South Downs National Park Authority

**Agenda Item 17**

**Report PR24/25-27**

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| Report to | **Policy & Resources Committee** |
| Date | **20 February 2025** |
| By | **Grant Thornton, External Auditor** |
| Title of Report | **External Audit Findings and Opinion** |
| **Note** | |

**Recommendation:** **The Committee is recommended to receive and consider the findings as set out in The Audit Findings for South Downs National Park Authority, Year ended 31 March 2024 at Appendix 1.**

## 1. External Audit – Audit Results Report

1.1 The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance, which at the SDNPA is the Policy & Resources Committee, 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 of the audit for the year ending 31 March 2024 which is substantially complete at the date of drafting this report. There remain a small number of outstanding matters which are detailed in section 1 of our report.

1.2 Based on the work to date, our anticipated audit opinion on the financial statement will be unmodified. Subject to the clearance of the above mentioned outstanding work we aim to issue our signed audit opinion by the statutory deadline.

**GRANT THORNTON**

**External Auditor**

**South Downs National Park Authority**

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| Contact Officer: | Oscar R Edwards |
| Tel: | 0117 305 7705 |
| Email: | Oscar.R.Edwards@uk.gt.com |

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| Appendices | 1. Report on the audit of the financial statements |
| | 2. Audit Findings Report |

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

## Report on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements of South Downs National Park Authority (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's 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 2023/24; 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, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 group and 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.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance 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 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. 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.

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 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 themselves. 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 in November 2024 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 requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 matters 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, 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.

### 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 and the Chief Finance Officer

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 Finance Officer. The Chief Finance 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance 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 Finance Officer is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Policy and Resources Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Policy and Resources Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries outside the normal course of business and significant management estimates, including Land and Building valuations and the valuation of the Pension Fund IAS19 net asset. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and the defined benefit pensions asset, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's.

- understanding of , and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

### 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.

### 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for South Downs National Park Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

### 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 85 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:

Beth Bowers, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

20 February 2025

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

Grant Thornton

# The Audit Findings (ISA260) Report for South Downs National Park Authority

**Year ended 31 March 2024**

**Private and Confidential**

Grant Thornton UK LLP

2 Glass Wharf

Bristol BS2 OEL

www.grantthornton.co.uk

South Downs National Park Authority

South Downs Centre
North Street, Midhurst
West Sussex
GU29 9DH

20 February 2025

Dear Nigel Manvell

## Audit Findings for South Downs National Park Authority for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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. 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.

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf (grantthornton.co.uk)](transparency-report-2023.pdf (grantthornton.co.uk)).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Beth Bowers

Director
For Grant Thornton UK LLP

# Contents

**Your key Grant Thornton team members are:**

**Beth Bowers**
Key Audit Partner
T 0117 305 7726
E Beth.AC.Bowers@uk.gt.com

**Oscar Edwards**
Audit Manager
T 0117 305 7705
E Oscar.R.Edwards@uk.gt.com

**Alyssa Gomez**
Audit In-Charge
T 0117 305 7635
E Alyssa.D.Gomez@uk.gt.com

# 1. 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 group and Authority's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

**Financial Statements**

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 group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during September 2024 - February 2025. Our findings are summarised on pages 7 to 24. We have identified adjustments to the financial statements that have resulted in a £80k adjustment to the Authority's Comprehensive Income and Expenditure Statement. This also has an equivalent impact on the Authority's General Fund (Useable Reserve).

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete, subject to the following outstanding matters;

- receipt of management representation letter; and
- review of the final set of financial statements,
- completion and final review of PPE work
- completion of final MIRS checker tool

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified We anticipate signing your accounts shortly after the 20 February 2025 Policy and Resources Committee.

# 1. Headlines

| **Value for Money (VFM) arrangements** | |
|---|---|
| Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.<br>Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:<br>• Improving economy, efficiency and effectiveness;<br>• Financial sustainability; and<br>• Governance | Our work on the Authority's value for money (VFM) arrangements will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.<br>We have completed our VFM work, which is summarised on page 22, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.<br>We have not identified any significant weaknesses in VFM arrangements. However, we have identified four improvement recommendations. Full details on these can be found in the Auditors Annual Report. |
| **Statutory duties** | |
| The Local Audit and Accountability Act 2014 ('the Act') also requires us to:<br>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and<br>• to certify the closure of the audit. | We have not exercised any of our additional statutory powers or duties. |
| **Significant matters** | We encountered two material misstatements in our audit which has led to in year and prior period adjustments. The resolution of these areas has caused significant additional work for the audit team. In addition, we have performed additional procedures on group income and expenditure which was not planned. This has necessitated additional fees.<br>We have not encountered any issues with regard to the timely receipt of information from the Authority and would like to thank officers for their support in bringing the audit to a conclusion. |

# 1. Headlines

## National context – audit backlog

### Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. Any prior year audits not completed by this deadline have been backstopped and a disclaimer of opinion issued. The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

This issue at the current time has no impact on South Downs National Park Authority as we have now substantially completed all of our work for 2023-24 and intend to sign off the 2023-24 accounts and opinion in advance of the above backstop date. There is also a backstop date for the 2024-25 year. We are collaborating with management to ensure an appropriate plan is in place to support the efficient delivery of the audit in advanced of the backstop dates both in 2024-25 and into future years. We do not currently envisage there being any issues in meeting this deadline.

### New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies and will be seeking support from management to ensure this deadline can be met.

## National context – level of borrowing

All local authorities continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Authority budgets, there are concerns as local authorities look to alternative ways to generate income. We have seen an increasing number of authorities look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by Authorities' existing resources, we have also seen some authorities take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on bodies, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

As a National Park Authority, we know that your operations do not normally give rise to such business ventures. Considering the current national picture and economic climate, our view is any such decisions which might arise in the future need to be carefully considered in a manner that protects the Authority's future financial stability.

# 2. Financial Statements

## 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 and the Policy and Resources Committee.

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 group and Authority's business and is risk based, and in particular included:

- An evaluation of the group and Authority's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the group and Authority's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures on the material income and expenditure balances of South Downs Commercial Operations Ltd were required. As no external audit has been carried out on South Downs Commercial Operations Ltd for the 2023-24 year, Grant Thornton has agreed to audit these specific balances.
- 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 have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the 20 February 2025 Policy and Resources Committee meeting. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements,
- completion and final review of PPE testing
- completion of final MIRS checker

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our findings report, we encountered a number of challenges this year. In particular, we have identified two material adjustments to the accounts which have also led to prior period adjustments. In addition, we have performed additional work on group income and expenditure, and Grants Received in Advance which had not been planned for.

These challenges have created significant additional work for the audit team which has caused us to not complete the audit work in our desired timeframe. As a result, we have proposed additional fees on page xx which outlines the areas of additional work we have performed. Our additional fees are based upon the hours charged by our engagement team multiplied by the PSAA standard rates.

# 2. Financial Statements

## 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.

Materiality levels remain the same as reported in our audit plan in terms of the percentages used for materiality and performance materiality. However, materiality has been updated to reflect the actual expenditure per the financial statements received in July.

We set out in this table our determination of materiality for South Downs National Park Authority.

| | Group Amount | Authority Amount | Qualitative factors considered |
|---|---|---|---|
| Materiality for the financial statements | £378,000 | £368,000 | We have determined at 2% of gross operating expenditure. We consider this to be the most appropriate criteria given stakeholder interest in the Authority achieving its budget. |
| Performance materiality | £283,000 | £276,000 | Assessed to be 75% of financial statement materiality. |
| Trivial matters | £18,000 | £18,000 | Set at 5% of materiality and reflects a level to which stakeholders are unlikely to be concerned by uncertainties. |
| Materiality for Senior Officers Remuneration | £10,000 | £10,000 | This is a politically sensitive figure to the users of the accounts. |

# 2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan | Commentary | Risk Relates to |
|---|---|---|
| **Management override of controls**<br>Under ISA(UK) 240 there is a non-rebuttable presumed risk of management override of controls. We have therefore identified management override of controls, in particular of journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement. | We have<br>• evaluated the design and implementation of management controls over journals<br>• analysed the journals listing and determined the criteria for selecting high risk unusual journals<br>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration<br>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness<br>Our work has not identified any significant issues in respect of management override of controls. In total we have selected 22 journals to test using a risk-based approach. All journals tested were found to be valid business-related journals with valid and appropriate supporting documentation.<br>Our work on significant accruals also has not identified any significant issues to being to your attention.<br>Our journals testing as described above has not identified any instances or fraud or error. This gives us assurance the current control environment at the Authority is reasonable. | Authority |

# 2. Financial Statements: Significant risks

## (Continued)

| Risks identified in our Audit Plan | Commentary | Risk Relates to |
|---|---|---|
| Valuation of Land and Buildings<br><br>The valuation of land and buildings is a key accounting estimate that is sensitive to changes in assumptions and market considerations and represents a significant estimate by management in the financial statements. Therefore, we have identified this as a significant risk requiring special audit consideration.<br><br>Our final accounts work has pinpointed the risk to specific assets with significant values or in which we have identified unusual movements in value. We also have tested any assets where there have been identified changes in valuation methodology. | We have:<br>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work.<br>• evaluated the competence, capabilities and objectivity of the valuation expert.<br>• written to the valuer to confirm the basis on which the valuations were carried out.<br>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.<br>• tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authorities asset register, revaluation reserve, and Statement of Comprehensive Income.<br>• evaluated 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.<br>• for all assets not formally revalued or revalued on a desktop/indexation basis only, evaluate the judgement made by management or others in determination of current value of these assets.<br><br>Our work in this area is currently in the final stages of review. We will update the committee with any findings from our work. To date no significant issues have been identified. | Authority |

# 2. Financial Statements: Significant risks
## (Continued)

| Risks identified in our Audit Plan | Commentary | Risk Relates to |
|---|---|---|
| **Valuation of the IAS19 Pension Asset**<br>The Authority's pension fund net asset, as reflected in its balance sheet at nil value, represents a significant estimate in the financial statements<br><br>The pension fund net asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.<br><br>We therefore identified valuation of the Authority's pension fund net asset 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. | We have:<br>• 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 evaluate the design of the associated controls;<br>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;<br>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;<br>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;<br>• 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;<br>• undertaken 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<br>• obtained 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.<br>Our audit work has not identified any significant issues with respect to the valuation of the pension fund net asset.<br>In addition to that reported above, we have identified that although the financial statements reports a nil position (i.e. pension assets are equal to the liabilities), this is because an asset ceiling has been applied in line with IFRIC14. We have therefore reviewed the actuaries IFRIC14 assessment in line with emerging national guidance which came out in September 2024. This related to the potential understatement of pension liabilities as it was found actuaries were not appropriately considering secondary contributions. Our review did not identify any issues, and this had no impact on South Downs National Park Authority. | Authority |

# 2. Financial Statements: Significant risks (Continued)

| Risks identified in our Audit Plan | Commentary | Risk Relates to |
|---|---|---|
| **Fraudulent Revenue Recognition**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>We have considered all revenue streams of the Authority, and we have rebutted this risk for all revenue streams. | We have considered all revenue streams of the Authority, and we have rebutted this risk for all revenue streams.<br>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.<br>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:<br>- there is little incentive to manipulate revenue recognition;<br>- opportunities to manipulate revenue recognition are very limited;<br>- the culture and ethical frameworks of local authorities, including South Downs National Park Authority, mean that all forms of fraud are seen as unacceptable. | Not considered to be a significant risk for the audit. |
| **Fraudulent Expenditure Recognition**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that expenditure may be misstated due to the improper recognition of expenditure.<br>We have considered all expenditure streams of the Authority, and we have rebutted this risk for all expenditure streams. | We have considered each material expenditure area, and the control environment for accounting recognition.<br>We were satisfied that this did not present a significant risk of material misstatement in the 2023/24 accounts as:<br>- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;<br>- We have not identified any fraud in expenditure recognition in the prior years audits;<br>- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. | Not considered to be a significant risk for the audit. |

# 2. Financial Statements: Key findings arising from the group audit

South Downs National Park Authority consolidate into their accounts a wholly owned subsidiary called South Downs Commercial Operations Ltd (SDCOL). They are consolidated as they are material to the Authority. The primary operation of the company is for the management of the Seven Sisters Park and to manage the commercial activities in line with the operating agreement between them and the national park. They were incorporated in July 2021.

As reported in the prior year, SDCOL has not been audited in line with the Companies Act provision in section 479, this highlights that a small company audit exemption cannot be taken by a company when the company is part of a group who are above the small company threshold.

Following this, management at South Downs have tendered for the audit of the trading company, for which no responses were received. As no audit has been undertaken, we are unable to take assurance over the group figures from a component auditor. Grant Thornton has therefore agreed to step in and audit the material SDCOL balances. On review, the material balances only includes their income and expenditure.

In the table below we have summarised our findings following our audit of the material group balances, and the consolidation procedures undertaken by the Authority.

| Component | Component auditor | Findings | Group audit impact |
|---|---|---|---|
| South Downs Commercial Operation Ltd | Grant Thornton<br>(Auditing material balances only) | Our work on the SDCOL income and expenditure has not highlighted any issues. A sample approach was undertaken and all items tested were supported by appropriate backing documentation.<br>We have also performed a review of the consolidation adjustments to create the group accounts. We did not identify any significant issues. | No issues have been identified. |

# 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| Land and Building valuations – £9.448m | Other land and buildings comprises of £1.006m specialised assets such as visitor complex and barns, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to delivery the same service provision. The remainder of other land and buildings (£8.442m) such as agricultural land, short and long-let barns and cottages, car parks and offices are not specialised in nature and are required to be valued at existing use value (EUV). The Authority has engaged Savills (UK) Limited to complete the valuation of properties as at 31 March 2024 on an annual basis. All assets were revalued during 2023/24.<br><br>The total year end valuation of land and buildings was £9.448m, a net decrease of £0.105m from 2022/23 (£9.553m). | We have performed a detailed review of the estimate through:<br><br>- Assessment of management's expert to ensure that they are independent and suitably qualified.<br><br>- Assessment of completeness and accuracy of the underlying information used to determine the estimate.<br><br>- Assessment of the consistency of the estimate against comparable information.<br><br>- Assessment of adequacy of disclosure of estimate in the financial statements.<br><br>Our work in this area is currently in the final stages of review. We will update the committee with any findings from our work. To date no significant issues have been identified. | GREEN |

**Assessment**

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

# 2. Financial Statements: key judgements and estimates

**Significant judgement or estimate** | **Summary of management's approach** | **Audit Comments** | **Assessment**

### Net pension Asset – £000m

Please note that although the pensions are nil per the balance sheet, this is because an asset ceiling has been applied in the IAS19 report.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available' in the form of refunds from the plan or reductions in future contributions to the plan.

As part of our procedures we have reviewed asset ceiling.

**Summary of management's approach**

The Authority's total net pension asset at 31 March 2024 is £000m (PY £000m) comprising the West Sussex Pension Fund defined benefit pension scheme obligations.

The Authority uses Hymans Robertson to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was based on data at the 31 March 2022 and completed in 2023. Given the significant values of the net pension fund assets and liabilities, small changes in assumptions can result in significant valuation movements. There has been a £0.058m net actuarial gain during 2023/24. In the prior year, the gain was £5.181m.

**Audit Comments**

In considering the estimate we have:

- Made an assessment of the management's expert
- Made an assessment of the actuary's approach taken, and deemed it to be reasonable
- Used PwC as our auditor's expert to assess the actuary and assumptions made by actuary – Please see table below:

| Assumption | Actuary Value | PwC range | Assessment |
|---|---|---|---|
| Discount rate | 4.85% | 4.8% - 4.85% | ● |
| Pension increase rate | 2.75% | 2.75% - 2.8% | ● |
| Salary growth | 4.25% | 3.75%* | ● |
| Life expectancy – Males currently aged 45/65 | Current 21.1<br>Future 22.9 | Not Given for Hymans** | ● |
| Life expectancy – Females currently aged 45/65 | Current 24.9<br>Future 25.7 | Not Given for Hymans** | ● |

- Completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Authority's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements
- Reviewed the asset ceiling calculations in line with IFRIC14

*Per PWC the most likely range is CPI + 1%, however most employers will follow the latest triennial valuations. For South Downs this was 4.25%. Therefore, our view is that this is reasonable.

**No range given, auditor has performed alternate procedures and deemed reasonable.

**Assessment:** GREEN

**Assessment**

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

# 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

| | | | ITGC control area rating | | | |
|---|---|---|---|---|---|---|
| IT application | Level of assessment performed | Overall ITGC rating | Security management | Technology acquisition, development and maintenance | Technology infrastructure | Assessment |
| Civica | ITGC design assessment | ● | ● | ● | ● | We have not identified any deficiency in the design effectiveness of the IT application. |
| iTrent | ITGC design assessment | ● | ● | ● | ● | We have not identified any deficiency in the design effectiveness of the IT application. |

**Assessment**

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

# 2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

| Significant matter | Commentary | Auditor view and management response |
|---|---|---|
| Prior year adjustments identified | During the course of the audit we have identified two areas with material in year and prior year misstatements which has required prior period adjustments.<br>1 – Grants Received in advance (GRIA):<br>It was found that a material value of GRIA has been classified as creditors in error. This classification is not in line with the CIPFA code. Please refer to page 35 for full details.<br>2 – Community Infrastructure Levy (CIL), other Projects and Revenue Expenditure Funded from Capital under Statute (REFCUS):<br>In our expenditure testing we identified that the Authority's accounting treatment for some community infrastructure levy and other project income and expenditure is incorrect. The treatment applied by the Authority has led to the double counting of income and expenditure in the CIES. As well as this, we have noted that the classification of the spend in some cases should have been as REFCUS as the spend related to assets which are not owned by the Authority. The amounts involved are material and therefore a current year adjustment is required as well as to the prior period. Please refer to page 35 for full details. | Auditor view<br>As the values involved are material. Management should adjust for the errors in both the current and prior year. An additional note should be included in the accounts to explain the prior period adjustments.<br>Management response<br>Agreed. |

# 2. Financial Statements: other communication requirements

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 | 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 other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| Written representations | A letter of representation has been requested from the Authority, included in the Policy and Resource Committee papers. |
| Audit evidence and explanations | All information and explanations requested from management was provided. |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to financial institutions and third parties which hold monies on behalf of the Authority. This permission was granted, and the requests were sent. All requests were returned with positive confirmation. |
| Accounting practices | We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found some omissions from the accounting policies, as well as some material misstatements which management have adjusted for. Please refer to appendix D for full details. |
| Audit evidence and explanations/ significant difficulties | All information and explanations requested from management was provided. |

# 2. Financial Statements: other communication requirements

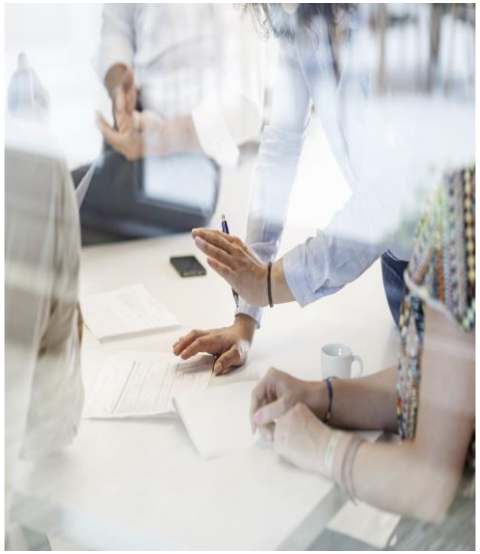
**Our responsibility**

As auditors, we are required to "obtain sufficient appropriate 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).

| Issue | Commentary |
|---|---|
| Going concern | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br><br>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:<br>• 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities<br>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.<br><br>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:<br>• the nature of the Authority and the environment in which it operates<br>• the Authority's financial reporting framework<br>• the Authority's system of internal control for identifying events or conditions relevant to going concern<br>• management's going concern assessment.<br><br>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:<br>• a material uncertainty related to going concern has not been identified<br>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

# 2. Financial Statements: other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Other information | 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.<br>No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect. |
| Matters on which we report by exception | We are required to report on a number of matters by exception in a number of areas:<br>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,<br>• if we have applied any of our statutory powers or duties.<br>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.<br>We have nothing to report on these matters. |
| Specified procedures for Whole of Government Accounts | 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.<br>Note that work is not required as the Council does not exceed the threshold; |
| Certification of the closure of the audit | We intend to delay the certification of the closure of the 2023/24 audit of South Downs National Park Authority in the audit report. This is due to a request from the National Audit Office (NAO) that we hold open certificates to allow them to complete all whole of government accounts (WGA) procedures. |



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years).

### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. Value for Money arrangements (VFM) (continued)

## Overall summary of our Value for Money assessment of the Authority's arrangements

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2023-24 is the fourth year that these arrangement have been in place. 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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below. There are no significant weaknesses in the Authority's arrangements based on our review. This is a positive outcome for the Authority.

| Criteria | 2022-23 Auditor judgement on arrangements | | 2023-24 Risk assessment | 2023-24 Auditor judgement on arrangements | |
|---|---|---|---|---|---|
| Financial sustainability | G | No significant weaknesses in arrangements identified. No improvement recommendations made. | We did not identify any risks of significant weakness from our initial planning work. | A | No significant weaknesses in arrangements identified.<br>Two improvement recommendations made related to management of reserves and tracking external grants and income streams. Please refer to our Auditors Annual Report (AAR) for full details. |
| Governance | G | No significant weaknesses in arrangements identified. No improvement recommendations made, but one improvement recommendation from 2021/22 which has now been addressed in 2023/24. | We did not identify any risks of significant weakness from our initial planning work. | A | No significant weaknesses in arrangements identified.<br>One improvement recommendations related to alignment of risks to actions on the corporate plan . Please refer to our Auditors Annual Report (AAR) for full details. |
| Improving economy, efficiency and effectiveness | G | No significant weaknesses in arrangements identified. No improvement recommendations made. | We did not identify any risks of significant weakness from our initial planning work. | A | No significant weaknesses in arrangements identified.<br>One improvement recommendation related to integrating finance, risk and performance reports quarterly to Policy and Resources Committee. Please refer to our Auditors Annual Report (AAR) for full details. |

G No significant weaknesses in arrangements identified or improvement recommendation made.

A No significant weaknesses in arrangements identified, but improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

# 5. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we disclose the following to you:

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 and consider that an objective reasonable and informed third party would take the same view. 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 F.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

# 5. Independence considerations

As part of our assessment of our independence we note the following matters:

| Matter | Conclusion |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Group |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member South Downs National Park Authority, senior management or staff |

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

# Appendices

# A. Communication of audit matters to those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|---|---|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | • | |
| Confirmation of independence and objectivity | • | • |
| 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 | • | • |
| Matters in relation to the group audit, including:<br>Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

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.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

### Respective responsibilities

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.

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

### Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified 8 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| Medium | South Downs Commercial Operations Ltd (SDCOL):<br>Through discussions with management we have identified that the subsidiary 'South Downs Commercial Operations Ltd' has not received an audit either in the prior year or for the 2023-24 financial year. Management initially stated that SDCOL did not require an audit as they are below the audit threshold.<br>However, the Companies Act provision in section 479 highlights that a small company audit exemption cannot be taken by a company when the company is part of a group who are above the small company threshold.<br>We deem this to be a medium risk given that Grant Thornton have stepped in to audit the SDCOL material balances. However, by not having an audit the Authority are failing to comply fully with the Companies Act. | We recommend that management seeks to identify an auditor SDCOL for the 2024-25 year onwards to ensure that the Authority are fully complying with the Companies Act requirements. We recognise that the decision has been taken to bring the services delivered by SDCOL back in house and for the company to be made dormant from 2025-26 onwards.<br>Management response<br>Agreed |
| Medium | Fully Depreciated Assets:<br>A review of the Authority fixed asset register (FAR) has identified a material value of assets at cost which have been fully depreciated and therefore have a nil net book value. The value of fully depreciated assets is £405k at cost/ gross book value. This consists of 19 assets with a value of £384k relating to vehicles and £21k relating to equipment. Management has confirmed that there is no formal review of these assets to ensure they are still in operational use.<br>Although there is a net nil impact on the balance sheet, there is a risk that the Property, Plant and Equipment (PPE) note shows values for gross value and accumulated depreciation which are materially misstated. This is misleading to the readers of the accounts. | We recommend a more robust process to identify the fully depreciated assets which are no longer in operational use. These should be removed from the FAR. Evidence should be maintained that such a review has taken place.<br>Management response<br>Agreed |

**Controls**

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Action Plan – Audit of Financial Statements
## (Continued)

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| Low | <u>Post Year End Cut Off:</u><br>Our testing of post year end expenditure has identified two instances where an expenditure amount has not been appropriately recorded in the correct financial year. These have resulted in trivial misstatements in the accruals and expenditure balances. Despite the overall impact of the errors being trivial in value, there is potential for similar errors to be made in future periods which result in higher value misstatements. | We recommend that greater review of year end accruals is put in place as well as appropriate training around year end to avoid similar errors occurring.<br>Management response<br>We agree with carrying out a review of year end accruals however closedown training is provided to budget holders every year. |
| Low | <u>Capital Commitments:</u><br>Our review of the Authority's capital commitments identified one commitment with a value of £49,540 which could not be supported with a signed contract. The amount is in relation to 'Agricultural Machine Hire Ltd' for unblocking and rebuilding services. If a contract is not in place, then there is a risk the work performed will be inadequate and not delivered to required specifications. | We recommend that management ensure that all future commitments of a capital nature are supported with appropriate signed contract documentation going forwards.<br>Management response<br>Agreed |

**Controls**

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Action Plan – Audit of Financial Statements (Continued)

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| Low | Group Considerations:<br>When reviewing the group entities at the Authority, we noted that management did not produce a group considerations working paper. Following discussion with management a working paper was produced and reviewed by the audit team. No issues were noted with the Authority's group determination. However, if this is not considered each year and the considerations documented, there is a risk that an inappropriate group determination could be made, potentially causing material misstatement to the financial statements. | We recommend that management review their group structure each year and ensure their considerations are documented and updated for each financial period.<br>Management response<br>Agreed |
| Low | Grants Received in Advance (GRIA):<br>As part of our GRIA testing, we identified trivial variances between the samples and the figures obtained via our calculations for the opening balances, received in year amounts and utilised in year amounts.<br>These variances were identified in two samples. Although the closing balance was found to be accurate on both samples, management confirmed that the variances were due to their own working paper not including line items where the closing balance was nil.<br>Overall, we are satisfied that there is no error within these samples and the variances identified are as a result of issues with managements working paper. However, this highlights that there is a risk of managements workings not showing accurate in year movements within the GRIA. This issue has also been partially caused by the fact that the draft statements did not show any GRIA as it had been incorrectly classified as part of creditors. Therefore, a working paper had not previously been prepared for audit. | We recommend that management maintains accurate records for their year end balances of grants received in advance. This should show the opening balance, in year spend and receipts, and the closing balance. Managements working paper should also include all items which had an opening balance but a nil closing balance at year end. This information should be made available for audit.<br>Management response<br>Agreed |
| Low | Community Infrastructure Levy (CIL):<br>Our planning work has identified that the monthly CIL reconciliation control is not implemented as designed. Instead, management at the Authority have completed reconciliations as necessary but not monthly. The Authority do ensure that an annual reconciliation is performed. By not performing a monthly reconciliation, there is a risk that errors can go undetected and unresolved for long periods of time, potentially causing misstatements in the CIL balance. | We recommend that management ensures that monthly reconciliations are completed.<br>Management response<br>We agree to performance CIL reconciliations at least quarterly. |

**Controls**

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Action Plan – Audit of Financial Statements
## (Continued)

| Assessment | Issue and risk | Recommendations |
| --- | --- | --- |
| Low | <u>Policy Documentation:</u><br>Through our inquiries of management we identified that the Authority has policies in place for anti fraud and corruption (June 2016) and officer codes of conduct (October 2019). Management has confirmed that these are the most recent versions of these policy documents. | Although no issues were noted with these policies, we recommend that management ensures a regular review of these policies to ensure they are up to date, in particular with fraud and corruption which is an everchanging area with new types of fraud being perpetrated on an annual basis and new developments in technology.<br>Management response<br>Agreed |

**Controls**

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Follow up of prior year recommendations

We identified the following issues in the audit of South Downs National Park Authority's 2022/23 financial statements, which resulted in two recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still to be completed.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| X | South Downs Commercial Operations Ltd (SDCOL):<br>It was identified that the Authority Subsidiary SDCOL has not received a statutory audit in line with the Companies Act provisions. The same issue has been reported again this year in appendix B. | SDCOL has not received an audit in 2023-24 and therefore this issue remains. Management at South Downs have tendered for the audit of the trading company, for which no responses were received. As no audit has been undertaken, we are unable to take assurance over the group figures from a component auditor. Grant Thornton has therefore agreed to step in and audit the material SDCOL balances. On review, the material balances only includes their income and expenditure. |
| ✓ | Property, Plant and Equipment (PPE):<br>It was recommended that the Authority improve the clarity of the instructions which they send to the PPE valuer with regards to the annual valuation exercise. | We have not identified any issues with regards to the valuation's instructions in 2023-24. Therefore, our view is that this has been resolved. |

**Assessment**

✓ Action completed

X Not yet addressed

# D. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 |
|---|---|---|---|---|
| Revisions to the CIES – Identified by Management:<br>When agreeing the TB to the accounts we noted that the figures in the CIES cost of services did not reconcile to the TB for every service area. Management confirmed that this was a result of reclassification adjustments in the service lines to reconcile the net expenditure with the Outturn Report. This was caused because the draft accounts were published before the outturn report was finalised. The impact of this is that the amounts per the income statement cost of services have been updated but the net income and expenditure remains unchanged. | DR Planning Expense £535k<br>CR Strategic Investment Fund Expense (£535k)<br><br>DR Strategic Investment Fund Income £457k<br>CR Planning Income (£453k)<br>CR Countryside and Policy Management Income (£4k) | NA | NA | NA |

# D. Audit Adjustments (Continued)

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 |
|---|---|---|---|---|
| <u>Creditors and Grant Received in Advance:</u><br>When performing our creditors testing, we identified that a significant value classified as creditors in the balance sheet should have been classified as grants received in advance. These should be classified separately in the balance sheet in line with the CIPFA code 3.4.2.62 which makes clear that creditors and grants received in advance are separate financial statement line items. As the amounts involved are material an adjustment is required. The net impact on the balance sheet is nil and this is a classification change in the balance sheet only.<br>This is also a prior period adjustment as the same error has been made in the prior year's financial statements. Please see separate prior period adjustment (PPA) table on the following pages. | NA | DR Creditors £3,597k<br>CR Grants Received in Advance £3,597k | NA | NA |
| <u>Operating Income and Expenditure:</u><br>Our testing identified that income and expenditure for the Centurion Way project had been double counted due to an erroneous funding entry. In addition, we identified that the spend should have been classified as revenue expenditure funded from capital under statute (REFCUS). Following this we undertook a further review of other projects undertaken by the Authority and identified errors of this nature in five projects. In total this has created a material misstatement in the accounts which has been adjusted. Please also see the next adjustment line for the REFCUS impact.<br>This is also a prior period adjustment as the same error has been made in the prior year's financial statements. Please see separate prior period adjustment (PPA) table on the following pages. | DR Strategic Investment Fund Income £1,783k<br>CR Capital Grant and Contributions £1,387k<br>CR Planning Expenditure £395k<br>This entry serves to remove double counted income and expense, plus reclassify the income related to the capital projects to capital grants. | DR Grants Received in Advance (Revenue) £64k<br>DR General Fund £2k<br>CR Grants Received in Advance (Capital) £66k<br>Adjustment also impacted capital adjustment account but the entries here net to nil. | Net nil impact. | £2k Decrease<br>(Due to a small element of the project costs not being funded) |

# D. Audit Adjustments (Continued)

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 |
|---|---|---|---|---|
| <u>Revenue Funded from Capital Under Statute (REFCUS):</u><br>Following on from the above adjustment in relation to income and expenditure being misclassified. The above adjustment serves to remove double counted income and expense, and to move the capital related income to capital grants and contributions. The Authority also must recognise the appropriate spend as REFCUS in line with the misclassification identified. In total there are five projects in which have been misclassified. The total amount of REFCUS spend on these projects is £1,844k. | No impact as REFCUS spend correctly hits the CIES, however the spend is moved to a capital code. | No impact as the income and expenditure hits the General Fund from the CIES. Then is reversed out to the Capital Adjustment Account. | £1,844k reclassified to REFCUS – net nil impact on the CIES. | Nil |
| <u>Agency Income and Expenditure:</u><br>When reviewing the various projects as mentioned for the above adjustments, we identified one project related to Midhurst Shoring up Works. This should not have been recognised in the CIES. This is because the project was being paid for by the Authority on an agency basis where the Authority performed the works in order to reopen the road in a timely manner which joined the property. The Authority expects to receive the amounts back from this. At year end the authority had received the majority of the spend back. However, as its an agency relationship, only a debtor position should be recognised as well as the corresponding cash flow impact in the cash flow statement. An adjustment is required to remove the in-year income and expenditure. | DR Planning Income £452k<br>CR Planning Expenditure £535k | DR Debtors 82k | Reduction of net expenditure of £82k | Increase of £82k |
| Overall impact 2023-24 | CR £80k | DR £80k | £80k Decrease in Expenditure | £80k Increase |

# D. Audit Adjustments (Continued)

**Impact of adjusted misstatements – Prior Period Adjustments (PPA)**

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 |
|---|---|---|---|---|
| Creditors and Grant Received in Advance:<br>When performing our creditors testing, we identified that a significant value classified as creditors in the balance sheet should have been classified as grants received in advance. These should be classified separately in the balance sheet in line with the CIPFA code 3.4.2.62 which makes clear that creditors and grants received in advance are separate financial statement line items. As the amounts involved are material an adjustment is required. The net impact on the balance sheet is nil and this is a classification change in the balance sheet only. | NA | DR Creditors £4,253k<br>CR Grants Received in Advance £4,253k | NA | NA |
| Operating Income and Expenditure:<br>Following on from the material adjustment identified on page 33 above in relation to the double counting of income and expenditure and the incorrect classification of expenditure. For the five projects identified with a 2023-24 impact, four also have a combined material impact on 2022-23. Three of the projects also impact 2021-22. The Authority has elected to restate the prior years opening balance (Balance sheet) for the 2021-22 impact. The required adjustments for this is as follows.<br>In addition to this and as with the 2023-24 correction, a material amount of REFCUS must be recognised. The amount to be recognised is £1,136 | DR Strategic Investment Fund Income £1,122k<br>CR Capital Grants and Contributions £810<br>CR Planning Expenditure £312k<br>This entry serves to remove double counted income and expense, plus reclassify the income related to the capital projects to capital grants. | DR Grants Received in Advance (Revenue) £100k<br>CR Grants Received in Advance (Capital) £100k<br>This is the 2021-22 adjustment which then impacts 2022-23 opening balances. | Nil | Nil |
| Overall impact 2023-24 | £0k | £0k | £0k | £0k |

# D. Audit Adjustments (Continued)

### 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/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|---|
| <u>Revenue Expenditure Funded from Capital Under Statute (REFCUS):</u><br>Following on from the adjusted misstatements on the pages above, the Authority must recognise £1,844k of REFCUS in their accounts. This impacts the following areas<br>- Movement in Reserves Statement, Cash flow Statement, Expenditure and Funding Analysis, Expenditure and Income by Nature note, Grant Income and Contributions, Reserves notes, Adjustments between Accounting and Funding basis note, as well as the Capital Financing note. As well as the Group Accounts.<br>This will have a current and prior year impact in line with the PPA reported above. | The relevant disclosures in relation to REFCUS should be included in the accounts given the material nature of the amount involved.<br>Management response<br>Management agreed to add in the relevant disclosures. | ✓ |
| <u>Annual Governance Statement:</u><br>It has been identified that the AGS lacks detail concerning the decision to terminate the agreement with South Downs Commercial Operation Limited (SDCOL) and turn the company dormant. | Given the material nature of this, we recommended that management consider adding in narrative to the AGS.<br>Management response<br>Management agreed to adding in the detail in para 3.28 of the AGS. | ✓ |
| <u>Narrative Report:</u><br>During our review of the Narrative Report against the CIPFA code requirements, we identified several areas in which the Narrative Report was lacking in sufficient detail. We recommended the following:<br>1 - More information should be included regarding the performance of the Authority, in particular against its primary key performance indicators of which were not described in the report.<br>2 - Information should be included which describes the primary future opportunities for the Authority, as well as the areas of risk faced, including their impact and mitigations.<br>3 - The section regarding group accounts as required by the code was not included in the draft Narrative Report. | We recommended that management add in the required detail to the Narrative report to ensure it is fully code compliant.<br>Management response<br>Agreed. | ✓ |

# D. Audit Adjustments (Continued)

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|---|
| <u>Cash and Cash Equivalents:</u><br>We identified that the balance for Cash and Cash Equivalents per the Balance Sheet is correctly stated as £6,209k. However, per note 12 Financial Assets the Cash Equivalents is stated as £8,670k when it should be £6,153k (Plus £56k cash at bank to come back to the balance sheet total). This is because investments have been labelled as cash equivalents in error. | We recommend that management correct the error in note 12.<br>Management response<br>Agreed. | ✓ |
| <u>Related Parties:</u><br>In Note 17 where South Downs Commercial Operations LTD is mentioned, it states to see 'Note 24'. However, this hyperlink redirects to Note 25. Auditor has confirmed with the client that it should say 25 and not 24. | We recommend that this issue is corrected.<br>Management response<br>Agreed. | ✓ |
| <u>Accounting Policies:</u><br>When undertaking our review of the Authority's accounting policies we identified the following:<br>1. Inventories - The policy had been included but we challenged this due to the value of inventory in the balance sheet being immaterial. As a result, management have agreed to remove the policy from the SoA.<br>2. Interests in companies and other entities - There was no policy included for this which was challenged due to SDNPA having group accounts. Management have agreed that there should be an accounting policy for this. | We recommended that mentioned policies are added into the accounting policies note.<br>Management response<br>Agreed. | ✓ |
| <u>Capital Financing Requirement:</u><br>When undertaking a review of the Authority's reserves movements, we have performed a recalculation of the capital financing requirement (CFR). On review we identified a difference between our calculation and the reported CFR of £35k. Management are unaware of what this amount relates to but are aware of the £35k which is a historic difference. Our view is that this historic difference should be written out of the accounts given that there is nothing to support it. | We recommended that the CFR is updated to remove the £35k amount which cannot be supported.<br>Management response<br>Agreed. | ✓ |

# D. Audit Adjustments (Continued)

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|---|
| Group Cash Flow:<br>In our review of the group cash flow statement, we noted that the ending cash and cash equivalents does not reconcile with the Balance Sheet. This is caused by the opening and ending balances for the component being incorrectly picked up in the Authority's workings. The amount of difference is £126k | We recommend that management correct the error in the group cash flow.<br>Management response<br>Agreed. | ✓ |
| PPA Disclosure note:<br>As we have identified two material prior period adjustments. The Authority are required to add in a disclosure which outlines the PPA and shows the impact on the balance sheet. | Management should add a disclosure in line with the agreed PPAs.<br>Management response<br>Agreed. | ✓ |

# D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Policy and Resources Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 | Reason for not adjusting |
|---|---|---|---|---|---|
| <u>Creditors:</u><br>During our testing of creditors, we identified the following errors:<br>An under accrual of £29,123 on our key item sample relating to am amount owing to Chichester District Council for Q4 planning services. This error was caused due a year end estimation difference due to unforeseen additional costs.<br>An over accrual of £1,830 was identified on two samples which were caused by a transposition error in recording the accrual, as well as an accidental accrual of item which had been paid before year end.<br>Lastly, minor differences were identified on two samples due to estimation differences which resulted in an under accrual of £473.73.<br>The total net misstatement in creditors has been calculated as £25,081 under accrual. This is the total error on the key items as well as the net residual errors extrapolated across the population. | DR Expenditure £25k | CR Creditors £25k | £25k increase in Expenditure | £25k Decrease to General Fund | Not Material |

# D. Audit Adjustments (continued)

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 | Reason for not adjusting |
|---|---|---|---|---|---|
| <u>Grants Received in Advance (GRIA):</u><br>When testing GRIA we identified an overstatement in the year end balance due to one sample failing our testing. The sample relates to funding intended to use for property planning purposes under Section 106. The value of the sample was £132,425 supported by the relevant invoice and S106 demand notice. However, management also provided a credit note reflecting the same amount, dated post year end 23/24. It was confirmed that this credit note was issued as the project associated with the legal agreement was no longer going ahead and the funding was no longer needed.<br>We have undertaken an extrapolation of the amount to demonstrate that this is not a material issue across the population of Section 106 in the GRIA. The extrapolated error is £199k overstatement.<br>Management confirmed that this will be adjusted as part of the 2024-25 closedown. | NA | DR GRIA £199k<br>CR Debtors £199k | NA | NA | Not Material but will be corrected in the 24-25 year. |
| <u>Pension Asset:</u><br>Per correspondence from the auditor of West Sussex Pension Fund, they confirmed that an exception was noted in their procedures with regards to the pension fund assets. This was due a timing difference between the completion of the SDNPA financial statements and the availability of the latest asset valuations at the time of accounts closedown. As a result of the latest information not being available until after the reporting date, it was identified that as at the 31st March 2024 the assets were overstated. For South Downs, the overstatement of assets was calculated as £106,276 which is below PM. As a result, no adjustment is deemed necessary.<br>This serves to decrease the pension asset position and the subsequent impact on the reserves. | NA | DR Pension Reserve £106k<br>CR Pension Asset £106k | NA | DR Pension Reserve £106k<br>(Impacts reserves but not General Fund – not in summary below) | Not material. |
| Overall impact | DR £25k | CR £131k | £25k Increase | DR £25k | |

# D. Audit Adjustments (continued)

### Impact of prior year unadjusted misstatements

No unadjusted misstatements were reported in the 2022-23 AFR. We have identified two prior period adjustments during the 2023-24 audit which management have agreed. Please refer to page 39 for full details.

# E. Fees and non-audit services

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

Please note that the additional fees below are currently in the process of being discussed with management. Once an agreement has been reached, we will ask management to reflect the additional amounts within the audit fees note.

| Audit fees | Proposed fee | Final fee |
|---|---|---|
| South Downs National Park Authority (Scale fee) | £43,016 | £43,016 |
| ISA 315 | £2,510 | £2,510 |
| Additional Audit Work – Group Transactional Testing* | | £6,200 |
| Additional  Audit Work – IFRIC 14** | | £1,000 |
| Prior Period Adjustment (Grants Received in Advance)*** | | £4,850 |
| Prior Period Adjustment (Capital Projects)**** | | £6,000 |
| **Total audit fees (excluding VAT)** | **£45,526** | **£63,576** |

*As explained previously in our report, the Authority has not followed the Companies Act requirements in relation to the trading Company South Downs Commercial Operations Ltd. Grant Thornton has performed the additional testing required for the material trading company balances. This additional work is not included in the scale fee.

**In line with emerging guidance which came out in September 2024, we have performed additional procedures in relation to pension assets. This has involved completing additional work and making additional inquiries of the actuary.

***We identified a current year error where GRIA had been classified within creditors. This has resulted in an in year and prior year correction. As GRIA is a separate financial statement line item, we have performed separate testing of the GRIA balance which had not previously been planned.

****We identified an error in the accounting treatment for project income and expenditure in the CIES which had caused both expenditure and income to be overstated, the same error was also made in the prior year. In addition, some projects had been incorrectly classified and should have been REFCUS spend. As a result of this, additional time and resources have been spent identifying the value of the error, reviewing managements and assessment and the audit team undertaking additional sample testing of projects to ensure no other similar errors appear in the remaining population.

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

| Area of change | Impact of changes |
|---|---|
| Risk assessment | The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:<br>• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures<br>• the identification and extent of work effort needed for indirect and direct controls in the system of internal control<br>• the controls for which design and implementation needs to be assess and how that impacts sampling<br>• the considerations for using automated tools and techniques. |
| Direction, supervision and review of the engagement | Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures. |
| Professional scepticism | The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:<br>• increased emphasis on the exercise of professional judgement and professional scepticism<br>• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence<br>• increased guidance on management and auditor bias<br>• additional focus on the authenticity of information used as audit evidence<br>• a focus on response to inquiries that appear implausible |
| Definition of engagement team | The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.<br>• Consideration is also being given to the potential impacts on confidentiality and independence. |
| Fraud | The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:<br>• clarification of the requirements relating to understanding fraud risk factors<br>• additional communications with management or those charged with governance |
| Documentation | The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed. |