

# Annual Governance Report

Exmoor National Park Authority

Audit 2008/09

September 2009

---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Financial statements and annual governance statement</b>	<b>5</b>
<b>Value for money</b>	<b>6</b>
<b>Appendix 1 – Independent auditor’s report to Members of Exmoor National Park Authority</b>	<b>7</b>
<b>Appendix 2 – Adjusted and unadjusted misstatements in the accounts</b>	<b>10</b>
<b>Appendix 3 – Draft letter of representation</b>	<b>13</b>
<b>Appendix 4 – Value for money conclusion</b>	<b>16</b>
<b>Appendix 5 – Key areas of judgement and audit risk</b>	<b>17</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

---

# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources. This report identifies the key messages that you should consider before I issue my opinion. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

---

## Summary conclusions

- 1 This report sets out our key findings which have been summarised in Table 1.

---

**Table 1**      **Summary conclusions**

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	5
Financial statements free from material error	Yes	5
Adequate internal control environment	Yes	5
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Arrangements to secure value for money	Yes	6

- 
- 2 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements and on the arrangements to secure value for money. Appendix 1 contains a copy of my draft audit report.
  - 3 As noted above, we have not identified any material errors or misstatements in the Authority's accounts which have not been amended. We have, however, highlighted a number of non-material issues which we are required to bring to your attention so that you may discharge the responsibilities set out below. These are listed for you in Appendix 5.

---

## Audit fees

- 4 We reported our fee proposals as part of the Audit Plan and supplementary opinion letter for 2008/09. Table 2 shows the outturn fee against the plan.

---

**Table 2      Audit fees**

Description	Proposed	Actual
Financial statements and statement of internal control	£11,870	£11,870
Value for money work	£6,180	£6,180
<b>Total audit fees</b>	<b>£18,050</b>	<b>£18,050</b>

---

## Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

## Next steps

- 6 The report also sets out the key issues that you should consider before I complete the audit. It asks you to:
- consider the matters raised in the report before approving the financial statements (page 5);
  - take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
  - consider adjusting the misstatements in the financial statements I have identified which management has declined to amend or set out the reasons for not amending them (Appendix 2); and
  - approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4).

Yours faithfully

Alun Williams  
District Auditor

September 2009

# Financial statements and annual governance statement

**The National Park's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds. The Authority has final responsibility for these statements and it is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

---

## Outstanding matters

- 7 Our work on the financial statements is largely complete with the exception of completion of our audit finalisation procedures. This includes our internal quality review procedures, updating our post balance sheet events review to the date of signing the accounts and receipt and consideration of the signed letter of representation.

## Opinion on the financial statements

- 8 Subject to satisfactory clearance of outstanding matters, I plan to issue an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Errors in the financial statements

- 9 Our testing identified a number of misstatements which management has agreed to amend. These are detailed within Appendix 2 along with details of those misstatements management has decided not to amend. The latter are detailed below.
- 10 Our testing of fixed assets found that depreciation was overstated. Management has amended the statements as detailed in Appendix 2, however, a remaining overstatement of £5,713 over each of the past 5 years has not been adjusted. In addition we identified £7,045 of stock which should be considered obsolete.
- 11 Our testing of compliance with the Statement of Recommended Practice (the SORP) also identified a number of areas where the financial statements were not fully compliant with the requirements of the SORP. These have been detailed in Appendix 2.

## Material weaknesses in internal control

- 12 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

### Accounting practice and financial reporting

- 13 I consider the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.

### Letter of representation

- 14 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

---

# Value for money

**I am required to conclude whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.**

---

### Value for money conclusion

- 15 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 4.
- 16 I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 17 Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of Exmoor National Park Authority

---

## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Exmoor National Park Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Exmoor National Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

---

## Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the Annual Governance Statement. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

---

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

---

### **Opinion**

In my opinion the Authority’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Authority’s Responsibilities**

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

**Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Exmoor National Park Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

# Appendix 2 – Adjusted and unadjusted misstatements in the accounts

- 1 The following misstatements were identified during the course of the audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 3 Adjusted amendments to the accounts**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Depreciation	<p>We identified two issues which have led to the over depreciation of fixed assets. One of which has been adjusted (the other is in the unadjusted section below). Following the valuation in 2004, Exmoor House and the Bottle store have been depreciated using incorrect asset lives. This has led to over-depreciation of £33,839 annually over the past five years.</p> <p>Management have made the appropriate adjustment to the current year balances (see opposite). They have also made a prior year adjustment in relation to the prior year errors. This results in an increase to fixed assets and the capital adjustment account, in the previous year, of approximately £135,000.</p>		34	34	
Financial Instruments	<p>There was no disclosure in the accounts for financial instruments, which are required under the SORP and UK GAAP.</p> <p>Management have now added a note which includes disclosure of financial assets and financial liabilities, as required by the SORP. They have also included a narrative assessment of risk.</p>	Disclosure only			

## Appendix 2 – Adjusted and unadjusted misstatements in the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
	Management have also added a new accounting policy in the accounts outlining the national park Authority's approach to accounting for financial instruments.				
Pensions disclosure	We identified that in the sensitivity analysis management had included £9,927,000 rather than £6,927,000, in relation to the "present value of the total obligation". Management have amended this in the accounts.	Disclosure only			
Members allowances	We identified that the disclosure of members allowances in the accounts was understated by £533. Although small in value, this has been adjusted in the accounts as it is politically sensitive.	Disclosure only			

- 2 The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to adjust for them, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

**Table 4 Unadjusted misstatements in the accounts**

Description of error	Value of error £'000
<p><b>Over depreciation of fixed assets</b></p> <p>All the assets included in the 2004 valuation have been depreciated using an asset life one year shorter than it should have been. This has led to over-depreciation of £5,713 in the current year.</p> <p>These assets have also been over depreciated by this amount in each of the previous four years. Therefore the fixed assets balance, at the start of the 2009 financial year, was overstated by approximately £23,000.</p>	23

## Appendix 2 – Adjusted and unadjusted misstatements in the accounts

Description of error	Value of error £'000
<b>Stock obsolescence</b> During our testing of the stock balance, we identified £7,405 of stock which is considered obsolete. The controls over stocktakes need to be improved, for example, currently there is no formal requirement to have independent staff monitoring National Park Centre counts. We recommend that a formal process is developed of monitoring stock and for identifying obsolete stock. Internal audit are due to carry out a review of the stock procedures and we are aware that further recommendations are likely to be made as a result of this.	7
<b>Statement of Recommended Practice (SORP) disclosures</b> We noted a number of areas where the accounts were not compliant with the SORP. These included additional disclosures in the explanatory foreword, and amendments to descriptions within current notes, in particular fixed assets. Management have noted our comments.	Disclosure

### Other matters

#### Planned transfer to the General Fund

- Included in the statement of movement on the general fund balance (note 5) and the movement on reserves (note 9.17) is an amount totalling £57,500. This was agreed to be transferred to the general fund at the Resources and Planning Committee meeting in November 2008, following managements re-forecasted year end position, which showed an underspend against budget of this amount. We consider that this amount should be maintained within the year end surplus balance within both of these notes. This is a presentational point and has no impact on the general fund balance.

# Appendix 3 – Draft letter of representation

## Exmoor National Park Authority - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Exmoor National Park Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2009. All representations cover the Authority's accounts included within the financial statements.

### Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

### Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statement's misstatements, as detailed at the end of this letter, are not material to the financial statements. These misstatements have been discussed with those charged with governance within the National Park Authority.

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

## Appendix 3 – Draft letter of representation

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

I confirm that this letter has been discussed and agreed by the Authority on XX September 2009.

Signed on behalf of Exmoor National Park Authority

Charles Burrows

Chief Finance Officer

# Appendix 4 – Value for money conclusion

- 1 The following tables summarise the key findings and conclusions for each of the three use of resources themes.

**Table 5** Managing finances

Key line of enquiry	Description	Met
1.1	Financial planning	Yes
1.2	Understanding costs and achieving efficiencies	Yes
1.3	Financial reporting	Yes

**Table 6** Governing the business

Key line of enquiry	Description	Met
2.4	Risk management and internal control	Yes

**Table 7** Managing resources

Key line of enquiry	Description	Met
3.2	Strategic asset management	Yes

# Appendix 5 – Key areas of judgement and audit risk

- 1 In planning our audit we identified specific risks and areas of judgement that we have considered as part of our audit. These were reported to you in our 2008/09 audit plan and the supplementary fee letter issued in April 2009. The table below sets out how we have mitigated the audit opinion risks identified.

**Table 8 Key areas of judgement and audit risk**

Issue or risk	Finding
<p>Valuation of assets</p> <ul style="list-style-type: none"> <li>The economic environment has increased the financial pressures on all organisations. This has led to significant falls in asset values across the country and could also be the trigger for consideration of an impairment review of the Authority's assets.</li> </ul>	<p>We have reviewed the Authority's impairment review and have concluded that the value of the assets included in the accounts do not appear to be materially misstated.</p> <p>The Authority's land and buildings will be revalued in the 2009/10 financial year as part of the quin-quennial review.</p>
<p>Pensions deficit/going concern</p> <ul style="list-style-type: none"> <li>The pension deficit increased from £1.8m to £2.7m in 2008/09. There is a risk that this could lead to net liabilities in the future.</li> </ul>	<p>We have concluded that the going concern assumption as reasonable.</p>

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---