

Northumberland National Park Authority

Annual audit letter to the Members of the Authority  
for the year ended 31 March 2015

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# The big picture

We are required to issue an annual audit letter to Northumberland National Park Authority (the “Authority”) following completion of our audit procedures for the year ended 31 March 2015. The letter is to be published on the Authority’s website.

Below are the conclusions we have formed on the significant areas of the audit process.

<b>The Authority’s financial statements</b>	We issued an unqualified opinion, issued on 28 September 2015, on the Authority’s financial statements for the year ended 31 March 2015.
<b>Value for money conclusion</b>	We issued an unmodified conclusion, issued on 28 September 2015, on the Authority’s arrangements for securing value for money for the year ended 31 March 2015.
<b>Whole of Government Accounts return</b>	We met the National Audit Office reporting deadline of 2 October 2015, reporting on 28 September 2015, that the return is below the reporting threshold.

# 1. Purpose and responsibilities

## Purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Authority as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that the Authority has relevant safeguards and properly accounts for public money.

The Letter will be published on the Public Sector Audit Appointments Limited website at [www.psa.co.uk](http://www.psa.co.uk) and should also be published on the Authority’s website.

## Responsibilities of the appointed auditor and the Authority

### Responsibilities of the appointed auditor

We were appointed as the Authority’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities in 2014/15.

As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, we review and report on:

- the Authority’s financial statements; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its authority functions.

We also provide a return to the National Audit Office on the Whole of Government Accounts confirming the Authority is below the required threshold.

Following a national contract tendering exercise, 2014/15 is the final year of our appointment as your external auditors.

### Responsibilities of the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

As part of our procedures we have considered how the Authority has fulfilled these responsibilities.

## 2. Financial reporting

### Key issues arising from the audit of the Authority's financial statements

We have issued a separate report to the Authority for the year ended 31 March 2015, which details the findings from our audit of the financial statements and the Authority's value for money arrangements.

In that report we explained how we focused our work on areas which involve more complex accounting judgements and estimation. A summary of the significant risks identified as part of our audit is included below:

Significant audit risk	Conclusion
<b>Grant income recognition</b>	Grant income is a significant audit risk due to the requirement for management to consider each type of grant individually to consider appropriate accounting treatment, and the associated judgement in relation to this. Our testing concluded that grant income recognition was appropriate.
<b>Management override of controls</b>	We did not identify any material weaknesses in controls or any evidence of management override. We did not identify any improper use of accounting estimates or judgements. The judgement which would have the most significant effect on the accounts would be management's assumptions for the pension liability. We reviewed the assumptions and concluded that they were reasonable and within the reasonable range. We therefore concluded that the assumptions were reasonable and would have no material impact on the financial statements.

We did not identify any significant issues arising from these areas and we consider management's judgements to be reasonable.

### Key issues arising from the work performed on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Authority's whole of government accounts return if they are above the audit threshold. Our report is used by the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

We reported to the National Audit Office on the WGA ahead of the October deadline. We reported that the Authority's WGA is below the audit threshold.

# 3. Value for Money

## Background

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as “the VFM conclusion”.

## Specified criteria for auditors’ VFM conclusion

**The organisation has proper arrangements in place for securing financial resilience.**

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

## Audit work completed to address the significant risk

We draw sources of assurance relating to our VFM responsibilities from:

- the Authority’s system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Significant audit risk	Conclusion
The Sill	<p>The Sill is a significant project to develop a Landscape Discovery Centre at Once Brewed. Phase 1 of the proposal in relation to the design of the new centre has been completed and in February 2015 the Heritage Lottery Fund (HLF) announced an offer of £7.748m of grant aid for the Sill. Phase 2 is expected to commence in late 2015 with a total cost to completion of nearly £15m. As at the end of September the funding gap had increased from £746k to £1.7m due to increased construction costs. The Authority worked to achieve greater cost certainty in September 2015 through the negotiation of a fixed price contract which significantly mitigates the risk of further increased costs. In addition, management have performed sensitivity analysis on the revised budgets considering different funding strategies and the financial impact of these on the Authority as a whole. Members approved phase 2 of the project at the Authority meeting on 16th September 2015. Following this, a letter of intent to sign the fixed price contract was issued in late September.</p> <p>Although a funding gap remains, management have endeavoured to realistically identify and assess these risks to ensure that mitigations can be implemented where possible. The Authority-wide impact of the project has also been considered.</p> <p>Following consideration of the above, we concluded that there were no matters to note in respect of our VFM conclusion.</p>

## Conclusion

We issued an unmodified value for money conclusion.

## 4. Purpose of our report and responsibility statement

### What we report

Our report is designed to help the Authority discharge its governance duties and includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our value for money conclusion, based on work undertaken in response to our risk assessment and guidance issued by the Audit Commission in October 2014.
- Results of any other work undertaken in relation to our responsibilities and duties in line with the Audit Commission Act 1998 and Code of Audit Practice 2010.
- Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

### What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Authority.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Officers or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

- The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.
- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you previously.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Chartered Accountants

Newcastle

23 October 2015

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

# Appendix 1: Independence and fees

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**Independence confirmation**

We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

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**Non-audit services**

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of engagement leads and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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**Relationships**

There are no other relationships with the Authority and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

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	Current year £'000	Prior year £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of the Authority's annual accounts and the value of money conclusion	12	12
<b>Total fees payable in respect of our role as Appointed Auditor</b>	<b>12</b>	<b>12</b>

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