# Audit of Financial Statements Report and Management Letter – **Brecon Beacons National Park Authority**

Audit year: 2017-18

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised Anthony Veale, Deryck Evans, Julia Manfield, Thomas Dhar and Anita Thomas.

This document summarises the conclusions on the 2017-18 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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### Introduction

1. The purpose of this report is twofold:

* to set out for consideration the matters arising from the audit of the financial statements of Brecon Beacons National Park Authority (the Authority), for 2017-18, that require reporting to those charged with governance, in time to enable appropriate action; and
* to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.

1. The Auditor General’s responsibilities were set out in our **Audit Plan** along with your responsibilities as those charged with governance; we do not repeat them in detail again here.
2. We confirm we have undertaken the audit as planned and our performance against the agreed measures and actual fee compared to planned fee are reported in Appendix 4. We have no other issues to report to you other than in this report.
3. We are particularly grateful to the Authority and staff for their assistance, good quality working papers and draft accounts provided during the course of our audit. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Authority at 31 March 2018 and its income and expenditure for the year then ended.
4. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
5. The quantitative levels at which we judge such misstatements to be material for the Authority are £113,000 for income and expenditure items and working capital balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity for example the officers’ remuneration and termination benefits note.

### Status of the audit

1. We received the draft financial statements for the year ended 31 March 2018 on 11 June 2018, and have now completed the audit work.
2. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Finance Manager.

### Proposed audit report

1. It is the Auditor General’s intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1
2. The proposed audit report is set out in Appendix 2.

### Significant issues arising from the audit

#### Uncorrected misstatements

1. We set out below, a misstatement we identified in the financial statements. This has been discussed with management but remains uncorrected. We request that the appropriate adjustments are made to the accounts. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.
2. The Balance Sheet includes a line for Capital Grants Received in Advanced which had a nil value for 2017-18 and £73,000 in 2016-17. However, there was still an outstanding balance of £27,000 at 31 March 2018 which has been included in Short Term Creditors but should be reclassified to Capital Grants Received in Advance.
3. This uncorrected error does not have any overall impact on the financial statements.

#### Corrected misstatements

1. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

#### Other significant issues arising from the audit

1. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

* **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. There was a significant improvement in the working papers provided by the Finance Manager, Elaine Standen over those we have received in previous years.
* **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
* **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
* **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
* **We did not identify any material weaknesses in your internal controls**
* **There is one matter specifically required by auditing standards to be communicated to those charged with governance.** This is the failure to obtain a related party return declaration from all members of the Authority. Further detail is provided in Appendix 5.

### Recommendations arising from our 2017-18 financial audit work

1. The recommendations arising from our financial audit work are set out in Appendix 5. Management has responded to them and we will follow up progress on them during next year’s audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year’s report.

### Independence and objectivity

1. As part of the finalisation process, we are required to provide you with representations concerning our independence.
2. We have complied with ethical standards and, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Authority that we consider to bear on our objectivity and independence.

### Final Letter of Representation

Authority’s letterhead

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

[Date]

### Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Brecon Beacons National Park Authority for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

* the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 in particular the financial statements give a true and fair view in accordance therewith; and
* the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

* Full access to:
* all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
* additional information that you have requested from us for the purpose of the audit; and
* unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
* The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
* Our knowledge of fraud or suspected fraud that we are aware of and that affects Brecon Beacons National Park Authority and involves:
* management;
* employees who have significant roles in internal control; or
* others where the fraud could have a material effect on the financial statements.
* Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
* Our knowledge of all known instances of non-compliance or suspected   
  non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
* The identity of all related parties and all the related party relationships and transactions of which we are aware.

#### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### Representations by Brecon Beacons National Park Authority

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Authority maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Brecon Beacons National Park Authority on 21 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

|  |  |
| --- | --- |
| Signed by: | Signed by: |
| [Officer who signs on behalf of management] | [Officer or Member who signs on behalf of those charged with governance] |
| Date: 21 September 2018 | Date: 21 September 2018 |

### Proposed audit report of the Auditor General to the Brecon Beacons National Park Authority

### The independent auditor’s report of the Auditor General for Wales to the members of Brecon Beacons National Park Authority

#### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of Brecon Beacons National Park Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Brecon Beacons National Park Authority financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

* give a true and fair view of the financial position of Brecon Beacons National Park Authority as at 31 March 2018 and of its income and expenditure for the year then ended; and
* have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern

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

* the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
* the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

##### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Report on other requirements

##### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

* the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18; and
* the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

##### Matters on which I report by exception

In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

* adequate accounting records have not been kept;
* the financial statements are not in agreement with the accounting records and returns; or
* I have not received all the information and explanations I require for my audit.

#### Certificate of completion of audit

I certify that I have completed the audit of the accounts of Brecon Beacons National Park Authority are in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales’ Code of Audit Practice.

#### Responsibilities

##### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Authority’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

##### Auditor’s responsibilities for the audit of the financial statements

My 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 my 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 the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor’s report.

Anthony J Barrett 24 Cathedral Road

For and on behalf of the Auditor General for Wales Cardiff

CF11 9LJ

Date: 25 September 2018

### Summary of corrections made to the draft financial statements which should be drawn to the attention of Brecon Beacons National Park Authority

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

| Value of correction | Nature of correction | Reason for correction |
| --- | --- | --- |
| £63,000 | **Note 17 – creditors**  Accumulated absences accrual is included in Central Government Bodies in note 17. This has been reclassified to Other Entities and Individuals which would be consistent with 2016-17. | Incorrectly classified |
| £266,000 | **Note 6 – adjustments between accounting basis and funding basis under Regulation in the year**  The revaluation loss charged to the Comprehensive Income and Expenditure Statement has been disaggregated from the charges for depreciation £266,000 and moved to the Revaluation losses on Property, Plant and Equipment of £98,000 and Charges for depreciation and impairment of non-current assets £168,000 line, for consistency of presentation through the accounts. | To correctly disclose the figure in Note 6 and to reconcile with the primary statements and associated notes. |
| £294,000 | **Prior period adjustment**  Section 106 Development Agreements: the accounts have been restated to incorporate the impact of a misclassification of amounts received under Section 106 of the Town & Country Planning Act 1990. The change has resulted in a reduction to the amount of Planning income 2015/16, 2016/17 and the related net cost of services and transfer to earmarked reserves totals. The S106 receipts in 2015/16 and 2016/17 are now treated as receipts in advance. | To correctly classify s106 receipts where there are conditions attached to the use of the funds. |
| Disclosure | There were a number of notes which required minor amendment to improve the readers’ understanding. For example, rounding errors and typographical errors. | To correctly disclose the required information. |

### Wales Audit Office performance measures

We have agreed a range of targets for the delivery of our work and I have summarised our assessment of achievements against these targets below:

Exhibit 2: performance measures

|  |  |  |
| --- | --- | --- |
| Planned output | Target | Outcome |
| Audit of Financial Statements Report | July 2018 | July 2018 |
| Opinion on Financial Statements | July 2018 | September 2018 |
| Financial Accounts Memorandum | July 2018 | September 2018 |

The estimated audit fee set out in our Audit Plan was £27,195. Our actual audit fee will be finalised shortly.

### Recommendations arising from our 2017-18 audit work

We set out all the recommendations arising from our audit with management’s response to them. We will follow up these next year and include any outstanding issues in next year’s audit report:

Exhibit 3: matter arising 1

|  |  |
| --- | --- |
| Matter arising 1 - missing declarations of interest for related parties | |
| Findings | Our audit work for related parties requires review of the declarations of interest submitted by committee members. At the time of our audit the declarations for 21 out of 26 committee members were not available. BBNPA have subsequently obtained declarations from 15 members but there are still six outstanding. It was also not clear whether a year-end circularisation of committee members was undertaken. |
| Priority | Medium |
| Recommendation | We recommend that members are circularised at the year-end and reminded of the requirement of completing a declaration of interests annually. |
| Benefits of implementing the recommendation | Improved controls and transparency of members’ interests. |
| Accepted in full by management | Agreed |
| Management response | Members will be circularised annually in March to request re-declarations of interest which are submitted using the Authority’s modern.gov committee management tool. |
| Implementation date | 1 March 2019 |

Exhibit 4: matter arising 2

| Matter arising 2 - qualitative disclosures in accordance with the Code | |
| --- | --- |
| Findings | There are a number of disclosures in the accounts which could be amended to more clearly show the movements in the Expenditure and Funding Analysis and the link to the Movement in Reserves Statement. |
| Priority | Medium |
| Recommendation | We recommend that the suggested changes to the format of the Expenditure and Funding Analysis and Movement in Reserves Statement are made. |
| Benefits of implementing the recommendation | To ensure the statements and notes comply with the code and to ensure the figures reconcile on Expenditure and Funding Analysis and Movement in Reserves Statement. |
| Accepted in full by management | Yes |
| Management response | Agreed – revisions made as requested. |
| Implementation date | 31 July 2018 |

Exhibit 5: matter arising 3

|  |  |
| --- | --- |
| Matter arising 3 - senior officer review | |
| Findings | The year-end bank reconciliation for the Deposit Account showed an unreconciled difference of £1.15 million. We confirmed that this was a typing error in the reconciliation spreadsheet, and that there was no error in the underlying records or cash balances. The reconciliation had been signed as completed by a Finance Assistant and as reviewed by the Finance Manager. |
| Priority | Medium |
| Recommendation | The Authority needs to ensure that there is a robust review procedure put in place that incorporates the verification of figures in reconciliations as part of the review. |
| Benefits of implementing the recommendation | To demonstrate the effective operation of this control, any unreconciled differences should be followed up, challenged and cleared when preparing and reviewing the bank reconciliation. |
| Accepted in full by management | Yes |
| Management response | Agreed |
| Implementation date | 31 July 2018 |

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