



Mark Jones
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30 September 2021

Brecon Beacons National Park Authority 2020/21: audit enquiries to those charged with governance and management

Dear Mark

Please find enclosed a completed copy of your appended table setting out our response to your letter of 21 June 2021 on behalf of those charged with governance and management of the Authority.

Yours Sincerely,

A handwritten signature in black ink that reads 'Catherine Mealing-Jones'. The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Catherine Mealing-Jones
Chief Executive

A handwritten signature in black ink that reads 'Gareth Ratcliffe'. The signature is more stylized and less legible than the one on the left, with a long horizontal stroke at the end.

Cllr Gareth Ratcliffe
Chair of the National Park Authority

Date: 30.09.2021

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Appendix

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 National Park Authority, 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 National Park Authority exercises oversight of management's processes. We are also required to make enquiries of both management and the National Park Authority 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	2020-21 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?	<p>The risk is estimated to be relatively low but with some additional pressures caused by remote working as a result of Covid19. The authority's normal governance arrangements, including financial systems, procedures and internal audit arrangements are well established and have been adapted to the requirement for online/virtual processes. It is acknowledged that fraud risks have increased in general for the public sector since March 2020. There is significant reliance on one single qualified individual to prepare the financial statements, with limited expertise internally to critically review the statements.</p>
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?	<p>. Reconciliation and tiered authorisation processes are employed for key expenditure items such as the payment of suppliers, grants and payroll. Receipt of income and the establishment of debtors is subject to independent checks and authorisation procedures. The separation of duties between processing and accounting roles acts to reduce the risk of fraud and error. External auditors undertake a review of key systems and sample transactions annually. Weaknesses identified by internal audit are reported and addressed. IT controls and safeguards are updated in response to known threats.</p> <p>A full review of IT security arrangements was undertaken in 2020 in response to the cyber attack experienced in September. Data management and access controls were reviewed and developed to reduce the risk of a future attack. Financial systems were not impacted by the attack. Internal auditors review key financial control systems on a rolling basis and report to both senior management and the Audit and Scrutiny Committee on their findings.</p>

Some impact on systems from Covid19 and the remote operation of the organisation has been experienced. Processes requiring signatures, verification of documents and access to specific systems have had to be adapted for remote use.

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. The Authority has a Whistleblowing Policy to provide a mechanism for concerns to be reported by any member of the organisation.

High level risks, including any that emerge in relation to fraud, are reviewed by the Corporate Governance Team and quarterly by the Audit and Scrutiny Committee. A subsidiary more detailed risk register is in place for finance. Internal audit are able to report direct to the Committee if actual or potential fraud is reported to them or identified in the course of an audit.

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?

The Staff Code of Conduct was approved on 25/6/19. All staff were required to confirm that they had read the Code during the year.

Key documents such as HR Policies and related Management Guides, Standing Orders in relation to Contracts and the associated guidance, Financial Regulations, the Fraud and Corruption Policy and Whistleblowing Policy set out the standard of conduct required. Induction of new staff addresses the Code of Conduct.

Members' standards of conduct are established through a separate Code, the work of the independent Standards Committee, annual performance reviews, training events, and the Governance and Member Development Working Group.

Staff are required to declare any personal relationship when requesting that new suppliers be set up.

Applicants for roles with the Authority are required to declare relationships with current employees or Authority Members.

5. Are you aware of any instances of actual, suspected or alleged fraud within the

The authority was subject to a ransomware attack in September 2020. While not strictly fraud, the method of attack was identified to be malicious software concealed within an email. No ransom was paid, although some data was damaged by encryption.

audited body since 1 April 2020?

6. Are you aware of any fraud within the services organisations used since 1 April 2020?

No

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response
<p>1. How does the National Park Authority 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?</p>	<p>All minutes and agendas of the Audit and Scrutiny Committee are available to all members of the Authority and minutes are included in the Authority agendas. The responsibility for this area is delegated to the Audit and Scrutiny Committee. The Standards Committee (made up of independent members) also has oversight of governance standards in general.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?</p>	<p>The authority was subject to a ransomware attack in September 2020. While not strictly fraud, the method of attack was identified to be malicious software concealed within an email. No ransom was paid, although some data was damaged by encryption.</p>

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 National Park Authority, 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 National Park Authority 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	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>The Authority's staffing structure and recruitment processes ensures that suitably professionally qualified staff are appointed to key roles in Planning, Finance, Ecology, Built Heritage, and the Monitoring Officer. Provision has been made through external procurement and service level agreements with external expertise to obtain, where required, advice in specialist areas such as health and safety, employment, planning, data protection and property law in relation to individual matters. The Authority operates a staged complaints process which ensures that issues raised are fully investigated, reported and escalated where appropriate.</p>
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?	<p>The Authority received a number of Development Management-related complaints concerning potential breaches of planning legislation in individual cases and one instance was identified of a breach of Data Protection Regulations. An appeal against a 2018 planning decision was awarded against the Authority, with costs, in 2021/22. The amount awarded would not have a material impact on the financial statements.</p> <p>One planning matter is ongoing due to the impact of Covid regulations on the substance of the complaint. The impact on the financial statements, if any, is uncertain and cannot be quantified; a non-financial remedy may be available.</p>
3. Are there any potential litigations or claims that	No

would affect the financial
statements?

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?

No

5. Are you aware of any non-compliance with laws and regulations within the service organisations used since 1 April 2020?

No

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

Question	2020-21 Response
1. How does the National Park Authority, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Arrangements for reporting and oversight are set out in the Scheme of Delegation. Confidential reports on significant issues are made to the Authority or one of its Committees as appropriate. Further independent scrutiny and reporting by the Standards Committee, internal and external auditors provide assurance and challenge to the Authority.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	All complaints and related legal risks are reported to the Authority through the Audit and Scrutiny Committee. Other matters would be reported if significant.

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	2020-21 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>Staff in positions of control within the Authority are required to declare annually any external interests where a material financial transaction has taken place with the Authority during the year. Members are required to complete a register of interests and to formally declare as part of the proceedings of each Authority or Committee meeting any personal interest which may impact on a decision made by the Authority</p>

Key documents such as HR Policies, the Code of Conduct, the Fraud and Corruption Policy and related Management Guides, set out the standard of conduct and declarations required. Induction of new staff addresses the Code of Conduct.

Members' standards of conduct are established through a separate Code, the work of the independent Standards Committee, annual performance reviews, training events, and the Governance and Member Development Working Group.

Staff are required to declare any personal relationship when requesting that new suppliers be set up. Applicants for roles with the Authority are required to declare any relationships with current employees or Authority Members.

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

Question	2020-21 Responses
<p>1. How does the National Park Authority, 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?</p>	<p>Members are required to complete a register of interests and to formally declare as part of the proceedings of each Authority or Committee meeting any personal interest which may impact on a decision made by the Authority.</p> <p>All the notes and disclosures in the Statement of Accounts are reviewed in draft by the Audit and Scrutiny Committee and, once audited, approved by the Authority.</p> <p>Governance Matters are audited both externally and internally on an annual basis and the outcome of all audits is reported to the Authority either directly or through the Audit and Scrutiny Committee.</p>