



Cllr Mrs Ann Webb
Chair of Audit and Scrutiny Committee
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Dear Cllr Webb and Julian

Brecon Beacons National Park Authority 2018-19 - Audit enquiries to those charged with governance and management

As you will be aware, I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs, I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the Brecon Beacons National Park Authority's management and 'those charged with governance' (the Audit and Scrutiny Committee).

I have set out below four question on which I am seeking your views:

1. What do you see as key risks of fraud at Brecon Beacons National Park Authority and do management keep you adequately informed? Are you aware of any instances of fraud?
2. Do you have any concerns about non-compliance with laws and regulations? Do management keep you adequately informed about any non-compliance and what in your view are the main risks?
3. Are you aware of any potential litigation that could affect the financial statements? Do management keep you updated sufficiently on such issues?
4. Are you aware of the processes to identify any related party transactions / relationships at Brecon Beacons National Park Authority and are you aware of any key parties / transactions which should be disclosed in the financial statements?

The information you provide will inform our understanding of Brecon Beacons National Park Authority and its business processes and support our work in providing an audit opinion on your 2018-19 financial statements.

I would be grateful if you could complete the attached table in [Appendix A](#), which should be formally considered and communicated to us on behalf of both management and those charged with governance by 31 May 2019. In the meantime, if you have queries, please contact Deryck Evans on 02920 320559.

Yours sincerely

A handwritten signature in black ink that reads "Anthony Veale". The signature is written in a cursive style with a large initial 'A'.

Anthony Veale
Engagement Lead

cc. Elaine Standen, Finance Manager

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and ‘those charged with governance’, which for the Brecon Beacons National Park Authority is the Audit and Scrutiny Committee, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

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

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the Audit and Scrutiny Committee exercises oversight of management’s processes. We are also required to make enquiries of both management and the Audit and Scrutiny Committee as to their knowledge of any actual, suspected or alleged fraud. for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud		
Question	2017-18 Response	2018-19 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	The risk is estimated to be low. The authority's governance arrangements, including financial systems, procedures and internal audit arrangements are well established and the volume of transactions is such that any attempted fraud should be more readily identified.	
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	Reconciliation and tiered authorisation processes for key expenditure items and cash and the separation of duties between processing and accounting roles are employed to minimise the risk of fraud and error. External audit undertakes a review of key systems and samples transactions. Weaknesses identified by internal audit are addressed. IT controls and safeguards are updated in response to known threats and general staff training has been delivered by the Authority's banking services provider.	
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	Any identified case of fraud would be reported to Senior Management and the Audit and Scrutiny Committee as provided for in the Fraud and Corruption Policy.	

Enquiries of management - in relation to fraud

4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	Guidance is provided to Members and staff on standards of behaviour and conduct. Member training sessions are provided and new staff are advised of the guidance available internally and on line. Discussions regarding governance procedures for particular circumstances (e.g. procurement) are routinely held with relevant line managers.	
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2018?	No	
6. Are you aware of any fraud within the services organisations used since 1 April 2018?	No	

Enquiries of those charged with governance – in relation to fraud

Question	2016-17 Response	2017-18 Response
1. How does the Audit and Scrutiny Committee exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	It has direct and independent access to the Authority's internal and external auditors. It reviews and approves the Governance Statement and receives reports and advice from Internal Auditors in relation to work carried out during the year.	
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2018?	No	

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, the Audit and Scrutiny Committee, is responsible for ensuring that the Brecon Beacons National Park Authority's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Scrutiny Committee as to whether the Brecon Beacons National Park Authority is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations

Question	2017-18 Response	2018-19 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Responsible staff have undertaken training and received updates on a wide range of areas such as employment law, Health and Safety, GDPR, planning law and financial regulations. Legal advice is sought from external providers where an issue of concern arises. Significant issues will be reported to, and considered by, departmental management teams, the Health and Safety working group and Management Team. It is not possible to guarantee that there have been no unintentional breaches of laws and regulations.	
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2018, or earlier with an ongoing impact on the 2018-19 financial statements?	An HMRC inspection identified that the PAYE treatment of payments to Members for travel expenses has been incorrect at BBNPA as well as all other National Park Authorities. The cost of historic liabilities in relation to this has been charged to the 2017/18 Accounts. Remedial works were required to the Authority's visitor centre to ensure compliance with Health and Safety regulations and electrical wiring up to current standards.	
3. Are there any potential litigations or claims that would affect the financial statements?	No	

Enquiries of management – in relation to laws and regulations

4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	See details above	
5. Are you aware of any non-compliance with laws and regulations within the service organisations used since 1 April 2018?	No	

Enquiries of those charged with governance – in relation to laws and regulations

Question	2016-17 Response	2017-18 Response
1. How does the Audit and Scrutiny Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Significant issues identified by staff - through the Risks Register - are reported to the Audit and Scrutiny Committee, which also receives reports from the Internal Auditor and the review of performance in the Governance Statement. Significant breaches would be reported to the Committee.	
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	The instances noted in the table above have been reported.	

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2017-18 Responses	2018-19 Responses
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; and • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Yes</p> <p>Yes</p> <p>Yes</p>	
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Management Team members are asked to disclose such relationships annually, staff requesting that new suppliers be set up are asked to disclose any relationship. Members are asked to record their interests on the Authority's public website.</p>	

Enquiries of the those charged with governance – in relation to related parties

Question	2017-18 Responses	2018-19 Responses
1. How does the Audit and Scrutiny Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	All Members receive the draft Statement of Accounts which contains details of related parties. All Members have access to the Register of interests. Any external audit findings in relation to related parties will be reported to the Authority when the Statement of Accounts is submitted for approval.	