

**Northumberland National Park
Authority
Audit Results Report**

Year ended 31 March 2018

June 2018

Private and Confidential

June 2018

Dear Authority Members

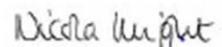
We are pleased to attach our Audit Results Report for the meeting of the Authority. This report summarises our audit conclusion in relation to the audit of Northumberland National Park Authority for 2017/18.

We have substantially completed our audit of Northumberland National Park Authority for the year ended 31 March 2018. We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This Audit Results Report is intended solely for the use of the Finance and Audit Group, other members of the Authority and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully



Nicola Wright
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

Contents

01	Executive Summary	02	Areas of Audit Focus	03	Audit Report	04	Audit Differences	05	Value for Money
06	Other Reporting Issues	07	Assessment of Control Environment	08	Independence	09	Appendices		

In April 2015, Public Sector Audit Appointments Ltd (“PSAA”) issued the “Statement of responsibilities of auditors and audited bodies”. It is available 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 (updated February 2017)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Finance and Audit Group and management of Northumberland National Park Authority in accordance with the Statement of responsibilities. Our work has been undertaken so that we might state to the Finance and Audit Group and management of Northumberland National Park Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Northumberland National Park Authority for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



Status of the audit

We have substantially completed our audit of Northumberland National Park Authority's financial statements for the year ended 31 March 2018, and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding item, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears in Section 3. However, until work is complete, further amendments may arise:

- Receipt of the Pension Fund auditor's report and consideration of EY's review of the actuary's report.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We identified one unadjusted audit difference in the draft financial statements, which management has chosen not to adjust. We ask that either this item is corrected or a rationale as to why it is not corrected is approved by the Finance and Audit Group and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £6,221. We agree with management's assessment that the impact is not material to users of the financial statements.

We have identified audit differences with an aggregated impact of £48,500, and other disclosure amendments, which have been adjusted by management. Details can be found in Section 4 Audit Differences.

Scope update

In our Audit Planning Report presented at the February 2018 Finance and Audit Group meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

We carried out our audit in accordance with this Audit Planning Report.



Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Northumberland National Park Authority's financial statements. This report sets out our observations and conclusions, including our views on areas where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in Section 2 Key Audit Issues.

We ask you to review these and any other matters in this Audit Results Report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this Audit Results Report, which we believe should be brought to the attention of the Finance and Audit Group.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

However, we did identify that the Authority has not updated its risk register during the 2017/18 year, and we recommend that this update is completed as soon as practicable in 2018/19.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We still have to perform the procedures required by the National Audit Office (“NAO”) on the Whole of Government Accounts submission. We do not expect to have any issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on independence. We have no significant issues to raise with the Finance and Audit Group.

Materiality update

In the Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of 2% of gross expenditure, which at the time was based on the 2016/17 final audited financial statements. At year end, we updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of operating expenditure, we have updated our overall materiality assessment to £104,269 (Audit Planning Report £78,000). This results in updated performance materiality, at 75% of overall materiality, of £78,201m (Audit Planning Report £58,500). We will report all unadjusted audit differences above £5,213 (Audit Planning Report £3,900).



Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

What judgements are we focused on?

The main judgements we focused on were:

- Year-end accruals totalling £381,573, including an accrual for £162,309 relating to the Sill;
- Impairments totalling £1,187,371, where our key area of focus was the £1,136,216 impairment of the Sill;
- Depreciation totalling £463,516, including £238,000 relating to the Sill; and
- Provisions totalling £65,575 including the bad debt provision.

What did we do?

- We have reviewed and tested revenue and recognition policies;
- We reviewed and substantively tested accounting estimates for accounting bias;
- We have tested material expenditure streams, including testing revenue and capital expenditure to ensure correct classification; and
- We tested revenue and expenditure cut off before and after 31 March 2018.

What are our conclusions?

Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.

We did identify £6,221 of revenue items which had been incorrectly included within property, plant and equipment. This is below our tolerable error threshold, however we raise it as an unadjusted item within Section 4 of this report.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA 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.

What judgements are we focused on?

Our work in this area focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.

What did we do?

We completed work in the following areas:

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- We reviewed accounting estimates for evidence of management bias (as noted above relating to revenue and expenditure recognition); and
- We evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.





Other matters

Valuation of Land and Buildings

In our Audit Planning Report, we highlighted the valuation of land and buildings as an inherent risk, and in particular the Sill as this became operational during 2017/18. As the Sill is measured at fair value and represents a significant balance in the Authority's accounts, it is therefore subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Sill was valued in July 2017 at £8,500,000, with the Authority recognising an impairment of £1,136,000 relating to this asset. The basis of valuation was split between depreciated replacement cost for the visitor centre and an investment basis for the element relating to the Youth Hostel.

We completed the following work on the Sill valuation, as well as other land and buildings assets:

- We considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We engaged our own EY valuers to review the valuation provided by the valuer of the Sill, Lambert Smith Hampton;
- We considered the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the CIPFA Code;
- We reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- We considered if there were any significant changes to useful economic lives as a result of the most recent valuations; and
- We tested accounting entries to ensure they had been correctly processed in the financial statements.

As part of our audit work, we challenged management as to whether the Youth Hostel element of the Sill should be classified as an investment property, rather than land and buildings. The Code defines an investment property as "one that is used solely to earn rentals or for capital appreciation or both". Classification of this asset as an investment property would lead to the asset being revalued each year, and no depreciation charges being applied.

Management confirmed to us that they believe the Youth Hostel is an integral part of the Sill, and vital to bringing visitors to the Park. The classification as land and buildings was therefore considered more appropriate for the Youth Hostel.

We draw the attention of the Finance and Audit Group to this judgement. We have no other matters to bring to your attention relating to the valuation of land and buildings.



Other matters (continued)

Pension Liability Valuation

In our Audit Planning Report, we highlighted that the Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northumberland County Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018, this totalled £4.2 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Authority.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

As at the time of writing this report, our work on the pension liability valuation was outstanding. When we receive the assurances from the audit team of the Northumberland Pension Fund, we will update this report to reflect any findings we wish to draw to the attention of the Authority.



Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Northumberland National Park Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement;
- Authority Comprehensive Income and Expenditure Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement; and
- Related notes 1 to 34.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Northumberland National Park Authority as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's ("C&AG") AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Draft audit report

Our opinion on the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Draft audit report

Our opinion on the financial statements

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, 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 2018.

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 Authority;
- 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.

Responsibility of the Chief Financial Officer

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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.



Draft audit report

Our opinion on the financial statements

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 August 2017, as to whether 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 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 2018.

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, Northumberland National Park Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.



Draft audit report

Our opinion on the financial statements

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.

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.

Use of our report

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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Newcastle-upon-Tyne
Date



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures, and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £5,213 which have been corrected by management that were identified during the course of our audit:

- £48,500 re-classification of holiday pay accrual within the creditors note, from other local authority creditors to other entities and individuals. This does not impact on the net cost of service.

The following disclosure adjustments were also made:

- Note 23, Property, Plant and Equipment: Reclassification of impairment losses recognised in the surplus/(deficit) on the provision of services and depreciation written out to the surplus/(deficit) on the provision of services;
- Further adjustment to note 23 to reflect completion of the Sill as a movement from assets under construction (not showing it as an addition in year);
- Removal of the refund from PSAA Ltd from the audit fees note; and
- Removal of the bandings table in Note 16 Officers' Remuneration as this disclosure is not required by the CIPFA Code of Practice given that all employees earning more than £50,000 are in the main Senior Officers' Remuneration table.

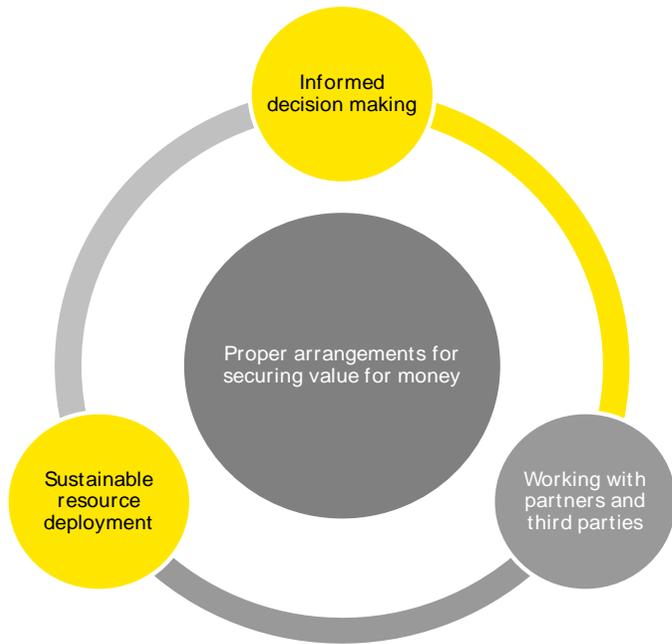


Audit Differences

Summary of unadjusted differences

We highlight the following misstatement to the financial statements which was not corrected by management. We request that this uncorrected misstatement is corrected or a rationale as to why it is not corrected be considered and approved by the Finance and Audit Group and provided within the Letter of Representation.

Uncorrected misstatements 31 March 2018		Effect on the current period:				Balance Sheet (Decrease)/Increase
			Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	
Errors						
Known differences:						
• Revenue expenditure included in PPE additions		6,221				
Balance sheet totals				(6,221)		
Total uncorrected misstatements		6,221		(6,221)		



Background

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

For 2017/18, this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Other matters to bring to your attention

What are our findings?

During our planning process, we considered the project management arrangements related to the Sill (including knowledge from previous audits) and whether there were any areas of concern that could lead to a significant risk in our Audit Planning Report. We documented our understanding of the governance arrangements for management of the Sill project and did not identify any material weaknesses that would lead us to undertake more detailed work. We note that visitor numbers are higher than planned for the Sill, however spend per visitor is lower than the original forecast.

As part of our assessment, we also noted that the Authority has completed a restructure of its leadership team. As part of our enquiries, we considered the governance arrangements for the exit of a senior member of staff and that the costs associated with the restructure followed the Authority's scheme of delegation and were considered at a meeting of the full Authority.

We also noted the Authority has not updated the risk register in 2017/18. We recommend that the Authority updates the risk register as soon as practicable in 2018/19.

Looking forward

The Sill is integral to the Authority's business plan and we will continue to monitor the Sill's financial and governance arrangements in 2018/19.

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts with the audited financial statements. No inconsistencies have been noted.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We have recommended that the Authority update the Annual Governance Statement with some narrative relating to the risk register, namely that it has not been updated in 2017/18 and the Authority's plans to address this in 2018/19.

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, is specified by the National Audit Office.

Although our work is ongoing, we expect to have no issues to raise.



Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



Financial controls

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.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

As part of our VFM conclusion work, we noted the Authority has not maintained a risk register in 2017/18. This is noted in Section 5 of this report.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated February 2018.

We complied with the FRC Ethical Standard and the requirements of the PSAA's Terms of Appointment. In our professional judgement, the firm is independent and the objectivity of the audit engagement associate partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Finance and Audit Group on 20 June 2018.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2016/17	Final Fee 2016/17
	£	£	£	£
Audit fees	11,568	11,568	11,568	11,568
Scale fee variation for additional valuation work completed on the Sill	1,200	0	0	0
Total Audit Fee – Code work	12,768	11,568	11,568	11,568
Total non-audit services	0	0	0	0

Required communications with the Finance and Audit Group

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Finance and Audit Group of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities	Audit Planning Report – February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report – February 2018
Significant findings from the audit	<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 	Audit Results Report – June 2018

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<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 	Audit Results Report – June 2018
Misstatements	<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 • Material misstatements corrected by management 	Audit Results Report – June 2018
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Finance and Audit Group where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report – June 2018
Fraud	<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 Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Finance and Audit Group responsibility. 	Audit Results Report – June 2018

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <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 Authority 	Audit Results Report – June 2018
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement associate partner's consideration of independence and objectivity such as: <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 Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report – February 2018 Audit Results Report – June 2018

		Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<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. 	Audit Results Report – June 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • 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 audit committee may be aware of 	Audit Results Report – June 2018
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit Results Report – June 2018

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report – June 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report – June 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report – June 2018
Fee reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report – February 2018 Audit Results Report – June 2018

Management representation letter

Management Rep Letter

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 8HW

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Northumberland National Park Authority ('the Authority') for the year ended 31 March 2018. 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 2018 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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), 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 Records

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 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Authority, 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, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. 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.
4. As members of management of the Authority, 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because of materiality.

Management representation letter

Management representation letter

B. Non-Compliance with Law and Regulations, including Fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
5. We have disclosed to you, and provided you full access to information and any internal investigations relating to all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - a) involving financial statements;
 - b) related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - c) related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;

d) involving management, or employees who have significant roles in internal controls, or others; or

e) in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - a) 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;
 - b) additional information that you have requested from us for the purpose of the audit; and
 - c) 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 and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

Management representation letter

Management representation letter

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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. 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.

D. 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/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and confirm that we have not given any guarantees to third parties.

E. Subsequent Events

1. There have been no events subsequent to the period end which require adjustment of, or disclosure in, the financial statements or notes thereto.

F. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Yours faithfully,

Hazel Fitzsimmons, Head of Business Support

Chair of the Finance and Audit Group

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.
ey.com