

The Audit Findings for Dartmoor National Park Authority

DRAFT

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.

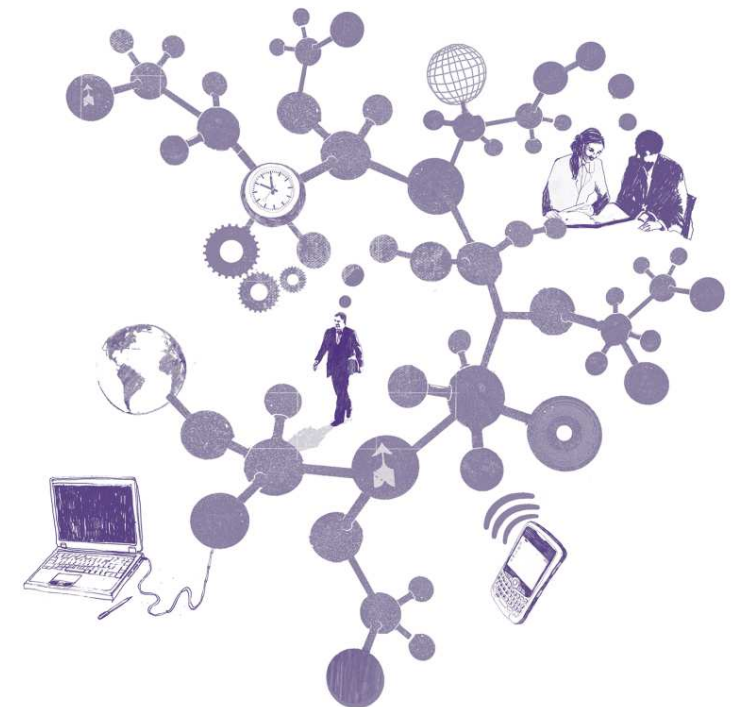
Year ended 31 March 2015

August 2015

Geraldine Daly
Associate Director
T 0117 305 7741
E geri.n.daly@uk.gt.com

Andrew Shaw
Audit Manager
T 0117 305 7755
E andrew.j.shaw@uk.gt.com

Emma Dowler
Executive
T 0117 305 7619
E emma.dowler@uk.gt.com





Dartmoor National Park Authority
Parke
Bovey Tracey
Newton Abbot
TQ13 9JQ

21 August 2015

Dear Members

Audit Findings for Dartmoor National Park Authority for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Dartmoor National Park Authority, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Audit Committee.

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

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

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

Yours sincerely

A handwritten signature in blue ink, appearing to read "Geraldine Daly".

Geraldine Daly

Chartered Accountants

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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's (the Authority) financial statements for the year ended 31 March 2015. 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 UK&I).

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 and 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 7 April 2015.

Our audit is substantially complete. We are currently finalising our work in the following areas:

- obtaining assurances over controls from Devon County Council for shared services relating to payroll;
- review of the final version of the financial statements;

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- completion of our review of related parties
- obtaining assurances for the Devon Pension Fund transactions; and
- Whole of Government Accounts.

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

Once our work is completed, we anticipate providing an unqualified opinion in respect of the financial statements.

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

- the draft financial statements and the supporting working papers were prepared to a high standard. The Authority dealt with our additional audit requests and queries in a timely manner.

We have not identified any adjustments affecting the Authority's reported financial position (details are recorded in section 2 of this report). The draft and audited financial statements for the year ended 31 March 2015 recorded net expenditure of £3,520k.

Further details are set out in section two 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 three 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

Roles and responsibilities

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

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

Findings

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

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 Business Support.

There are no issues to report.

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 2015

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 the 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 15th May 2015. 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 15 May 2015.

Audit opinion

Once our work is complete we intend to issue an unqualified opinion on the financial statements for the year ended 31 March 2015.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition .</p>	<p>Having considered the risk factors and the nature of the revenue streams at Dartmoor National Park Authority, we determined that the risk of fraud arising from revenue recognition could be rebutted because:</p> <ul style="list-style-type: none"> • there was little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition were limited • the culture and ethical frameworks of National Parks, including Dartmoor National Park Authority, mean that all forms of fraud are seen as unacceptable; and • 70% of funding was received from a DEFRA grant. <p>Work completed included:</p> <ul style="list-style-type: none"> • review and testing of revenue recognition policies. • testing of material revenue streams. • understanding of revenue streams and assessment of the risks relating to controls. 	<p>Our work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses 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 • undertaken walkthrough of the key controls to assess the design effectiveness • Performed substantive testing on a sample of operating expenses incurred • Searched for unrecorded liabilities; and • Substantive testing on year end creditors. 	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 • undertaken walkthrough of the key controls to assess the design effectiveness • Completed analytical procedures • Performed substantive testing of a sample of remuneration transactions 	Our audit work has not identified any significant issues in relation to the risk identified

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
Revenue recognition	<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 risk 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 revenue recognition policy and found that:</p> <ul style="list-style-type: none"> Appropriate policies have been used under the relevant accounting framework Revenue has been appropriately recognised Accounting policies have been adequately disclosed 	●
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include : <ul style="list-style-type: none"> Pension fund valuations and settlements Asset valuation Depreciations Accruals 	<p>We have reviewed the accounting areas where the Authority has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> Appropriate policies have been used Areas where judgement has been used were supported by the work of an expert of third party where appropriate Accounting policies have been adequately disclosed 	●

Assessment


- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Estimates and judgements - Property, Plant & Equipment</p> <p>The Authority's policy is to carry out a rolling programme of revaluations every 5 years. Most Authority's adopt a rolling programme of valuations varying between 1 to 5 years. A valuation was carried out by the Authority as at 31 March 2014. A fair value assessment has now been carried out this year, following our recommendation last year to ensure that where assets are not valued in year in accordance with the programme, that management satisfy themselves that asset values have not changed materially.</p> <p>The Code states that there is a requirement to value items within a class of property, plant and equipment simultaneously, within a 'short period' and that the revaluations are kept up to date.</p> <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. However, we are currently content that the fair value assessment in 2014/15 has provided management with a reasonable review of asset value in the short term.</p>	<p>Page 21 of the accounts sets out the authority's rolling programme of revaluations. This shows that there remains a programme where valuation as a minimum occurs every 5 years.</p> <p>The last valuation of land and buildings was carried out as at 31 March 2014. A specific valuation was conducted in 2014/15 on the heritage assets the Authority owns, following our recommendations last year.</p> <p>With respect to the 2014/15 accounts, land and buildings opening balances rolled forward to 1 April 2014 have up to date valuations and a subsequent fair value assessment was performed in year to consider changes in valuation during 2014/15.</p> <p>Given a full valuation of Land and Buildings was carried out at the start of 2014/15 and a subsequent fair value assessment was performed in year, we are satisfied with the estimates and judgements resulting in the fair values reported as at 31 March 2015 are reasonable.</p>

Assessment
 ✓ Action completed
 X Not yet addressed

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 previously discussed the risk of fraud with the Audit and Governance Committee .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.
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. In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial 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 as part of our review to date. Our review is yet to be completed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to Barclays and NatWest for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

There are no issues that we would wish to bring to your attention.

Adjusted misstatements

We are required to report all non-trivial 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 along with the impact on the primary statements and 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			

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 There are no unadjusted misstatements to report			

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			There are no misclassification or disclosure changes to report

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 2014/15 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 and confirm there were no fees for the provision of non audit services.

Fees

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

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 Authority'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 (UK&) 260, as well as other (UK&I) 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.

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



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