The Annual Audit Letter for Lake District National Park Authority

Year ended 31 March 2016

October 2016

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Executive summary

Purpose of this letter
Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Lake District National Park Authority for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Authority and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Governance Committee as those charged with governance in our Audit Findings Report on 28 September 2016.

Our responsibilities
We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:
• give an opinion on the Authority's financial statements (section two)
• assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work
Financial statements opinion
We gave an unqualified opinion on the Authority's financial statements on 30 September 2016.

Value for money conclusion
We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 30th September 2016.
Use of additional powers and duties
We are required under the Act to give electors the opportunity to raise questions about the Authority's accounts. We received an objection from a local elector on the 2014/15 accounts, requesting that we issue a report in the public interest under section 8 of the Audit Commission Act 1998 relating to some aspects of the services provided at the Brockhole Visitor Centre. We considered the issues raised and determined that there were no grounds to issue a public interest report.

Certificate
We certified that we had completed the audit of the accounts of Lake District National Park Authority in accordance with the requirements of the Code on 19 October 2016, for both the 2014/15 and 2015/16 financial years.

Working with the Authority
We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority’s staff.

Grant Thornton UK LLP
October 2016
Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £205,000 which is 1.5% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash, auditor and senior officer remuneration.

We set a lower threshold of £10,000, above which we reported errors to the Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

• the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
• significant accounting estimates made by management are reasonable; and
• the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.
Audit of the accounts - Authority

Table 1: These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

<table>
<thead>
<tr>
<th>Risks identified in our audit plan</th>
<th>How we responded to the risk</th>
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</table>
| Valuation of property, plant and equipment and investment properties. | • Reviewed management's processes and assumptions for the calculation of the estimate.  
• Reviewed the competence, expertise and objectivity of any management experts used.  
• Reviewed the instructions issued to valuation experts and the scope of their work  
• Reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding.  
• Tested revaluations made during the year to ensure they were input correctly into the Authority's asset register.  
• Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.  
We did not identify any issues to report with the exception of a narrative correction to a disclosure note on depreciation. |

Valuation of pension fund net liability

The Authority's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.

• Identified the key controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.  
• Reviewed the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out. We undertook procedures to confirm the reasonableness of the actuarial assumptions made.  
• Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.  
We did not identify any issues to report.
Audit of the accounts

Audit opinion
We gave an unqualified opinion on the Authority's accounts on 30 September 2016, in line with the national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts
We reported the key issues from our audit of the accounts of the Authority to its Governance Committee on 28 September 2016. In addition to the key audit risks reported above, we identified the following adjustments during our audit that the Authority’s management amended included:

- events after the reporting period had been updated to reflect the significant recent asset sales;
- given the complex nature of some assets classified as investment property as opposed to operational assets, management enhanced its critical judgement disclosure; and
- an additional disclosure was added to cover the potential future liability arising from the loss of amenity on previous planning permissions granted to sites, that are now deemed to be Special Areas of Conservation within the national park boundary.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority. However, management agree more can be done to improve the assurance gathering arrangements to support and underpin the AGS and plans are in place to implement improvements by 31 March 2017.

Other statutory duties
We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We are required under the Act to give electors the opportunity to raise questions about the Authority's accounts. We received an objection from a local elector on the 2014/15 accounts, requesting that we issue a report in the public interest under section 8 of the Audit Commission Act 1998 relating to some aspects of the services provided at the Brockhole Visitor Centre. We considered the issues raised and determined that there were no grounds to issue a public interest report.

Annual Governance Statement and Narrative Report
We are also required to review the Authority’s Annual Governance Statement (AGS) and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.
Value for Money conclusion

Background
We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Key findings
Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion
We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.
## Capital Funding and programme delivery

Cumbria experienced severe flooding in several areas during December 2015, impacting on a number of Authority services, buildings and infrastructure across the National Park. The severe floods caused extensive damage to the public rights of way network within the heart of the Lake District. The total estimated cost for all works, including materials, staff cost, resilience work is £7m.

The Authority's risk register notes that if they are unsuccessful with bids for funding then this damaged network will have an impact on the business economy in the Lake District. The Authority rely on capital receipts and flood related income sources to fund capital projects. Capital programme slippage in 2015/16 has resulted in schemes moving into 2016-17.

Detailed management of capital highlights that the position is currently manageable without the need to delay key investments. Overall risk is that, the Authority is not able to meet all of its capital commitments as set out in their capital plan, which requires close engagement with a number of key partners.

<table>
<thead>
<tr>
<th>Risk identified</th>
<th>Work carried out</th>
<th>Findings and conclusions</th>
</tr>
</thead>
</table>
| Capital Funding and programme delivery               | Review of progress of insurance claims and other external funding in relation to floods.  | We have considered this risk in the context of sustainable resource deployment and partnership working, in particular on:  

  • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;  
  • Managing assets effectively to support the delivery of strategic priorities;  
  • Working with partners and other third parties; and  
  • Working with third parties effectively to deliver strategic priorities.  

The Authority has been fully engaged in the Cumbria Ask process to secure adequate funding going forward. The additional direct central support as a result of the flooding has also allowed the Authority to create a more stable medium term financial plan and funded capital programme.  

Our review of the project and partnership management and monitoring arrangements appear to be adequate to manage the current capital programme.  

On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements. However, it is important that the Authority maintains a very close monitoring brief on its capital programme given the combination of the significant increase in flood related projects to deliver along side ongoing normal programme slippages. |
Working with the Authority

**Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a very positive and constructive relationship. Together we have delivered some great outcomes.

**An efficient audit** – we delivered the accounts audit in line with the statutory deadline and were on site for a compact agreed period of time. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to release your finance team for other important work.

**Assurance on your financial processes** – during the year we reviewed and provided high level assurances on your financial systems and processes including employee remuneration, non-pay expenditure and property plant and equipment.

**Understanding your operational health** – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for the Authority to maintain a very close monitoring brief on its capital programme given the combination of the significant increase in flood related projects to deliver along-side ongoing normal programme slippages.

**Sharing our insight** – we provided regular Governance Committee updates covering best practice. Areas we covered included: Innovation in public financial management; Knowing the Ropes – Audit Committee Effectiveness Review; Making devolution work; and Reforging local government. We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

**Thought leadership** – We have shared with you our publication on Building a successful joint venture and will continue to support you as you consider greater use of alternative delivery models for your services.

**Providing training** – we provided your team with training on financial accounts and annual reporting.

**Providing information** – We provided you with access to CFO insights, our online analysis tool providing you with access to insight on the financial performance, socio-economy context and service outcomes of councils across the country.
Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit.

### Fees

<table>
<thead>
<tr>
<th></th>
<th>Planned £</th>
<th>Actual fees £</th>
<th>2014/15 fees £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit of Authority</td>
<td>15,058</td>
<td>15,058</td>
<td>15,058</td>
</tr>
<tr>
<td><strong>Total fees (excluding VAT)</strong></td>
<td><strong>15,058</strong></td>
<td><strong>15,058</strong></td>
<td><strong>15,058</strong></td>
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</tbody>
</table>

We are consulting with Public Sector Audit Appointments about an additional fee for our work considering the local elector objection to the 2014/2015 accounts.

### Fees for other services

<table>
<thead>
<tr>
<th>Service</th>
<th>Fees £</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-audit services</strong></td>
<td></td>
</tr>
<tr>
<td>- Tax – VAT Advisory services</td>
<td>3,000</td>
</tr>
</tbody>
</table>

### Reports issued

<table>
<thead>
<tr>
<th>Report</th>
<th>Date issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Plan</td>
<td>March 2016</td>
</tr>
<tr>
<td>Audit Findings Report</td>
<td>September 2016</td>
</tr>
<tr>
<td>Annual Audit Letter</td>
<td>October 2016</td>
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</table>