Appendix 4

Auditor’s Annual Report

Peak District National Park Authority – year ended 31 March 2023

October 2024

forv/s mazars

Contents

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Introduction

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 2023. 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 11 October 2024. Our opinion on the financial statements was unqualified.

Wider reporting responsibilities
The National Audit Office issued its group instructions for 2022/23 on 28 April 2024. They have yet to confirm their sampled components as result we cannot issue the audit certificate.

Value for Money arrangements
In our audit report issued we reported that we had 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. Section 3 provides our commentary on the Authority’s arrangements.

forvis mazars

02

Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

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 2023 and of its financial performance for the year then ended. Our audit report, issued in October 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 13.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Authority arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	15	No	No	No
Governance	17	No	No	No
Improving economy, efficiency and effectiveness	19	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Risk of significant weakness in arrangements	
2021-22	Nil
2022-23	Nil

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Authority's arrangements for financial sustainability brought forward from 2021/22.

Overall responsibilities for financial governance

We have reviewed the Authority's overall governance framework, including committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Authority undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Authority's service users.

The Authority's financial planning and monitoring arrangements

Through our review of Authority reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Authority's arrangements for budget monitoring remain appropriate, including regular reporting to Members and well-established arrangements for year-end financial reporting.

Financial Statement performance 2022/23

We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. the Authority's balance sheet position does not highlight any concerns. The Authority's useable reserves have increased from £9.6m to £10.7m in 2022/23, with General Fund & Earmarked Reserves of £9.3m, up from £8.0m in the prior year Capital Reserves of £1.4m, down from £1.6m in 2021/22.

The Authority's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. 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.

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. 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.

Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to financial sustainability for the year ended 31 March 2023.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Overall commentary on Governance

Risk of significant weakness in arrangements	
2021-22	Nil
2022-23	Nil

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Authority's arrangements for financial sustainability brought forward from 2021/22.

The Authority's governance structure

Based on our work, we are satisfied that the Authority has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Authority as part of our audit.

Our review of Authority papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed to evidence the matters discussed, challenge and decisions made.

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.

Risk management and internal control

The Annual Governance Statement is a critical component of the Authority's governance arrangements. It is an evidenced self assessment by the Authority on the Authority's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Arrangements for budget setting and budgetary control

The Authority set a balanced revenue budget for the 2023/24 financial year. For 2023/24 the National Park Grant is 100% funded from central government for the twentieth year. The National Park Grant, provided by Defra, is the Authority's largest source of income amounting to approximately £6.7m annually. The 2023/24 pay budget is main source of assumptions for the MTFS and was set on the basis that the current proposal of an assumed 5% pay award before the end of the financial year.

We have read reports to Authority covering the budget setting for 2022/23 and 2023/24 as well as the associated Medium Term Financial Strategy. We also held a number of meetings with Officers throughout the year and attended the Authority meeting where the budget was set. The arrangements in place for budget setting and updating the Medium Term Financial Strategy are as expected for a park authority with arrangements for the evaluation of financial risk, alignment to business plans and sources of funding.

Overall, we have not identified any indicators of a significant weakness in the Authority's arrangements relating to the Governance criteria for the year ended 31 March 2023.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Risk of significant weakness in arrangements	
2021-22	Nil
2022-23	Nil

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Authority’s arrangements for financial sustainability brought forward from 2021/22

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. This report provides the public with an overall assessment of the Authority activities for the financial year with no indicators of a risk of significant weakness in arrangements.

We identified no significant changes in arrangements regarding partnership working and are satisfied the Authority continues to have arrangements for standing financial instructions, purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies regarding purchasing controls.

No significant issues have been raised by regulators.

Overall, we have not identified any indicators of a significant weakness in the Authority’s arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

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

The National Audit Office issued its group instructions for 2022/23 on 28 April 2024. They have yet to confirm their sampled components as result we cannot issue the audit certificate.

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 presented to the Authority in May 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees	2023/24 fees
Scale fee under the Code of Audit Practice	£10,209	£13,727	£44,821
Additional costs not included in the scale fee:			
• Additional testing on IAS19 Pension Liabilities and valuation of land & buildings (including errors)	£4,200	£6,085	-
• Additional work from the introduction of new auditing standards (ISA 540 Estimates)	£1,188	£1,188	-
• Additional work from the introduction of new auditing standards (ISA 315 Identifying and Assessing the Risks of Material Misstatement)	-	£3,501	TBC
• Additional cost in respect of the new VFM approach	£4,400	£4,446	-
Total fees	**£20,309**	**£28,946**	**TBC**

The Authority received a grant to continue towards audits cost of £5,263

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Valuation of property, plant and equipment Land and buildings are a significant balance on the Authority's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.	We addressed this risk by: • critically assessing the Authority's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • considering whether the overall revaluation methodologies used by the Authority's valuer are in line with industry practice, the CIPFA code of practice and the Authority's accounting policies; • assessing whether valuation movements are in line with market expectations by considering valuation trends; • critically assessing the treatment of the upward and downward revaluation movements in the Authority's financial statements with regards to the requirements of the CIPFA code of practice. • critically assessing the approach that the Authority adopts to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority's valuers. Findings: Our review of the fixed asset register noted that the North Lees Campsite washrooms had been double counted as a result of a current non-enhancing addition not being impaired to nil and being revalued alongside the main asset. We have raised a control recommendation and an unadjusted misstatement in the sections 05 and 06 of this report. We also noted an overstatement of £47k in the land value of Lathkill Dale. Upon revaluation, the Valuer included the area of three neighbouring dales in their calculation, along with an incorrect passing rent value of £120/annum, rather than £100. PDNPA made an error by taking the Valuer's finance lease value, rather than the appropriate operating lease value. We have raised a control recommendation and an unadjusted misstatement documented in this report. Finally, there is a variance in area used to revalue Aldern House, comparing the Valuer's net internal area to Peak District's building plans and calculations. Using Peak District's internal areas, the recalculation shows Aldern House's valuation has been overstated by £95k.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Net defined benefit asset/liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Authority's balance sheet. The Authority uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	We have addressed the risk by: • critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary; • liaising with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This assurance received covered the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements. Findings: As a result of an audit adjustment found by the Derbyshire Pension Fund auditor, there is an unadjusted misstatement of the plan assets of £109k.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £9k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Impairments	77			
	Cr: Land and buildings NBV				-77
	When reviewing the fixed asset register, we identified a non-enhancing addition in the register was input onto its own asset line and not subsequently impaired, causing land and buildings to be overstated by £77k. We understand that the Authority is in the process of sourcing a new fixed asset register.				
2	Dr: Revaluation losses to the SDPS	47			
	Cr: Land and buildings				-47
	Errors were noted in relation to Lathkill Dale, which increases the error from £38k to £47k in total. These errors relate to: Incorrect area being used Incorrect passing rent being used Incorrect lease type used in the valuation This resulted in an overall overstatement of £47k in the land value of Lathkill Dale. The Authority had not noticed this error on their review of the valuation report				

Summary of uncorrected misstatements, continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
3	Dr: Pension Asset			109	
	Cr: OCI		-109		
	As a result of an audit adjustment found by the Derbyshire Pension Fund auditor, there is an unadjusted misstatement of the plan assets of £109k.				
4	DR: Revaluation Reserve			95	
	Cr: Land and buildings				-95
	There is a variance in area used to revalue Aldern House, comparing the Valuer's net internal area to Peak District's building plans and calculations. Using Peak District's internal areas, the recalculation shows Aldern House's valuation has been overstated by £95k.				
	Total unadjusted misstatements	124	-109	204	-219

5. Internal control recommendations

Deficiencies in internal control – Level 2

Description of deficiency

Our journals testing highlighted that there had been authorisation of journals with no formal documentation of approval. We understand that these were posted by a finance team member before being approved by Head of Finance.

Potential effects

There is a heightened risk of management override of controls and fraudulent posting of journals where there is insufficient segregation of duties. We note that it would be very difficult to misappropriate Authority assets and this risk relates to manual journals with an impact on financial performance. From our testing we have not identified any instances of this occurring.

Recommendation

Whilst it is not possible to evidence review on the current finance system, excel journal preparations which are then transferred into the finance system should have evidence of review to show appropriate segregation of duties and approval.

Management response

The journals for 2022/23 were completed by another Accountant during the process and reviewed by the Finance Manager. A new finance system was implemented in October 2023, which now provides an approval workflow and user log for journal records. The new system now ensures that a journal is uploaded and approved by different users, therefore ensuring segregation of duties. The user log is auditable, thereby providing a record of the different users involved in processing a journal.

Deficiencies in internal control – Level 2

Description of deficiency

The fixed asset register lacks sufficient clarity to facilitate accurate accounting. We have identified that as a result, a non-enhancing addition in the register was input onto its own asset line and not subsequently impaired, causing land and buildings to be overstated by £77k. We understand that the Authority is in the process of sourcing a new fixed asset register.

Potential effects

There is the potential for material misstatement in the financial statements as a result of information on assets being missed or duplicated in the preparation of the financial statements.

Recommendation

To update the fixed asset register to ensure all required information is retained.

Management response

It is accepted that there was a non-material error in the fixed asset register during the 2022/23 process. The Authority is currently procuring a new asset management system which will have an accounting module to facilitate year end processes for the statement of accounts. It is hoped that this will be in place for the 2023/24 statement of account process.

5. Internal control recommendations

Other recommendations in internal control – Level 2

Description of deficiency

Testing of income cut-off identified a weakness relating to the year-end accruals process and controls. One misstatement (£3,256) related to income recognised in 2023/24 which related to 2022/23.

We cannot extrapolate this error to give a precise value because this is not taken from a full year's population which is complete, but the indicative error is immaterial but greater than trivial in relation to the first two months of the 23/24 financial year. As the factual error is below trivial, this is not reported in section 06.

Potential effects

The CIES and Debtors in the financial statements could be misstated in future.

Recommendation

Review year end processes and controls around accruals to ensure they are appropriately robust.

Management response

It is accepted that there was a small error in the recognition of income that related to 2022/23, however we feel that this is an exceptional occurrence. Nonetheless the accruals process will be reviewed for the 2023/24 year end to ensure that any error of this type is unlikely to occur again or would be corrected before completion of the year end processes.

Other recommendations in internal control – Level 2

Description of deficiency

Land and buildings revaluation testing identified that the area used in one of the Valuer's calculations did not agree to the Authority's site plans of the asset. This was caused by the Valuer including the area of three neighbouring dales in their calculation, resulting in an overstatement of £38k in the land value of Lathkill Dale. The Authority had not noticed this error on their review of the valuation report.

Potential effects

There is the potential for material misstatement of Land and Buildings and Surplus assets in the financial statements as a result of the valuer using incorrect inputs or assumptions.

Recommendation

Management should review the inputs and assumptions used by the Valuer to ensure the estimates in the financial statements are reasonable.

Management response

The Authority is currently procuring a new asset management system and this will mean that all information relating to fixed assets will be held in one place and this will reduce the likelihood of a similar mistake not being noticed. The fixed asset register held by finance does not include detailed information on the land area and is reliant on the valuer using the correct information supplied by our asset management team.

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