



Northumberland  
National Park Authority  
Audit Results Report  
Year ended 31 March 2019  
July 2019

Private and Confidential

July 2019

Dear Finance and Audit Group Members

We are pleased to attach our final Audit Results Report. This report summarises our audit conclusions in relation to the audit of Northumberland National Park Authority for 2018/19.

We have completed our audit of the Authority for the year ended 31 March 2019. We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, by the accounts publication date of 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This 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

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This 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 April 2018)' 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 statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

## 01 – Executive Summary

### Scope update

In our Audit Planning Report, presented at the Finance and Audit Group meeting on 12 February 2019, we provided you with an overview of our audit scope and approach for the audit of the financial statements. This report provides an update on our work. We carried out our audit in accordance with the approach set out in the Audit Planning Report.

In the Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of 2% of gross expenditure on the provision of services, which at the time was based on the 2017/18 final audited financial statements. At year end, we updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of gross expenditure on the provision of services, we have updated our overall materiality assessment to £83,800 (Audit Planning Report £127,000). This results in updated performance materiality, at 75% of overall materiality, of £62,850 (Audit Planning Report £95,250). Our threshold for reporting misstatements is £4,190 (Audit Planning Report £4,763).

### Status of the audit

We have completed our audit of Northumberland National Park Authority's financial statements for the year ended 31 March 2019. We expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3, following receipt of updated management representations.

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

### Audit differences

There is one unadjusted audit difference of £52,839 arising from our audit, relating to a difference identified by the Pension Fund auditor and reported to us. Further details are set out in Section 4 of this report.

There was also one significant adjusted difference made to the draft accounts of £470,000, recognising an additional pension liability for the impact of both the McCloud ruling and Guaranteed Minimum Pension provisions.

In addition, we made a small number of minor typographical amendments to the financial statements presentation.

# 01 – Executive Summary

## 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 which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the Section 2 of this report.

We ask you to review these and any other matters in this 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 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.

In 2017/18, we did identify that the Authority had not updated its risk register during the year, and recommended that an update was carried out as soon as practicable. We note that this update has taken place during 2018/19 and this recommendation is complete.

## 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.

## 01 – Executive Summary

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### 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 are required to perform procedures required by the National Audit Office (“NAO”) on the Whole of Government Accounts submission. We have no matters to report as a result of this work.

We have no other matters to report.

### Independence

Please refer to Section 8 for our update on independence. We have no significant issues to raise with the Finance and Audit Group.



## 02 – Areas of Audit Focus

# 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 £321,261, including an accrual for £132,243 relating to the Sill;
- Revaluation gains of £786,893, including £764,835 relating to the Sill; and
- Depreciation totalling £649,494, including £357,000 relating to the Sill.

#### What did we do?

- We have reviewed and tested revenue recognition policies;
- We reviewed and substantively tested accounting estimates, including consideration of 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 2019.

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.



## 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 (UK) 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, as this is the way in which 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.





## 02 – Areas of Audit Focus

# Other areas of audit focus



### 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. The Sill is measured at fair value and represents a significant balance in the Authority's accounts, and is subject to valuation changes, impairment reviews and depreciation charges. For the valuation of land and buildings, 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 building was valued in March 2019 at £8,660,000, with the Authority recognising a gain on revaluation of £764,835 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. The revaluation gain includes reversal of the depreciation charged since The Sill became operational in 2017/18.

We completed the following work on the Sill valuation, as well as a sample of 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 2018/19 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.

We have no other matters to bring to your attention relating to the valuation of land and buildings.



## 02 – Areas of Audit Focus

### Other areas of audit focus (continued)



#### 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 2019, this totalled £3.9 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.

The Pension Fund auditor at the Northumberland Pension Fund has carried out a programme of work, and has shared the results with us as they relate to the balances included in the Authority's accounts. It was identified that there were differences in the value of the investments reported by the fund managers and the values included in the draft financial statements of the Pension Fund. The impact of this difference would be to increase the gross asset value and decrease the overall pension liability of the Authority by £52,839. As this balance is below our materiality threshold, the Authority has chosen not to amend the financial statements. We therefore report within Section 4 of this report an unadjusted difference of £52,839.

In addition to the above, there was an ongoing national issue which required a change to the pension fund accounts and IAS26 fund liability disclosure. It related to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. Since the year-end, there had been increasing indications that the pension liabilities of local government bodies would require amendment to recognise the additional liabilities. The Authority requested that the actuary, Aon Hewitt, re-run their year end pension valuation, taking into account the McCloud judgement. This revised report also took into account updated asset values for the Authority (asset values are usually based on an estimated position) and Guaranteed Minimum Pension provisions.

This revised report increased the pension liability for the year by £470,000, and this adjustment has been made in the financial statements.



## 03 – Audit Report

# 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 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Comprehensive Income and Expenditure Statement;
- Authority Movement in Reserves Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement; and
- Related Notes 1 to 35.

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 2018/19.

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 2019 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 2018/19.

##### 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.

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



## 03 – Audit Report

# Draft audit report

### Our opinion on the financial statements (continued)

#### 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 set out on pages 3 to 10, 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.



## 03 – Audit Report

# Draft audit report

### Our opinion on the financial statements (continued)

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 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 2019.

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 Responsibilities for the Statement of Accounts 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 2018/19, 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.



## 03 – Audit Report

# Draft audit report

### Our opinion on the financial statements (continued)

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 November 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 2019.

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.

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.



## 03 – Audit Report

# Draft audit report

### Our opinion on the financial statements (continued)

#### 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  
July 2019

The maintenance and integrity of the Northumberland National Park Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 04 – 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 unadjusted and adjusted differences

We agreed to highlight to the Finance and Audit Group all misstatements greater than £4,192 that we identified during the course of our audit.

We highlight the following significant adjustment which has been made by management that was identified during the course of our audit:

- Pension Liability: net increase in the value of the liability by £470,000 to take into account the additional liabilities for the McCloud ruling, Guaranteed Minimum Pension provisions and updated asset values.

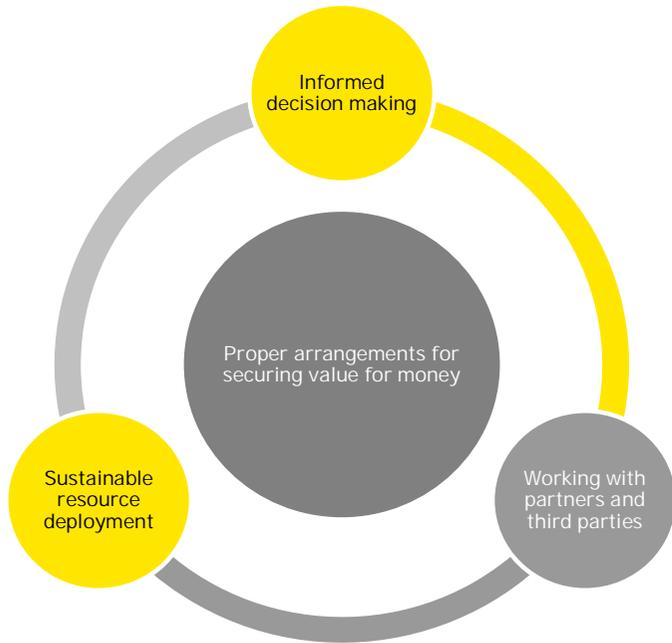
We highlight the following misstatement which was not corrected by management. We request that the rationale as to why it is not corrected be considered and approved by the Finance and Audit Group and provided within the Letter of Representation.

- Pension Liability: decrease in value of liability by £52,839 due to difference identified in pension asset values by the Pension Fund auditor.

| Uncorrected misstatements<br>31 March 2019  |  Effect on the<br>current period: |  Balance Sheet<br>(Decrease)/Increase |  |   |  |
|---|---|---|--|---|--|
|   | Comprehensive<br>income and<br>expenditure<br>statement<br>Debit/(Credit)   | Assets current<br>Debit/<br>(Credit)  | Assets non<br>current Debit/<br>(Credit) | Liabilities<br>current Debit/<br>(Credit) | Liabilities non-<br>current Debit/<br>(Credit) |
| Errors  | £   | £   | £  | £   | £  |
| Known differences:  |   |   |  |   |  |
| <ul style="list-style-type: none"> <li>• Difference identified in pension asset values by the Pension Fund auditor</li> </ul> | (52,839)  |   |  |   | 52,839   |



# 05 – Value for Money



## 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 2018/19 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 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

In our Audit Planning Report, we did not identify any significant risks around these criteria.

We updated our assessment as part of our year end procedures and identified no new significant risks for our consideration. We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## 06 – Other reporting issues

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# 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 and we have no other matters to report.

### 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.

We have no issues to raise.

## 06 – Other reporting issues

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# 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.

## 07 – Assessment of Control Environment

### 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.

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 2019.

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.

## 08 – Independence

### Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

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

|   | Final Fee<br>2018/19 | Planned Fee<br>2018/19 | Scale Fee<br>2017/18 | Final Fee<br>2017/18 |
|---|----------------------|------------------------|----------------------|----------------------|
|   | £                    | £                      | £                    | £                    |
| Total Audit Fee – Code work   | 8,907                | 8,907                  | 11,568               | 11,568               |
| Scale fee variation for additional valuation work completed on the Sill | 0                    | 0                      | 0                    | 1,200                |
| Total Audit Fee – Code work   | 8,907                | 8,907                  | 11,568               | 12,768               |
| Total non-audit services  | 0                    | 0                      | 0                    | 0                    |

## Appendix A

# Required communications with the Finance and Audit Group

There are certain communications that we must provide to the Finance and Audit Group. 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 as set out in the engagement letter.   | Audit Planning Report – February 2019  |
| 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 2019  |
| Significant findings from the audit  | <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul> | Audit Results Report – June 2019, updated July 2019  |

# Appendix A

|                         |   |  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"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Misstatements           | <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Subsequent events       | <ul style="list-style-type: none"> <li>• Enquiry of the Finance and Audit Group where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>  | Audit Results Report – June 2019, updated July 2019  |
| Fraud                   | <ul style="list-style-type: none"> <li>• Enquiries of the Finance and Audit Group to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• 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"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Finance and Audit Group responsibility.</li> </ul> | Audit Results Report – June 2019, updated July 2019  |

# Appendix A

|                         |   |  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"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Independence            | Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.<br>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. | Audit Planning Report – February 2019<br>Audit Results Report – June 2019, updated July 2019   |

# Appendix A

|   |   |  Our Reporting to you |
|---|---|--|
| Required communications   |  What is reported?   |  When and where       |
| External confirmations  | <ul style="list-style-type: none"> <li>• Management’s refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Consideration of laws and regulations                                     | <ul style="list-style-type: none"> <li>• 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</li> <li>• Enquiry of the Finance and Audit Group into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance and Audit Group may be aware of</li> </ul> | Audit Results Report – June 2019, updated July 2019  |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>  | Audit Results Report – June 2019, updated July 2019  |

# Appendix A

|  |  |  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"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>   | Audit Results Report – June 2019, updated July 2019  |
| Auditors report  | <ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>  | Audit Results Report – June 2019, updated July 2019  |
| Fee Reporting  | <ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul> | Audit Planning Report – February 2019<br>Audit Results Report – June 2019, updated July 2019   |

# Management representation letter

## Management Representation Letter

Ernst & Young LLP  
Citygate  
St James Boulevard  
Newcastle upon Tyne  
NE1 4JD

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 2019. 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 Authority financial position of Northumberland National Park Authority as of 31 March 2019 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 2018/19.

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
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 2018/19, that are free from material misstatement, whether due to fraud or error.

# Management representation letter

## Management Representation Letter (continued)

5. We believe that the effects of the unadjusted audit differences, set out on page 16 of the Audit Results Report, 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 on the grounds of materiality.

### 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- 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;
- involving management, or employees who have significant roles in internal controls, or others; or
- 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:
  - 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;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

# Management representation letter

## Management Representation Letter (continued)

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 (Finance and Audit Group) (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].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
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 have disclosed in the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

## E. Subsequent Events

1. Other than as described in Note 35 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Summary of the 2018/19 Financial Year and the Explanatory Foreword.

# Management representation letter

## Management Representation Letter (continued)

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

### G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### I. Retirement benefits

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

Yours faithfully,

\_\_\_\_\_  
Hazel Fitzsimmons, Head of Business Support

\_\_\_\_\_  
Councillor Sue Bolam, Chair of the Finance and Audit Group

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