

# Auditor's Annual Report

Peak District National Park Authority—  
year ended 31 March 2021

January 2022



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Peak District National Park Authority ('the Authority') for the year ended 31 March 2021. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 30 November 2021. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Authority's arrangements.



### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Authority's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Authority's financial statements.

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# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

During the course of the audit we had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We are grateful for the co-operation and support provided by management.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report, issued on 30 November 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021 and confirmed that, in our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the

Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

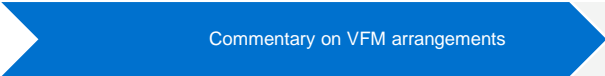
Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Authority’s arrangements. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9-10	No	No
Governance	11-12	No	No
Improving economy, efficiency and effectiveness	13	No	No

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to the Authority’s operating environment in 2020/21

The Authority entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on park authorities such as PDNPA. During the 2020/21 year the Authority dealt with a wide range of issues to support park users.

### 2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Balance Sheet and Movement in Reserves Statement and the Balance Sheet.

The financial position projected through the Authority's balance sheet does not give us cause for concern.

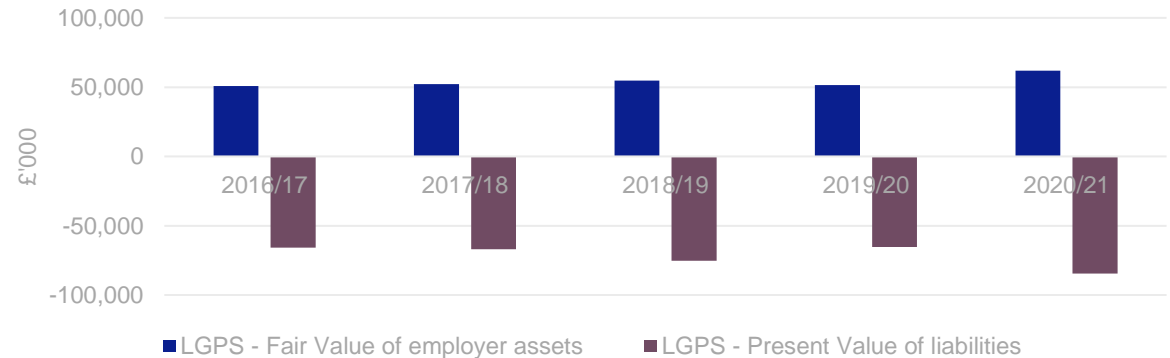
The Authority’s net current asset position (being current assets less current liabilities) has increased by £0.9m from £6.9m to £7.8m.

The most significant change in the balance sheet relates to movements in the Authority’s share of the pension fund net liability (being a deficit position) of £22.6m, up from £13.8m in the prior year as shown in Note 32 of the financial statements. The main movements being:

- an increase in the value of pension assets from £51.5m to £61.9m
- offset by a larger increase in the value of pension liabilities from £65.3m to £84.5m..

In the past few years, it is not unusual to see material movements in the net pension liability and this is consistent with our experience at other councils. We have tracked the movement in the net pension liability over a five year period to illustrate the changes.

PDNPA – Pension Liability Trend



### Reserves

The Authority’s useable reserves have increased from £6.4m to £6.6m in 2020/21, with:

- General Fund & Earmarked Reserves of £5.7m, up from £5.1m in the prior year
- Capital Reserves of £0.9m, down from £1.3m in 2019/20 in line with funding of capital expenditure. Our testing of PPE Additions found no material issues arising over the £1.1m additions to Property, Plant & Equipment set out in Note 28 of the financial statements.

The Authority's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability.

The Authority will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Authority’s arrangements for ensuring financial sustainability.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria (continued)

### Financial planning and monitoring arrangements

In February 2020 the Authority issued a balanced budget for the 2020/21 financial year. During the year, the financial position was monitored by the Resource Management Meeting (RMM) and the Authority received regular reports on financial performance to assist in monitoring the financial position.

A detailed financial commentary on the 2020/21 results was reported to the Authority meeting on the 21st May 2021 where Mazars was present to witness the presentation. We reviewed this report, which contains details on any significant variances to budget in sufficient detail to enable both the RMM and Authority understand financial performance and take action as required. The final underspend after slippage requests and appropriations to and from reserves was £275k. As explained in the report, the main cause of underspend was within an underspend of £146k in the Planning Service because of a large number of vacant posts in the Monitoring and Enforcement and Minerals Teams.

We have not identified any risks of a significant weakness in arrangements for financial planning and monitoring.

### Arrangements for the identification, management and monitoring of funding gaps and savings

The arrangements in place for budget setting and updating the Medium Term Financial Strategy (MTFS) are as expected for a park authority with arrangements for the evaluation of financial risk, alignment to the corporate plan and sources of funding.

Each head of service supports the development of the budget, identifying cost pressures and delivery needs within the corporate plan before presenting a combined report on the budget and MTFS for the Authority. This includes workforce, pay and the capital programme, including capital financing and capital financing charges that impact the revenue budget.

A vacancy control process which was established in 2020/21 has also had an impact on the outturn with an overall underspend in pay across the Authority. This was created to give RMM oversight of all vacancies during an uncertain year with both the impacts of the coronavirus pandemic and the future budget savings that were

required.

There is no indication that the Authority's MTFS and budget setting is not aligned to supporting plans given the Authority has a track record of delivering against budget, with some variation this year due to the unpredictability arising from covid.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to financial sustainability.**

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Governance and decision making arrangements

We have reviewed Authority and Committee Reports and minutes during the year as well as key documents in relation to how the Authority ensures that it makes informed decisions and properly manages its risks.

The Authority has a full suite of governance arrangements in place, including an approved constitution that is regularly reviewed and updated. The Constitution explains how the Authority operates and makes decisions. It ensures that the Authority is efficient, transparent and accountable for what it does.

We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our review of Committee papers confirms that a template covering report is used, ensuring the purpose, consultation, and recommendations are clear. Minutes are published and subsequently approved to evidence the matters discussed, challenge and decisions made.

The Authority's Ethical Framework is the set of rules and procedures which set out the standards of behaviour that the Authority expects of its Members and employees. It also deals with the way in which Members and employees should relate to one another.

The Ethical Framework is made up of the following documents:

- Standing Orders
- The Code of Conduct for Members
- The Protocol for Member/Employee Relations
- The Code of Conduct for Employees
- The Local Code of Corporate Governance

The Authority's Code of Corporate Governance sets out what it will do to achieve this and follows the principles and framework recommended for local government. Each year the Authority reviews its performance against this Code so that it can continuously improve effectiveness and address any weakness highlighted. In doing this it takes into account feedback and reports from independent advisors like internal auditors and the local government ombudsman. This review feeds into the Annual Governance Statement (AGS).

The Authority does not have a separate Audit Committee, with those functions taken at full Authority level, including responsibility for establishing and maintaining an effective system of governance in a way that supports the organisation's objectives. We have reviewed supporting documents and confirmed the Authority meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at meetings has confirmed there is an appropriate level of effective challenge.

The Authority's governance arrangements are set out in the Annual Governance Statement (AGS), which is reviewed as part of our audit where we confirmed they were consistent with our understanding of the Authority's arrangements in place. These arrangements are deemed adequate with no indication of a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

The Authority is responsible for overseeing the effectiveness of risk management arrangements, challenging risk information. We have reviewed minutes of the Authority to confirm Members have reviewed the Strategic Risk Register during the year.

Our review of minutes above, as well as our attendance at committee meetings where the strategic risk register has been presented, demonstrates a process of following the steps in the Risk Management strategy and evidence of adequate arrangements in place.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Authority has an Internal Audit service that agrees an annual Internal Audit plan with management at the start of the financial year. Internal Audit reports are regularly presented to the Authority and from our attendance at meetings, we are satisfied this allows the Authority to effectively hold management to account.

At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. We reviewed the Internal Audit’s annual opinion which is provided to the Authority and supports the Annual Governance Statement. We have confirmed that the HOIA opinion has been adequately reflected in the Annual Governance Statement to provide assurance that there is no significant weakness in arrangements for 2020/21.

Throughout the year we have attended Authority meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from in challenging the papers and reports which they receive from officers, internal audit and external audit.

### Arrangements and approach to 2021/22 financial planning

We reviewed the Medium Term Financial Strategy presented to the Authority in February 2021 covering the period 2021/22 to 2024/25. In doing so, we noted, the report and financial risks is clearly laid out, with sufficient

detail to explain the sources of funding and areas of spend. We considered the main assumptions supporting the MTFS and are satisfied these are not unreasonable.

We considered the impact of budget decisions on the reserves, which indicates a reduction in reserves at 2022 to £5.2m.

We also considered the savings required to maintain a balanced budget, which is £nil in 2021/22, £179k in 2022/23; £354k in 2023/24; and £529k in 2024/25. A savings plan is in place to address the gap, which includes c£320k from the management restructure.

Overall, we are satisfied in the arrangements to develop the MTFS and have not identified any significant weaknesses in arrangements.

### Regulators

There are few external regulators for Authority’s and we have not identified any matters reported which indicate significant weaknesses in the Authority’s governance arrangements.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority’s arrangements in relation to governance.**

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### Performance Management

The Authority’s corporate strategy for 2019-24 focuses on enhancement and conservation. It sets the outcomes we want to achieve for the Peak District National Park over this five-year period, as well as aspirations to 2040. It provides the framework to align resources to help achieve this. This corporate strategy shows how the Peak District National Park Authority will contribute to the partnership plan for the place: the Peak District National Park Management Plan 2018-23.

The National Park Management Plan provides the framework that encourages everyone to work together to achieve national park purposes. It is not a plan for an individual organisation or group but a plan for the place. It is, therefore, a partnership plan.

The Authority has in place a performance management framework with processes for regular performance reporting and corrective action if required. The Authority’s budget endeavours to ensure the provision of the appropriate resources required to deliver the Corporate Plan, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

The Authority produces a detailed annual report where performance is considered following the year-end. We have reviewed the report presented, in our presence, to the National Park Authority meeting of May 2021. We also reviewed the final published report (“Our achievements in 2020/21 and our ambitions for 2021/22”) which, in our view, adequately sets out the Authority’s progress and achievements of 2020/21 (the second year of the Corporate Strategy 2019-24) and provides a look forward to its ambitions for 2021/22. This report provides the public with an overall assessment of the Authority activities for the financial year

Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Authority.

### Partnerships

The Authority works work with a vast range of organisations and groups to look after the national park. No matters have been brought to our attention to indicate a risk of significant weakness in arrangements.

### Procurement

The Authority has arrangements for standing financial instructions are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability. Our work on the financial statements has not identified any significant internal control deficiencies.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority’s arrangements in relation to improving economy, efficiency and effectiveness.**

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Authority's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum and Audit Completion Report. Our current fees estimate is set out below. We will agree the final fee, and any further variations, with management prior to reporting to the Authority.

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£10,209	£10,209
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£3,518	£3,518
Additional testing as a result of the implementation of new auditing standards	-	£1,188
Other additional testing - additional testing and consideration of uncertainties in key estimates as a result of Covid-19	£2,454	£1,188
Additional work as a result of the new Code of Audit Practice and VFM reporting	-	£3,518
<b>Total fees</b>	<b>£16,181</b>	<b>£19,122</b>

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