

Report to	Policy and Resources Committee
Date	26 November 2020
By	Grant Thornton (External Auditor)
Title of Report (Note)	Audit Results Report 2019/20

Recommendation: That the Committee consider the findings as set out in the 2019/20 Audit Results Report.

I. Introduction and background

- I.1 The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. Our Audit Results Report summarises the findings from the 2019/20 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.
- I.2 We expect our anticipated unqualified audit opinion on the financial statements will be unmodified.
- I.3 We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

GRANT THORNTON

Contact Officer: Andy Conlan
 Tel: 020 7728 2492
 Email: andy.n.conlan@uk.gt.com
 Appendices: I. External Audit – Audit Findings Report 2019/20

This page is intentionally left blank



The Audit Findings for South Downs National Park

Year ended 31 March 2020

26 November 2020



Contents



Your key Grant Thornton team members are:

Darren Wells

Engagement Lead

T: 01293 554120

E: darren.j.wells@uk.gt.com

Andy Conlan

Engagement Manager

T: 02077 282492

E: andy.n.conlan@uk.gt.com

Aman Harees

In-Charge

T: 01293 554098

E: aman.a.harees@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

Page

- 3-5
6-14
15-16
17

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

- 18-19
20
21
23-24

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Downs National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Authority as it has done for all local government bodies.

The financial impacts of the start of the pandemic were not felt significantly in the 2019/20 year performance given that national lockdown started on the 22nd March 2020. The impact will be felt more significantly in the 2020/21 year.

Although many of the day-to-day business functions of the Authority can be carried out remotely by employees working from home, there are other functions that rely on being able to travel and to conduct on site meetings and/or visits/inspections, and these were of course restricted during the periods of national lockdown. Management have carefully considered operational priorities as the government has eased restrictions thereby allowing business critical activities to recommence.

The Authority has also been active in reaching out to and supporting local businesses, partners and communities, as well as ensuring that public messaging about the use of the park encouraged responsible use in compliance with national guidelines.

The pandemic has also impacted on the Finance Team who like many other employees had to adapt to working from home at short notice. Working from home was not the norm prior to Covid-19 and it did present some challenges with system access and capacity for staff.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 16 July 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.

Restrictions for non-essential travel and home working have meant both Authority and audit teams had to perform the audit entirely remotely. This has required the audit team to use regular video calls to ensure that both teams kept in close contact as we would when carrying out fieldwork on site. The audit team have also had to consider alternative approaches to obtaining audit evidence to corroborate transactions, estimates and judgements in the financial statements. Remote working also requires our teams to carry out additional tests to corroborate the completeness and accuracy of information produced by the Authority which we would otherwise have performed in person on site (for example viewing a report being run from Authority systems by the officer).

The above factors has proved more time consuming than carrying out an audit under normal circumstances. We started the audit in July 2020, but progress during July and August was limited due to resourcing limitations on the audit team and Authority finance team. There have been challenges for both the audit team and the Authority's team to conduct the audit virtually during the pandemic with additional complexity that both teams had to face and address within a short space of time. However, we have worked together to overcome these issues to meet a tight audit timeframe.

Headlines (continued)

Financial Statements	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-November. Our findings are summarised on pages 7 to 14. At the date of writing this report, we have not identified any adjustments to the financial statements that have resulted in adjustment to the Authority's Comprehensive Income and Expenditure Statement. We have highlighted some minor changes to presentation in the accounts. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Although our audit work is substantially complete, we still have a number of audit procedures which we are completing ahead of issuing our audit report. These are as follows:</p> <ul style="list-style-type: none"> • Confirming the reasonableness of the assumptions and inputs underlying the valuation of the pension fund net liability; • Obtaining clarifications as to the significance of some control weaknesses identified by the pension fund auditor in their audit of the West Sussex Pension Fund accounts and as to whether these could impact the valuation of the net pension fund liability in the Authority accounts. • Closing down manager review of our substantive sample testing; • Receipt of one investment external confirmation from the counterparty; • Quality review of work on file by the Manager and Engagement Lead which could potentially raise further audit queries; • Review of the information published with the financial statements (the AGS and the Narrative Report) to confirm that they are materially consistent with the accounts and are compliant with national guidance; • Agreeing some non-material disclosures and agreeing disclosures relating to Covid-19 are sufficient; • Completion of our work and discussions around adoption of the going concern basis; • Receipt of the signed management representation letter; • review of the final set of financial statements. <p>We would consider it unlikely that the completion of any of these procedures would result in any material changes or adjustment to the financial statements.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified but will include an 'Emphasis of Matter' paragraph highlighting the 'valuation material uncertainties' in relation to property, plant and equipment valuation. This is described in more detail at page 7.</p>
-----------------------------	--	---

Headlines

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Authority's value for money arrangements. We updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19.

We concluded that the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 15 and 16.

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.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Audit approach

228

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.

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 are close to completion of our audit of your financial statements and subject to outstanding work being completed, following the Policy and Resources Committee meeting on 26 November 2020, we anticipate issuing an unqualified audit opinion as detailed in Appendix D. These outstanding items are reported on Page 4.

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.

Our planning materiality was based on the audited gross revenue expenditure in the 2018/19 accounts. When we received the draft 2019/20 accounts, we updated our materiality for the audit so that it was based on the actual gross revenue expenditure as reported in the draft statements.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	302k	We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year.
Performance materiality	226.5k	The maximum amount of misstatement the audit team could accept in an individual account or group of related accounts. This is less than materiality due to "aggregation risk".
Trivial matters	15.1k	We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

Risk description unchanged from that reported in our audit plan.

We have:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The completed draft financial statements were provided on 2nd July 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Authority's property valuation expert;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

As a result of the Covid-19 pandemic, the property market remains very uncertain. As a result of this, a 'material valuation uncertainty' has been declared by the professional valuer relating to land and buildings. This uncertainty was clearly disclosed in the accounts in Note 3 Critical Judgements and Assumptions Made in such a way that users of the statements could understand the impact on the valuation. We have included a 'Emphasis of Matter' in our audit opinion to ensure that users of the accounts are aware of the material uncertainty.

The revenue cycle includes fraudulent transactions

Risk description unchanged from that reported in our audit plan

For the material income streams where we have not rebutted the presumed risk of revenue recognition, we have:

- evaluated your accounting policy for recognition of income for appropriateness and compliance with LG Code of Practice;
- updated our understanding of your system for accounting for income and evaluate the design of the associated controls;
- reviewed and sample tested income to supporting evidence corroborating the occurrence of the service/good delivered and the accuracy of the amount recognised; and
- evaluated and challenged significant estimates and the judgments made by management in the recognition of income.

Subject to satisfactory resolution of matters identified on page 4, our audit work has not identified any issues in respect of revenue recognition.

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Risk description unchanged from that reported in our audit plan.

Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and as part of accounts production for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence;
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Subject to satisfactory resolution of matters identified on page 4, our audit work has not identified any issues in respect of management override of controls.

Valuation of land and buildings (Annual revaluation)

Risk description unchanged from that reported in our audit plan.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to 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 valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- assessed how management have challenged the valuations produced internally, by professional valuers and by independent property managing consultants to assure themselves that these represent the materially correct current value;
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.

Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan Auditor commentary

Valuation of pension fund net liability

Risk description unchanged from that reported in our audit plan.

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 evaluated 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; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by using an auditor's expert.

We have provided information about our detailed review of the estimation process in the key judgement and estimates section.

In 2018 the Court of Appeal ruled there was age discrimination in the judges and firefighters pension schemes where there was transitional protections given to scheme members – this also impacted Local Government Pension Schemes. Following the McCloud judgment the cases were referred back to Employment Tribunals for remedy. The tribunal issued an interim declaration providing that claimants who were active members on 31 March 2012 are entitled to be treated as having met the conditions for full transitional protection. In July 2020, the government released a consultation on applying the remedy, and this is the next phase of the Government's response to address this discrimination. From an accounting perspective, we concluded that the consultation is an event after the reporting period which provides an indication of possible remedy. However, as there remain a number of uncertainties before this is implemented, we do not regard publication of the consultation to be an adjusting event. It may be some time before the outcome of the consultation is known, and an adjusting event crystallises, but management should continue to keep the development of the pension schemes under review. The accounts presented to members, correctly, do not reflect the impact of the government's remedy consultation.

At the time of writing this report, audit work to confirm the application of controls to ensure 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 is still in progress. We gain assurance over this by obtaining a letter from the West Sussex Pension Fund auditor from which we take assurance over the systems and controls that take place at the Pension Fund and which could impact the pension liability.

We have obtained a letter from the auditor of West Sussex Pension Fund confirming the outcome of their work the application of controls to ensure 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. We are obtaining clarifications as to the significance of some control weaknesses identified by the pension fund auditor in their audit of the West Sussex Pension Fund accounts and as to whether these could impact the valuation of the net pension fund liability in the Authority accounts. Our initial work reviewing the letter suggests that this could not have a material impact, but we need clarification from the other auditor in order to conclude on this.

Subject to satisfactory resolution of matters identified on page 4, our audit work has not identified any further issues in respect of valuation of the net liability.

Other audit issues

Risks identified in our Audit Plan

IFRS 16 implementation has been delayed by one year

Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

Going Concern

As auditors, we are required to “obtain sufficient 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).

Auditor commentary

In our review of the Authority’s accounting policies we identified that the disclosure in relation to IFRS 16 is appropriate.


Management’s assessment process

- Detailed budget setting and budget review/approval governance processes are undertaken in February 2020;
- This includes consideration of the adequacy of reserves and the setting of a working balance level considered appropriate;
- A detailed Treasury Management Policy Statement and Treasury Management Practices are updated and approved by the Authority each year in March alongside approval of the Budget and Medium Term Financial Strategy. This details that cash flow projections will be prepared on a regular and timely basis, and will be monitored by the Section 151 officer to ensure the Authority has adequate cash resources.
- Prudential and Treasury Indicators are set and monitored over the life of the and Medium Term Financial Strategy.

Management have prepared the accounts on the going concern basis based on their assessment processes as documented above.

We have reviewed management’s process to assess the use of the going concern basis. We reviewed the 2020/21 budget and the MTFS, including the key assumptions, to confirm that they are reasonable in line with our knowledge of the Authority and the sector. We are completing our review of the cash-flow forecasting processes. The financial impact of Covid-19 on the Authority in 2020/21 has not been material to the current date, and we therefore have not identified any material uncertainty over the going concern basis adopted.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £1.835m	<p>The Authority revalues its other land and buildings (ie. the South Downs Centre) on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. The Authority engage Savills to estimate the valuation of land and buildings.</p> <p>The Authority's land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The professional valuer reviews the assets for any indicators of impairment.</p>	<p>We assessed the work of management's experts; in particular, their competency, objectivity and expertise. We confirmed their objectivity and expertise.</p> <p>We noted no changes to the valuation method or departures from the RICS code in the valuation.</p> <p>We assessed the valuation methods and assumptions applied by the professional valuer and concluded that these were reasonable.</p> <p>We reviewed the completeness and accuracy of the underlying information used to determine the estimate. We found no issues here.</p> <p>We applied valuation indices as provided by our own auditor's expert valuer to calculate our own point estimate of the valuation movement for the land and building assets in year. This allowed us to conclude that the valuation movement as estimated by management's expert was materially correct.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
<p>Net pension liability – £0.513m</p>	<p>The Authority recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>The net pension liability at 31 March 2020 is £0.513m (2019: £2.879m) comprising the West Sussex County Council Local Government pension scheme. You engage Hymans Robertson LLP to provide actuarial valuations of your assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.366m net actuarial gain during 2019/20.</p>	<ul style="list-style-type: none"> We assessed management's actuarial expert and concluded that the clearly competent, capable and objective in producing the estimate; We engage an auditor's actuary expert to prescribe further work to challenge the reasonableness of the estimation method used and testing of the information provided to the actuary for completeness and accuracy. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable. We carried out analytical procedures to conclude on whether the Authority's share of LGPS pension assets and liabilities was reasonable. Through these procedures we concluded that the Authority's share of assets and liabilities was analytically in line with our expectations. The auditors' expert has provided our team with an indicative ranges for assumptions by which we have challenged the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered reasonable: <table border="1" data-bbox="721 658 1746 1113"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.8%</td> <td>1.8-2.0%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.2%</td> <td>1.90-2.90%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.2/23.3</td> <td>20.5-22.2/ 21.6-23.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.2/25.9</td> <td>22.9-24.6/ 24.6-26.3</td> <td>● Note 1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have concluded that the disclosure of the estimate in the financial statements was adequate. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.3%	2.3%	●	Pension increase rate	1.8%	1.8-2.0%	●	Salary growth	2.2%	1.90-2.90%	●	Life expectancy – Males currently aged 45 / 65	22.2/23.3	20.5-22.2/ 21.6-23.3	●	Life expectancy – Females currently aged 45 / 65	24.2/25.9	22.9-24.6/ 24.6-26.3	● Note 1	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.3%	2.3%	●																								
Pension increase rate	1.8%	1.8-2.0%	●																								
Salary growth	2.2%	1.90-2.90%	●																								
Life expectancy – Males currently aged 45 / 65	22.2/23.3	20.5-22.2/ 21.6-23.3	●																								
Life expectancy – Females currently aged 45 / 65	24.2/25.9	22.9-24.6/ 24.6-26.3	● Note 1																								

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Policy and Resources Committee. We have not been made aware of any significant or material incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any such incidences from our audit work.
Written representations	<ul style="list-style-type: none"> A signed letter of representation will be requested.
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests in respect of your bank and investments balances. This permission was granted for all institutions and the requests were sent. All of these requests were returned with positive confirmation, with the exception of one confirmations requested in respect of an investment balances. We are continuing to chase this confirmation requests with assistance from your officers and in the meantime will undertake alternative procedures to verify whether these balances are materially fairly stated as at 31 March 2020.
Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in your financial statements. We identified a number of disclosure adjustments which are set out later within this report.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>We are still completing our review of this information, but so far no inconsistencies have been identified. We expect to issue an unmodified opinion in this respect – refer to appendix D</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>This work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of the Authority in the audit report, as detailed in Appendix D.</p>

Value for Money

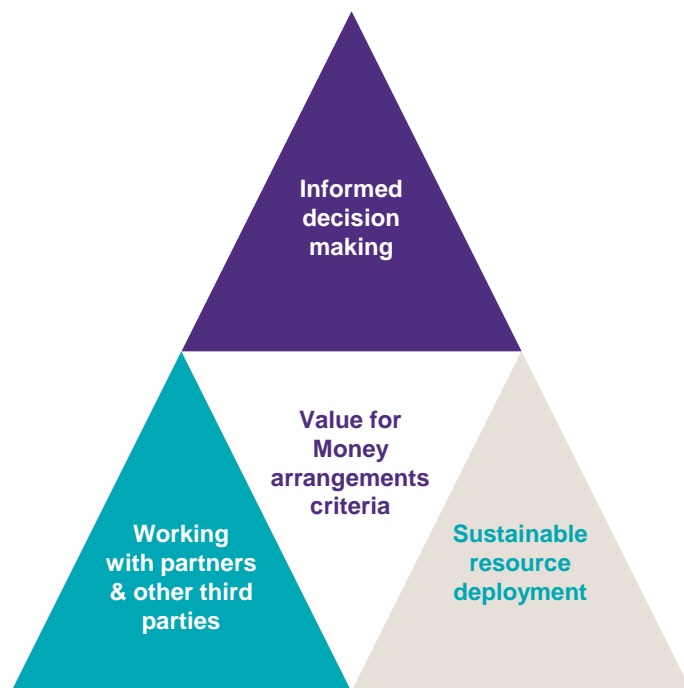
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



237

Risk assessment

We carried out an initial risk assessment in January 2020 and concluded there were no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03 as communicated to you in our Audit Plan in January 2020. We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

At the planning stage, our view was that there was no significant risk to Value for Money. Although the Authority has financial challenges, like other public bodies, in controlling expenditure and increasing income in the face of potential future reductions in government funding, we were of the view there was a strong financial grip and control in place to ensure medium term financial sustainability.

We have revisited our audit planning assessment in the light of Covid-19, and continued to update our knowledge of the Authority during the year by meeting with your senior finance officers and through desktop review of key documents and meeting minutes. This included understanding the impacts of the Covid-19 pandemic on the 2020/21 budget forecast and assessing the significance of this, and understanding the medium to long term impacts.

For the 2019/20 financial year, the Authority achieve a revenue outturn position which was £305k below the budgeted total outturn of £8,841k. The capital programme outturn was as planned at £125k. This below budget revenue outturn result has allowed further contribution to the reserves position. £141k of this was allocated to the Climate Change Fund reserve, and £164k was used to contribute to a total £375k Recovery Fund which was set up subsequent to the impact of the Covid-19 pandemic and the implications for the 2020/21 financial year. This fund will support recovery in pursuit of the Authority's Partnership Management Plan objectives.

As at Month 4 in the 2020/21 year the forecast revenue outturn is a net above budget variance of £178k. As would be expected the most significant impacts of the pandemic have been on planning fee income which has been 20% below budget; a £250k reduction in income. This has been counteracted by corresponding reduction in expenditure on delegated planning agreements, and other reductions in expenditure.

A £178k above budget variance represents a 1.5% overall impact to the service budget, and is less than the £305k 2019/20 budget contribution to reserves. Based

Value for Money

on this anticipated result the Park will continue to hold significant levels of reserves as a cushion against future uncertainties and potential reductions in government funding that could come about should there be a steep recession following the pandemic. The property market has remained quite steady during 2020/21 and should an effective vaccine permit some return to pre-pandemic life some recovery in planning fees and other fees should also be possible. At the current date the Medium Term Financial Strategy which was approved in March 2020 has not been reforecast due to the ongoing uncertainty about how the continuing impact of the pandemic will affect the Authority's income and expenditure. The plan at March 2020 had anticipated that the Authority would be able to make contributions to reserves based on an assumption of 1.7% annual uplifts to the National Park Grant from the 2020/21 allocation. Based on the impact on the current year the Authority will have a sufficient cushion of reserves to absorb potential grant/income reductions for the foreseeable future as long as it maintains its strong grip and control on expenditure as demonstrated to date.

Overall conclusion

Based on the work we performed, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Independence and ethics

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. 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 C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to the current date.

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Authority's 2018/19 financial statements, which resulted in 5 recommendations being reported in our 2018/19 Audit Findings report. An update on these recommendations is shown below:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><u>CIL Revenue Cut Off</u></p> <p>In our testing in 2018/19 we found a number of CIL revenue cut off errors including one which resulted in a material adjustment to the accounts. We cited a risk going forward that this type of error could continue to cause misstatements in future periods.</p>	<p>We recommended that a review of CIL agreements are made to ensure that revenue is recognised upon commencement of development.</p> <p>Update on actions:</p> <p>Management have now implemented this action. We have not found any similar errors in our testing this year, subject to completion of the items on page 4.</p>
✓	<p><u>Recognition of S106 Revenues</u></p> <p>In our testing in 2018/19 we found a number of Section 106 revenue errors where:</p> <ol style="list-style-type: none"> 1. Revenues were incorrectly deferred where officers believed there was a claw back term. 2. Revenues which should have been recognised in previous periods were recognised in the 2018/19 period. These historic Section 106 agreement contributions had been missed entirely from the accounts in those previous periods. 3. Revenues which should have been recognized in previous periods were instead recognized in the current period. Officers have carried out a retrospective review of S106 agreements to assess whether there could be other instances of this, but there is still a risk that this type of error could continue to cause misstatements in future periods. 	<ul style="list-style-type: none"> • We recommended that a review of Section 106 agreement terms is made to confirm which agreements do include fund claw back terms and to ensure that the revenues are correctly accounted for in line with the agreement terms. • We also recommended that a clear register/schedule of Section 106 agreements is maintained and regularly reconciled to the general ledger. <p>Update on actions:</p> <p>Management have now implemented this action. We have not found any similar errors in our testing this year, subject to completion of the items on page 4.</p>

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><u>Prepayments/Creditors overstatement</u></p> <p>In our testing of prepayments and creditors in 2018/19 we identified an overstatement of creditors and debtors prepayments by £189k. The creditor was initially incorrectly recognised, and then the prepayment was entered to reverse the effect of the original entry, but this had the effect of overstating both creditors and debtors incorrectly by the same amount. Under International Financial Reporting Standards (IFRS) the creditor should not be recognised until the payment was due/service received, and a prepayment should not have been recognised until a payment is made.</p> <p>There is a risk this issue could also occur in future periods at the year end.</p>	<p>We recommended that to avoid this issue occurring again that larger invoices received at year end which relate to the next financial period are reviewed before they are entered onto the ledger to ensure they do not get incorrectly accounted for as expenditure in the current year.</p> <p>Update on actions:</p> <p>Management have now implemented this action. We have not found any similar errors in our testing this year, subject to completion of the items on page 4.</p>
✓	<p><u>Expenditure cut off</u></p> <p>In our testing of operating expenditure in 2018/19 we found a small number of cut off errors where accruals had been missed.</p>	<p>We recommended that a review of post year end payments/expenditure invoices are made to ensure that accruals are correctly picked up and accounted for.</p> <p>Update on actions:</p> <p>Management have now implemented this action. We have not found any similar errors in our testing this year, subject to completion of the items on page 4.</p>
✓	<p><u>VAT Treatment</u></p> <p>In our testing of operating expenditure in 2018/19 we found an error where VAT had been incorrectly included in expenditure rather than accounted for as a VAT debtor.</p>	<p>We recommended that regular spot checks are carried out to ensure that VAT has been correctly accounted for.</p> <p>Update on actions:</p> <p>Management have now implemented this action. We have not found any similar errors in our testing this year, subject to completion of the items on page 4.</p>

24

Assessment

- ✓ Action completed
- X Not yet addressed

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

As at the date of writing this report, there are no adjusted misstatements impacting on the key statements and the reported net expenditure for the year ending 31 March 2020.

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 omission	Detail	Auditor recommendations	Adjusted?
1	Disclosures	Various minor amendments to the disclosures in the accounts to improve the presentation of the financial statements.	✓
2	Note 3 - Critical Judgements and Assumptions Made	Particularly given the inclusion of the 'material valuation uncertainty' relating to the valuation of land and buildings, we recommended that a sensitivity analysis showing the potential impact of movements in valuation inputs on the overall valuation of assets.	✓
3	Note 3 - Critical Judgements and Assumptions Made	We recommended that several items here which were either not material to the accounts, or which did not appear to be critical judgement, were removed from Note 3.	✓
4	Debtor and creditor note terminology	We recommended that some of the terminology in the debtors and creditors note was updated so that it did not use accounting jargon which is inaccessible to users of the accounts. It was agreed by management that this would be revisited in the 2020/21 accounts to make the Note more accessible. As a fairly minor point we were satisfied that this did not materially impact users understanding of the accounts by not amending the note for 2019/20.	X

Impact of unadjusted misstatements

As at the date of writing this report, there are no unadjusted misstatements to report.

Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Authority Audit	13,575	TBC
Total audit fees (excluding VAT)	£13,575	TBC

There is additional work which was necessary to be carried out during the audit and Value for Money work due to the added complexities of the impact of Covid-19. We are still completing this work and the extent of this fee will be discussed and proposed to the Chief Finance Officer.

Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

Independent auditor's report to the members of South Downs National Park Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Downs National Park Authority (the 'Authority') for the year ended 31 March 2020 which comprise the the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, and Policies and Judgements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief 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 twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As disclosed in Note 3 to the financial statements, the outbreak of Covid-19 means the property market remains uncertain and capital and rental values may change rapidly in the short to medium term. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2018 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Policy and Resources Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the South Downs National Park Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Darren Wells, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]



© 2020 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.