

Annual Governance Report

Peak District National Park Authority

Audit 2009/10

September 2010

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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.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Director of Corporate Resources and Head of Finance on 3 August 2010 and updated it as issues have been resolved.

My report 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 (pages 4 to 9);
- take note of the adjustments to the financial statements set out in the accompanying report by the Chief Finance Officer; and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 2).

Yours faithfully

Sue Sunderland
District Auditor

24 September 2010

Key messages

This report summarises the findings from the 2009/10 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.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	9

Audit opinion

- 1 I plan to issue an audit report including an unqualified opinion on the financial statements.

Financial statements

- 2 I did not identify any errors (other than those of a trivial nature) that management has declined to correct. The amendments that have been made to the accounts since they were approved by the Authority on 25th June are detailed in the accompanying report by the Chief Finance Officer.

Value for money

- 3 I propose to issue an unqualified conclusion.

Audit fees

- 4 I have not had to increase my fee for the audit. The fee remains at £23,925 as indicated in my letter of 28 April 2009 and confirmed in my detailed Audit Opinion Plan presented to the Audit & Performance Committee in January 2010.

Key messages

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

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. 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.

6 I ask the Authority to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 9);
- take note of the adjustments to the financial statements which are set out in the accompanying report by the Chief Finance Officer; and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 2).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

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

Errors in the financial statements

- 8** The amendments that have been made to the accounts since they were approved by the Authority on 25th June are detailed in the accompanying report by the Chief Finance Officer.
- 9** The only material amendment arose because the estimated asset figures used to produce the pensions asset and liabilities figures in the accounts were 1.29% less than the actual assets of the fund at 31 March 2010. This occurred because the actuary estimates the fund value at the year end, based on a roll-forward of the investments as at 31 December, and the fund outperformed against the market in the last quarter of the year. Normally a variation of less than 2% is considered reasonable by the actuaries, however, the difference was material in the context of your financial statements and so the accounts have been amended to reflect the actual asset values.
-

Important weaknesses in internal control

- 10** I have not identified any weaknesses 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.
-

Letter of representation

- 11** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation.
-

Key areas of judgement and audit risk

12 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The Authority still has a number of matters outstanding relating to its actions in support of its minerals extraction policies in the National Park.</p> <p>However, any risk to the Authority's financial standing has been reduced significantly following the favourable outcome of a court case in November 2009.</p>	<p>Officers have continued to keep me informed and there has been no impact on your financial statements.</p>
<p>Preparations for the introduction of International Financial Reporting Standards (IFRS) in 2010/11 will stretch the Authority's resources.</p>	<p>I did not note any areas where the preparations for IFRS hindered the production of the 2009-10 financial statements. I will continue to provide updates to assist officers in these preparations and monitor progress.</p>
<p>As a result of my 2008/09 opinion audit I recommended that the Authority re-examines its procedures surrounding the collation and disclosure of Related Party Transaction (RPT) information.</p> <p>This matter relates solely to disclosures and does not indicate a risk of material misstatement of any of the figures in the main financial statements.</p>	<p>I reviewed the revised procedures as part of my testing of the RPT disclosures in the accounts. I concluded that the procedures were sufficient to determine that transactions with related parties are appropriately identified in the information system and disclosed in the financial statements.</p>

Accounting practice and financial reporting

13 I consider the non-numeric content of your financial reporting. We identified a small number of disclosure issues but there are no issues that I wish to bring to your attention.

Value for money

I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 14 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 3.
- 15 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. Appendix 1 contains my draft report.

Glossary

Annual governance statement

16 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

17 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

18 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

19 The auditor has some reservations or concerns.

Unqualified

20 The auditor does not have any reservations.

Value for money conclusion

21 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Peak District National Park Authority

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Peak District National Park Authority for the year ended 31 March 2010 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 Peak District 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice is set out in the Statement of Responsibilities for the Statement of Accounts. My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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. 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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.

Appendix 1 – Independent auditor’s report to Members of Peak District National Park Authority

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 for other local government bodies specified by the Audit Commission and published in January 2009. 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 January 2009, and the supporting guidance, I am satisfied that, in all significant respects, Peak District National Park Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Sue Sunderland

Officer of the Audit Commission

Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

September 2010

Appendix 2 – Draft letter of representation

To:

Sue Sunderland
Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

Peak District National Park Authority - Audit for the year ended 31 March 2010

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other directors and officers of Peak District 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 2010:

Compliance with the statutory authorities

We acknowledge our 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 give a true and fair view of the financial position and financial performance of the Peak District National Park Authority and for making accurate representations to you.

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.

Appendix 2 – Draft letter of representation

Irregularities

We acknowledge our 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.

We also confirm that we have disclosed:

- our 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
- our 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 Peak District National Park 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.

Fair Values

We confirm the reasonableness of the significant assumptions within the financial statements.

Assets

There have been no instances of the following:

- 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. Except as disclosed in Note 17 to the financial statements we have no other lines of credit arrangements.

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; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and

Related party transactions

We 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 have occurred which would require additional adjustment or disclosure in the financial statements.

Specific representations:

The Authority has one current minerals case where there is the possibility of compensation being awarded as a result of the imposition of a stop notice, however current legal advice is that the risk to the Authority is low and therefore it is considered, even if the amount could be reliably estimated, that the possibility is remote. Therefore, in line with the SORP, no disclosure is considered necessary. A public inquiry has been held into the matter and the result of that inquiry is expected shortly.

Signed on behalf of the Peak District National Park Authority.

We confirm that the this letter has been discussed and agreed by the Authority on 24th September 2010

Appendix 3 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes