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Traffic light explanation

Red ■ Amber ◊ Green ●
This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

■ the audit of your financial statements; and
■ my assessment of your arrangements to achieve value for money in your use of resources.

I have also considered the challenges faced by the Authority in 2011/12 and beyond.

<table>
<thead>
<tr>
<th>Key audit risk</th>
<th>Our findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified audit opinion</td>
<td></td>
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<tr>
<td>Proper arrangements to secure value for money</td>
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</table>

**Audit opinion and financial statements**

■ I issued an unqualified opinion on the financial statements on 26 September 2011.
■ The accounts were prepared to a good standard and were supported by good working papers.
■ Officers agreed to amend the accounts in response to issues that I identified. These changes were minimal within the context of having to prepare the accounts in line with International Financial reporting Standards (IFRS) for the first time.

**Value for money**

■ I issued an unqualified VFM conclusion stating the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

■ Many areas of the Authority’s management arrangements continue to reflect good practice.

**2011/12 and future challenges**

■ The Authority faces significant challenges in providing services that meet the public’s expectation whilst keeping its focus on financial resilience and value for money.
■ Work to identify how to balance the budgets for 2013/14 and 2014/15, which are currently in deficit, needs to remain an organisational priority.
■ Income from new sources needs to be secured in order to achieve the financial plans.
Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Overall conclusion from the audit

I presented my Annual Governance Report to the Audit Committee on 23 September 2011. This allowed me to issue an unqualified opinion on the Authority’s accounts on 26 September 2011, before the statutory deadline of 30 September 2011.

The accounts were submitted for audit on time and the supporting working papers were prepared to a good standard.

The preparation of the 2010/11 accounts was challenging because of the introduction of International Financial Reporting Standards (IFRS). This meant that there were new accounting requirements and many new disclosures. These had to be prepared not only for 2010/11 but also for 2009/10 in order to provide comparative figures.

Officers responded positively to the issues raised during the audit, amending the accounts where necessary. The amendments made were minimal within the context of the changes needed to meet the IFRS for the first time.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.
# Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against the criteria specified by the Audit Commission. My overall conclusion is that the Authority has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the areas is set out below.

## Value for money criteria and key messages

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Key messages</th>
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</thead>
<tbody>
<tr>
<td>Managing finances</td>
<td></td>
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</table>

1. Financial planning and financial health:

Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

The Authority has continued to respond effectively to the financial challenges it faces; most notably the 5 per cent in-year decrease in grant and the 28.5 per cent cut over the next four years. In October 2010, in the face of this new financial climate, the Authority agreed a new Corporate Strategy. Subsequently the first phase of cost reduction measures necessary to deliver this Strategy and allow balanced budgets for 2011/12 and 2012/13 to be set were agreed. The second phase is currently work in progress and needs to remain an organisational priority.
<table>
<thead>
<tr>
<th>Criterion</th>
<th>Key messages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2. Understanding costs and achieving efficiencies:</strong>&lt;br&gt;Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</td>
<td>The Authority’s continuing need to secure savings within the context of falling grant income has continued the drive the need to both understand costs and performance and achieve efficiencies in its activities. In 2010/11 some planned restructuring costs were incurred that will enable the achievement of the expected savings going forwards.</td>
</tr>
<tr>
<td><strong>3. Financial reporting:</strong>&lt;br&gt;Is the organisation’s financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</td>
<td>The Resources Committee receives regular financial reports that enable it to monitor performance against budgets. Other financial information is provided at various levels to meet the needs both internally and for the public. The annual financial statements are prepared to a good standard and demonstrate the reliability of underlying financial records.</td>
</tr>
<tr>
<td><strong>Governing the business</strong></td>
<td></td>
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<tr>
<td><strong>4. Risk management and internal control</strong>&lt;br&gt;Does the organisation manage its risks and maintain a sound system of internal control?</td>
<td>Corporate risks are linked to the strategic objectives in the business plan. These details are recorded in a corporate risk register, which is regularly updated and is presented to the Resources Committee on a quarterly basis. The Annual Governance Statement is an open and honest self-assessment of the Authority’s performance across all of its activities. It continues to demonstrate that a sound system of internal control is being maintained, as supported by the findings of Internal Audit.</td>
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</tbody>
</table>
2011/12 and future challenges

The Authority faces significant challenges in providing services that meet the public’s expectation while keeping its focus on financial resilience and value for money. Income needs to be secured from new sources and action taken to identify how the budgets for 2013/14 and 2014/15, which are in deficit, will be brought back into balance.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Action for the Authority</th>
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<tbody>
<tr>
<td><strong>Economic downturn and pressure on the public sector</strong>&lt;br&gt;Both the reduction in grant funding from central government and the impact of the economic downturn locally are placing the Authority under unprecedented financial pressure.&lt;br&gt;Over the period 2011/12 to 2014/15 inclusive, the National Park Grant is projected to reduce by £1.49 million or 21.5 per cent in cash terms.&lt;br&gt;While the revenue budgets for 2011/12 and 2012/13 are balanced, those for future years are not.</td>
<td>The Authority’s financial scenario planning work must continue to identify how the budgets for 2013/14 and 2014/15, which are in deficit, will be brought back into balance. Action will then be needed to ensure planned savings are achieved.</td>
</tr>
<tr>
<td><strong>Securing alternative sources of income</strong>&lt;br&gt;Given the significant fall in grant funding the Authority is seeking alternative sources of income. &lt;br&gt;The expected increase in income generated in 2011/12 at the Visitor Centre at Brockhole has been limited to an extent, by both the delay in the completion of the Jetty, the securing of planning permission for the high ropes course and the national economic climate. &lt;br&gt;The Authority has a target of securing a 10 per cent year-on-year increase in commercial income for 2011/12 and future years. This will be challenging given the current economic climate.</td>
<td>The Authority must ensure that momentum is maintained to produce the extra income that is needed.</td>
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</table>
Closing remarks

I have agreed this letter with the Chief Executive and the Director of Corporate Services. I will present this letter at the Audit Committee on 15 December 2011 and will provide copies to all Authority members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

<table>
<thead>
<tr>
<th>Report</th>
<th>Date issued</th>
</tr>
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<tbody>
<tr>
<td>Audit Opinion Plan</td>
<td>January 2011</td>
</tr>
<tr>
<td>Interim Report</td>
<td>March 2011</td>
</tr>
<tr>
<td>IFRS restatement of 2009/10 accounts Report</td>
<td>May 2011</td>
</tr>
<tr>
<td>Annual Governance Report</td>
<td>September 2011</td>
</tr>
<tr>
<td>Final Accounts Memorandum</td>
<td>October 2011</td>
</tr>
<tr>
<td>Annual Audit Letter</td>
<td>October 2011</td>
</tr>
</tbody>
</table>

The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority’s staff for their support and co-operation during the audit.

Karen Murray

District Auditor
October 2011
Appendix 1 - Fees

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Proposed</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale fee</td>
<td>£28,846</td>
<td>£28,846</td>
<td>£0</td>
</tr>
<tr>
<td>Non-audit work – see Note below</td>
<td>£2,142</td>
<td>£0</td>
<td>£2,142</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£30,988</strong></td>
<td><strong>£28,846</strong></td>
<td><strong>£2,142</strong></td>
</tr>
</tbody>
</table>

Note: At an officer’s request I prepared an independent reporting accountants report on the Brockhole Jetty Project to enable the grant funding to be obtained from the grant paying body.
Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

■ whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
■ whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

■ I find the statements do not give a true and fair view; or
■ I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.
The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.