

# The Audit Findings (ISA260) Report for Exmoor National Park Authority

Year ended 31 March 2021

26 November 2021



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

*Gareth D Mills*

Name : Gareth Mills, Key Audit Partner and Engagement Lead

For Grant Thornton UK LLP

Date : 26 November 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exmoor National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2021 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site from October to November. Our findings are summarised in Section Two of this report. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement or level of useable reserves.

A small number of presentational and disclosure amendments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.

At present, there are no matters of which we are aware that would require modification of our audit opinion (included at Appendix E) or material changes to the financial statements.

Our work is substantially complete although we are finalising our procedures in the following areas:

- completion of our internal quality review process, including final reviews of the file by both the Manager and Engagement Lead
- receipt of signed management representation letter
- review of the final signed set of financial statements, Narrative Report and Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified. However, we are expecting to include an Emphasis of Matter paragraph highlighting the material uncertainty of the valuation of land and buildings as a result of Covid-19, as highlighted by the Authority's valuer and disclosed within the Authority's financial statements.

Subject to satisfactory completion of the outstanding audit procedures, we plan to issue our audit opinion following the Authority Meeting on 7 December 2021.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), 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. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix F to this report.

We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We have completed sufficient work to satisfy ourselves that our VFM work remaining would not have a material impact on the financial statements which we have audited. We have not identified any significant weaknesses in respect of the Authority's VFM arrangements from our work to date.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's Report in February 2022.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during the course of our audit.

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our Audit Plan as communicated to you on 4 May 2021.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Authority meeting on 7 December 2021, as detailed at Appendix E.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan in May 2021. We detail in the table below our determination of materiality for the Authority.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	100k	Financial statement materiality was determined based on a proportion of the gross expenditure of the Authority for the financial year.
Trivial matters	5k	Set at 5% of materiality
Materiality for senior officer remuneration	10k	Due to perceived public interest in these disclosures.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>ISA240 revenue risk</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Exmoor National Park Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Exmoor National Park Authority.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£18.8 million in the 2019-20 balance sheet) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2021. The Authority have engaged an external valuer in 2020-21, having used an internal valuer in previous years.</p> <p>We therefore identified valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• written to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>• evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p>We note that the valuers have included a material uncertainty paragraph in their valuation report as a result of Covid-19 and the unprecedented set of circumstances on which to base their valuations. The Authority has disclosed this material uncertainty in the draft financial statements.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report, which has been disclosed in note 22 of the accounts.</p> <p>Our audit work to date has not identified any further issues in respect of valuation of land and buildings.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has identified that one of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement. Therefore we have raised a recommendation at Appendix A for the Authority to review this level of access.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (c£9.8 million in the 2019-20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the **Authority's pension fund net liability** as a significant risk, which was one of the most significant assessed risks of material misstatement.


As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the actuary regarding the material experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund
- obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.





Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Land and Building valuations – £19.1m</b>	<p>Other land and buildings comprises £17.4m of assets that are not specialised in nature and are required to be valued at existing use in value (EUV). The remainder of land and buildings (£1.7m) are specialised assets where no market exists which are required to be valued at depreciated replacement cost (DRC).</p> <p>The Authority has engaged NPS (SW) Ltd to complete the valuation of properties as at 31 March on an annual basis. All assets were revalued as at 31 March 2021.</p> <p>The Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2021 as a result of Covid-19. The Authority has included disclosures on this issue in Note 22.</p> <p>The valuation of assets together with other in-year movements has resulted in an overall net increase of £726k.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of <b>management's expert</b></li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Reviewed the assumptions used by the expert, including the floor areas</li> <li>Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets</li> <li>Considered the adequacy of disclosure of the estimate and Covid related material uncertainty in the financial statements.</li> </ul> <p>There are no significant issues arising from our work.</p>	<p> <b>Green</b></p>

### Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Green** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate

**Summary of management's approach**

Audit Comments

Assessment

**Net pension liability – £14.1m**

The Authority's net pension liability at 31 March 2021 is £14.1m (PY £9.8m) comprising the Somerset Local Government defined benefit pension scheme obligations. The Authority uses Barnet Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £7.1m net actuarial loss during 2020-21.

We have:

- Assessed management's expert
- Assessed the actuary's approach taken and deemed it reasonable
- Used PwC as auditor's expert to assess actuary and assumptions made by actuary







●  
Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95 – 2.05%	● Green
Pension increase rate	2.85%	2.80 – 2.85%	● Green
Salary growth	3.85%	Value is in line with PwC report	● Green
Life expectancy – Males currently aged 45 / 65	24.4 / 23.1	Values are in line with PwC report	● Green
Life expectancy – Females currently aged 45 / 65	26.0 / 24.6	Values are in line with PwC report	● Green

- Confirmed the completeness and accuracy of the underlying information used to determine the estimate
- Confirmed the reasonableness of the Authority's share of LPS pension assets.
- Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

## 2. Internal control issues identified

Rec	Assessment	Issue and risk	Recommendations
1	 High	One of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.	The Authority must review which staff have "Super User" access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.
2	 Medium	Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority's records being submitted to the Actuary and their work being based on inaccurate information as a result.	In the future, the Authority's management controls over the pension fund should include agreement of the contribution data sent to the actuary.
3	 Medium	The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.	The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.
4	 Medium	Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.	The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.
5	 Medium	Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.	This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.
6	 Low	Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.	We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.

## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Authority, which is included in the Authority papers. As in the prior year, we have requested a specific representation in respect of the Authority's accounting treatment of c£18k of monies held in the Authority's bank account which is not included in the Authority's accounts.

## 2. Financial Statements - other communication requirements



Issue	Commentary
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Authority's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.  The accounting policy for Heritage Assets needed to be updated as it referred to these assets being valued at historic cost when they were revalued by the external valuer in 2020-21.  Other presentational disclosure issues are included at Appendix C.
<b>Audit evidence and explanations / significant difficulties</b>	All information and explanations requested from management was provided promptly. The Authority's finance team were extremely responsive to audit queries throughout the audit, and we would like to thank the Head of Finance and Operations and his team for their help and support during the audit process.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
<b>Going concern</b>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We identified a small number of minor suggested amendments to the AGS and these have been adequately updated by management.</p> <p>We did identify some areas where the Narrative Report could be enhanced in 2019-20 and the follow up of the recommendation made in last year's report is at Appendix B.</p> <p>No significant inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul> <p>We have nothing to report on these matters.</p>





## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not yet completed as we are awaiting guidance from the NAO. The Authority are below the WGA audit threshold so we are only required to perform minimal procedures.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2020-21 audit of the Authority in the audit report, as detailed at Appendix E, due to the ongoing VFM work and WGA procedures as outlined above. Once this work is completed, we will be able to certify the closure of the 2020-21 audit of the Authority.</p> <p>This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of audit instructions for the WGA work.</p>

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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## 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report (and was sent to the Chair in September). We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work to date has not identified any risks of significant weakness in the Authority's arrangements, and we have not identified any issues that would have an impact on our opinion on the financial statements.

Our work covers three key areas and considers the arrangements in place at the Authority in the 2020-21 financial year in respect of:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

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## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

### Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No other audit or non-audit services are provided to the Authority.

### Transparency




Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)




Appendices

# A. Action Plan – Audit of Financial Statements

We have identified the following recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1</p> <p> High</p>	<p>One of the Authority’s finance team who regularly posts journals is a “Super User” on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.</p>	<p>The Authority must review which staff have “Super User” access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.</p> <p><b>Management response</b></p> <p>We will remove the ‘super user’ powers from the relevant member of staff.</p>
<p>2</p> <p> Medium</p>	<p>Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority’s records being submitted to the Actuary and their work being based on inaccurate information as a result.</p>	<p>In the future, the Authority’s management controls over the pension fund should include agreement of the contribution data sent to the actuary.</p> <p><b>Management response</b></p> <p>We are happy to check this data in future.</p>
<p>3</p> <p> Medium</p>	<p>The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.</p>	<p>The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.</p> <p><b>Management response</b></p> <p>We will again approach SCC with a view to establishing an SLA. There are doubts over the necessity or additional benefit such a document would bring.</p>

# A. Action Plan – Audit of Financial Statements (continued)

	Assessment	Issue and risk	Recommendations
4	 Medium	<p>Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.</p>	<p>The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.</p> <p><b>Management response</b></p> <p>SCC is only responsible for the Payroll and Finance system as regards cyber security. It is not accurate to say that the Authority does not have its own cybersecurity arrangements in place. We have a raft of practices, policies and procedures. We will however seek to put in place a cybersecurity framework with appropriate SLT support and oversight.</p>
5	 Medium	<p>Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.</p>	<p>This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.</p> <p><b>Management response</b></p> <p>We accept that there was an 'old year' invoice which was paid in the new financial year. We have a cut off date to facilitate the early closure of accounts and sometimes this means that invoices are in the wrong year.</p>
6	 Low	<p>Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.</p>	<p>We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.</p> <p><b>Management response</b></p> <p>We will review our asset lives of vehicles, plant and equipment.</p>

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Exmoor National Park Authority's 2019-20 financial statements, which resulted in three recommendations being reported in our 2019-20 Audit Findings (ISA260) Report.

We have followed up on the implementation of our recommendations and note our findings in the table on the right.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	There were some issues regarding the timeliness of receipt of supporting documentation not being available to conclude our sample testing (until intervention from the Chief Finance Officer).	The audit was carried out on site in 2020-21 and we have not had any issues with delays in the provision of supporting documentation.
X	The disclosures in the Narrative Report could be enhanced by further details on the Medium Term Financial Plan and plans to address any future resource shortfalls.	<p>The Narrative Report in 2020-21 does not contain any reference to the Medium Term Financial Plan. Management consider that the Revenue Budget report is where Authority members will look if they wish to see information on this area.</p> <p>Our view is that the Narrative Report would be enhanced by further details on the Medium Term Financial Plan and we will continue to have discussions with the Authority in our planning for 2021-22. The Statement of Accounts is a public document that is published on the Authority's website, and its readers are a wider stakeholder group than just Authority members.</p>
✓	<p>The National Park Grant (NPG) for 2021-22 onwards has not been confirmed and the Authority's Medium Term Financial Plan currently assumes increases in NPG higher than was received in 2020-21. The Authority should start modelling for worst case scenarios in future DEFRA funding.</p> <p>The Authority should begin modelling for options for how it would deal with the potential budget gaps that may arise depending on the level of National Park Grant awarded in future.</p>	This recommendation has been actioned by the Authority with modelling of different options reported in the Medium Term Financial Plan report to the Authority in March 2021. We will consider the Medium Term Financial Plan in more detail as part of our VFM work.

### Assessment

- ✓ Action completed
- X Not yet addressed



# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on useable reserves £'000
None	-	-	-
<b>Overall impact</b>	-	-	-

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Heritage assets	The accounting policy for Heritage assets in note 1 to the accounts states that they are valued at historic cost but the two heritage assets have been revalued in the year by the external valuer. The accounting policy should be updated to reflect the correct valuation basis.	✓
Cash and cash equivalents	The cash and cash equivalents figure on the balance sheet is net position of the bank overdraft on the Authority's main bank account and the Co-mingled Fund held by Somerset CC. These two cash balances of (£45k) and £2,900k respectively, should be shown gross on face of the balance sheet where there is no right of offset.	✓
General	A small number of other amendments have been made to the draft accounts to correct minor disclosure and presentational issues that do not warrant being individually reported to Those Charged with Governance.	✓

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# C. Audit Adjustments



## Impact of unadjusted misstatements

At the date of this report there are no unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019-20 financial statements.

# D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee (as per Audit Plan)	Final fee
Authority scale fee set by PSAA	£9,004	£9,004
Audit fee variations	£7,000*	£7,000*
<b>Total audit fees (excluding VAT)</b>	<b>£16,004</b>	<b>£16,004</b>

Reconciliation of the fees to note 18 of the financial statements:

£9k – Note 18 of the financial statements

£7k – Audit fee variations

£16k - Total fees as per table

- Any changes to the 2020-21 scale fee will need to be approved by PSAA. MHCLG has set aside £15m of funding to deal with the expected increase in 2020-21 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit which reported in September 2020. We understand that national parks will have access to this funding to mitigate the direct financial impact on the Authority of this increase in audit fees.

No non-audit services have been undertaken for the Authority.

# E. Audit opinion (Draft)

Our draft audit opinion is included below.

We anticipate we will provide the Authority with an unmodified ‘clean’ audit report with the inclusion of an “emphasis of matter” regarding the material uncertainty in the valuation of land and buildings as a result of Covid-19

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Exmoor National Park Authority (the ‘Authority’) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) [ISAs (UK)] and applicable law, as required by the Code of Audit Practice [2020] (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. 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 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.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the ‘Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements’ section of this report.

# E. Audit opinion (Draft)

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Notes 4 and 22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2021. As disclosed in notes 4 and 22 to the financial statements, the potential impact of the Coronavirus pandemic on property values has led to a material valuation uncertainty on property valuation being disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

## Other information

The Chief Finance Officer is responsible for the 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

# E. Audit opinion (Draft)

## Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. Chief Finance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

## The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 Local Government Act 2003 and the Local Government Act 1972.
- We enquired of senior officers and the Authority, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit, and the Authority, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

# E. Audit opinion (Draft)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent revenue recognition. We determined that the principal risks were in relation to:
    - journals and transactions outside the course of business.
    - management estimates in particular those relating to land and buildings valuations and the valuation of the net pension fund liability
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on unusual and high risk journals made during the year and accounts production stage; and
    - considering the reasonableness of estimates and judgements made by management.
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government sector
    - understanding of the legal and regulatory requirements specific to the Authority including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
  - In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

# E. Audit opinion (Draft)

## Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 review of the Authority’s arrangements for securing 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 be satisfied that the Authority has made 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.

**We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:**

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Exmoor National Park Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014, and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. 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.

### Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor  
Leeds



# F. Audit letter in respect of delayed VFM work

Chair of Authority  
Exmoor National Park Authority  
Exmoor House  
Dulverton  
Somerset  
TA22 9HL

21 September 2021

Dear Mr Milton

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Authority over the coming months and expect to present our report to the Authority at the Authority Meeting in February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Turning to our audit of the Authority's 2020-21 accounts, our audit work is due to commence in October. Should the audit progress as planned, we are targeting to present our Audit Findings ISA260 Report to the Authority Meeting on 7 December, with a view to signing our opinion before the Christmas period.

Yours sincerely

**Gareth**

Gareth Mills  
Key Audit Partner & Engagement Lead for Exmoor National Park Authority



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