

The Audit Findings for Dartmoor National Park Authority

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

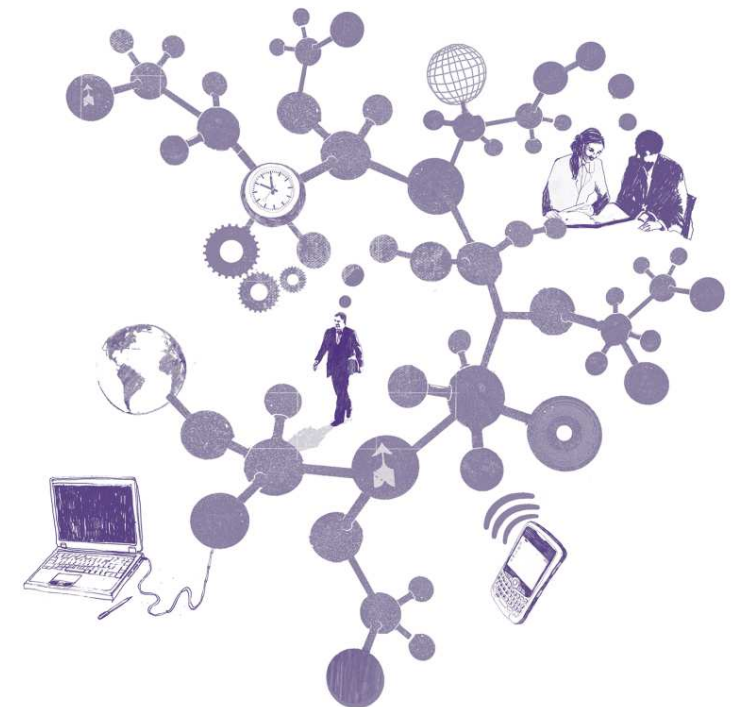
Year ended 31 March 2014

29 August 2014.

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Dartmoor National Park Authority ('the Authority') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 16 May 2014.

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

- obtaining and reviewing assurances from the audit of the Devon Pension Fund 2013/14;
- obtaining and reviewing assurances from the auditor for Devon County Council for the systems that are operated at Devon County Council which the Authority rely upon;

- obtaining and reviewing the ISA240 letters from the Authority;
- obtaining and reviewing the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion;
- Whole of Government Accounts; and
- completion of our closing procedures.

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Authority's reported financial position (details are recorded in section 2 of this report). We also identified a small number of disclosure changes which the Authority have amended.

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

- a small number of disclosure changes have been made to the accounts, all of which are minor in nature;
- those Charged with Governance have been asked to review, on an on-going basis, the position in relation to the historic payment from special grant income to farmers and any need, in future to disclose a contingent liability.
- we have recommended that management review the value of all assets which have not undergone a formal valuation in year to ensure that those not valued are not materially incorrect.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

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

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

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

Further details are provided within section 2 of this report.

The way forward

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

We have made three recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Resources and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
August 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 16 May 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 16 May 2014.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion once our work has been concluded.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls are designed effectively; Substantively tested operating expenses . 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; Undertaken walkthrough of the key controls to assess whether those controls are designed effectively; Substantively tested operating expenses . 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	PPE activity not valid	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; Substantively tested a sample of asset additions. 	Our audit work has not identified any significant issues in relation to the risk identified.



Audit findings against other risks (contd)

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle; • Reviewed the PPE accounting policies; • Reviewed and tested the basis of valuation to ensure that the value of assets is a reasonable estimate. 	Our audit work has not identified any significant issues in relation to the risk identified. In accordance with the valuation policy for fixed assets, the Authority has revalued all assets bar heritage assets in 2013/14. The Heritage Asset is currently included on the Balance Sheet at a value of £487k. This asset was last valued in 2011. The asset value is based upon Insurance value. Currently, the estimated insurance value is £600k. We have accepted that this is an estimate only, however, we have recommended that management undertake a review of all assets which are not valued in year, to ensure that those assets recorded on the balance sheet are not materially incorrect, in accordance with international accounting standards.

Accounting policies, estimates & judgements


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

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> • Government grant and contributions are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions of the payment and that they will be received. • Revenue from the sale of goods is recognised when the Authority transfers the risks and rewards of ownership to the purchaser and it is probable that the economic benefit or service will flow to the Authority. 	<p>We have reviewed the Authority's recognition of revenue and found that:</p> <ul style="list-style-type: none"> • Appropriate policies have been used • Accounting policies have been adequately disclosed • Revenue has been appropriately recognised. <p>Upon our testing of revenue recognition we identified that, in some cases, contracts had not been updated with more recent contract values. This is a minor issue in nature as our testing concluded that revenue disclosed in the accounts was materially correct. We would suggest, however, that management consider reviewing the contract values recorded for revenue grants.</p>	
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> • Key estimates and judgements include <ul style="list-style-type: none"> - useful life of capital equipment - pension fund valuations and settlements - revaluations - impairments - accruals 	<p>We reviewed the accounting areas where the Authority has exercised judgement and used estimates. We found that::</p> <ul style="list-style-type: none"> • Appropriate policies had been used; • Accounting policies had been adequately disclosed ; • Areas where judgement had been used were supported by the work of an expert or third party where appropriate. <p>We note that the contingent liability relating to the possible repayment of the special DEFRA pass through grant for farmers up to 2006/07 has been removed from the 2013/14 accounts. Management reviewed this position in 2013/14. We have accepted that the possibility of repayment continues to be remote, and have recommended that the Those Charged with Governance review the need for a contingent liability disclosure on an annual basis.</p>	

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements (Contd)

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

Accounting area	Summary of policy	Comments	Assessment
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards. 	<p>The Authority had not provided a detailed accounting policy for the Biomass boiler. An amendment has been made to include reference to the depreciation policy of 14 years for the Biomass boiler.</p> <p>There are no significant issues that we would wish to bring to your attention.</p>	

● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A small amount of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below. There is no impact on the primary statements or the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 No adjusted misstatements were required.			

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Note 36	Note 36 – Basis for Estimating Assets and Liabilities – Financial Assumptions. The RPI increase for 2012/13 was shown as 3.3%. The actuaries report disclosed this as 3.4%.
2			
3			
4			
5			
6			

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit. We await receipt of the ISA240 letters to support this.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Authority.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code

The Audit Commission have determined that a light touch approach to Value for Money (VFM) work will continue in 2013/14 for smaller, relevant bodies, which includes National Parks.

Key findings

We are required to report whether there are any matters that prevent us from being satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Overall VFM conclusion

We are pleased to report that, based on our review of the Authority's Annual Governance Statement, we have concluded that there are no matters to report.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit. We confirm that there no non audit services provided to Dartmoor National Park Authority in 2013/14.

Fees

	Per Audit plan £	Actual fees £
Main audit	£11,807	£11,807
Total audit fees	£11,807	£11,807

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

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

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

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Revaluation of Assets</p> <p>In accordance with International Accounting Standards, we recommend that management perform a review, on an annual basis, on all assets which have not been revalued in year.</p>	High	<p>Management will liaise with the valuer in year to assess how this can be performed.</p> <p>With regards to the Heritage asset – Upacott, management have planned to have this asset revalued in 2014/15.</p>	<p>June 2015</p> <p>Donna Healy.</p>
2	<p>Contract Administration</p> <p>We recommend that Management undertake a review of grant income contracts to satisfy themselves that the contract value information is up to date.</p>	Low	Noted by management.	
3	<p>Contingent Liability Disclosure</p> <p>The Authority continue to review the need to disclose a contingent liability in relation to the historic, pass through grant for farmers. This item will continue to be discussed with Those Charged with Governance and we request that the Authority confirm this review for 2013/14.</p>	High	To be confirmed at the Authority meeting.	5 September 2014.



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