

Report to **Policy & Resources Committee**
Date **20 July 2023**
By **Grant Thornton – External Audit**
Title of Report **External Audit Plan & Informing the Risk Assessment 2022/23**
Decision

Recommendation: The Authority is recommended to:

- 1. Agree the External Audit Plan**
 - 2. Receive and consider Informing the Risk Assessment**
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1. Audit Plan 2022/23

- 1.1 The 2022/23 External Audit Plan sets out how we intend to carry out our responsibilities as your external auditor. It covers the work we plan to perform in order to provide the Authority with:
 - Our audit opinion on whether the Authority's financial statements give a true and fair view of the financial position as at 31 March 2023 and the income and expenditure account for the year then ended; and
 - A statutory conclusion around whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.2 The report summarises our assessment of the key risks which drive the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks.
- 1.3 The report also highlights any developments in the Code of Audit Practice and International Standards on Auditing (ISA) for this year,
- 1.4 We have also reported the logistics planned for the delivery of the audit, along with the impacts of sector developments on the audit fee for 2022/23.

2. Informing the Risk Assessment 2022/23

- 2.1 The purpose of this report is to contribute towards the effective two-way communication between South Downs National Park Authority's external auditors and South Downs National Park Authority's Policy and Resources Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Policy and Resources Committee under auditing standards.
- 2.2 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Policy and Resources Committee.
- 2.3 This two-way communication assists both the auditor and the Policy and Resources Committee in understanding matters relating to the audit and developing a constructive

working relationship. It also enables the auditor to obtain information relevant to the audit from the Policy and Resources Committee and supports the Policy and Resources Committee in fulfilling its responsibilities in relation to the financial reporting process.

- 2.4 We ask that members of the Committee consider the responses as provided by management to our auditor questions, and confirm that these are in accordance with members' understanding of the authority and its environment.

Senior Audit Manager

Grant Thornton

Contact Officer: Andy Conlan - Manager

Tel: 020 7728 2492

Email: Andy.n.conlan@uk.gt.com

Appendices
1. Audit Plan 2022/23
2. Informing the audit risk assessment for South Downs National Park Authority 2022/23

SDNPA Consultees Chief Financial Officer

External Consultees None

Background Documents None

South Downs National Park Authority audit plan

Year ending 31 March 2023

South Downs National Park
Authority
July 2023



Contents



Your key Grant Thornton team members are:

Darren Wells

Key Audit Partner

T 01293 554120

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

Andy Conlan

Audit Senior Manager

T 02077 282492

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

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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.

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been discussed with your Chief Finance officer. All proposed fees are also subject to review and approval by Public Sector Audit Appointments (PSAA). See pages 19-21 for further information.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Policy and Resources Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Policy and Resources Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control– refer to page 9.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Downs National Park Authority ('the @Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Policy and Resources Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Policy and Resources Committee of your responsibilities. 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. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £0.36m (PY £0.28m) for the Authority, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.018m (PY £0.014m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit took place in April 2023 and our final visit will take place later in the year. The timing is not yet certain, but the audit will not start before November 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £19,963 (PY: £21,675) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Authority's Ethical Standard (revised 2019) 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.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>We have considered all revenue streams of the Authority and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Grants we have rebutted this risk on the basis that the income stream is primarily derived from grants from central government and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have determined from our experience as your auditor from the previous years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including South Downs National Park Authority, mean that all forms of fraud are seen as unacceptable. 	<p>Not considered to be a significant risk for the audit, however note that we do still substantively test all material streams of revenue as a significant class of transactions, to gain assurance that they are not materially misstated.</p>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2022/23 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not identified and fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. 	<p>Not considered to be a significant risk for the audit, however note that we do still substantively test all material streams of expenditure as a significant class of transactions, to gain assurance that they are not materially misstated.</p>

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Annual revaluation)	<p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date.</p> <p>The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration.</p> <p>For any assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write 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; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assess how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Test revaluations made during the year to see if they are input correctly into the Authority's asset register; and • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p> <p>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent at the year-end that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update 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 evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of West Sussex Pension Fund as to the controls surrounding 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.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

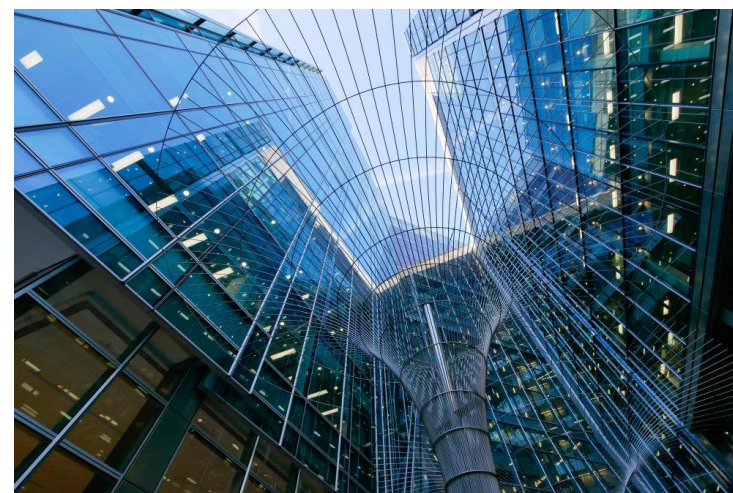
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit is £0.36m (PY £0.28m), which equates to 2% of your draft gross expenditure for the period.	We determine planning materiality in order to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
3	Other communications relating to materiality we will report to the Policy and Resources Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Policy and Resources Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Policy and Resources Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.018m (PY £0.014m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Policy and Resources Committee to assist it in fulfilling its governance responsibilities.

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.

	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	£0.36m	<p>In determining materiality we have considered the following key factors:</p> <ul style="list-style-type: none"> - Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the Authority follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk. - Business environment: the Authority operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority. - Control environment – the audit of the 2021-22 financial statements did not identify any significant deficiencies in the control environment - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica	Financial reporting	<ul style="list-style-type: none">• Full ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office –issued its latest Value for Money guidance –to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body’s arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor’s annual report.

Audit logistics and team



Darren Wells, Key Audit Partner

Darren will be the main point of contact for those charged with governance. Darren will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the senior officers and Policy and Resources Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work focussing his time on the key risk areas to your audit.

Andy Conlan, Audit Manager

Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Policy & Resources Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for South Downs National Park Authority to begin with effect from In most cases 2018/19. The fee agreed in the contract was £13,638 (including subsequent inflation adjustments). Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Authority's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Authority's business model, which may result in us needing to perform additional inquiries to understand the Authority's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £1,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been discussed with the Chief Finance Officer.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
South Downs National Park Authority	£21,675	£21,463
	Note 1	
Total audit fees (excluding VAT)	£21,675	£21,463

Note 1 – this agrees to our Audit Findings Report 2021/22. PSAA have since reviewed and agreed which fees from previous years are now rolled forward into the 2022/23 audit fee for ongoing work or are now included in the scale fee. This is set out on the next page.

Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA (note uplifted in 2022/23)	£13,638
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£5,000
Increased audit requirements of revised ISAs 540 / 240 / 700 introduced in 2020/21	£525
Enhanced audit procedures on journals testing	£800
Total audit fees 2020/21 (excluding VAT)	£19,963
<i>New issues for 2022/23</i>	
Additional testing of payroll change of circumstances	£500
Increased audit requirements of revised ISAs 315/240 introduced in 2022/23	£1,000
Total audit fees 2022/23 (excluding VAT)	£21,463

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Authority'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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Other services

No other services provided by Grant Thornton were identified.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	Respective responsibilities
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically Authority tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.
Expected modifications to the auditor's report, or emphasis of matter		•	

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Informing the audit risk assessment for South Downs National Park 2022/23

Andy Conlan

Audit Senior Manager

T 02077 282492

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

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. 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.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between South Downs National Park Authority's external auditors and South Downs National Park Authority's Policy and Resources Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Policy and Resources Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Policy and Resources Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Policy and Resources Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Policy and Resources Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Policy and Resources Committee and supports the Policy and Resources Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from South Downs National Park Authority's management. The Policy and Resources Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The Teckal trading company (South Downs Commercial Operations Ltd company registration number 13527164) set up by the park to run on its behalf (under an operating agreement) the commercial operations of Seven Sisters (visitor centre shop, catering outlets, holiday accommodation etc) has been operation from 1 April 2022. As the company is wholly controlled by SDNPA group accounts are required for 2022/23 (these are expected to be low value and straight forward).</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by South Downs National Park Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We do not consider that any events or transactions that a change of accounting policies is required for 2022/23.</p> <p>The accounting policies may to be updated to reflect the fact that as a result of investment in Seven Sisters County Park the park now has a Capital Financing Requirement and potentially a Minimum Revenue Provision. We will be applying the existing accounting policy on asset componentisation to the Seven Sisters County Park assets balance sheet valuations for 2022/23.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There are none identified.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>There are none identified.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	There are none identified.
6. Are you aware of any guarantee contracts? If so, please provide further details	There are none identified. Delegated planning agreements are on an activity basis with no guarantees in place.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	There are none identified. Contingent liabilities and assets will be disclosed as normal but none are expected to be material.
8. Other than in house solicitors, can you provide details of those solicitors utilised by South Downs National Park Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In-house legal services are provided by West Sussex County Council (planning enforcement and litigation). Paris Smith LLP (major applications) and Daniel Kolinsky QC (Astley House, Lewes planning appeal).

General Enquiries of Management

Question	Management response
9. Have any of the South Downs National Park Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No none known.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None identified.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None identified.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Policy and Resources Committee and management. Management, with the oversight of the Policy and Resources Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Policy and Resources Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As South Downs National Park Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Policy and Resources Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Policy and Resources Committee oversees the above processes. We are also required to make inquiries of both management and the Policy and Resources Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from South Downs National Park Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has South Downs National Park Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the authority's risk management processes link to financial reporting?</p>	<p>The authority has a number of areas of potential fraud risk. However, the authority has appropriate controls over its key financial systems, effective governance arrangements and has effective counter-fraud and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within an Orbis-wide counter-fraud team under contract to SDNPA led by an audit manager. To support the above, the Internal Audit and Counter fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits and data analytics. The service supports the Authority's whistleblowing process and provides fraud awareness training and guidance to ensure all services are aware of fraud risks.</p> <p>The authority has an effective Risk Management Framework that includes a Corporate Risk Register (reported to Policy & Resources Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Corporate Risk 2 concerns Finance & Budgets and sets out the Authority's treatment and mitigation of this risk. Corporate Risk 22 covers Income Generation risks and mitigations. Primary mitigations concern effective monitoring and reporting, identifying corrective action promptly, holding sufficient risk reserves and effective Medium Term Planning. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Please see above.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within South Downs National Park Authority as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>None identified.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Communication on risk issues (including fraud) is to the Policy & Resources Committee who consider the Annual Audit Plan, the External Audit Plan, Counter-Fraud and Corporate Governance policies, as well as receiving regular updates from Internal Audit on audit plan progress and audit review outcomes (including alerts on reports giving limited assurance). There is also direct communication with the Chair of Policy & Resources Committee when required.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within South Downs National Park Authority where fraud is more likely to occur?</p>	<p>There is a relatively low risk of fraud at the authority.</p> <p>A Corporate Governance audit review was completed in 2020/21 by Orbis Internal Audit, which didn't specifically look at these areas but does provide some assurance and comfort that governance arrangements are well embedded and are fit for purpose, which by association supports this view.</p>
<p>6. What processes do South Downs National Park Authority have in place to identify and respond to risks of fraud?</p>	<p>The Internal Audit and Counter Fraud Service adopts a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits and data analytics. The service supports the authority's whistleblowing process and provides fraud awareness e-learning.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for South Downs National Park Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The authority's internal audit service, delivered in partnership with East Sussex County Council and Surrey County Council, conducts approximately 35 days of assurance and counter fraud activity a year focussing on the authority's governance, risk management and internal control arrangements. A significant proportion of this work specifically involves an examination of the effectiveness of the Authority's internal control arrangements and conclusions are provided on this are provided within individual audit reports and within an annual internal audit report and opinion. The reports issued in 2021/22 received either reasonable or substantial assurance.</p> <p>The Corporate Risk Assessment process ensures that the authority considers and puts in place appropriate mitigations to minimise the risk of fraud and corruption. This is kept under regular review by Policy & Resources Committee.</p> <p>Over-ride is always possible and the risk cannot be fully eliminated. However, governance and control environment together with risk assessment and identification through the Corporate Risk Framework and Internal Audit assessment ensures that this risk is minimised through having considered the reporting and oversight that can help to minimise such risks going undetected. This includes ongoing advice from Internal Audit concerning segregation of duties, authorisation processes (particularly in an increasingly remote working environment), and appropriate reporting content and frequency.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There are none identified.</p>

Fraud risk assessment

Question	Management response
<p>9. How does South Downs National Park Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The authority's governance arrangements include codes of conduct for members and officers, an anti-fraud & corruption strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The authority captures and records disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The authority's website includes copies of all key policies and constitutional documents and these are also available on its intranet for all managers and staff.</p> <p>The Authority promotes its Whistle Blowing Policy regularly and Internal Audit promotes Anti-Fraud & Corruption awareness through its review work which periodically covers all key areas of risk across the Authority.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Managers responsible for procuring goods or services. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The authority's Local Code of Corporate Governance includes contract Standing Orders and waiver authorisation processes which are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and approvals required. Staff working in income processing, treasury, banking or other areas present fraud risks, particularly through collusion but these services are provided under contract to SDNPA which provides automatic segregation of duties. There are some centres where income is collected and these have clear reconciliation processes and segregation of duties and are periodically audited. Budgets provide a second line defence in that variances would highlight a need for investigation.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None identified. In addition, the authority keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through the governance arrangements, contracts/agreements and contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage, in relation to related parties such as the South Downs Trust or South Downs Commercial Operations Ltd. In addition, members sitting on boards of related parties are precluded from voting on decisions by the SDNPA. Similarly, officers are limited to maximum contract awards through Contract Standing Orders and Financial</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Policy and Resources Committee?</p> <p>How does the Policy and Resources Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>This is through the Policy & Resources Committee who consider the Annual Audit Strategy and Plan, the External Audit Plan, Counter-Fraud and Corporate Governance matters and policies, as well as receiving regular updates from Internal Audit on audit plan progress and audit review outcomes (including alerts on reports giving limited assurance).</p> <p>The Policy & Resources Committee notes the progress against the Audit Plan and receives executive summaries of key audit reviews which enables members to question and challenge recommendations for improvement.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There are none identified.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There are none identified.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Policy and Resources Committee?</p> <p>How does the Policy and Resources Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>This is through the Policy & Resources Committee who consider the Annual Audit Strategy and Plan, the External Audit Plan, Counter-Fraud and Corporate Governance matters and policies, as well as receiving regular updates from Internal Audit on audit plan progress and audit review outcomes (including alerts on reports giving limited assurance).</p> <p>The Policy & Resources Committee notes the progress against the Audit Plan and receives executive summaries of key audit reviews which enables members to question and challenge recommendations for improvement.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There are none identified.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There are none identified.</p>

Fraud risk assessment

Question	Management response
14. Have any reports been made under the Bribery Act? If so, please provide details	There are none identified.

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Policy and Resources Committee, is responsible for ensuring that South Downs National Park Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Policy and Resources Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does South Downs National Park Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the authority's regulatory environment that may have a significant impact on the authority's financial statements?</p>	<p>The authority's Local Code of Corporate Governance ensures that all relevant laws and regulations are followed in the conduct of the Authority's business. The Code sets the framework for decision making, which includes a Committee structure with terms of reference to determine the decisions and delegations to committees and chief officers. The Code includes Contract Standing Orders to ensure procurement regulations are complied with and Codes of Conduct to ensure high standards of conduct and governance. The authority's Policy & Resources committee has oversight of key policies such as Whistleblowing and Codes of Conduct, which are monitored. Regular reporting to this committee ensures that audit investigations are reviewed and trends identified. Two independent members are included on this committee to provide additional expertise as well as external challenge. Every report to committee includes a detailed set of implications and the authority uses a 'Committee Clearing System' where reports are circulated to key officers, including contracted legal and finance officers to ensure key implications are taken into account in the decision-making process. We are not aware of any changes to the authority's regulatory environment which would have a significant impact on its financial statements for 2022/23.</p>
<p>2. How is the Policy and Resources Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the authority's internal audit service. Questions are raised and responded to at committee, and if necessary member working groups are established to look more closely at any areas of concern. As noted above, all reports to committees are required to include implications provided by nominated officers, including finance and legal, to provide committees with assurance that decisions take into account relevant regulations and are legally compliant.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None identified.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does South Downs National Park Authority have in place to identify, evaluate and account for litigation or claims?	The authority has an annual review process as part of the work underpinned into its annual closure of accounts. This includes questions being put to directors and other relevant officers to identify litigation or claims activity which is then followed up to assess implications for the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None identified.

Related Parties

Matters in relation to Related Parties

South Downs National Park Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by South Downs National Park Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any body that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the authority's perspective but material from a related party viewpoint then the authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in South Downs National Park Authority's 2022/23 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and South Downs National Park Authority whether South Downs National Park Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>The authority has a trading company (South Downs Commercial Operations Ltd) to manage the Seven Sisters Country Park and has invested in an equity stake-holding in the company. The company started trading in 1 April 2022. The company secretary and one of the 5 directors is a member of the SDNPA senior management team. The trading company is a Teckal company wholly owned by SDNPA to manage and provide commercial services at Seven Sisters Country Park under contract to SDNPA. SDNPA has made loans to the company to support its set up costs which will be disclosed in the 2022/23 Statement of Accounts.</p>
<p>2. What controls does South Downs National Park Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>This will be controlled by the relevant contractual agreements and defined governance arrangements (Articles) authorised by Policy & Resources Committee and the authority. Where there are financial transactions, the authority will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party and similarly for any income or repayments it is expected to receive. Budgets are approved by the National Park Authority.</p>
<p>24. What controls are in place to authorise and approve significant transactions outside of the</p>	<p>Standard Financial Procedures and the Code of Corporate Governance regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by South Downs National Park Authority will no longer continue?	Ensuring that statutory services provided by the authority can continue is part of the normal financial and operational management processes/controls. The statutory framework within which the authority operates requires forward financial planning, prudent provision for repayment of debt and affordability test for new debt and the setting of a balanced budget annually. South Downs National Park Authority operates appropriately within this framework and has not undertaken any new risky investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).
2. Are management aware of any factors which may mean for South Downs National Park Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are aware of none.
3. With regard to the statutory services currently provided by South Downs National Park Authority, does South Downs National Park Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for South Downs National Park Authority to cease to exist?	No, there are no plans for South Downs National Park Authority to cease to exist and the authority expects to continue delivery of statutory services for the foreseeable future. Full details of the authority's latest budget plans and savings gap/challenges are set out in the authority's budget report to 24 March 2022 National Park Authority meeting. The authority has set a balanced budget for 2022/23.
4. Are management satisfied that the financial reporting framework permits South Downs National Park Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Policy and Resources Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Policy and Resources Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>The authority has PPE that requires professional valuations (including the Seven Sisters County Park land and buildings transferring from East Sussex County Council) and is an admitted body of the West Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets.</p> <p>The authority has a range of unexceptional Financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies. Some provisions and reserves may require judgements and estimates (e.g. debt impairments) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.</p>
2. How does the authority's risk management process identify and address risks relating to accounting estimates?	Experienced and qualified accountants have been contracted to work with services to obtain appropriate financial information and develop estimates in accordance with the authority's accounting policies. Where necessary, external expertise such as experienced actuarial firms, property valuers or other financial advisers may be engaged directly or indirectly if the authority considers it needs independent advice and/or does not otherwise have access to the expertise.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	A structured closure of accounts process has been put in place, led by the Brighton & Hove City Council Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the Chief Finance Officer. Questions are also put to the Senior Management Team regarding potential liabilities and commitments as part of the process.
4. How do management review the outcomes of previous accounting estimates?	By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required. Through the annual audit findings report and ongoing liaison with the external audit to identify areas where improved methodology or information may be required to inform estimates. Through review and application of accounting code, best practice and guidance notes.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	<p>There are no changes for 2022/23.</p> <p>273</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist or cannot be provided by the contracted financial services providers (Brighton & Hove City Council), external expertise is normally sought for non-trivial or material judgements.
7. How does the authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Authority follows best practice guidance, Cipfa practitioner guidance and the relevant accounting Codes of Practice and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. West Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>For external expertise, this will be through procurement processes which will request evidence of the quality assurance processes to be provided by the supplier.</p> <p>Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.</p>
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Please see above.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No significant additional items identified to those in Appendix A.</p> <p>The Authority provides a full list and explanation of critical judgements within its Statement of Accounts which in 2021/22 (the latest available) were:</p> <ul style="list-style-type: none"> • Classification of leases; • Retirement Benefit Obligation; • Impairment of Financial Assets; • Valuation of Property, Plant and Equipment.
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Please see evidence above for the process of identifying, procuring and improving estimates and valuations. The Authority considers that these are robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements</p>
<p>12. How is the Policy and Resources Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The report accompanying the approval of the accounts sets out the Authority's quality assurance approach for the production of the financial statements including key judgements and estimates.</p>

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
General Commentary/ Context	For all local authorities the approach to estimation is set out substantially in the CIPFA Code of Practice and associated guidance notes (underpinned by International Financial Reporting Standards). The practitioner notes are comprehensive in the advice provided (and acted on) with respect to, for example, non-current assets.	For the Authority (as for most authorities) there are three material areas of estimation where judgement is applied to balance sheet values: Non-current assets; Investments/cash equivalents (financial instruments) and; Pension fund liabilities.	This is set out for each area of accounting estimation identified by the external auditors below.	In applying the CIPFA Accounting Code of Practice/IFRS there is limited scope for local interpretation in the accounting estimates. In the areas where specialist professional advice is required the Authority uses the services of appropriately qualified experts and reviews and quality controls the outputs prior to finalising the Statement of Accounts.	No (the approach to estimation as per the CIPFA Accounting Code of Practice as informed/underpinned by IFRS is substantially consistent between accounting years).
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers. Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	The long term impact of the pandemic on property valuations is uncertain, leading to disclosure of a material valuation uncertainty in last year's statements. This is expected to be repeated due to the ongoing impact of the pandemic which means that less confidence than usual can be placed on the probability of the opinion of value exactly coinciding with the price achieved were there to be a realisation. Every attempt will be made to mitigate this as far as practicable through detailed sector and archetypal analysis.	No
Depreciation	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the Authority's asset register annually updated in line with the Authority's programme of capital investment, annual review of asset lives and analytical review of depreciation	No	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	This is set out in detail in the Authority's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (for 2022/23 this is Hymans Robertson LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	No.
Level 2 investments	The is set out in detail in the Authority's accounting policies, for example, under "Fair Value Measurement". Please note that the Authority holds no level 2 investments (<i>"...that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices"</i>).	N/A	N/A	N/A	N/A
Level 3 investments	This is set out in detail in the Authority's accounting policies, for example, under "Fair Value Measurement". Please note the Authority only has	It is expected that the fair value measurement method will be adopted for 2022/23.	No	Details and assumptions will be set out in the note to the accounts.	No (new to 2022 /23)

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	The method of estimation is set out in detail in the Authority's accounting policies under "Provisions".	There is a comprehensive annual review of potential provisions as part of annual closing.	No.	The Authority's provisions are fully detailed in the note to the Statement of Accounts an associated working papers. The value (included the business rates appeals provision) is currently below balance sheet materiality.	No
Accruals	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the Authority aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders with a minimum	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No



