

Northumberland National Park Authority

Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016

30 August 2016

Ernst & Young LLP



Contents

| | |
|---|------------|
| 1. Executive summary | 1 |
| 2. Responsibilities and purpose of our work | 3 |
| 3. Financial statements audit | 4 |
| 4. Value for money | 9 |
| Appendix A – Corrected and uncorrected audit differences | 10 |
| Appendix B – Outstanding matters | 111 |
| Appendix C – Independence | 12 |
| Appendix D – Auditor fees | 13 |
| Appendix E – Draft audit report | 14 |
| Appendix F – Management representation letter | 17 |
| Appendix G – Required communications with the Authority | 21 |

In April 2015, Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice ("the Code") and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. 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

The National Audit Office's Code of Audit Practice ("the Code") requires us to report to those charged with governance within the Authority, on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

| | |
|-----------------------|--|
| Status of the audit | <p>We have substantially completed our audit of the financial statements of Northumberland National Park Authority ("the Authority") for the year ended 31 March 2016. Subject to satisfactory completion of the outstanding items outlined below we will issue an audit opinion in the form which appears in Appendix F:</p> <ul style="list-style-type: none"> • Review of the final version of the financial statements as updated for findings from the outstanding procedures noted above • Completion of subsequent events review • Receipt of the signed management representation letter as drafted at Appendix G • Review of the Whole of Government Accounts' return by the Authority. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p> |
| Audit differences | <p>There are no unadjusted or adjusted audit differences identified through the course of our audit work. Management made one amendment to the valuation of fixed assets on receiving the valuer's report after the initial draft of the financial statements had been provided. This adjustment resulted in no movement to the useable reserves, and a £12,000 increase in the value of fixed assets and revaluation reserve.</p> |
| Scope and materiality | <p>In our audit plan presented at the 9 February 2016 Finance and Audit Group meeting and the Authority meeting on 15 June 2016, we communicated that our audit procedures would be performed using a materiality of £71,000. We have reassessed this based on the actual results for the financial year and have decreased this amount to £66,000. This was the result of a reduction in forecast annual expenditure used in our planning procedures and actual expenditure per the draft financial statements. The threshold for reporting audit differences which impact the financial statements was not subject to a material change as a result of this reassessment.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> • Remuneration disclosures including any severance payments, exit packages and termination benefits: we agreed all balances to |

| | |
|-------------------------|--|
| | <p>supporting documentation with no materiality applied. The supporting documentation was approval from the Authority board.</p> <ul style="list-style-type: none">• Related party transactions: we reviewed the members' register of interests and considered any interests against our audit procedures, in particular over expenditure in the year. <p>We carried out our work in accordance with our Audit Plan.</p> |
| Significant audit risks | <p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none">• Risk of fraud in revenue and expenditure recognition• Risk of management override• Accounting for the Sill project <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p> |
| Other reporting issues | <p>We have no other matters we wish to report.</p> |
| Control observations | <p>We have adopted a fully substantive approach and have therefore not tested the operation of controls. As part of our audit approach over the areas of significant risk identified above we have considered the related design and implementation of controls. We have not identified any deficiencies that might result in a material misstatement in your financial statements.</p> |

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.



Nicola Wright

Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Authority's responsibilities

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

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

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

| Significant Risks (including fraud risks) | Audit procedures performed | Assurance gained and issues arising |
|--|---|--|
| <p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions | <p>We:</p> <ul style="list-style-type: none"> ▶ Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and ▶ Reviewed accounting estimates for evidence of management bias, which consisted of the accruals listed above. <p>We did not identify any significant issues during the course of our work.</p> |
| <p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Reviewing and testing revenue and expenditure recognition policies ▶ Reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias ▶ Developing a strategy to test material revenue and expenditure streams; and ▶ Reviewing and testing revenue cut-off at the period end date. | <p>We:</p> <ul style="list-style-type: none"> ▶ Reviewed and tested revenue and expenditure recognition policies; ▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias. ▶ Developed a testing strategy to test material revenue and expenditure streams; ▶ Reviewed and tested revenue cut-off at the period end date; and ▶ Performed unrecorded liabilities testing on expenditure incurred after the period end date. <p>We did not identify any significant issues during the course of our work.</p> |

| Significant Risks (including fraud risks) | Audit procedures performed | Assurance gained and issues arising |
|---|---|--|
| <p>Accounting for the Sill Project</p> <p>The Sill capital project has commenced the build phase during 2015/16. As with any capital project the complexity and length of time to complete can vary once the build phase of the project commences.</p> <p>Furthermore, the Authority's total budgeted expenditure for the Sill is £14.8m, of which 13% of this relates to operating expenditure.</p> <p>Judgements and controls need to be effective to appropriately recognise the costs from this significant projects including:</p> <ul style="list-style-type: none"> ▶ Appropriate split of costs between capital and operating expenditure; ▶ Accurate timing of asset recognition; and ▶ Assessment of the economic useful lives of the asset where costs are capitalised. <p>Additionally, the Authority's funding plan for the Sill project includes a Public Works Loan. The Authority has no previous loan arrangements and this is a significant new class of transaction.</p> <p>Management will need to ensure that they accurately account for the loan and that all required disclosures are included in the financial statements.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Reviewing a sample of capital expenditure. ▶ Understanding key controls and governance surrounding capital project accounting and management. ▶ Evaluating management's judgements and assumptions used in determining the future benefits expected from the project and ensuring they are appropriate and supportable. ▶ Reviewing whether or not capitalisation of costs is appropriate. ▶ Considering whether at any stage assets need to be impaired or written off to reflect any aborted or higher risk projects. ▶ Meeting with management to discuss their proposed approach to accounting for the loan. ▶ Undertaking early review of managements proposed accounting treatment and disclosures. ▶ Reviewing the accounting entries and disclosures prepared against relevant accounting standards and the CIPFA code. | <p>We have considered the design and implementation of key controls around the Sill project and not identified any deficiencies.</p> <p>We have agreed a sample of capital expenditure to supporting evidence and performed procedures over both capital and revenue expenditure to ensure it has been capitalised or expensed appropriately in line with the Authority's accounting policies.</p> <p>Through our review of the status of the project at yearend, and post yearend discussions with management, our review of the valuation report at yearend, and our general understanding of the project status, we do not consider there to be a risk of impairment at this stage.</p> <p>No audit differences were identified through the course of our work.</p> |

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

| Other Risks | Audit procedures performed | Assurance gained and issues arising |
|--|---|--|
| <p>Assessment of the Authority's Group boundary</p> <p>The Northumberland National Park Foundation came in to being in April 2015, with very similar objectives to those of the Authority.</p> <p>We need to understand the Authority's relationship with the Foundation from a group reporting perspective, and specifically whether the Authority has 'the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities'. This will determine whether the Authority has control of the Foundation and whether the Authority is required to prepare group financial statements.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Meeting with management to understand the nature of the relationship with the Foundation; ▶ Reviewing management paper on group boundary considerations; ▶ Reviewing the memorandum and articles of incorporation; ▶ Reviewing Foundation board minutes; and ▶ Reviewing funding decisions made by the Foundation. | <p>We have discussed this matter with management and reviewed the relevant aspects of the Foundation's financial statements and articles of incorporation.</p> <p>We are satisfied that it is not required for the Authority to prepare group financial statements.</p> |
| <p>Accounting for the Hadrian's Cavalry project</p> <p>At the 31 March 2015, the Authority's entered in to a collaborative agreement with a number of partners to deliver the Hadrian's Cavalry Project.</p> <p>The Authority is the lead partner for the project, which is funded by the Art to deliver the shared objectives of the project.</p> <p>We will need to consider the Authority's accounting treatment for income and expenditure incurred in the delivery of the project, as the direct benefits of this funding are received by the Museums.</p> <p>Therefore, we are considering whether the Authority, in their role as lead partner, is acting as an agent in its relationship with the museums. This will determine to what extent the Authority records the income and expenditure associated with the Hadrian's Cavalry project in their financial statements.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Discussing the accounting treatment with the Finance Manager; <p>Using our EY technical accounting specialist, as appropriate, to support us with this work and to review the appropriateness of the accounting treatment; and.</p> <ul style="list-style-type: none"> ▶ Reviewing the disclosure in the financial statements to ensure that it is fair, balanced and understandable. | <p>We have confirmed through our discussions with management and our internal review of the appropriate accounting arrangements in these circumstances that the Authority is accounting correctly for the project, recognising both income and expenditure in relation to the project.</p> |

| Other Risks | Audit procedures performed | Assurance gained and issues arising |
|--|--|---|
| <p>Valuation of land and buildings</p> <p>Land and buildings is the most significant balance in the Authority's Balance Sheet. The valuation of land and buildings is subject to a number of assumptions and judgements and even a small movement in these assumptions could have a material impact on the accounts.</p> | <p>Our approach focussed on</p> <ul style="list-style-type: none"> ▶ Reviewing the output of the Authority's valuer; ▶ Challenging the assumptions used by the Authority's valuer by reference to external evidence and our EY valuation experts; and Testing the journals for the valuation adjustments to check that they have been accurately processed in the accounts | <p>We have agreed the valuation report to the underlying accounting journals for the year and considered the assumptions used in the valuation report. No audit differences were identified through the course of our work.</p> |
| <p>Judgemental assumptions impacting the Authority's pension deficit</p> <p>At the 31 March 2015, the Authority's defined pension scheme had a deficit of £3.3million. The Authority balance sheet includes their share of the deficit on the Local Government Pension Scheme and liability for unfunded pensions' obligations.</p> <p>The assumptions used to arrive at the value of the pension deficit are highly judgemental. The setting of these assumptions in accordance with IAS19(R) Employment Benefits will be an area of audit</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Reviewing the actuarial report and fund actuary triennial valuation and testing the reasonableness of key actuarial assumptions. ▶ Using our EY pensions specialist, as appropriate, to support us with this work and to review the appropriateness of the IAS19 valuation methodology; and ▶ Reviewing the disclosure of assets and liabilities and assumptions in the financial statements to ensure that it is fair, balanced and understandable | <p>We are currently awaiting the final report on work performed by our EY pension specialists. This work is expected to be completed by 31 August and we will report any findings or issues to the Authority separately.</p> |

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Authority's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

Regulation 15 of the Accounts and Audit regulations requires that the unaudited accounts are made available for public inspection for a period of 30 working days, including the first 10 working days in July. During the course of our audit management identified to us that the publication of the notice for public inspection of the accounts was delayed from 30 June to 25 July and hence the inspection period did not cover the first 10 working days of July. The Authority should also note that the inspection period closed prior to the signing of the financial statements but after the Audit and Finance Group meeting to review the accounts and our audit results report.

We have no other matters we wish to report.

Control themes and observations

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in

place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls. Where we have identified significant risks to the financial statements (as outlined in this report and our audit planning report) we have considered the design and implementation of key controls relating to the relevant accounts associated to these risks. We have not identified any significant deficiencies in the design or implementation of an internal control that might result in a material misstatement in your financial statements.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

Request for written representations

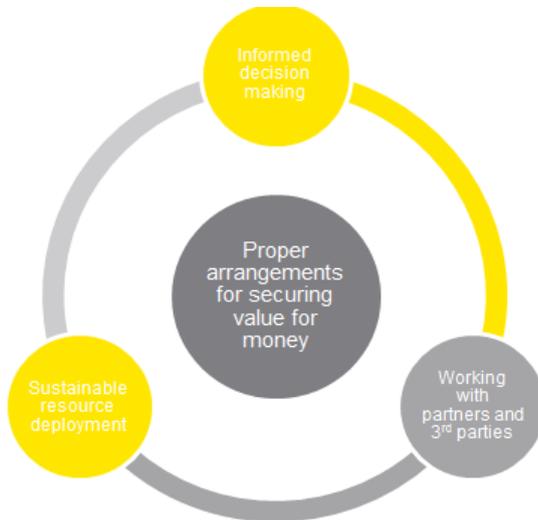
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G. We have not requested any specific representations beyond those usually requested of an entity of this nature.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to management and the Authority.

4. Value for money



We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We have performed designed procedures to consider the appropriateness of the authority's arrangements to meet the requirements as outlined above. We did not identify any significant weaknesses in the Authority's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

Our risk assessment as outlined in our audit planning report considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We did not identify any risks which we view as relevant to our value for money conclusion. On updating our understanding of the Authority at yearend, we confirm no new risks were identified.

Other matters to bring to you attention

As part of our procedures over both value for money and audit of key disclosures in the financial statements and supporting notes, we considered the arrangements in place for review and approval of the senior employees in place at the authority. We confirmed through our procedures that all changes in pay had been subjected to the appropriate level of oversight and review in line with the Authority's scheme of delegation, and that payments made and disclosed in the financial statements matched those approved by the Authority's members.

Appendix A – Uncorrected and corrected audit differences

The following uncorrected and corrected differences, which are greater than our audit differences reporting threshold of £3,000, have been identified during the course of our audit and warrant communicating to you. All items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure – We identified no audit differences during the course of our audit, however management made one adjustment to the financial statements after the first draft was provided (as noted above). This related to a £12,000 increase in fixed assets and the revaluation reserve to reflect the valuation reported by the Authority's valuer, which was received after the draft financial statements were prepared. No unadjusted audit differences were identified during the course of our audit.

Cash Flow statement – no corrected audit differences were noted. No unadjusted audit differences were identified during the course of our audit.

Disclosures – No unadjusted audit differences were identified during the course of our audit. On review of the financial statements against the disclosure checklist we suggested a number of minor amendments to the financial statements disclosures, all of which have been addressed by management.

Appendix B – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

| Item | Actions to resolve | Responsibility |
|----------------------------------|--|------------------------------|
| Defined benefit scheme audit | Completion of audit work in relation to defined benefit scheme assets | EY |
| Management representation letter | Receipt of signed letter of representation | Management |
| Annual report and accounts | Approval of accounts by the Board | Management and the Authority |
| Subsequent events review | Completion of the subsequent events procedures to the date of signing the audit report | EY and management |
| Whole of Government Accounts | Management and EY to work together to complete any outstanding work | EY and management |

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan submitted to the Finance and Audit Group in February 2016 and to the Authority in June 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Authority on 14 September 2016.

We confirm that we have met the reporting requirements to the Authority and to the Finance and Audit Group, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan presented to the Audit and Finance Group on 9 February 2016 and the Authority on 15 June 2016.

Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

| Description | Proposed Fee 2015/16 £ | Scale Fee 2015/16 £ | Variation comments |
|------------------------------------|------------------------------|---------------------------|--|
| Total Audit Fee - Code work | 13,000 | 11,000 | We have outlined the reasons for fee variations below. |

Our actual fee for the 2015/16 audit of the financial statements is £2,000 higher than the scale fee. We agreed additional fees in respect of our audit work with management in relation to the SILL capital project that commenced in the year. These were reported in our audit planning report. The fees are otherwise in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

Appendix E – Draft audit report

Independent auditor's report to the members of Northumberland National Park Authority

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NORTHUMBERLAND NATIONAL PARK AUTHORITY

Opinion on the Authority's financial statements

We have audited the financial statements of the Northumberland National Park Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- and the related notes 1 to 32

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Northumberland National Park Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northumberland National Park Authority and the Northumberland National Park Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 11 the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position Northumberland National Park Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Northumberland National Park Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Northumberland National Park Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Northumberland National Park Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Northumberland National Park Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Northumberland National Park Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Northumberland National Park Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Nicola Wright (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Newcastle

14 September 2016

Appendix F – Management representation letter

[To be prepared on the Authority's letterhead]

[Date]

Ernst & Young

City Gate
St James' Boulevard
Newcastle-Upon-Tyne
NE1 4JD

This representation letter is provided in connection with your audit of the financial statements of *the Northumberland National Park Authority* ("the Authority") for the year ended *31 March 2016*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of *the Authority* as of *31 March 2016* and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records¹

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

¹ We describe management's responsibilities in the manner in which these responsibilities are described in the terms in the engagement letter.

4. We believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority held through the year to the most recent meeting on the following date: *TBC*
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such

parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.²

5. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

² ISA 550.26

Yours Faithfully,

Chief Executive

I confirm that this letter has been shared at the Finance and Audit Group on 17 August 2016.

Chairman of Finance and Audit Group

Appendix G – Required communications with the Authority

There are certain communications that we must provide to the Authority, including the Finance and Audit Group. These are detailed here:

| Required communication | Reference |
|--|---|
| <p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p> | Audit Plan |
| <p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits | Audit Results Report |
| <p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Authority's ability to continue as a going concern for the 12 months from the date of our report. |
| <p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant | Audit Results Report |
| <p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Finance and Audit Group to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud | We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit. |
| <p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | We have no matters we wish to report. |

| Required communication | Reference |
|---|--|
| <p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | We have received all requested confirmations. |
| <p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Finance and Audit Group into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance and Audit Group may be aware of | We have not identified any material instances of non-compliance with laws and regulations. |
| <p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | Audit Plan and Audit Results Report |
| Significant deficiencies in internal controls identified during the audit | Audit Results Report |
| <p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit | Audit Plan Audit Results Report |

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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

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