

North York Moors National Park Authority

21 September 2015

Letter of Representation and External Audit Report

1. Purpose of the Report

- 1.1 To report to Members the conclusion of the external audit of the 2014/15 Statement of Final Accounts.
- 1.2 To seek Member approval for the Letter of Representation to be sent to the Auditor.
- 1.3 To present to Members the Auditor's Report on the 2014/15 Audit.

2. Statement of Final Accounts

- 2.1 The Draft Statement of Final Accounts (SoFA) for 2014/15 was signed by the s151 Officer in June 2015 and a Final version of this document is included on the agenda of this committee for approval. This approval process is consistent with the revised timescale in the Audit and Accounts regulations.
- 2.2 During July of this year, the external auditor Deloitte reviewed the SoFA and as a result of the fieldwork a few minor amendments have been made to the accounts which were discussed at Finance, Risk, Audit and Standards Committee.

3. Letter of Representation

- 3.1 **Appendix A** to this report is the draft Letter of Representation that the Authority is required to send to the external auditor alongside the final version of the SoFA.
- 3.2 The purpose of the letter is to confirm to the Auditors the basis for the production of the statutory accounts. It also confirms that no material changes to the Authority's financial situation have occurred since their production.
- 3.3 The letter at **Appendix A** is a draft. This is to allow Members to amend the contents as appropriate, if they see fit, in accordance with the International Standard on Auditing 260 which requires that Members confirm to the Auditor that all matters that could have an effect on the statement of accounts have been disclosed.
- 3.4 If Members are content to approve the letter, then it is recommended that Irene Brannon in capacity of the Deputy S151 Officer to the Authority, should sign it on behalf of the Authority.

4. Auditor's Report on the 2014/15 Audit

- 4.1 **Appendix B** to this report is the Auditor's Report on the 2014/15 Audit. The Auditor will be present at the meeting to deliver this report and respond to Members' questions.
- 4.2 Members will see that the Auditor proposes to issue an unmodified opinion on the statement of accounts and the value for money assessment.

4.3 On page 10 of **Appendix B** the auditors have identified an insight relating to the estimated useful life of some of the assets which have been depreciated to nil but are still fit for purpose and in operation. Historically, the class of assets which this has impacted upon would have been replaced before 5 years and this would not have been an issue. However, due to the current funding situation a temporary decision has been taken not to replace vehicles as frequently. As a result it is not considered appropriate to change the accounting policy. However, this will be kept under review and if the decision becomes a longer term policy the estimated useful will be adjusted accordingly.

4.4 The 2014/15 accounts are the final set of accounts which will be audited by Deloitte under the contract and as Members have previously been advised KPMG will be responsible for the audit of the 2015/16 accounts. Officers would like to take this opportunity to formally thank the audit team at Deloitte for the contribution made over the duration of the contract.

5. **Financial and Staffing Implications**

5.1 There are no financial or staffing implications arising from this report.

6. **Sustainability Appraisal**

6.1 A Sustainability Assessment is not required because the report is an administrative issues report.

7. **Legal Implications**

7.1 The Authority is obliged to produce an audited, approved set of accounts for 2014/15 by 30 September 2015. These accounts must be published on the website.

8. **Recommendation**

8.1 That Members;

- a) Authorise the Treasurer to sign the letter of Representation at **Appendix A**, subject to any amendments, on behalf of the Authority.
- b) Note the Auditor's Report on that 2014/15 Audit included as **Appendix B** to this report.

Contact Officer:
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Background documents to this report

File Ref.

North York Moors National Park Authority

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Andy Wilson
 Chief Executive

Deloitte LLP
 1 City Square
 Park Row
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 LS1 2AL

Your ref:
 Our ref: CP/LS/NYMNPA15
 Date: 21 September 2015

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of North York Moors National Park Authority for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of North York Moors National Park Authority as of 31 March 2015 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework. We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A schedule of misstatements identified is attached as an Appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.



7. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.
8. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.
9. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
10. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.

Information provided

11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
16. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
18. No claims in connection with litigation have been or are expected to be received.
19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
20. All minutes of directors, management and shareholders meetings during and since the financial year have been made available to you.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Board of Members

Appendix 1

Schedule of Uncorrected Misstatements

Description	Assets DR / (CR) £	Liabilities DR / CR) £	Equity DR / (CR) £	Income Statement DR / (CR) £
None noted.				

Disclosure deficiencies:

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
None noted.			



North York Moors National Park Authority

External Audit Report for the year ended 31
March 2015

the
Distinctive
audit

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“I am delighted to present our report on the findings from our 2014/15 audit.”

Chris Powell, Audit Partner

A summary of our audit plan:

- Materiality: £130,068
- Threshold for reporting misstatements: £6,503
- Significant risks:
 - Revenue recognition;
 - Management override of controls;
- We have taken a substantive audit approach.



The big picture

The Big Picture

We anticipate issuing an unmodified audit opinion

We have pleasure in setting out in this document our findings from our audit of the North York Moors National Park Authority ("the Authority") for the year ended 31 March 2015.

This report has been prepared to inform the Members about how we have discharged our responsibilities as your external auditors and responded to the significant audit risks identified and communicated to you in our Audit Plan in June 2015.

Significant risks

We take this opportunity to remind you of the significant risks and other key issues identified in our Audit Plan circulated to you in June 2015:

1. Revenue recognition

We have noted no issues with the internal controls in place and based on the testing completed to date, we conclude that grant income has been appropriately recognised in line with the prevailing grant conditions.

2. Management override of controls

We have not identified any significant bias in key judgements made by management or any instances of management override of controls during our testing.

Whole of Government Accounts

We are required to report to the National Audit Office ("NAO") any material variances that have been noted between the WGA returns sent by the Authority for the Whole of Government Accounts and the balances and amounts disclosed in the audited accounts.

The Authority falls below the audit threshold set by the NAO for a full review of the consolidation pack prepared by management and so our audit work is primarily limited to confirmation of the consistency of values in respect of property, plant and equipment and the pension liability.

Scope of work and approach

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the Authority's financial statements for the period ending 31 March 2015.

This report is to the Members and others within your management team. In addition to providing our findings on our significant identified risks, the report is designed to provide commentary on key issues for the Authority regarding internal controls, accounting procedures, operating practices and other matters and also clear recommendations to help improve the design and implementation of internal controls, accounting procedures and operating practices within the Authority.

This is our final year as the external auditor of the Authority following the transition of the Audit Commission contract in 2015/16. We will be liaising with your incoming auditors in line with the PSAA protocol in due course. We would like to take this opportunity to thank you for your assistance and co-operation during our time as your external auditors.

Value for Money

Under the Audit Commission Code of Audit Practice, as appointed auditors we are required to draw a positive conclusion regarding the Authority's arrangements for securing economy, efficiency and effectiveness of its use of resources (the value of money ("VFM") conclusion).

Our work completed to date supports the issue of an unmodified VFM conclusion.

The Big Picture (Continued)

Outstanding matters

Subject to the completion of the below items we anticipate signing an unmodified opinion on the Authority's financial statements:

- Completion of grant income testing for a sample of 4 grants;
- Completion of revaluation reserve reconciliation;
- Disclosure testing on immaterial notes to the accounts;
- Completion of internal quality assurance procedures;
- Receipt of management representation letter;
- Final closedown procedures; and
- A review of subsequent events.

The following matters are outstanding and will be completed in line with national deadlines:

- Annual Audit Letter; and
- Submission of confirmation to the NAO threshold.

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/ or disclosure matters within the financial statements.

Significant audit risks

1. Revenue recognition

In accordance with ISA (UK & Ireland) 240 *The auditor's responsibilities relating to fraud in an audit of financial statements*, a key audit risk is presumed in connection with income recognition due to fraud.

For the Authority, the risks were deemed to arise with regards to cut off and classification assertions relating to grant funding, including the controls surrounding the reporting of such revenue streams. Specifically, grant income is expected to be credited to the Comprehensive Income & Expenditure Statement in line with the terms and conditions of the related grant agreement. This will be when the authority has satisfied all the conditions relating to the grant that could otherwise have resulted directly in repayment.

Audit work completed to address the significant risk

We have performed tests of the design and implementation of controls around the main income streams of the Authority.

In addition, we performed the following audit procedures in this area:

- detailed testing of grant income recognised in the year. Our procedures were conducted in order to refresh our understanding of the policies for income recognition and the accuracy of the cut off of the income;
- reviewed management's analysis of grant income and documentation for a sample of grant income recognised in the year, providing support and evidence for movements and reconciliation of deferrals; and
- reviewed the analysis and documentation and challenged management where any assumptions or judgements had been made.

Conclusion

- We found no indication that the incoming resources has been materially misstated in the financial statements from our testing over completeness and cut off.
- We found no indication that the policies for income recognition were unsuitable.
- We found that the assumptions and judgements made by management around this area were prudent and suitable.

Significant audit risks (Continued)

2. Management override of controls

In accordance with ISA (UK & Ireland) 240 *The auditor's responsibilities relating to fraud in an audit of financial statements*, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of this risk will vary from entity to entity, the risk is nevertheless present in all entities and therefore a presumed risk for all our audits.

For the Authority, the risks were deemed to arise at both a financial statement and assertion level, with regards to the following:

- the financial reporting process;
- the controls over journal entries and other adjustments posted; and
- significant accounting estimates, e.g. provisions and income in advance.

Audit work completed to address the significant risk

We have performed tests of the design and implementation of controls around the financial reporting process, journal entry and around processes for determining significant accounting estimates.

In addition, we performed the following audit procedures in this area:

- used our innovative analytics software to profile all journals posted in the year and selected items for detailed follow up testing based on a risk-focused approach;
- tested the appropriateness of our risk-based sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed accounting estimates for biases that could have resulted in material misstatements due to fraud;
- obtained an understanding of the business rationale of any significant transactions that we became aware of that were outside the normal course of business for the Authority, or that otherwise appeared to be unusual given our understanding of the Authority and its environment; and
- considered the overall control environment and 'tone at the top'.

Conclusion

- We found no indications of management override of controls during the course of our testing.
- We found no indications of management bias in areas of judgement or assumptions during the course of our testing.
- We found that all journals were appropriate and supported by suitable evidence.
- We have found no issues with the overall control environment and have found the "tone at the top" to be conducive to a sound control environment throughout the Authority.

Value for Money conclusion

Value for Money Conclusion

Background

Under the Audit Commission Code of Audit Practice, as appointed auditors, we are required to draw a positive conclusion regarding the Authority's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money ("VFM") conclusion). The specific criteria for our VFM conclusion are:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Audit work completed to address this requirement

In 2014/15, as set out in the "Work Programme and Scales of Fees 2014/15 – Local government, housing and community safety", our audit work consisted of the following:

- review of the Annual Governance Statement;
- review of the results of any work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there was any impact on our responsibilities as auditor of the Authority; and
- undertook other local risk-based work as appropriate, or any work mandated by the Audit Commission.

We did not identify any local risk-based work to be undertaken, or any work mandated by the Audit Commission.

Conclusion

Our work completed to date supports the issue of an unmodified VFM conclusion.

We are satisfied that the Annual Governance Statement is consistent with the required format and our understanding of the National Park Authority.

Internal control and risk management

Internal control and risk management



We are required to provide a view, based on our audit procedures, on the design and implementation of your system of internal control relevant to risks that may affect financial reporting and other risks arising from the Authority's business model. We have identified the following internal control and risk management observation:

Observation	Deloitte recommendation	Rating
<p>During our testing of fixed assets, we noted a number of assets on the fixed asset register with a net book value of nil.</p> <p>There are a number of assets which have been fully depreciated but are still in use by the Authority which could indicate that the useful economic life should be revised. The impact to the Authority is depreciation will not be charged in line with the life of the assets which in turn impacts the adjustment made to the Capital Adjustment Account.</p>	<p>Management should perform a review of the fixed asset register to identify any assets with a nil net book value to consider if they should be written off the fixed asset register.</p> <p>Alternatively, if the asset is still in use, the Authority should consider the range of useful economic lives applied to the class of asset to ensure that the asset is more accurately depreciated over the life of the asset.</p>	
<p>Management response</p> <p>It is recognised that a number of assets, mainly vehicles, have been fully depreciated over the estimated useful life of 5 years and although these assets are still in operation it is not considered prudent to increase the estimated useful life of this class of asset.</p> <p>Historically, vehicles were replaced every three years under leasing contracts however the Authority now purchases outright to give flexibility over the timescale for replacements. Although some vehicles are changed within a 3-5 year timeframe the vehicles in question have been well maintained and continue to be fit for purpose and budgetary constraints has resulted in a decision not to dispose at the current time.</p>		

Responsibility Statement

Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Authority by the Audit Commission.

While our report may include suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of North York Moors National Park Authority's system of internal control is conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion, which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

We view this report as part of our service to you for use, as Members, for corporate governance purposes and it is to you alone that we owe a responsibility to its contents. We accept no duty, responsibility or liability to any other parties as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

If you intend to publish or distribute financial information electronically or in other documents, you are responsible for ensuring that any such publication properly presents the financial information and any report by us thereon, and for the controls over and security of the website. You are also responsible for establishing and controlling the process for electronically distributing accounts and other information.

Deloitte LLP

Chartered Accountants

Leeds
September 2015

Appendices

Appendix 1: Audit adjustments and control observations

Uncorrected misstatements

As stated in our audit plan, we only report to you uncorrected misstatements that are either qualitatively material or exceed the clearly trivial threshold of £6k.

After considering all uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required based on the testing completed to date.

Disclosure Misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable you to evaluate the impact of those matters on the financial statements.

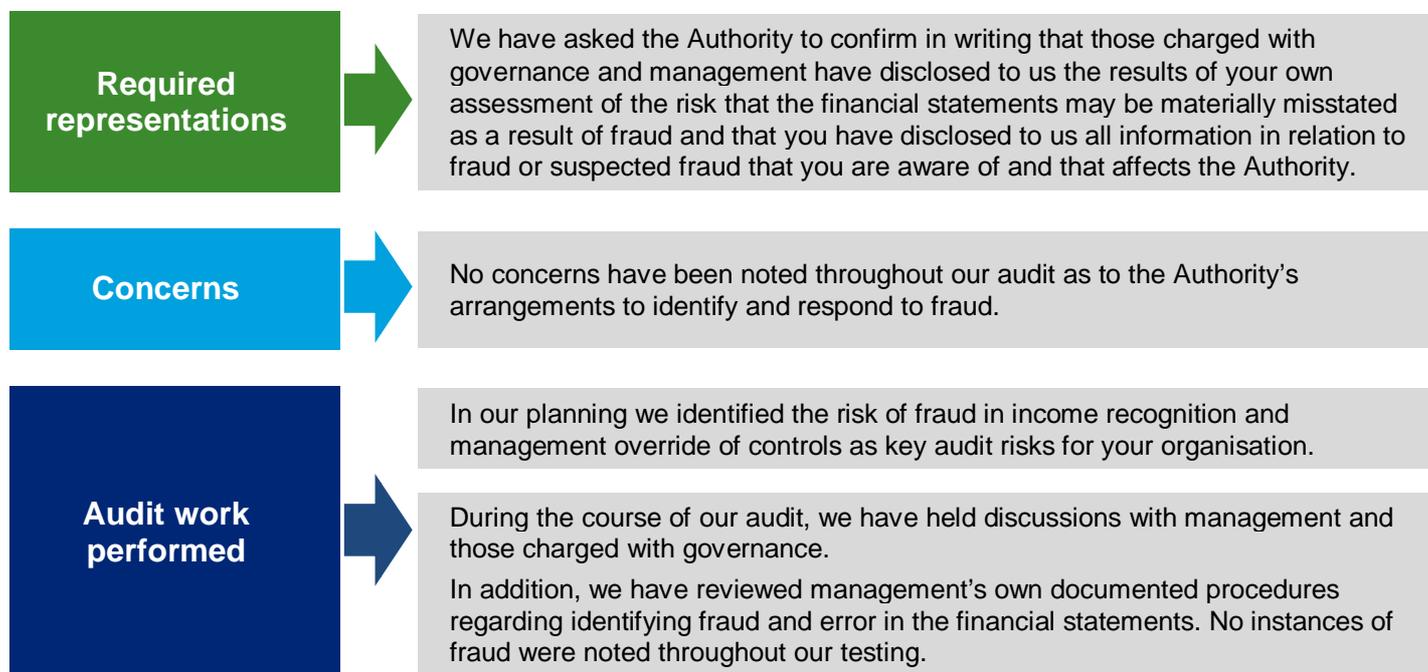
A number of minor disclosure deficiencies have been identified and communicated to the Authority which will be corrected in the final version of the financial statements.

Control observations

We are required to provide a view, based on our audit procedures, on the design and implementation of your system of internal control relevant to risks that may affect financial reporting and other risks arising from the Authority's business model.

We did not identify any risk management and control observations in relation to the significant audit risks.

Appendix 2: Fraud: responsibilities and representations



The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	Our fee for the statutory audit of the Authority's financial statements in 2014/15 was £12,016 (2013/14: £12,016) exclusive of VAT.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the charity's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	There are no relationships with the Authority and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

Appendix 4: Additional resources available to you

How we keep you up to date

Additional information on current and future technical developments

IAS Plus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes:

- Summaries of all IASB standards and interpretations;
- Background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings;
- Comparisons of IFRSs and various local GAAPs;
- Updates on national accounting standards development in around 80 countries and regions throughout the world; and
- Free e-learning modules for each IAS and IFRS – made available at no charge in the public interest.

The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>.

Our range of publications

Our iGAAP and ukGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance to companies reporting under the relevant GAAP; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area.

Our range also includes quarterly iGAAP newsletters providing a round up of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

Stay tuned online: Internet-based corporate reporting updates

The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues.

Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via www.deloitte.co.uk/audit.

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