



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report— Brecon Beacons National Park Authority

Audit year: 2018-19

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised Anthony Veale, Deryck Evans, Victoria Roberts, Thomas Dhar and Jayana Finlay.

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This document summarises the conclusions on the 2018-19 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Brecon Beacons National Park Authority as at 31 March 2018-19 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Brecon Beacons National Park authority is £120,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Brecon Beacons National Park Authority for 2018-19, that require reporting under ISA 260.
- 6 We confirm we have undertaken the audit as planned and our performance against the agreed measures and actual fee compared to planned fee are reported in [Appendix 4](#).

## Status of the audit

- 7 We received the draft financial statements for the year ended 31 March 2019 on 31 May 2019, in line with the agreed deadline and have now substantially completed the audit work. The following areas of work remain outstanding at the time of drafting this report:
  - the completion of our final review (including a review of the final statements); and
  - our review of the outstanding related party declarations. The Authority are currently in the process of collating the outstanding declarations.
- 8 We will update the Authority at its meeting on the 30<sup>th</sup> July 2019 in respect of these outstanding areas.
- 9 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Finance Manager.

## Proposed audit report

- 10 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 11 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 12 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction. A statement explaining the rationale for choosing not to amend has been included in the Letter of Representation in Appendix 1.
  - **Assets not depreciated:** four assets, which were treated as additions in 2017-18 were not depreciated in 2018-19. This has resulted in depreciation being understated by £15,000 in the Comprehensive Income and Expenditure Statement and the balance sheet (property, plant and equipment) being overstated by £15,000.
  - **Misclassification of assets:** we identified £32,105 of capital expenditure incorrectly included as Assets under Construction which related to operational solar panels and electric vehicle charging stations. This expenditure should have been classified as Plant and Equipment. This is a classification error and has no impact on the Comprehensive Income and Expenditure Statement or the usable reserve balances of the Authority.
  - **Gunpowder Works Accrual omitted from the accounts:** we identified £19,791 of capital expenditure relating to the Gunpowder Works that had not been accrued for. As a result, Property, Plant and Equipment is understated and Creditors is understated. This has no impact on the Comprehensive Income and Expenditure Statement or the usable reserve balances of the Authority.
  - **Gunpowder Works Visitor App excluded from Intangible Assets:** we identified expenditure to date of £22,750 for the development of the Gunpowder Works Visitor App that has been treated as revenue expenditure in the Comprehensive Income and Expenditure Statement and not as an Intangible Asset under Construction. Additionally, the additional committed expenditure of £13,250 for the Apps development is not disclosed as an Intangible Assets Capital Commitment.

## Corrected misstatements

- 13 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

## Other significant issues arising from the audit

- 14 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. The finance Manager and her team were accessible and responsive throughout the audit.

That said, a number of corrections to the accounts have been identified as part of the audit process which have been highlighted in paragraph 12 and [Appendix 3](#). We will continue to work with the Finance Manager to explore ways of improving the quality of the draft financial statements including the introduction of more robust quality control arrangements.

- **There was one significant matter discussed and corresponded upon with management which we need to report to you.**

In December 2018, the Court of Appeal ruled against the Government, holding the changes made to pension schemes discriminated against a group of public officers on the grounds of age. The changes surrounded a move from a final salary to a career average basis. On 27 June 2019, the Supreme Court denied the Government's application for leave to appeal the decision. This series of events is referred to as the McCloud judgement.

The cost of providing a remedy to affected employees is likely to be significant. We have concluded that the McCloud judgement gives rise to a past service cost and liability within the scope of accounting for pensions within local authorities which should be accounted for as an increased liability where a reasonable estimate can be made.

The Authority has estimated a further pension liability of £375,000 based on information provided by the Government Actuary's Department. As this is above the Authority's materiality threshold for the Statement of Accounts for

2018-19, the Authority has made this adjustment which is referenced within [Appendix 3](#) of this report.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There is one other matter specifically required by auditing standards to be communicated to those charged with governance.** A number of related party declarations for both members and officers have not been collated. This was reported to the Authority last year. Further details are provided in [Appendix 5](#).

## Recommendations arising from our 2018-19 audit work

- 15 The recommendations arising from our audit work are set in [Appendix 5](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

## Independence and objectivity

- 16 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 17 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Authority that we consider to bear on our objectivity and independence.

# Appendix 2

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

30 July 2019

## Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Brecon Beacons National Park Authority for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, in particular, the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;



- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Brecon Beacons National Park Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- Four assets, which were treated as additions in 2017-18 were not depreciated in 2018-19 resulting in depreciation being understated by £15,000.
- £32,105 of capital expenditure included as Assets under Construction when the solar panels and electric vehicle charging stations to which this expenditure relates were operational.
- £19,791 of capital expenditure relating to the Gunpowder Works that had not been accrued for.
- £22,750 for the development of the Gunpowder Works Visitor App that has been treated as revenue expenditure in the Comprehensive Income and Expenditure Statement and not as an Intangible Asset under Construction. Additionally, the additional committed expenditure of £13,250 for the Apps development is not disclosed as an Intangible Assets Capital Commitment.

The above misstatement will be corrected within the 2019-20 financial year.

## Representations by Brecon Beacons National Park Authority

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the company maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Brecon Beacons National Park Authority on 30 July 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Officer who signs on behalf of management

Date: 30 July 2019

Signed by:

Officer or Member who signs on behalf of those charged with governance

Date: 30 July 2019

# Proposed independent auditor's report of the Auditor General for Wales to the Members of Brecon Beacons National Park Authority

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of Brecon Beacons National Park Authority for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Brecon Beacons National Park Authority's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Brecon Beacons National Park Authority as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Brecon Beacons National Park Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Brecon Beacons National Park Authority's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the information included in the statement of accounts other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of Brecon Beacons National Park Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of Brecon Beacons National Park Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

### Responsibilities

#### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Brecon Beacons National Park Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

#### Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
30 July 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made to the draft financial statements which should be drawn to the attention of Brecon Beacons National Park Authority

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 1: summary of corrections made to the draft financial statements

Value of correction £'000	Nature of correction	Reason for correction
375	<b>Pension Fund Liabilities</b> Increase in pension fund liability to reflect the estimated impact of the McCloud judgement.	To include the reasonable estimate of the impact. The adjustment has no impact on usable reserves.
100	<b>Capital Commitments</b> Amendment to include the contracts for vehicles (totalling £52,316) and the National Park Visitor Centre's digital wall (£47,490) which were incorrectly excluded from the financial statements.	To correctly reflect the Authority's capital commitments at the year-end. Disclosure amendment.
103	<b>Section 106 Agreements</b> Two receipts in 2018-19 from S106 agreements totalling £180,612 did not have any repayment conditions attached. These were incorrectly accounted for as receipts in advance instead of income in 2018-19.	To correctly reflect the nature of the transactions / compliance with the Code & Accounting Standards. This adjustment increases income in the Comprehensive Income and Expenditure Statement.
77	<b>Section 106 Agreements</b> Amendment to include the full income receivable in relation to planning. The total transactional value should be recognised as income and the remaining balance receivable should be included in Long Term Debtors (£58,000) and Short-Term Debtors (£19,000).	To correctly reflect the nature of the transactions / compliance with the Code & Accounting Standards. This adjustment increases Debtors in the Balance Sheet.

Value of correction £'000	Nature of correction	Reason for correction
55	<p><b>Impairments &amp; Revaluation Losses</b></p> <p>Amendment to correct the revaluation losses occurring in year that were treated as impairments in the draft financial statements. This also impacts on the 'adjustments between accounting basis and funding basis under Regulations' disclosure note.</p>	Compliance with the Code. The adjustment has reduced the level of usable reserves.
40	<p><b>Related Parties</b></p> <p>Disclosure of the £40,000 paid to TGVHydro as a related party transaction, as one of the Authority's members is the Managing Director of TGVHydro.</p>	Improve disclosures / Compliance with the Code & Accounting Standards.
13	<p><b>Creditors</b></p> <p>A creditor with Sport Wales is included in 'Other'. This has been reclassified to 'Central Government' in line with the nature of the organisation.</p>	Incorrectly classified
6	<p><b>Notes to the Accounts – Related Parties</b></p> <p>Disclosure of the £6,650 paid to Brecon Scouts as SDF grant as a related party transaction as senior officers with the Authority have personal interests in the organisation.</p>	Improve disclosures / Compliance with the Code & Accounting Standards
25	<p><b>Comprehensive Income &amp; Expenditure Statement</b></p> <p>Amendment to include the revaluation loss on the micro hydro scheme under 'Countryside, Land Management &amp; Communities expenditure' and not under 'Deficit on Revaluation of Property, Plant &amp; Equipment'. This has a knock-on effect on the total comprehensive income and expenditure taken to the Movement in Reserves Statement.</p>	Incorrectly classified
Various	<p><b>Movement in Reserves Statement</b></p> <p>Amendments to simplify the entries in the MIRS and to ensure that adjustments made to unusable reserves are reflected in the unusable reserves' column. These amendments also impact on the 'adjustments between accounting basis and funding basis under Regulations' disclosure note.</p>	Improve disclosures/compliance with the Code
Various	<p>A number of amendments have been made to correct casting and rounding anomalies, correct note references, formatting anomalies, improve narrative disclosures and to ensure consistency of figures disclosed in multiple places within the financial statements and accompanying notes.</p>	Improve the readability and understandability of the financial statements



# Appendix 4

## Wales Audit Office performance measures

We have agreed a range of targets for the delivery of our work and I have summarised our assessment of achievements against these targets below:

### Exhibit 2: Performance measures

Planned output	Target	Outcome
<b>2019 Audit Plan</b>	March 2019	April 2019
Audit of Financial Statements Report	July 2019	July 2019
Opinion on Financial Statements	July 2019	July 2019

The estimated audit fee set out in our Audit Plan was £27,500. Our actual audit fee is currently being finalised.

# Appendix 5

## Recommendations arising from our 2018-19 audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

### Exhibit 3: Matter arising 1

<b>Matter arising 1 – Missing declarations of interest for related parties</b>	
<b>Findings</b>	<p>Our audit work for related parties requires review of the declarations of interest submitted by committee members. At the time of our audit:</p> <ul style="list-style-type: none"><li>• two members had not submitted a register of interests form;</li><li>• three members' forms had not been updated since 2017; and</li><li>• one senior officer had not submitted a register of interests form.</li></ul>
<b>Priority</b>	High
<b>Recommendation</b>	<p>We recommend that:</p> <ul style="list-style-type: none"><li>• declarations of interest forms are obtained as soon as possible for those members where declarations are outstanding; and</li><li>• members are circularised at the year-end and reminded of the requirement of completing a declaration of interests annually.</li></ul>
<b>Benefits of implementing the recommendation</b>	Improved controls and transparency of members' interests.
<b>Accepted in full by management</b>	
<b>Management response</b>	
<b>Implementation date</b>	

Exhibit 4: Matter arising 2

<b>Matter arising 2 – Living Wage Supplement Paid in 2018-19</b>	
<b>Findings</b>	In 2018-19 there were four employees in receipt of the Living Wage Supplement totalling £1,222.46. During the course of the audit, we identified conflicting information from the payroll team at Cardiff Council which implied that the Living Wage Supplement applied was £0.25 per hour understated. As these four employees claimed for a total of 1,260 hours in 2018-19, there is a potential total salary underpayment of £315. We were able to confirm with the Authority that there are no individuals in receipt of the Living Wage Supplement in 2019-20.
<b>Priority</b>	Medium
<b>Recommendation</b>	The Authority should investigate further with Cardiff Council if there is an error in the amount of Living Wage Supplement applied in 2018-19 and, if confirmed, consider correcting the underpayment to the individuals concerned.
<b>Benefits of implementing the recommendation</b>	Ensuring that those staff in receipt of the Living Wage Supplement have received the correct amount.
<b>Accepted in full by management</b>	
<b>Management response</b>	
<b>Implementation date</b>	

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