Audit of Financial Statements Report

Brecon Beacons National Park Authority

**Audit year:** 2014-15

**Issued:** September 2015

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The team who delivered the work comprised Richard Harries, Deryck Evans and Simon Howells.

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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 that will impact on our audit certificate.

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# Introduction

1. 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 Brecon Beacons National Park Authority (the Authority) at 31 March 2015 and its income and expenditure for the year then ended.
2. 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.
3. The quantitative level at which we judge such misstatements to be material for the Authority was £62,000 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.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Authority, for 2014-15 that require reporting under ISA 260.

# Status of the audit

1. We received the draft financial statements for the year ended 31 March 2015 on 30 June 2015 and started the audit as planned on 13 July 2015. We have now substantially completed the audit work but we are currently considering issues in respect of a formal objection from a member of the public. Further detail is set out in paragraph 19
2. There are also some minor areas to finalise but we anticipate these being fully complete in the week prior to the Authority meeting on 25 September 2015.
3. 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. However, as we have recently received a formal objection to the financial statements we will not be able to conclude the audit and provide our audit certificate until this work is completed (further information on this is set out in paragraphs 18 to 20).
2. The proposed audit report is set out in Appendix 2.

# Significant issues arising from the audit

## Uncorrected misstatements

1. There are no ‘material’ misstatements identified in the financial statements, which remain uncorrected although one issue needs to be brought to the attention of those charged with governance. This is set out below:

### Development enforcement action

1. In July 2014, the Authority notified the directors of a company of an outstanding debt of £49,554 arising from costs incurred by the Authority in undertaking enforcement action. In our view, the Authority should accrue for the debt.
2. We understand that the Authority’s view is that the debt is unlikely to be recoverable but that the debt has not yet been written off. The debt should therefore be written down to its fair value i.e. the recoverable amount.
3. The impact on the accounting statements is as follows:

|  |  |  |
| --- | --- | --- |
|  | Dr  £’000 | Cr  £’000 |
| CIES: Cost of Services - Development control - Income |  | 50 |
| Balance sheet; Short term debtors | 50 |  |
| Being recognition of the debt owed by the company |  |  |
| CIES: Cost of Services - Development control - Expenditure | 50 |  |
| Balance sheet; Short term debtors |  | 50 |
| Being writing down of the debt to its recoverable amount |  |  |

1. The overall impact on the accounting statements is that Development control gross income and expenditure are understated by £50,000. However, there is nil impact on net cost of services. The adjustment has no overall effect on the balance sheet.

## Corrected misstatements

1. There were a number of ‘non-material’ amendments and wording changes that have been corrected by management. Given the nature of these changes we do not consider it necessary to draw these to your attention due to their relevance to your responsibilities over the financial reporting process.

## 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 are no significant issues arising in these areas this year and our conclusions are set out below:

* **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.

* **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. The quality of working papers provided and finance officer co-operation continues to be of a high standard.

* **There are no 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 weaknesses in your internal controls which we consider to be significant.**
* **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

# Objections at audit under section 31 Public Audit (Wales) Act 2004

1. On 14th September 2015, the Auditor General received an objection from a local elector in relation to the 2014-15 accounts. The objection relates to a number of transactions and issues relating to the planning enforcement action taken by the Authority in 2013 and associated costs. Given the timing of this objection, we are not currently in a position to fully conclude on whether there are any matters which the Auditor General needs to address. It is therefore unlikely that we will be in a position to certify the conclusion of the audit by 30 September 2015.
2. However, from our work to date we are satisfied that there will not be a material impact on the accounts. Therefore, as noted earlier in this report we are proposing an unqualified audit opinion,.
3. The proposed audit report in Appendix 2 reflects that the audit cannot be concluded at present. We will certify the conclusion of the audit as soon as our work in relation to the objection is complete.

# 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

(Audited body’s letterhead)

Mr Anthony Barrett

Assistant Auditor General

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

[Date]

# Representations regarding the 2014/15 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 2015 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 Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for 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 the 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.

There are no further extant planning enforcement cases where the authority is seeking recovery of costs.

# Representations by those charged with governance

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

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 the Authority on 25 September 2015.

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

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

I have audited the accounting statements and related notes of Brecon Beacons National Park Authority for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Brecon Beacons National Park Authority’s accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

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 2014/15 based on International Financial Reporting Standards (IFRSs).

**Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Brecon Beacons National Park Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on the accounting statements of Brecon Beacons National Park Authority**

In my opinion the accounting statements and related notes:

* give a true and fair view of the financial position of Brecon Beacons National Park Authority as at 31 March 2015 and of its income and expenditure for the year then ended; and
* have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with ‘Delivering Good Governance in Local Government: Framework’ published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

I have carried out the audit of the accounting statements in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. I am considering an objection made under section 31 of the Public Audit (Wales) Act 2004. The objection raises a number of issues that will take some time to conclude upon. The audit cannot be formally concluded and an audit certificate issued until I have concluded on the objection. I am however satisfied that the remaining work will not have a material effect on the statement of accounts.

**Anthony Barrett (on behalf of the Auditor General)**

**24 Cathedral Road**

**Cardiff**

**CF11 9LJ**

**Date:**

# Summary of corrections made to the draft financial statements

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.

| Value of correction | Nature of correction | Reason for correction |
| --- | --- | --- |
|  |  |  |
|  |  |  |
|  | **Other presentational corrections**  We have agreed several presentational amendments to the financial statements and the supporting narrative, to aid the understanding of the financial statements and to correct some typographical and rounding errors. |  |