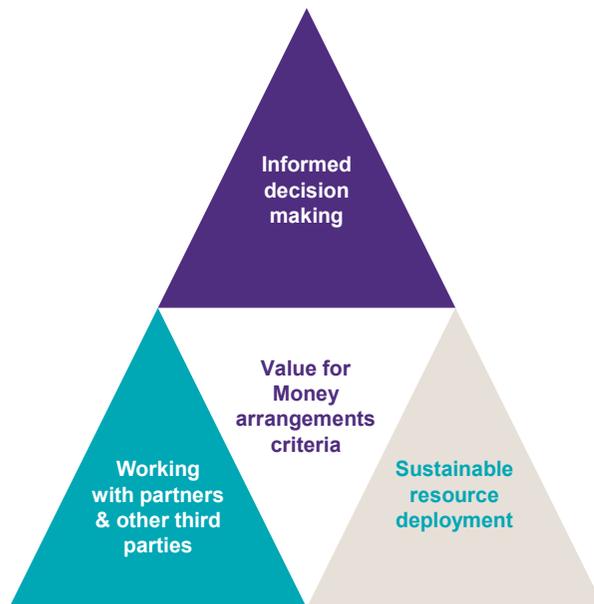
### Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance 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:



### Significant VFM risks

In our initial Audit Plan in January, we did not identify any significant VFM risks for 2019-20. We noted our VFM work would involve a follow up of the recommendation we raised in 2018-19 regarding the spending profile of the Core Policy D element of the S106 Agreement (in order to mitigate the potential clawback of any S106 monies).

However, following the two national issues of DEFRA's funding settlement for 2020-21 and the impact of the Covid-19 lockdown on the Authority's financial standing, we deem it appropriate to revisit our VFM risk assessment and include a risk on financial resilience and sustainability.

A significant VFM risk is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

#### 1. Financial resilience and sustainability



Back in January 2020, the Authority's future budgets in the medium term financial strategy assumed an increase in National Park Grant (NPG) per year of 1.7%, consistent with previous years. The Authority's draft budgets for 2020-21, 2021-22 and 2022-23 showed deficits of £28k, £90k and £89k respectively.

The DEFRA settlement for 2020-21 resulted in a reduction in NPG, offset by one-off funding resulting in a flat cash position.

Given the national financial settlement and the uncertainties posed by the Covid-19 lockdown in terms of the Authority's income budgets (for example on car parking and visitor centres), this has increased the financial risks associated with national park authorities.

We are aware from our discussions with the Chief Financial Officer of the actions put in place by the Authority to mitigate the impact of these challenges. Nevertheless, we have added this risk and will be performing work on the Authority's financial resilience and sustainability.

In response to this risk we will;

- Consider the updated medium term financial strategy and the progress on the delivery of this
- Consider the arrangements for securing and sustaining commercial income streams and managing the cost base
- Monitor the Authority's financial position during and post lockdown
- Continue to meet with key senior management to gain updates on the Authority's financial position

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. We will summarise our findings in our ISA260 Report later in the year on completion of our 2019-20 audit.