

New Forest National Park Authority

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP



Members of the Authority
New Forest National Park Authority
Town Hall
Avenue Road
Lymington
SO41 9ZG

15 October 2015

Dear Members

Annual Audit Letter 2014-15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members of the Authority and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014-15 annual results report to the 7 September 2015 Resources, Audit and Performance Committee, and subsequently the Authority meeting on 24 September 2015 as those charged with governance. We do not repeat them here.

The matters reported here are those we consider most significant for the New Forest National Park Authority.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

This is my final year as Executive Director for New Forest National Park Authority. I would like to extend my thanks to officers and members for their assistance over my time as engagement lead. I will work with my successor, Kate Handy (KHandy@uk.ey.com), to facilitate a smooth handover and she will introduce herself to officers and members at upcoming meetings.

Yours faithfully

Helen Thompson
Director
For and on behalf of Ernst & Young LLP
Enc.

Contents

1. Executive summary	1
2. Key findings	3
3. Control themes and observations	6
4. Fees	7

Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission’s website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014-15 audit work was undertaken in accordance with the Audit Plan issued on 1 May 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Authority's AGS;
- forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of New Forest National Park Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 28 September 2015 we issued an unqualified audit opinion on the Authority's financial statements.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority needs to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 28 September 2015. The Authority was below the £350 million reporting threshold.
Consider the completeness of disclosures on the Authority's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.

Area of work

Result

Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.

No issues to report.

As a result of the above we have also:

Issued a report to those charged with governance of the Authority with the significant findings from our audit.

Our Audit Results Report was presented to the 7 September 2015 Resources, Audit and Performance Committee, and subsequently to the full Authority on 24 September 2015.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Issued on 28 September 2015

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool to show both how the Authority has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 28 September 2015.

In our view, the quality of the financial statements was good, and we identified only a small number of errors, all of which were corrected. Our detailed findings were reported to the 7 September 2015 Resources, Audit and Performance Committee and the main issues identified as part of our audit were:

Significant risk 1: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

From our work completed on journals, accounting estimates and unusual transactions we did not identify any evidence of management override of controls.

Other risk 1: Valuation and treatment of gifted land

The Authority was gifted land, on a 999 year lease, on which to build affordable homes. Planning permission has been granted to build the homes.

We consulted our technical team on the appropriateness of the accounting treatment in the accounts. We gained assurance that the gifted land was valued appropriately and treated correctly in the accounts.

The Authority added an extra disclosure in the accounting policies within its financial statements, to set out how it accounts for gifted land.

Other risk 2: Change of bank account

The Authority changed its bank account provider in December 2014 from the Co-operative Bank to Lloyds. Subsequently some payments were received in another Lloyds client bank account. The February 2015 bank reconciliation had outstanding items which needed to be corrected before the year end.

We gained assurance from the outcome of Internal Audit's work which identified no significant issues from the change of bank account. Our testing of the year-end bank reconciliation showed that the coding issues from the change of bank account were resolved.

Other key findings:

The terms of reference for the Resources, Audit and Performance Committee should be updated to reflect the Chartered Institute of Public Finance and Accountancy's good practice for audit committees.

The Authority's Risk Management Strategy should be updated so that the Authority is assured that its risk management arrangements reflect good practice.

The Authority's Risk Log currently reports on risks around resources, processes and policy and performance. However, we recommended the risks should be reviewed to ensure there is a clear link between the Business Plan for 2015–18, the risks against achieving the twelve priorities in the Plan, and the specific actions required to mitigate those risks.

Looking ahead, the earlier deadline for producing and auditing the financial statements provides challenges for both the finance team preparing the accounts, and ourselves as your auditors.

Description**Impact**

The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017-18 financial year, the timetable for the preparation and approval of accounts will be brought forward.

As a result, the Authority will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.

The Chief Financial Officer is aware of this challenge and the need to start planning for the impact of these changes. This will include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year-end closure processes.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion. In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on:

- reviewing the Authority's Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates; and
- undertaking other risk-based work as appropriate.

Our audit did not identify any significant matters. We noted the following issues as part of our audit.

Key findings

The AGS was consistent with applicable guidance and our knowledge of the Authority, although we recommended that it was revised to better disclose the effectiveness of the Authority's internal control framework.

There was no impact on our work from other regulatory body or inspectorate findings.

Our work on the Authority's arrangements to develop a sustainable medium term financial plan looked at the work of the Member Task and Finish Group which reported to the Authority in September 2014. The Authority is continuing to develop its plan during 2015-16, alongside its three year Business Plan, for 2015 to 2018.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

The Authority is below the £350 million reporting threshold and therefore no audit work was required.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We recommended that it was revised to better disclose the effectiveness of the Authority's internal control framework, which the Authority did. We had no other issues to report.

2.5 Objections received

We did not receive any objections to the 2014-15 financial statements from members of the public.

2.5 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.6 Independence

We communicated our assessment of independence to the Resources, Audit and Performance Committee on 7 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell the Authority about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Authority's financial statements.

4. Fees

Our planned fee for 2014-15 is in line with the scale fee set by the Audit Commission and reported in our 24 September Annual Results Report.

	Final fee 2014-15	Planned fee 2014-15	Scale fee 2014-15	Final fee 2013-14
Total Audit Fee – Code work	£14,014	£13,280	£13,280	£13,280

Our proposed actual fee is higher than our planned fee, by £734, due to the additional work that we needed to carry out on the one-off gifted land transaction in the 2014-15 financial statements.

We agreed the additional fee with the Chief Financial Officer on 6 August 2015. The additional fee rates are set by our regulator, the Public Sector Audit Appointments (PSAA) Ltd. The fee is now subject to agreement by PSAA before it can be finalised.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)