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

Year ended 31 March 2024

5 November 2024

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5 November 2024

Dear Ben Barrett

Audit Findings for Exmoor National Park Authority for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Grace Hawkins

Director
For Grant Thornton UK LLP

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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 Council 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.

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 2024 for the attention of 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; and
- 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), Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed with a mixture of on site and remote work during July to October 2024 as planned. Our findings are summarised on pages 9 to 22. We have identified 5 adjustments to the financial statements that have resulted in a £0k adjustment to the Authority's Comprehensive Income and Expenditure Statement. This has an equivalent impact on the Authority's level of useable reserves.

Audit adjustments are detailed at Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix C. Our follow up of recommendations from the prior year's audit are detailed at Appendix D.

Our work is fully complete.

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

Our financial statements audit report opinion is unmodified. We have issued the opinion following the Authority meeting on 5 November 2024.

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 Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council'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 Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Authority's value for money (VFM) arrangements is reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). 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. The planning work has been completed and we have held initial discussions with our VFM colleagues. Our planning work has not identified any risks of significant weakness. Our final accounts work on VFM has now concluded and has been reported on in our Auditors Annual Report (AAR). In summary, no significant weaknesses have been identified. We have identified one improvement recommendation in the area of Governance.
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.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament] This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for (years up to 2022/23) are expected to be backstopped and a disclaimer of opinion issued. The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

This issue at the current time has no impact on Exmoor National Park Authority as we have now completed all of our work for 2023-24 and intend to sign off the 2023-24 accounts and opinion well in advance of the above backstop date. There is also a backstop date for the 2024-25 year and we do not currently envisage there being any issues in meeting this deadline.

National context – level of borrowing

All local authorities, including National Parks continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on budgets, there are concerns as local authorities look to alternative ways to generate income. We have seen an increasing number of authorities look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by authorities' existing resources, we have also seen some authorities take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on bodies, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

As a National Park Authority, we know that your operations do not normally give rise to such business ventures. Considering the current national picture and economic climate, our view is any such decisions which might arise in the future need to be carefully in a manner that protects the Authority's future financial stability.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings 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 and Exmoor National Park Authority Committee.

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

Conclusion

We have completed our audit of your financial statements and, we, as have issued an unqualified audit opinion following the Exmoor National Park Authority Committee meeting on 5 November 2024.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance 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 terms of the percentages used for materiality and performance materiality. However, materiality has been updated to reflect the actual expenditure per the financial statements received in July.

We set out in this table our determination of materiality for Exmoor National Park Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£116,000	We have determined at 2% of gross operating expenditure. We consider this to be the most appropriate criteria given stakeholder interest in the Authority achieving its budget.
Performance materiality	£87,000	Assessed to be 75% of financial statement materiality.
Trivial matters	£5,800	Set at 5% of materiality and reflects a level to which stakeholders are unlikely to be concerned by uncertainties.
Materiality for Senior Officer Remuneration	£10,000	This is a politically sensitive figure to the users of the accounts.

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
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of 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.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our work has not identified any issues in respect of management override of controls. In total we have selected 27 journals to test using a risk-based approach. All journals tested were found to be valid business-related journals with valid and appropriate supporting documentation. Our work on significant accruals also has not identified any issues to being to your attention.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings The valuation of land and buildings is a key accounting estimate that is sensitive to changes in assumptions and market considerations and represents a significant estimate by management in the financial statements. Therefore, we have identified this as a significant risk requiring special audit consideration. This risk will be pinpointed as part of our final accounts work once we have understood the population of the assets revalued.	We have: • 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. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authorities asset register, revaluation reserve, and Statement of Comprehensive Income. • 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. • for all assets not formally revalued or revalued on a desktop/indexation basis only, evaluate the judgement made by management or others in determination of current value of these assets. Our procedures have identified an accounting error in relation to the amount of revaluation gains recognised in the Comprehensive Income and Expenditure Statement (CIES) and Other Comprehensive Income (OCI). This is detailed in appendix D. We have made a number of recommendations on this area which can be seen in appendix B. Overall, we are satisfied that the Land and Building valuations are not materially misstated.

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 and the sensitivity of the estimate to changes in key assumptions. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. 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. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.	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; and • 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 significant issues with respect to the valuation of the pension fund net liability. We have now received our assurances from the pension fund auditor which has highlighted an understatement of the pension assets, the impact on ENPA is not material. Please see the evaluation of unadjusted misstatements of page 39. IFRIC14: In addition to that reported above, we have identified that although the financial statements reports a net liability, this is because an asset ceiling has been applied in line with IFRIC14. We have therefore reviewed the actuaries IFRIC14 assessment in line with emerging national guidance which came out in September 2024. This related to the potential understatement of pension liabilities as it was found actuaries were not appropriately considering secondary contributions. Our review did not identify any issues, and this had no impact on Exmoor National Park Authority.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA 240 Fraudulent revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Authority, and we have rebutted this risk for all revenue streams.	For revenue streams that are derived from Grants we have rebutted this risk on the basis that the income stream is primarily derived from grants from central government and that opportunities to manipulate the recognition of these income streams is very limited. For other revenue streams, we have determined from our experience as your auditor from the previous years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including Exmoor National Park Authority, mean that all forms of fraud are seen as unacceptable.
ISA 240 Fraudulent expenditure recognition Under ISA (UK) 240 there is a rebuttable presumed risk that expenditure may be misstated due to the improper recognition of expenditure. We have considered all expenditure streams of the Authority, and we have rebutted this risk for all expenditure streams.	We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this did not present a significant risk of material misstatement in the 2023/24 accounts as: - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not identified any fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.

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
Land and Building valuations – £20.172m	Other land and buildings comprises £1.738m of specialised assets such as visitor's centres and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£18.433m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged NPS Group Limited as their management expert to complete the valuation of properties as at 31 March 2024 on an annual basis. All land and building assets are currently being revalued every year to ensure the values are materially correct, the code requires all assets to be valued over a 5-year period. Management has addressed estimation uncertainty through having all assets revalued as at the 31 March each year, this means it is very unlikely that there will be any material movements between the valuation date and the year-end date. The total year end valuation of land and buildings was £20.172m, a net increase of £0.315m from 2022/23 (£19.857m).	We have: • assessed the competence and expertise of the management expert • Reviewed the completeness and accuracy of the underlying information used to determine the estimate • Reviewed the appropriateness of any alternative site assumptions • Ensured that there have been no changes to the method used to revalue the assets and ensured the method is suitable to different classes of assets • Considered the adequacy of the disclosure of the estimate in the financial statements There are no significant issues arising from our work.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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 – £1.226m Please note that although the pensions are in a liability position, IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. An asset ceiling has been applied in the IAS19 report and as part of our procedures we have reviewed asset ceiling.	The Authority's total net pension liability at 31 March 2024 is £1.226m (PY £1.928m) comprising the Somerset Pension Fund defined benefit pension scheme obligations. The Authority uses Barnett 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, based on the 31st March 2022 data was completed in 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.613m net actuarial gain 2023/24. In the prior year, the gain was £11.100m.	In considering the estimate we have • Made an asessment of the management's expert • Made an assessment of the actuary's approach taken, and deemed it to be reasonable • Uses PwC as our auditors expert to assess the actuary and the assumptions made by the actuary – Please see the table below: (see table below) • Assessed the completeness and accuracy of the underlying information used to determine the estimate • Reviewed the Impact of any changes to valuation method • Considered the reasonableness of the Authority's share of LGPS pension assets. • Considered the reasonableness of increase/decrease in the estimate • Reviewed the adequacy of the disclosure of the estimate in the financial statements • Reviewed the asset ceiling calculations in line with IFRIC14. Please note we have received the pension fund assurance letter, and a non-material misstatement was identified – please refer to the non adjusted misstatements on page 39.	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	4.8% - 4.95%	●
Pension increase rate	2.9%	2.85% - 3%	●
Salary growth	3.9%	3.9%	●
Life expectancy – Males currently aged 45/65	Current 21.1 Future 22.4	Current 19.2 – 21.8 Future 20.6 – 23.1	●
Life expectancy – Females currently aged 45/65	Current 23 Future 24.4	Current 22.6 – 24.3 Future 24.1 – 25.7	●

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	Detailed ITGC assessment (design effectiveness only)	●	●	●	●	**Journals**	All identified deficiencies in relation to the SAP system have been incorporated into our journals work which covered the management override of controls significant risk. No issues were identified.

Exmoor National Park Authority rely on Somerset Council for the provision of their financial management system, SAP. The above ITGC assessment is the Somerset Council auditor's assessment of the system at the Council during the financial year ending 31 March 2024.

The IT audit identified a number of deficiencies in the SAP system have been reported to the Somerset Council Audit Committee. The findings are highly technical in nature and primarily relate to administrative access to the SAP system and its production environment. As above, we have ensured that all user accounts identified have been included in our journals testing and all journals identified have been tested. No issues were noted with any journals posted and we are therefore satisfied that there is no material risk to the Authority arising from these deficiencies. All identified deficiencies are reported in appendix B

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Exmoor National Park Authority Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been received from the Authority, and is included in the Exmoor National Park Authority Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation request to financial institutions and third parties which hold monies on behalf of the Authority. This permission was granted, and the requests were sent. All requests were returned with positive confirmations.
Accounting practices	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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

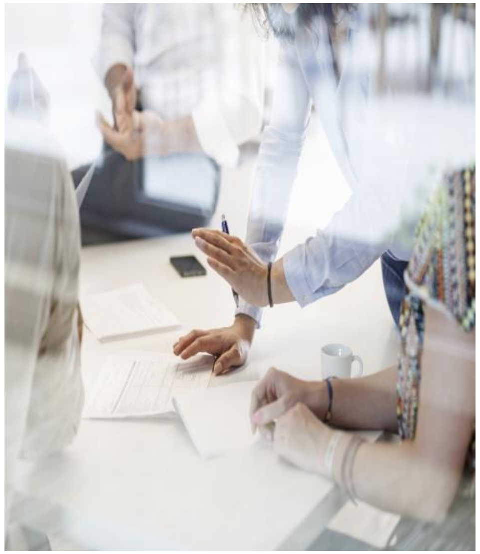
Our responsibility

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
Going concern	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 • 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 Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. 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 Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified. We have issued an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. Note that work is not required as the Authority does not exceed the 'Minor Bodies' threshold.
Certification of the closure of the audit	We have certified the closure of the 2023/24 audit of Exmoor National Park Authority in the audit report.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. 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

3. Value for Money arrangements (continued)

Overall summary of our Value for Money assessment of the Authority's arrangements

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2023-24 is the fourth year that these arrangement have been in place. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below. There are no significant weaknesses in the Authority's arrangements based on our review.

Criteria	2022-23 Auditor judgement on arrangements		2023-24 Risk assessment	2023-24 Auditor judgement on arrangements	
Financial sustainability	G	No significant weaknesses in arrangements identified. No improvement recommendations made.	We did not identify any risks of significant weakness from our initial planning work.	G	No significant weaknesses in arrangements identified. No improvement recommendations made.
Governance	A	No significant weaknesses in arrangements identified. But two improvement recommendations related to risk management was reported.	We did not identify any risks of significant weakness from our initial planning work.	A	No significant weaknesses in arrangements identified, however, one improvement recommendation has been raised to support the Authority in enhancing arrangements for Governance. These relate to the **Standards Committee annual self-assessment of effectiveness**. See the Auditor's Annual Report for further details.
Improving economy, efficiency and effectiveness	G	No significant weaknesses in arrangements identified. No improvement recommendations made.	We did not identify any risks of significant weakness from our initial planning work.	G	No significant weaknesses in arrangements identified. No improvement recommendations made.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

5. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we disclose the following to you:

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 and consider that an objective reasonable and informed third party would take the same view. 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 in Appendix E.

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 Grant Thornton International Transparency report 2023.

5. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of Exmoor National Park Authority, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 7 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 2024/25 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
Medium	<u>Property, Plant and Equipment:</u> We have experienced difficulty in obtaining the floor and land area measurement for three sampled assets. These were Pinkery, Lynmouth House and Exmoor House. There were significant delays in receiving the supporting evidence such as floor plans and measurements. We deem this to be a control issue as it is stated in the Terms of Engagement with the valuer that the valuer will rely upon the information provided by the ENPA for the valuations. If ENPA does not have a robust documentation of key asset information, it would be difficult to gain assurance over the data used by the valuer and in turn assurance over the valuation.	We recommend for ENPA to maintain a robust database of all the key information for each asset to ensure that the data is readily available for the valuer to conduct an accurate and appropriate valuation as well as being readily available for audit scrutiny. **Management response** Following a period of staff change due to unforeseen staff circumstances, our Estates Team is undertaking a review of all documentation held for each of the authority's assets.
Medium	<u>Property, Plant and Equipment:</u> We have identified differences between the land site areas used in the valuer's calculation and the supporting evidence held by the ENPA Estates Team for three sampled assets. While these differences did not cause any misstatements due to the valuers approach (Valuer used the uplift approach rather than using the site area), we deem this to be a control issue as the information is not consistent. Please note there is no material impact on the accounts arising from this issue.	We recommend that the estates team at ENPA ensures that the site area information for all their assets are up to date and that they complete updated inspections for assets where the information is not known. **Management response** Following a period of staff change due to unforeseen staff circumstances, our Estates Team is undertaking a review of all documentation held for each of the authority's assets. For any assets where data is questioned or out of date, inspections will be undertaken or external support engaged to ensure all data held is correct and up to date.
Medium	<u>Property, Plant and Equipment:</u> We have identified some instances of unclear communication between the estates team at ENPA and the valuer. As an example, both parties were unclear as to who is responsible for land and floor area measurements. The valuer believed that this was purely the responsibility of the estates team which is in line with the terms of engagement. However, estates also believed that the valuers remit is to undertake measurements. This confusion was part of the delay in the audit team receiving the appropriate evidence.	We recommend for ENPA to set out the detailed and clear expectations in the terms of engagement and also communicate more closely with the valuer to ensure that the valuer has all the information necessary for an accurate and appropriate valuation. **Management response** We feel that our engagement instructions were clear in respect of the 2023/24 instructions for valuations requested. It is the responsibility of the Valuer to highlight any areas of ambiguity or non-provision of information prior to their valuation assessments commencing. For future valuations we will request a commencement meeting be held to ensure that both parties understand the requirements and data sources available.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<u>Cut off testing - Expenditure:</u> We identified three instances where the authority had not followed their own accruals de-minimus policy at year end i.e. amounts owing at year end above £500 were not accrued and included in the creditors' balance as at 31st March 2024. This included £1010.50 related to a direct debit, £1457.68 related to Diesel and £7617.78 related to Energy bills.	This is not consistent with the authority's accrual de-minimis policy so our recommendation for future years is to ensure that appropriate year end accruals are made in line with the policy. Where applicable, an estimate accrual should be recorded and reversed out in the following year. **Management response** Historically, Direct Debits have not been accrued for as the net impact across years was considered insignificant. For 2024/25 onwards, ENPA will treat direct debits in the same way as other creditors and will accrue for any amounts in excess of £500.
Low	<u>Debtors and Creditors:</u> When performing our debtors and creditors sample selection, we encountered some difficulty in obtaining the year end listings. In order to get listings for both, the auditor has required the client to send scanned copies of Journal papers, which the auditor has inturn inputt manually into a listing in order to pull a sample together.	Whilst we appreciate that the system at ENPA is paper based and highly manual, the efficiency of the audit process would be greatly increased if management could pull these listings together for us in advance of the audit team completing their work. **Management response** With the current financial system our journals and papers are stored manually, for 2024/25 all year-end working papers will be available electronically.
Low	<u>Depreciation:</u> We identified one building asset which did not have a UEL and was not depreciated. We confirmed that had there have been a depreciation charge it would have been trivial. However, this asset not being depreciation is not in line with the ENPA accounting policies which states that all building assets are depreciated.	We recommend that management allocates a suitable UEL for the building and ensure depreciation is charged in future years. **Management response** The asset in question will be assigned a UEL and depreciation actioned for the 2024/25 financial year onwards.
Low	<u>Operating Expenditure:</u> We have identified one instance of recoverable VAT being included within expenditure in error. The amount of the error was found to be trivial both in absolute terms and extrapolated.	We recommend for ENPA to have tighter controls in place to ensure where VAT can be reclaimed, it is included in a separate VAT code and not in expenditure / creditors as this would inflate the expenditure / creditors. **Management response** ENPA has a robust system in place in respect of treatment of VAT. The item in question had VAT treated correctly in terms of payment of the invoice. The error arose where VAT was included in calculation of the Creditor accrual and thus presents a creditor overstatement issue in relation to the 2023/24 and 2024/25 financial years.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – ICT Audit Findings

As mentioned on page 15, a review of the SAP system has been carried out by the Somerset Council audit team and we have relied on the work performed. Below are the findings. Please note, all of the below findings have been incorporated into our Journals testing work and we have not identified any areas for further follow up at the Authority. We are therefore satisfied that the below does not have any material financial impacts on the Authority.

Assessment	Issue and risk	Recommendations
Significant	<u>Users with inappropriate access to critical privileges on SAP</u> Our audit procedures identified 4 (Dialog A and Service S) accounts that were assigned access to SAP_NEW and SAP_ALL during the audit assessment period. There was no business justification provided for these accounts having these critical access. The users identified also had access to maintain all SAP standard or customised tables via SM30 or SM31. As audit logging is not enabled, we were unable to determine the nature of changes made to standard and customised tables. **We have reviewed our work in the journals cycle and we have not identified any journals In the year posted by the user SAP_NEW and SAP_ALL. Therefore, this issue has no impact on our audit.**	The Council should ensure that access to the SAP_ALL and SAP_NEW profiles are removed from all accessible SAP user accounts. **Management response** ALEREMOTE - BW Source System Extraction, HCL access for monitoring. SM_SMP - Solman, HCL Basis access for monitoring. SMTMSMP - Solman, HCL Basis access for monitoring. SUPPORT - SAP Dial in access only, approval process in place for this. This is applied on an approval process and currently has an End Date. SM31 is the old Transaction, SM30 is the new one. We will look into ending these Roles and creating a process to add SAP_ALL on an Approval process.
Significant	<u>Excessive accounts with access to schedule batch jobs via SM37</u> We inspected the list of users with access to change jobs to run under all IDs via SM37 and noted that there were 4952 user accounts with privileged access. We would consider this level of access to be excessive and therefore inappropriate. Refer to Appendix 2 for the identified users. This is noted as open issue from the previous year's audit. **We have reviewed the Exmoor access and there are 29 users who have SM37 access, of these 10 have posted to the ledger and of these 2 have posted manual journals in 2023-24. In our journals work we reviewed all material journals posted by these individuals and no issues were noted. Therefore, we are satisfied that this has no impact on our audit.**	The Council should consider assigning SM37 access to business users without S_BTCH_ADM and S_BTCH_NAM authorisation objects. We recommend that for the users identified, management should consider limiting access to the batch jobs management via the authorisation object S_BTCH_JOB and JOBACTION to 'LIST', 'PROT' and 'SHOW'. **Management response** SM37 is in the Role Z_SAP_BC_ENDUSER that is given to all SAP Users and it has now been removed. SAP Support, HCL, HR Admin and Payroll, Finance and MSS Users have the ability use this to access reports that are run in the Background because they will Timeout/Error if run in Foreground. Review the Role and see if a 2nd Role should be created to attach to Users. Although attached to Users not all these users have access to SAP, therefore will never use the transaction SM37. 3822 Users have the ability to use SM37 due to their Roles, the expectation is that the majority do not run reports in the background and will not know SM37 exists. We will remove SM37 from the Role Z_SAP_BC_ENDUSER and then only users with the required access will use SM37.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – ICT Audit Findings (Continued)

Assessment	Issue and risk	Recommendations
Significant	<u>Segregation of duties conflict as users have access rights to configure and delete audit logs in production</u> We performed a comparison of all users with the ability to configure audit logs within production via SM19 with those with the ability to re-organise or delete them in production using SM18. We identified 14 accounts with both access rights. Refer to Appendix 3 for identified users. As audit logging is not enabled on SAP, we were unable to verify the activities of the users with privileged access from SM20 logs. **On review we did not identify any users who have the above access in the Exmoor user access list. Therefore, we are satisfied that this has no impact on the audit.**	The Council should segregate a user's ability to configure (SM19) and delete (SM18) user security event logs within production. Management response SAP Support (x4) have access, HCL have 6 individuals' with access and there are 3 monitoring roles and a SAP role. HCL monitor the logs and will do what is necessary when required, review approval process when/if it is required.
Significant	<u>Controls not enabled within SAP to facilitate audit logging</u> The Council has not enabled adequate logging to detect changes to programs within SAP. From the review of the RSPARAM (SAP Parameters Transaction) table), we identified the following: • The 'rec/client' settings was set to 'OFF', indicating that table logging is not enabled. • The 'rsau/enable' parameter was set to '0', further indicating that security audit logging is not enabled. **We do not deem this to be a significant issue for the ENPA audit and no issues have been identified in our journals testing.**	The Council should ensure that the rec/client settings from production is set to 'ALL or production client number' which would signify that table logging is active in all clients. Management response We do not have everything logged because this will take up a lot of space and resources and this comes at a cost. Any work is logged in the Council Halo ticketing system and/or HCL Smart Desk ticketing system. All work is approved by email where required and then in Smart Desk to keep track of the progress and completion. SAP access is managed by Roles and applied by HR Admin & Payroll through an approval process from the manager of the employee only to allow them access to SAP based on the Role they are doing.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – ICT Audit Findings (Continued)

Assessment	Issue and risk	Recommendations
Medium	<u>Users with inappropriate access to ABAP debugger in production</u> ABAP debugger is used for performing debugging functions such as inserting a code to correct any errors in the source code. Users are therefore able to execute unauthorised transactions through these amendments to code. We noted that there were 10 (Dialog A and Service S) accounts assigned with access to ABAP Debugger in production granted via the S_DEVELOP authorisation object. Refer to Appendix 4 for users. Further procedures determined that they had not made changes to program attributes during the audit period via TRDIR, master data changes via CDHDR, and accounting document header changes via BKPF. **We have confirmed that none of the identified users have posted any journals in the ENPA ledger in 2023-24, therefore this has no impact on the audit.**	**It is recommended that the Council remove ABAP debugger access permanently from production. It is best practice to use Firefighter accounts with an approved business case and set validity period.** Management response This access will be removed, and a process of approval set up if access to ABAP debugger only when required.
Medium	<u>Lack of formal approval before deployment into SAP production environment</u> We reviewed the changes made to the SAP system within the audit period, we selected a sample and reviewed the supporting evidence. The sample change (transport ID - ECDK904166) was a configuration change. Although the change was formally requested for and appropriately tested, there were no approvals given before deployment of the change to the production environment. **We do not deem this to be a significant issue for the ENPA audit and no issues have been identified in our journals testing.**	It is recommended that the Council ensures that sufficient and appropriately documented evidence is maintained to show the change management process followed for each change which was deployed to the live environment for the SAP system. Management response We currently have a process that is robust and is always approved by either HR Admin & Payroll or SAP Support/HCL before moving into ECP/Production in our SAP Transport Plan. The Transaction has sign off to move into Production and this is in our external ticketing system with HCL called Smart Desk, Service Request Number - SR02138

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – ICT Audit Findings (Continued)

Assessment	Issue and risk	Recommendations
Low	<u>Segregation of duty conflicts between change developer in production</u> We performed a comparison of users with the ability to develop changes in development with those with the ability to create/import transports in production via Standard Transport Management System (STMS). We identified that there were four (4) user accounts with such access. Refer to Appendix 5 for the identified accounts. In response, we verified that the accounts had not created and released any transports in production during the audit period. **We do not deem this to be a significant issue for the ENPA audit and no issues have been identified in our journals testing.**	The Council should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. If for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. Management response 4 Users have access if required, in theory all changes will be created in the Development Environment.
Low	<u>User access in SAP is not timely revoked for terminated employees</u> The leavers process involves the HR team providing a monthly report to the IT Systems team. During our testing of this control, our audit identified that a sample user listed on the termination report in January 2024 was not deactivated until April 2024. The last logon date was 29 November 2023. The process for revoking or disabling SAP access for terminated employees is not being executed in a timely manner. **We do not deem this to be a significant issue for the ENPA audit and no issues have been identified in our journals testing.**	The Council should ensure that a comprehensive user administration procedures are in place to revoke application access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers. The Council should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked. Management response Our SAP Support process is: Run SE16 and pick up all Leavers with PA0000 action of LV or ZD for a date period of last two weeks. Run SUIM User report to check which ones are CUA users and then end their records in SU01 according to their leaving date and Lock them. When employee leaves position, roles no longer replicate to user id in CUA which means access terminates as soon as someone leaves.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – ICT Audit Findings (Continued)

Assessment	Issue and risk	Recommendations
Low	<u>ICT - Cyber Security:</u> From the cyber security questionnaire and evaluation, the IT team identified some exceptions. This included: 1. Somerset Council is looking to find a suitable framework and standard which would be more suitable for their cyber security posture. 2. Somerset Council was not able to provide a signed copy SLA between Hi-tech and Somerset Council for SOC Services 3. Somerset Council is looking to find a third party vendor to carry out VAPT assessment.	We did not identify any cyber security issues during our audit, however as Exmoor use the SAP system which is provided by Somerset, we have included this for completeness.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Exmoor National Park Authority's 2022/23 financial statements, which resulted in 1 recommendation being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	During the course of our testing, we identified that several of the Authority's properties were leased out to third parties. However, there were no supporting disclosures for these lease arrangements as required by the code of practice. It was recommended that management should review the draft financial statements annually to ensure that all appropriate disclosures have been made, being mindful of the need to include all material disclosures and the possibility that previously immaterial items may now have become material.	Previous management comment: Management have agreed to the inclusion of leasing disclosures in the 2022-23 statement of accounts on the grounds of materiality. As part of our year end processes, we will undertake annual reviews of our operations against the CIPFA code to ensure that material items are properly disclosed. Update 2023-24: Confirmed that leases have been included in the accounts at note 38, no other issues noted by the auditor.

Assessment

✓ Action completed

X Not yet addressed

D. 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 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
<u>Income Cut Off:</u> We identified income received in March 2024 which related to the 2024-25 year. Management had not recorded a receipt in advance accrual and had therefore been accounted for in the wrong year. This means that income has been overstated.	DR Cost of Services £34k	CR Creditors £34k	£34k Increase	£34k Decrease
<u>Revaluation Movements:</u> Our review of this are found that of the £71k depreciation written out on revaluation, only £37k has been included in the provision of services in the CIES. Therefore, the CIES was understated by £34k. The full £71k had correctly been credited to the capital adjustment account.	CR Cost of Services £34k	DR CAA £34k	(£34k) Decrease	£0k – Impact on CAA only
<u>Revaluation Movements:</u> Our review of this are found that £35k of depreciation written out to the revaluation reserve has been credited to the capital adjustment account in error. The Depreciation written out to the revaluation reserve of £35k needs to be reversed out of the capital adjustment account (Debit) and be credited to the revaluation reserve.	£0	DR CAA £35k CR RR £35k	£0	£0
<u>Creditors:</u> We identified £55k classified as a creditors which was not actually a creditor. This amount relates to a Contribution Somerset Council made on behalf of ENPA. This was then paid to SC in July 23 but using the receipts account which meant that the amount could not be reversed from the creditors control account. It is a reconciling entry on the bank account and has resulted in an overstatement of creditors and cash.	£0	DR Creditors £55k CR Cash £55k	£0	£0

D. Audit Adjustments (Continued)

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
<u>Fees and Charges Income:</u> We identified three samples which were incorrectly classified as fees and charges income. The samples actually relates to the farming in protected landscapes (FIPL) grant and should have been recognised in grant income only. Management confirmed that the amounts were in fees and charges due to an internal recharge which netted off in the ledger. However, this meant that expenditure and fees and charges were both overstated.	DR Cost of Services (Income) £96k CR Cost of Services (Expenditure) £96k	£0k	£0k	£0k
Overall impact	£0k	£0k	£0k	£34k Decrease

D. Audit Adjustments

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/issue/Omission	Auditor recommendations	Adjusted?
Review of draft statements: We have identified a number of minor errors such as formatting, casting and consistency between the notes. Management have agreed to amend the accounts for all such findings.	All items identified should be amended in the accounts. Management response Management has agreed to amend all such errors.	✓
Creditors: We identified that the Creditors balance of £516k on the face of the balance sheet did not agree to the amount disclosed in the Creditors Note 27 which stated a total of £334k, a difference of £182k. The error was caused by the inclusion of the bad debt provision (£141k) which was subtracted from the creditors note in error, as well as this the accumulated absences accrual of £40k was omitted. Management have agreed to amend the note to ensure it reflects the balance sheet correctly. This is a disclosure change only as the balance sheet figure and ledger is correct. Other entities and individuals in the creditor note will be amended to £275k (was £94k).	Management should amend the creditors note 27 to ensure it reflects the balance sheet correctly. Management response Management has agreed to update the note.	✓
Creditors (Financial Instruments): Following on from the error identified in the creditors note 27, management also informed us that the contractual creditors of £469k per the financial instruments note 24 should actually be disclosed as £353k. The auditor has confirmed this as correct.	Management should update the disclosure in note 24. Management response Management has agreed to update the note.	✓
Debtors: We identified that the amount disclosed for debtors in the balance sheet of £1,471k was not consistent with the amount in note 25 which stated £1,329k, a difference of £142k. This was caused by the inclusion of the Bad Debt provision of £142k in the debtors note. Management have agreed to amend the balance sheet to include the bad debt provision within the debtors line, this will then mean the balance sheet and debtors note match. The bad debt line in the balance sheet will be removed.	Management should amend the balance sheet to include the bad debt provision within the debtor's line, this will then mean the balance sheet and debtors note match. The bad debt line in the balance sheet should be removed. Management response Management has agreed to update the balance sheet.	✓
Grant Income: We have identified two reconciling items within the Note 19 Grant Income of value £180 and £1300 which were not included in 'Grant and Contribution' segment in Note 11. They were included in 'Other Income' and this creates inconsistency between the two notes. Management have agreed to amend note 11 to include these so that it is consistent with note 19 grant income.	Management should ensure note 11 and 19 are consistent. Management response Management have agreed to amend note 11 to include these so that it is consistent with note 19 grant income.	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<u>Grant Income:</u> We identified that Note 11 and Note 19 were inconsistent. This is because Note 11 includes both Grant and Contributions while Note 19 only includes grants and contributions which contributed most significantly to the corporate plan priority items.	Management should ensure note 11 and 19 are consistent. **Management response** Management have agreed to add the contributions element into Note 19 so that it matches note 11.	✓
<u>Grant Income:</u> Our testing of grants identified that identified that the HLF Grant in Note 19 is disclosed as £61,300 but, we have confirmed that only £60k is related to the grant while £1.3k is related to a contribution for FiPL. The income of £1.3k is correct but has been included within the Grant income.	Management should ensure that the grants and contributions elements in note 19 are correctly stated. **Management response** Management has confirmed that this will be amended in Note 19 to correct the amount to £60k and the £1.3k will be separately disclosed in the Contributions Section of Note 19.	✓
<u>Creditors:</u> We identified that £54k is showing as a creditor to Somerset Council rather than HMRC. Somerset Council paid HMRC on behalf of ENPA for the amount in question. This is currently classified in the creditor note as Creditor to 'Public Corporations' and this needs to be amended to be reclassified as a creditor to 'Other Local Authorities'.	Management should make the required change. **Management response** Management has confirmed that this will be amended	✓
<u>Financial Instruments:</u> The 'Cash in Hand' in the financial instruments note was incorrectly stated as nil when the 'Cash in hand' on the balance sheet and on the Cash Note (Note 26) had £63k. As per the Code, Cash should be included as a financial asset and therefore should be included in the Note.	Management should make the required change. **Management response** Management has confirmed that this will be amended	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<u>Operating Expenditure:</u> The 'Other Service Expenses' disclosed in Note 10 is materially different to the general ledger amount. This is because manual year-end adjustments such as capital spend, upward revaluation, IAS 19 adjustments have been netted off of the operating expenditure in error. We do not deem this to be accurate representation of the 'Other Service Expenses' as none of these should impact directly on the figure. These year-end adjustments should be shown on their own line in note 10 so that they are not netting off operating expenditure.	Management should ensure that note 10 accurately reflects the true operating expenses. Management response Management have agreed to amend the note.	✓
<u>Senior Officer Remuneration:</u> From review of the gross to the net report for ENPA employees, we identified 4 employees which have received salary above £50,000 and not included in the Banding table in Note 16. They should be included in the banding £50,000-£54,999.	Management should ensure that the banding table accurately reflects the employees paid at the authority. Management response Management has confirmed that the banding table will be updated in note 16.	✓
<u>PPE Revaluation Movements:</u> Revaluation Movements have been incorrectly disclosed in the CIES (£36k difference) and in the Revaluation Reserve (£34k difference) as the wrong lines within Note 22 PPE Note has been included in the Cost of Services and Surplus / Deficit on revaluation of PPE. Currently the surplus on revaluation of PPE states £240k but should say £204k made up of £169k revaluation increase plus £35k of depreciation written out to revaluation reserve. This is a disclosure amendments to the CIES only. An adjustment must also be made to the revaluation reserve and the CAA, please refer to the amended adjustments table.	Management should make the required change. Management response Management has confirmed that this will be amended in the relevant notes and the CIES.	✓
<u>Narrative Report:</u> In reviewing the Narrative report for consistency with the core financial statements we identified two discrepancies: 1 - Page 7 of the narrative report referred to unusable reserves as being £18,174k when in fact they should be stated as £19,239k. 2 - Page 8 of the narrative report states that the FIPL grant (Farming in protected landscapes) has increased by £127k compared to the prior year, when in fact the increase was £147k.	Management should make the required change. Management response Management has confirmed that this will be amended	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<u>Fees and Charges Income:</u> Two Section 106 Agreements (totally £51,171.20) have been identified in Fees and Charges Income. Under the CIPFA Code, they should be classified as Grants and Contributions. The amount has been tested and agreed back to bank statement evidence, so we have assurance that the amount has not been under/overstated. Management has confirmed that £86k of S106 payments were included in Fees and charges incorrectly.	Management should ensure that note 11 accurately reflects the appropriate categorisation of income. Management response Management have agreed to amend the note.	✓

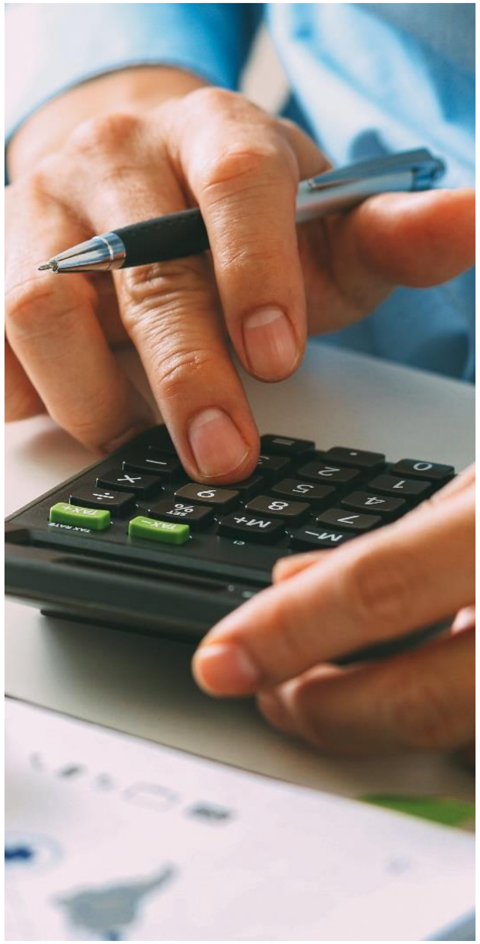
D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Exmoor National Park Authority Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
We identified one error in relation to an overstatement of expenditure due to VAT being incorrectly included ap part of a year end creditor accrual. Error has been extrapolated.	CR Expenditure £6k	DR VAT Asset £6k	£6k Decrease	£6k Increase	Not material and error is projected.
We identified an understatement of Income and Expenditure in relation to two assets which were purchased in a part exchange transaction. In the I&E only the net expenditure was included and the income from the part exchange was not accounted for. This causes an understatement of income and expenditure in the CIES.	DR Expenditure £15.5k CR Income £15.5k	£0	£0	£0	Not material and a net nil impact on the CIES.
We identified several non-material errors in our testing of Property, Plant and Equipment (PPE). This includes an error of £22,004.10 arising from the use of incorrect area for the main Pinkery building. This has resulted in understatement of £22,004.10. (£37,493 extrapolated) The second error is £6,619.04 arising from rounding errors identified in EUV assets (difference between valuer's figures in the schedule and the calculated figure). This has also resulted in an understatement of £6,619.04. (£11,917 extrapolated) The total error for all the sampled assets is £28,623.13 and the total extrapolated error for all sampled assets is £49,411.15. Both causing an understatement of Assets.	CR OCI £49.5K	DR PPE £49.5K	£49.5k decrease (OCI)	£0 increase to general fund but £49.5k increase to revaluation reserve	Not material and error is projected.
On receipt of the pension fund assurance letter, we identified a £7.8k understatement in the pension net assets. This was caused by an understatement of the funds level 3 investments of £1,929k and a corresponding overstatement of the level 2 investments of £554k. Creating a net understatement of £1,375k. ENPAs share of the fund's assets are 0.57% which means ENPAs share of the understatement is £7.8k only.	CR OCI £7.8k	DR Pension Liability £7.8k	£7.8k decrease (OCI)	£0 increase to general fund but £7.8k increase to the pensions reserve	Not material.
Overall impact	**CR £63.3k**	**DR £63.3k**	**Decrease £63.3k**	Increase £63.3k	

D. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Due to an estimation difference reported to us by the pension fund auditor, there is a possible understatement of pension fund assets (and corresponding overstatement of the pension fund liability) This equated to a £12k difference in Exmoor's liability. There is a nil impact of the General Fund as the movement would be subsequently reversed to the pension reserve.	CR £12k	DR £12k	£0	£0	The possible difference is not material.
Overall impact	£12k Decrease	£12k Increase	£0	£0	

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Final fee
Exmoor National Park Authority (Scale fee)	£39,417
ISA 315	£2,510
Additional fees re IFRIC14 Pension work	£1,500
Total audit fees (excluding VAT)	**£43,427**

We have confirmed that the audit fees as above reconcile to the financial statements note 18 ‘External Audit Costs’.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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