



cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Peak District National Park Authority

September 2015

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sue Sunderland the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Peak District National Park Authority ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2014/15 VFM conclusion.

In the case of the Authority this means the scope of our work on value

for money is limited to a review of your annual governance statement (AGS) unless any specific risks are identified.

We identified one specific risk at the planning stage..

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	<p>Our audit has not identified any material misstatements although there is an uncorrected non trivial misstatement (£60k) relating to Assets Held for Sale that do not fully meet the definition.</p> <p>The interpretation of the criteria around assets held for sale has been discussed with the Head of Finance as we did not feel that all of the criteria had been fully complied with. However, as the material assets have subsequently been sold in the current year we accepted their classification for 2014/15. Going forward it is important that the full criteria are considered when designating Assets Held for Sale.</p> <p>We have raised one recommendations arising from our work, which is summarised in Appendix 1.</p>
Key financial statements audit risks	<p>We review risks to the financial statements on an ongoing basis. We identified the following key financial statements audit risks in our 2014/15 external audit plan issued in March 2015.</p> <ul style="list-style-type: none"> ▪ The fixed asset register which is spreadsheet based and susceptible to error. <p>We have worked with officers throughout the year to discuss this key risk and our detail findings are reported in section 3 of this report. There is a recommendation raised relating to this issue</p>
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ▪ Whole of Government Accounts <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>The Audit Commission determined that the scope of our work on value for money at the Executive is limited to a review of your annual governance statement (AGS) unless any specific risks are identified.</p> <p>We identified the following VFM risk in our External audit plan 2014/15 issued in March 2015.</p> <ul style="list-style-type: none"> ▪ Saving plans <p>We have worked with officers throughout the year to discuss this VFM risk and we are satisfied that there are no matters to report in our VFM conclusion.</p>

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

Our audit has not identified any material misstatements although there is an uncorrected non trivial misstatement (£60k) relating to Assets Held for Sale that do not fully meet the definition.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Resources and Performance Committee on 18 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £0.350m. Audit differences below £0.017m are not considered significant.

Our audit has not identified any material misstatements although there is an uncorrected non trivial misstatement (£60k) relating to Assets Held for Sale that do not fully meet the definition. (See Appendix 3)

The interpretation of the criteria around assets held for sale has been discussed with the Head of Finance as we did not feel that all of the criteria had been fully complied with. However, as the material assets have subsequently been sold in the current year we accepted their classification for 2014/15. Going forward it is important that the full criteria are considered when designating Assets Held for Sale.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* ('the Code'). We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:


- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks



In our External Audit Plan 2014/15, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
	<p>The Authority's Fixed Asset Register (FAR) is spreadsheet based. The PPE figures in the accounts come straight from the FAR without passing through the ledger first. In 2013/14 errors were identified issues with the formula's in the spreadsheet.</p> <p>The 2013/14 audit also identified an issue in relation to the historic gross book value and accumulated depreciation figures within the financial statements. This was to be addressed during 2014/15 to ensure that they are correctly stated.</p>	<p>As part of our recommendations in 2013-14 the Authority agreed to undertake a detailed review of the FAR spreadsheet to correct formula errors and enhance reconciliations. Work has been carried out, this has improved the spreadsheet but it is still time consuming to follow all the formula's through to ensure accounting entries have been correctly treated. One formula error was identified during this work.</p> <p>PPE is the largest balance in the Authority's balance sheet and additional detailed work was required to ensure we got adequate assurance over the integrity of the system. As a consequence we will need to raise an additional fee of £1,000.</p> <p>We have repeated last year's recommendation for the Authority to consider getting a FAR software package. Experience elsewhere has shown the initial time investment to be quickly repaid in saving both finance staff and audit time on an annual basis.</p>

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ None 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>



Financial Statements (continued) Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was good.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority’s accounting practices and financial reporting. We also assessed the Authority’s process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 15 June 2015. This was two weeks prior to the deadline of 30 June 2015, and it will help the Authority with the tighter local government accounts deadlines which come into 2017/18.
Quality of supporting working papers	We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit on 4 March 2015. The quality of working papers provided was high and met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers resolved all audit queries in a timely manner.

Prior year recommendations

As part of our audit we have specifically followed up the Authority’s progress in addressing the recommendations in last years ISA 260 report.

The recommendations we raised in the ISA 260 Report 2013-14 were concerning the fixed assets register and these have been reviewed as part of our audit. We have noted that there are improvements with the FAR but have repeated the recommendation again in 2014-15.

Appendix 2 provides further details

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Peak District National Park Authority for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP Peak District National Park Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Audit Resources and Performance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Our approach to VFM work follows guidance provided by the Audit Commission and adopted by PSAA Ltd.

We have concluded that there are no matters to report.

Background


Auditors are required to give their statutory VFM conclusion based on criteria specified by the Audit Commission. For 2014/15, auditors of bodies such as the Authority will continue to meet their VFM duty by:

- reviewing the annual governance statement (AGS);
- reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

We reported our initial risk assessment in our audit plan, this identified one risk which is detailed below.

Conclusion

We have no matters that we need to report.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Pressures on the Authority has led to reduced funding and budgets and these are forecast to continue. The Authority is currently working on reductions of 5% per annum which means a reduction of around £1.5m over the next three years.</p> <p>The Authority has plans in place to address these reductions, whilst seeking to ensure that service delivery can be maintained at acceptable levels.</p>	<p>As part of our assessment of the Authority's approach to saving plans we have:</p> <ul style="list-style-type: none"> • Reviewed the 2014-15 financial position against the budget and confirmed that there was no significant overspends • Reviewed the planned budgets for 2015-16 and the proposed savings to be made • Reviewed the assessment of performance against the code of corporate governance produced by the Authority <p>We have concluded adequate arrangements are in place in 2014-15 regarding saving plans but we will continue to monitor financial performance going forward</p> <p>Specific risk based work required: No</p>

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations

<p>1 <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	1	<p>Fixed Asset Register (FAR)</p> <p>The FAR was raised as a recommendation in 2013-14 and improvements have been made. However, a formula error was again identified and considerable work is required to confirm the integrity of the data.</p> <p>Recommendation</p> <p>The Authority should consider whether the spreadsheet used for the FAR is still fit for purpose, or whether a FAR software package would be more appropriate. If the spreadsheet is maintained, the document should include the PPE note from the accounts, detailing where all the information can be found in the spreadsheet</p>	<p>The Head of Finance will look further at the possibility of a stand alone fixed asset register, and compare the benefits and costs with the current spreadsheet, as it is accepted that the issues within the spreadsheet (largely self-contained within Note 11 and the complexities of accounting for cumulative depreciation and derivations of gross book value) make for a complex spreadsheet. The PPE note already links to the fixed asset spreadsheet from the main accounts spreadsheet, and the links are considered to be clear as the formulas all point to relevant cells in the fixed asset register, but the recommendation will be an improvement and will be implemented for next year, together with improvements to the linkages in the opening and closing balances</p>

Appendix 2: Follow up of prior year recommendations

The Authority has not fully implemented all of the recommendations in our ISA 260 Report 2013/14 and we have raised a new recommendation this year

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	3
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at end August
1	1	<p>Fixed Asset Register (FAR)</p> <p>We have identified several formula errors within the spreadsheet that is used for the FAR. None of these have a material impact on the accounts, but questions the integrity of the system</p> <p>Recommendation</p> <p>The Authority should consider whether the spreadsheet used for the FAR is still fit for purpose, or whether a FAR software package would be more appropriate. If the spreadsheet is maintained, it requires detailed review to ensure that its formula's are correct</p>	<p>Agreed. A review of the asset spreadsheet will be carried out later in the year (2014) to correct formula errors and enhance reconciliations. This is considered to be the most cost effective way forward before any further consideration of a software package purchase.</p>	<p>Recommendation raised in 2014-15</p>

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at end August
2	①	<p>Prior period amendments</p> <p>We have identified misclassifications in the Property, Plant and Equipment note and it is likely that the opening gross book value and accumulated depreciations values are misstated.</p> <p>Recommendation</p> <p>The Authority needs to work through the historic gross book value and accumulated depreciation figures to ensure that they are correctly stated.</p>	<p>Agreed. These misclassifications will be dealt with in the review above and the values will be corrected if necessary.</p>	<p>We are still finalising our work on the prior period adjustment, however, the value is not material and we are not anticipating any amendments</p>
3	②	<p>Capital asset management programme</p> <p>Slower progress than anticipated has been made on the Authority's asset management programme.</p> <p>Recommendation</p> <p>The Authority needs to proactively manage this programme to ensure progress is made in 2014-15</p>	<p>The Authority approved the response to the strategic review of property in May 2014 and target dates for implementation for the period 2014-2017. Progress against the agreed action plan will be monitored by the Integrated Property Board. It is agreed that there have been delays in progressing action on Brosterfield and a timeline for proceeding is being considered by the Audit Resources and Performance Committee on 19 September. Other property reports are also being considered by this Committee in line with the action plan including: Losehill Hall Bungalow; Aldern House; North Lees.</p>	<p>A review of minutes and discussions with management confirm that progress is now being made and this is not identified as a risk in 2014-15</p>

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Resources and Performance Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

There are no corrected audit differences.

A number of minor amendments focused on presentational improvements have been made to the draft financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Uncorrected audit differences

In order to classify an asset as 'Held for Sale' certain criteria must be met. Namely:

- The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable
- For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets held for sale as at 31 March 2015 included £60k relating to various Woodland sites. However, Member approval to dispose of these assets potentially at below value because of the restrictive covenants applied was not sought until May 2015. As a consequence they do not meet the criteria of assets held for sale at 31 March 2015.

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Resources and Performance Committee

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Peak District National Park Authority for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Peak District National Park Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £0.350 million for the Authority's accounts.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed and updated materiality for the Authority at the start of the final accounts audit, due to expenditure being higher than we predicted at our planning stage.

Materiality for the Authority's accounts was set at £0.350 m which equates to around 2% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Resources and Performance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Resources and Performance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £17.5k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Resources and Performance Committee to assist it in fulfilling its governance responsibilities.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

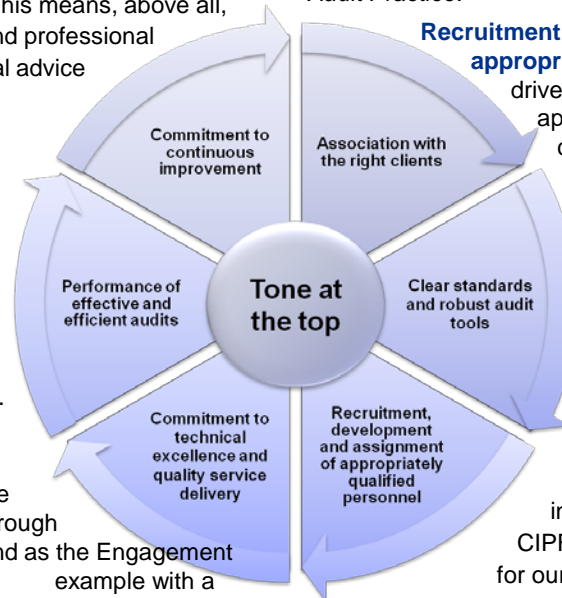
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Sue Sunderand as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



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