

REPORT OF AUDIT WALES

Subject: Audit Enquiries to Those Charged With Governance and Management 2021

Summary

The Audit Wales report “Audit enquiries to those charged with governance and management” asks four questions in relation to governance of the Authority and the report contains the Authority’s responses to those questions.

Introduction

Audit Wales are required to complete their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs they need to formally seek your documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations are relevant to both the Pembrokeshire Coast National Park Authority’s management and ‘those charged with governance’ (the Audit and Corporate Services Review Committee).

Financial Considerations

None

Risk Considerations

The work undertaken by the Audit Wales can contribute to managing risk and providing assurance for the work of the Authority.

Compliance

The work undertaken by the Audit Wales as part of this plan is part of our compliance framework.

Human Rights/Equality issues

There are no specific implications.

Biodiversity implications/Sustainability appraisal

There are no specific implications

Welsh Language considerations

There are no specific implications

Conclusion

Members are asked to consider the report.

RECOMMENDATION:

Members are comment on the Audit enquiries to those charged with governance and management report.

Background documents

(For further information, please contact Richard Griffiths, extension 4815 or at Richardg@pembrokeshirecoast.org.uk)

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Chair of Audit and Corporate Services Review Committee
and Chief Executive
Pembrokeshire Coast National Park Authority
Llanion Park
Pembroke Dock
Pembrokeshire
SA72 6DY

Reference: PCNPA 2020-21

Date issued: 17/6/2021

Dear, Cllr D Clements and Mr Tegryn Jones

Pembrokeshire Coast National Park Authority 2020-21

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 Pembrokeshire Coast National Park Authority's management and 'those charged with governance' (the Audit and Corporate Services Review Committee).

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

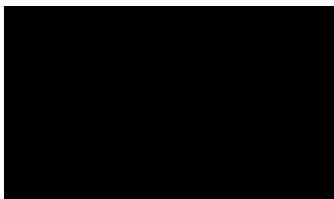
1. What do you see as key risks of fraud at Pembrokeshire Coast National Park Authority and do management keep you adequately informed? Are you aware of any instances of fraud?

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 Pembrokeshire Coast 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 Pembrokeshire Coast National Park Authority and its business processes and support our work in providing an audit opinion on your 2020-21 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 14 July 2021. In the meantime, if you have queries, please contact me on 02920 320559.

Yours sincerely



Deryck Evans
Engagement Lead

Sent via e-mail

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 Pembrokeshire Coast National Park Authority is the Audit and Corporate Services Review 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 Corporate Services Review Committee exercises oversight of management's processes. We are also required to make enquiries of both management and the Audit and Corporate Services Review 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	2020-21 Response	2019-20 Response
<p>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>	<p>Low risk due to financial procedures and policies in place; Members over view via Committees, & the role of Internal & External Audit.</p>	<p>Low risk due to financial procedures and policies in place; Members over view via Committees, & the role of Internal & External Audit.</p>
<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>	<p>The Authority takes appropriate consideration with regard to external influences and this is reflected in its reports, policies and standards.</p> <p>The Authority's Member & Officers Code of Conduct is clear on the issue concerning declaration of interests.</p> <p>The Authority's Monitoring Officer and Section 151 Officer are also able to provide advice if necessary</p> <p>Clear separation of duties with regard the raising of purchase order and approval of invoices.</p> <p>As a result of the Authority's response to Covid 19 outbreak the same level of segregation of duties have been maintained but this has involved approval of orders and invoices via email.</p> <p>In response to remote working the Authority introduced an online module for its ordering and invoices processing system.</p>	<p>The Authority takes appropriate consideration with regard to external influences and this is reflected in its reports, policies and standards.</p> <p>The Authority's Member & Officers Code of Conduct is clear on the issue concerning declaration of interests.</p> <p>The Authority's Monitoring Officer and Section 151 Officer are also able to provide advice if necessary</p> <p>Clear separation of duties with regard the raising of purchase order and approval of invoices. As a result of the Authority's response to Covid 19 outbreak the same level of segregation of duties have been maintained but this has involved approval of orders and invoices via email.</p>
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>See 1 & 2 above</p> <p>The Authority has a Whistleblowing policy.</p>	<p>See 1 & 2 above</p> <p>The Authority has a Whistleblowing policy.</p>

Enquiries of management - in relation to fraud

Question	2020-21 Response	2019-20 Response
	All Committee papers and minutes are in the public domain and the minutes are also presented to the National Park Authority. There are established guidelines which permit the exclusion of the public from Authority meetings on confidential matters.	All Committee papers and minutes are in the public domain and the minutes are also presented to the National Park Authority. There are established guidelines which permit the exclusion of the public from Authority meetings on confidential matters.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	Details contained in the Authority's Code of Conduct and Anti-Fraud & Bribery Policy. Both staff and member induction training cover the issue of the code of conduct and members receive annual code of conduct training from the Authority's Monitoring Officer	Details contained in the Authority's Code of Conduct and Anti-Fraud & Bribery Policy. Both staff and member induction training cover the issue of the code of conduct and members receive annual code of conduct training from the Authority's Monitoring Officer
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?		No

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2019-20 Response
1. How does the Audit and Corporate Services Review 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	1)The Audit and Corporate Services Review Committee is consulted and receive reports in person from the auditors on all relevant audit reports both internal and external. The committee oversees the development of the Annual Governance Statement, and other policies	1)The Audit and Corporate Services Review Committee is consulted and receive reports in person from the auditors on all relevant audit reports both internal and external. The committee oversees the development of the

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2019-20 Response
<p>management has established to mitigate those risks?</p>	<p>and procedures before they are sent for approval by the Authority.</p> <p>2)The Audit and Corporate Services Review Committee thoroughly gives scrutiny of budget, performance reports and other reports on a quarterly basis. The Audit Committee also receive, for comment and query the annual accounts prior to their presentation to the Authority.</p>	<p>Annual Governance Statement, and other policies and procedures before they are sent for approval by the Authority.</p> <p>2)The Audit and Corporate Services Review Committee thoroughly gives scrutiny of budget, performance reports and other reports on a quarterly basis. The Audit Committee also receive, for comment and query the annual accounts prior to their presentation to the Authority.</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>No</p>	<p>No</p>

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 Corporate Services Review Committee, is responsible for ensuring that the Pembrokeshire Coast 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 Corporate Services Review Committee as to whether the Pembrokeshire Coast 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	2019-20 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The Audits provide assurances of a wide range of areas	The Audits provide assurances of a wide range of areas
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?	No	No
3. Are there any potential litigations or claims that would affect the financial statements?	No. Relevant provisions made to cover this liability.	No. Relevant provisions made to cover this liability.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No	No
5. Are you aware of any non-compliance with laws and regulations within the Authority since 1 April 2019?	No	No

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

Question	2020-21 Response	2019-20 Response
1. How does the Audit and Corporate Services Review Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	<p>1) The Authority approves all financial standards and other policies and procedures.</p> <p>2) The Audit and Corporate Services Review Committee receives regular updates and reports from the Wales Audit Office and Internal Auditors</p> <p>3) The Authority's scrutiny of the quarterly budget reports and annual financial statement which also give assurances relating to laws and regulations.</p>	<p>1) The Authority approves all financial standards and other policies and procedures.</p> <p>2) The Audit and Corporate Services Review Committee receives regular updates and reports from the Wales Audit Office and Internal Auditors</p> <p>3) The Authority's scrutiny of the quarterly budget reports and annual financial statement which also give assurances relating to laws and regulations.</p>
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	No	No

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	2020-21 Responses	2019-20 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; details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	Yes	Yes
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>The Authority has a Code of Conduct which Members and staff agree to. Declaration of interests are required on an annual basis.</p>	<p>The Authority has a Code of Conduct which Members and staff agree to. Declaration of interests are required on an annual basis.</p>

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

Question	2020-21 Responses	2019-20 Responses
<p>1. How does the Audit and Corporate Services Review Committee, in its role as those charged with governance, exercise oversight of management's processes to</p>	<p>Declaration of interests at various committees and the annual approval of Financial Statement</p> <p>Members also review and approve the Authority's financial standards and related policies and procedures, including the</p>	<p>Declaration of interests at various committees and the annual approval of Financial Statement</p> <p>Members also review and approve the Authority's financial standards and related policies and procedures,</p>

identify, authorise, approve, account for and disclose related party transactions and relationships?

requirements relating to declaration of interests and the Codes of Conduct. Various audit reports and quarterly budget monitoring also adds to this process.

including the requirements relating to declaration of interests and the Codes of Conduct. Various audit reports and quarterly budget monitoring also adds to this process.