
New Forest National Park Authority

For the year ended 31 March 2016

Audit Results Report – ISA (UK and Ireland) 260

14 July 2016



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1. Executive summary – key findings

Audit results and other key matters

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the New Forest National Park Authority – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2015/16 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 20 June 2016, we expect to issue an unqualified opinion on the financial statements.
- ▶ Our audit results demonstrate, through the very few matters we have to communicate, that the Authority has prepared its financial statements well.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We are not expecting to report any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the National Audit Office's Code of Audit Practice have been discharged for the relevant audit year.
- ▶ We expect to issue the audit certificate at the same time as the audit opinion at the end of July 2016, subject to the completion and submission of the Whole of Government Accounts to the NAO.

2. Extent and purpose of our work

The Authority's responsibilities

- ▶ The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement.
- ▶ In the Annual Governance Statement, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- ▶ express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- ▶ report on an exception basis on the Annual Governance Statement;
- ▶ consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- ▶ discharge the powers and duties set out in the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Authority.

This report is intended solely for the information and use of the Authority. It is not intended to be and should not be used by anyone other than the specified party.

3. Addressing audit risks – significant audit risk

We identified the following audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over this issue.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For a significant risk, we obtain an understanding of the entity’s controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>Significant audit risk (including fraud risks) – Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"> • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • reviewing accounting estimates for evidence of management bias; and • evaluating the business rationale for significant unusual transactions. 	<p>We gained assurance that the risk of management override was sufficiently low.</p> <p>No issues were identified when testing the journal entries, accounting estimates and any unusual transactions.</p>

4. Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the July Authority meeting:
 - ▶ receipt of a Letter of Representation following the Authority meeting on 14 July 2016;
 - ▶ audit completion and closure procedures.
- ▶ Subject to the satisfactory receipt of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ We have not identified any uncorrected misstatements within the draft financial statements.

Corrected misstatements

- ▶ We have not identified any corrected misstatements within the draft financial statements.

Amendments to disclosures

- ▶ Following the audit, the Authority has made the following amendment to the disclosures in its financial statements:
 - ▶ Note 5: Reclassification of the Bransgore Capital Financing - from Developers Contributors Applied to Capital Grant Applied. This also impacts on Note 11 and Note 21.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following:
 - ▶ qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ any significant difficulties encountered during the audit; and
 - ▶ other audit matters of governance interest

Findings

- ▶ The Authority prepared a comprehensive set of accounts with good supporting working papers.
- ▶ We would like to thank officers for their prompt responses to audit queries.
- ▶ We have no other matters we wish to report to Members.

5. Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Planning Materiality and Tolerable error	<p>We determined planning materiality to be £128,300 (2015: £108,000), which is 2% of gross expenditure reported in the accounts of £6.415 million.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the upper level of the available range because there were no corrected significant errors in the Authority's 2014/15 financial statements and no uncorrected errors.</p>
Reporting Threshold	<p>We agreed with the Resources, Audit & Performance Committee that we would report to the Committee all audit differences in excess of £6,400 (2015: £5,000)</p>

6. Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Authority only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ it is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters of judgment.

Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We are currently concluding our work in this area and will report any matters that arise to the Authority.

7. Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2015) sets out our responsibility to satisfy ourselves that New Forest National Park Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Proper arrangements are defined by statutory guidance issued by the National Audit Office.

▶ Overall conclusion

- ▶ For 2015/16 this is based on the overall evaluation criterion:
 - ▶ ***“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”***
- ▶ We considered your arrangements to:
 - ▶ take informed decisions;
 - ▶ deploy resources in a sustainable manner; and
 - ▶ work with partners and other third parties.
- ▶ We did not identify any significant risks in relation to these arrangements.
- ▶ Our work on the Authority’s arrangements to develop a sustainable medium term financial plan involved us reviewing the work of the Member Task and Finish Group for Financial Planning in December 2015 and January 2016. This group of Members were presented with detailed budgeted figures and effectively scrutinised the detailed workings of the Authority’s draft Medium Term Financial Plan 2016/17 – 2018/19, before it was approved by the Authority in March 2016.
- ▶ We therefore anticipate having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

8. Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 7 March 2016. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming Authority meeting on 14 July 2016.
- ▶ We confirm that we have met the reporting requirements to the Authority, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 7 March 2016.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2015/2016	Scale fee 2015/2016	Variation
	£	£	
Audit Fee: Code work	13,280	13,280	0
Non-Audit work	0	0	0

- ▶ We confirm that we have not undertaken any non-audit work outside of the National Audit Office's Audit Code requirements.

Thank you



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ED None

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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