

Northumberland National Park Authority

External Audit Report for the year ended  
31 March 2015

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

**Celia Craig, Audit Lead**

## A summary of our audit plan:

- Materiality: £93,000
- Threshold for reporting misstatements: £4,650.
- Significant risks:
  - Revenue recognition; and
  - Management override of controls.
- We have taken a mainly substantive audit approach.



# The Big Picture

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

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

## Scope of work and approach

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

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

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

## Financial Position

The economic climate in which Northumberland National Park Authority operates continues to be challenging with the Defra National Park Grant continuing to reduce by 1.7% in 15/16. As at 31 March 2015, the Authority has recorded a total usable reserves balance of £2.05m, with £1.123m of these being allocated as earmarked for specific initiatives.

The Sill project represents a significant challenge to the Authority and we initially held concerns over the impact of the project on the future financial resilience of the Authority in view of the current funding gap, which has increased from £764k to £1.7m, and the risk this presents to cashflow management. Management have completed steps to ensure that potential risks are identified, financially quantified and where possible mitigations are implemented. They have assessed the risk to both the project and to the Authority as a whole. As a result of the work undertaken, while there is still risk attached to the project, the Authority have demonstrated that these risks are being managed appropriately and mitigated as far as possible, for example identifying contingency plans in relation to the funding gap. As a result we have no significant concerns regarding the future financial resilience of the Authority.

## Value for Money

Under the Audit Commission Code of Audit Practice, as appointed auditors we are required to draw a positive conclusion regarding the Authority's arrangements for securing economy, efficiency and effectiveness of its use of resources (the value of money ("VFM") conclusion). We identified the Sill project development as an area of local risk based work to be undertaken as part of our VFM conclusion. We have considered the funding position, and Authority plans, at a high level, and conclude we have no matters to note in respect of our VFM conclusion.

## Whole of Government Accounts

We are required to report to the National Audit Office ("NAO") in respect of the Whole of Government accounts returns sent by the Authority for the WGA and the balances and amounts disclosed in the audited accounts.

The Authority falls below the audit threshold set by the NAO for a full review of the consolidation pack prepared by management and so our audit work is primarily limited to confirmation that it is below the threshold.

## Outstanding matters

Our audit work is complete and the matters that were outstanding when we presented our findings to the Authority on 9 September 2015 were resolved with no issues arising. We can confirm that an unmodified opinion was issued on 28 September 2015.

## Significant risks

We take this opportunity to remind you of the significant risks and other areas of audit interest identified in our Audit Plan circulated to you in May 2015:

### 1. Revenue recognition

We have noted no issues with the internal controls in place and have concluded that grant income has not been materially misstated and has been appropriately recognised in line with prevailing conditions.

### 2. Management override of controls

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

### Area of Audit Interest – Pension Liability

We consider the pension assumptions to be reasonable and we received confirmation over the asset values.

# Significant audit risks

## 1. Revenue recognition

International Standards on Auditing (UK & Ireland) 240, "The auditor's responsibility to consider fraud in an audit of financial statements", requires auditors to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a key audit risk.

For the Authority we consider that the specific revenue recognition risk relates to the recognition of grant income. Specifically, grant income is expected to be credited to the Comprehensive Income & Expenditure Statement in line with the terms and conditions of the related grant agreement.

### Audit work completed to address the significant risk

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

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

- we performed detailed testing on a focussed sample of grants recognised as income in the year, reviewed the processes in place on a sample of grants to ensure that grant income is recognised only to the extent that the Authority has met the grant conditions and therefore it is appropriate to account for the income in 2014/15;
- we also performed detailed testing on a sample of grant income which has been accounted for as received in advance to ensure that the recognition as a liability was in accordance with the Code; and
- reviewed the analysis and documentation for the sample selected and challenged management where any assumptions or judgements had been made.

### Conclusion

- We identified a misstatement of £11k as detailed in Appendix 1 whereby grant income with no explicit conditions had not been recognised immediately in line with the relevant accounting standards and had been incorrectly treated as income in advance. Our review of grant income indicated no further issues regarding recognition in line with compliance of any grant conditions.
- One further adjustment of £13k was identified in relation to a loan that was incorrectly accounted for as a grant, therefore a debtor was required to be recognised in the current year.
- We found no indication that the incoming resources have been materially misstated in the financial statements from our testing.
- We found no indication that the policies for income recognition were unsuitable.

# Significant audit risks (continued)

## 2. Management override of controls

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

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

For the Authority, the risks are deemed to arise with regard to the following:

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

### Audit work completed to address the significant risk

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

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

### Conclusion

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

# Areas of audit interest

## 1. Pension Liability

Pensions accounting is determined by International Accounting Standard 19 *Employee Benefits*.

In the ongoing financial climate, the choice of pension inflation, discount and yield assumptions will be both difficult and judgemental. Small and apparently insignificant changes to these key assumptions can have material consequences for the actuarial assessment of the liability included within the financial statements of the Authority.

Changes have been made to the Code regarding post-employment benefits requirements in respect of the classification, recognition, measurement and disclosure requirements introduced as a result of amendments to the relevant accounting standard.

### Audit work completed to address the significant risk

We performed the following audit procedures in this area:

- we agreed the pension values to the actuaries report and reviewed the pension disclosures for compliance with applicable accounting standards;
- we reviewed the assumptions made in the calculation of the pension liability and note that the assumptions are towards the middle of the range compared to Deloitte benchmarks; and
- we received assurance over the plan assets from Northumberland Pension Fund auditors. We note that there is a projected overstatement of Pension Fund Assets. The Authority's share of this is calculated as £12k and is included in Appendix 1.

### Conclusion

- We have completed our specialist review on pension assumptions and note they are towards the middle of the range of Deloitte benchmarks.
- We have received assurance over the plan assets from the Northumberland Pension Fund Auditors. We note that there is a projected overstatement of Pension Fund Assets. The Authority's share of this is calculated as £12k and is included in Appendix 1.

# Value for Money

## Background

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

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

## Audit work completed to address this requirement

In 2014/15, as set out in the "Work Programme and Scales of Fees 2014/15", our audit work consisted of the following:

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

We identified VFM local risk based work in relation to the Sill project due to the size and nature of the project. Our work is complete in respect of this.

## Conclusion

- We reviewed developments in relation to the Sill project and note the Authority took the decision to continue with the next phase of the project at the Authority meeting on 16 September 2015. We considered the funding position, and Authority plans and concluded that we have no matters to note in respect of our VFM conclusion.
- We are satisfied that the Annual Governance Statement is consistent with the required format and our understanding of the National Park Authority.

# Value for Money (continued)

## The Sill

The Sill is a significant project to develop a Landscape Discovery Centre at Once Brewed. Phase 1 of the proposal in relation to the design of the new centre has been completed and in February 2015 the Heritage Lottery Fund (HLF) announced an offer of £7.748m of grant aid for the Sill. Phase 2 is expected to commence in late 2015 with a total cost to completion of £14.23m (subject to a decision being made to progress with the project). After taking account of funding from the HLF, Youth Hostel Association and the Authority, the remaining funding gap stands at £764k which presents a significant challenge to the Authority. As at 31 March 2015 the Authority has usable reserves of £2.05m of which £745.5k is earmarked for the Sill project.

We understand that the Authority is taking steps towards bridging the funding gap. The successful outcome of a bid to the Local Enterprise Partnership for £1m funding was recently announced. In addition the 'Northumberland National Park Foundation' which achieved charitable status during 2014/15 is exploring a number of potential funding avenues.

Phase 1 of net expenditure for the Sill was budgeted at £156.6k with an actual outturn position of £213.3k. The overspend was largely due to legal fees that were not anticipated when the budgets were approved however additional expenditure of £40k had been communicated to Members.

The Authority is expecting to be in a position of greater cost certainty in September 2015 following review by the appointed contractor at which point a decision is expected by Members as to whether to progress with the development of the Sill. We understand that the most recent cost estimates for the build are higher than the original estimates which would result in further increasing the current £746k funding gap. We therefore consider there to be a heightened level of risk to the project arising from cost uncertainty at this time.

## Audit work completed to address the identified risk

- We received an update on the progress of the Sill from management to understand the current position;
- We reviewed the Sill Business Plan and Authority meeting minutes to inform our knowledge of recent developments; and
- We performed a high level review of management's sensitivity analysis and scenario planning.

## Conclusion.

- The Authority worked to achieve greater cost certainty in September 2015 through the negotiation of a fixed price contract. Final construction costs have been confirmed and though higher than originally estimated, as these are to be agreed on a fixed contract basis, this significantly mitigates the risk of further increased costs.
- The higher construction costs increase the current unsecured funding gap to £1.7m. While this does heighten the level of risk attached to the project, management have performed sensitivity analysis on the revised budgets considering different funding strategies and the financial impact of these on the Authority as a whole.
- Members approved phase 2 of the project at the Authority meeting on 16<sup>th</sup> September 2015. Following this, a letter of intent to sign the fixed price contract was issued in late September.
- While a funding gap remains and, as with any large capital project, there does remain an element of risk attached to the project, management have endeavoured to realistically identify and assess these risks to ensure that mitigations can be implemented where possible, and have considered the Authority-wide impact of the project.
- Following consideration of the above, we have no matters to note in respect of our VFM conclusion.

# Control and IT observations

## Control observations

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

### Grant Income Recognition

<b>Background</b>	We identified an immaterial error in relation to grant income recognition whereby income had been recognised incorrectly as income in advance. There were no conditions attached to this income therefore the CIPFA Code requires that the income be recognised immediately.
<b>Deloitte recommendation</b>	The year end process for consideration of revenue recognition should be amended to ensure that grant conditions are reviewed for all grant income to ensure that recognition is in line with the applicable accounting requirements.
<b>Management response</b>	Agreed. This is of particular importance given the increased level of grants expected due to the Sill project.

### Recharge of work completed on behalf of other bodies

<b>Background</b>	As part of our audit testing we identified expenditure incurred on behalf of Yorkshire Dales National Park Authority which had not been invoiced. This was an immaterial amount however there is a risk that income is not received for all work completed.
<b>Deloitte recommendation</b>	Processes should be implemented to record work completed on behalf of other bodies and for consultancy work provided by Authority staff. Whilst the total error is immaterial in the current year this may become an issue as the Authority continues to explore alternative revenue streams.
<b>Management response</b>	Agreed. We will implement the use of recharge/ suspense accounts to make such transactions more visible.

### Rental Income

<b>Background</b>	The Authority has income from the rental of a number of properties including the new rural hubs. Invoices are raised to cover the 12 months rent due from the anniversary date, which can extend beyond the year end cut off date. The correct rental income is recognised as income in the year but the invoice for the full year is posted to debtors with a corresponding entry to income in advance. This means that the debtor and income in advance balances are overstated for the proportion of the rental which is not yet due until after year end.
<b>Deloitte recommendation</b>	Whilst the total error is below our clearly trivial threshold, this may become an issue in future periods as the Authority seeks to increase the level of income generate from such revenue streams. Rental income should be accounted for on an accruals basis and care taken to ensure income in advance is only recognised when cash has actually been received.
<b>Management response</b>	Agreed. Audit brought this issue to our attention during their previous audit and as a result the majority of rental invoices were raised up until the end of the financial year. We will endeavour to ensure all invoices are issued in this manner.

# Control and IT observations (continued)

## Related Parties

### Background

As part of our review of the register of interests we identified an amendment requested by a Member in relation to new employment which was then updated in the register. The member subsequently left this role and a further amendment to the register was made to remove the interest. However, the final version used by finance to determine related party disclosure requirements omitted the in-year employment of this individual. Whilst there were no transactions with this specific company which required disclosure there is a risk that not all related party transactions are identified and disclosed appropriately.

### Deloitte recommendation

Where amendments to the risk register are made during the year the interest should be retained for the financial year and the dates from which the interest is effective from and to should be included to ensure that all related party transactions can be identified by finance at year end.

### Management response

Agreed.

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# Control and IT observations (continued)

## IT Observations

During the course of our audit we identified a number of IT control observations, which are not considered to be significant control deficiencies and are detailed below.

### Windows Privileged Access

<b>Background</b>	The Windows administration password has not been changed. There is a risk from using a generic password and where changes are not regularly enforced that previous employees are aware of passwords and could gain access to the Authority's systems.
<b>Deloitte recommendation</b>	The administration password should be changed from the generic original and provided only to key IT staff as necessary. Parameters should also be set to enforce changes on a regular basis.
<b>Management response</b>	Agreed to change the current administration password. In future the password will be changed immediately if a member of the IT team leaves the organisation or the job role changes whereby admin access is not required.

### User Access Reviews

<b>Background</b>	Formal user access reviews are not conducted to ensure assigned privileges are still reasonable. There is a risk where employees are changing roles that access rights no longer remain appropriate and segregation of duties is compromised.
<b>Deloitte recommendation</b>	User access reviews should be implemented on a regular basis for all staff and specifically for new staff and those changing roles.
<b>Management response</b>	Not agreed. Periodic access reviews will not be performed. Instead if an employee changes roles their access requirements will be reviewed. IT will look back over a period to satisfy themselves this has been performed correctly.

### Password Parameters

<b>Background</b>	Password change parameters are not enforced for all systems, currently changes are not required by the Sage system and are only implemented annually for Exchequer. There is therefore a heightened risk that passwords may be obtained by other individuals and used to gain access to Authority systems.
<b>Deloitte recommendation</b>	Password parameters should be set to enforce password changes on a more frequent basis.
<b>Management response</b>	Not agreed. This is not necessary given the size of the organisation. A module could be purchased from Exchequer which enforces password change but there is an annual license cost to this. The access to the systems are limited, no payment can be made without the relevant signatories, and therefore the other checks and balances in the systems for an organisation of this size are sufficient.

### Change Management Procedures

<b>Background</b>	A formal IT change management procedure does not currently exist. Where changes are required to current procedures this may take longer to implement where the process is not defined.
<b>Deloitte recommendation</b>	A formal IT change management procedure should be implemented to ensure that policies and procedures are well defined and can be executed on a timely basis.
<b>Management response</b>	Not agreed. This is deemed inappropriate for an organisation of this size. The costs of implementing such a system does not justify the value.

# Responsibility statement

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

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

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

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

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

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is positioned to the left of a vertical line.

## **Deloitte LLP**

Chartered Accountants

Newcastle upon Tyne  
28 September 2015

# Appendix 1: Audit adjustments

## Uncorrected misstatements

As stated in our audit plan, we only report to you uncorrected misstatements that are either qualitatively material or exceed the clearly trivial threshold of £4,650.

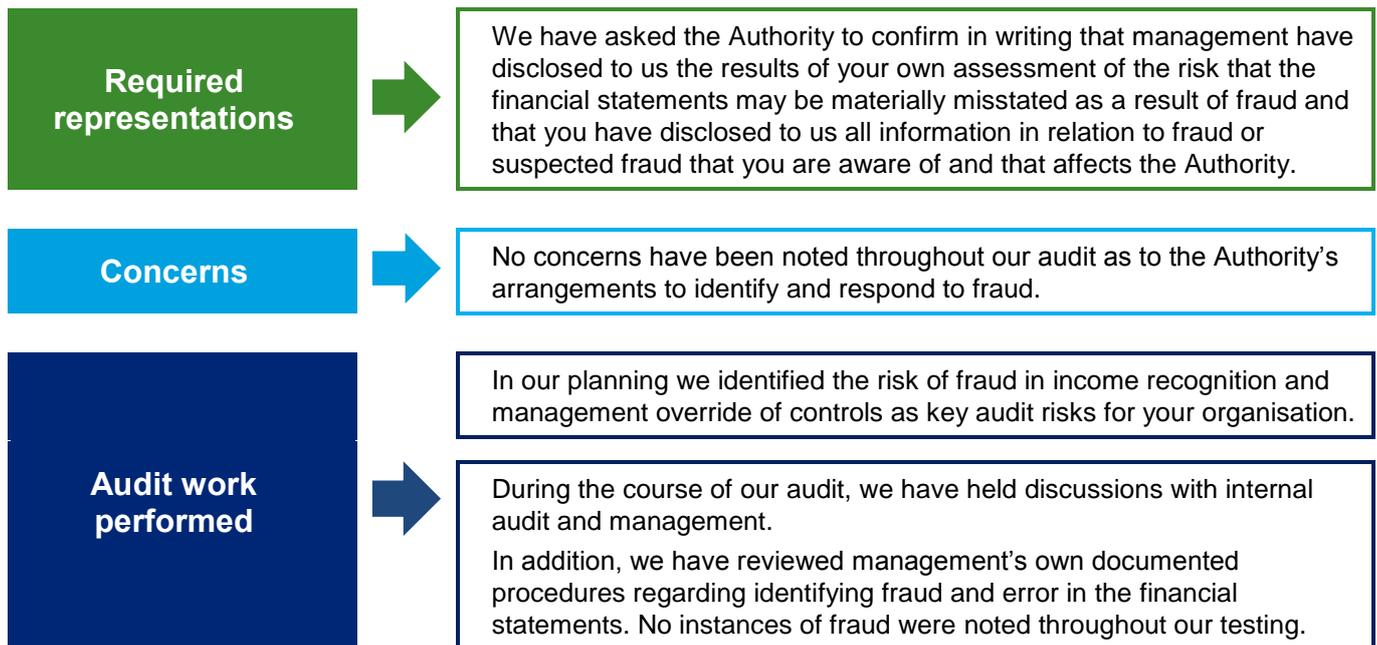
After considering all uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

	(Credit)/ charge to surplus on provision of services £	Increase/ (decrease) in net assets £	(Increase)/ decrease in reserves £
<b>Reclassification of grants from income in advance to revenue</b>			
Dr Income in advance		11,000	
Cr Revenue	(11,000)		
<b>Reclassification of soft loan previously treated as a grant</b>			
Dr Current Debtor		10,000	
Dr Long-term Debtor		3,223	
Cr Revenue	(13,223)		
<b>Projected Overstatement of Pension Assets</b>			
Cr Pension Liability			
Dr Pension Reserve		(12,229)	
			12,229
<b>Total</b>	<b>(24,223)</b>	<b>11,994</b>	<b>12,229</b>

## Disclosure Misstatements

Auditing Standards require us to highlight significant disclosure misstatements to enable you to evaluate the impact of those matters on the financial statements. A number of minor disclosure deficiencies were identified and communicated to the Authority. Management corrected all identified disclosure deficiencies.

## Appendix 2: Fraud: responsibilities and representations



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

## Appendix 3: Independence and fees

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

<b>Independence confirmation</b>	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
<b>Fees</b>	Our fee for the statutory audit of the Authority's financial statements in 2014/15 was £11,568 (2013/14: £11,568) exclusive of VAT.
<b>Non-audit services</b>	<p>We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.</p> <p>No non-audit fees have been earned by or paid to Deloitte in the year.</p>
<b>Relationships</b>	There are no relationships with the Authority and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

# Appendix 4: Additional resources available to you

## How we keep you up to date

### Additional information on current and future technical developments

#### IAS Plus

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

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

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

#### Our range of publications

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

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

#### Stay tuned online: Internet-based corporate reporting updates

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

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

#### Audit podcasts

Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit). Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

# Appendix 5: Management Representation Letter

Deloitte LLP  
One Trinity Gardens  
Broad Chare  
Newcastle upon Tyne  
NE1 2HF

September 2015

Our Ref: CC/DW/NNPA15

Dear Sirs

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

We confirm, to the best of our knowledge and belief, the following representations.

## *Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.
6. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The financial statements are free from material misstatement.
8. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.
9. We confirm that:
  - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - all settlements and curtailments have been identified and properly accounted for;
  - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;

## Appendix 5: Management Representation Letter

- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
  - the amounts included in the financial statements derived from the work of the actuary are appropriate.
10. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.

### *Information provided*

11. We have provided you with:
1. 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;
  2. additional information that you have requested from us for the purposes of the audit; and
  3. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
13. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
14. 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.
15. We are not aware of any fraud or suspected fraud that affects the entity and involves:
- (i) management;
  - (ii) members of the Authority;
  - (iii) employees who have significant roles in internal control; or
  - (iv) others where the fraud could have a material effect on the financial statements.
16. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
17. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
19. No claims in connection with litigation have been or are expected to be received.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
21. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our

## Appendix 5: Management Representation Letter

intent and ability to carry out specific courses of action on behalf of the Authority. Any significant changes in those values since the balance sheet date have been disclosed to you.

22. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
23. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereof. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.
24. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.
25. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing other information.
26. All minutes of members and management meetings during and since the financial year have been made available to you.
27. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
28. We are not aware of any potential claw back by grant payers of grants that have been released to income.
29. We have disclosed all available cost information and known uncertainties regarding the development of the Sill.

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

Yours faithfully

Signed on behalf of Northumberland National Park Authority

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