

Annual Audit and Inspection Letter

December 2005



# Annual Audit and Inspection Letter

**Peak District National Park Authority**

**Audit 2004/2005**

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# Contents

<b>Key messages</b>	<b>5</b>
Authority performance	5
The accounts	5
Financial position	5
Other accounts and governance issues	5
Action needed by the Authority	5
<b>Authority performance</b>	<b>6</b>
Performance Breakthrough workshops	6
Performance assessment	7
Best value performance plan and performance information	8
<b>Accounts and governance</b>	<b>9</b>
Audit of 2004/05 accounts	9
Financial standing	9
Systems of internal financial control	10
Standards of financial conduct and the prevention and detection of fraud and corruption	10
Legality of transactions	11
<b>Other work</b>	<b>12</b>
Grant claims	12
<b>Looking forwards</b>	<b>13</b>
Future audit and inspection work	13
Revision to the Code of Audit Practice	13
<b>Closing remarks</b>	<b>14</b>
Availability of this letter	14
<b>Appendix 1 – Background to this letter</b>	<b>15</b>
The purpose of this Letter	15
Audit objectives	15
Inspection objectives	16

#### 4 Annual Audit and Inspection Letter | Contents

<b>Appendix 2 – Audit reports issued</b>	<b>17</b>
<b>Appendix 3 – Audit and Inspection fee</b>	<b>18</b>

## Key messages

### Authority performance

- 1 The Authority has made further progress with its performance management framework. However, both our audit work and the peer reviewers in their Performance Assessment Report have highlighted the need for more work across the Authority to promote consistent understanding and application of the framework.
- 2 Overall, the Performance Assessment Report concluded that the Authority 'is performing effectively' and 'making good progress'.
- 3 The Authority's 2004/05 best value performance plan complied in all significant respects with statutory guidance.

### The accounts

- 4 We gave an unqualified opinion on the Authority's 2004/05 accounts on 27 October 2005. You are well placed to meet next year's earlier deadline for the approval of accounts.

### Financial position

- 5 The Authority's financial position is currently stable with adequate levels of reserves. The Authority has established sound budgetary control and is aware of future challenges to its financial position.

### Other accounts and governance issues

- 6 Based on our audit work the Authority's overall corporate governance arrangements are satisfactory in all key areas.

### Action needed by the Authority

- Complete as planned the Performance Improvement Plan following the recent Performance Assessment Report
- Continue to maintain robust budgetary control and financial planning arrangements.

## Authority performance

The Authority has made further progress with its performance management framework. However, both our audit work and the peer reviewers in their Performance Assessment Report have highlighted the need for more work across the Authority to promote consistent understanding and application of the framework.

Overall, the Performance Assessment Report concluded that the Authority 'is performing effectively' and 'making good progress'.

Your 2004/05 best value performance plan (BVPP) complied in all significant respects with statutory guidance.

## Performance Breakthrough workshops

- 7 Our performance management audit work has continued to focus on complementing the Authority's development and implementation of its performance management framework.
- 8 In 2004/05 we applied the Audit Commission's performance improvement tool - 'Performance Breakthrough'. This tool comprises a self-assessment process under the headings: leadership, learning, priorities, change, performance frameworks and helping people perform. We conducted facilitated workshops in February 2005 for the two agreed pilot areas, the corporate property service and ranger service. We reported in detail the findings and conclusions from these workshops to the Authority's officers in March 2005.
- 9 The property service and ranger service identified respectively five and eight actions. Key actions for the property service were to improve working with other services, to clarify roles and priorities and to share knowledge. For the ranger services there was a split between actions which required corporate consideration such improving IT facilities and cross-functional working and those which required local attention such as understanding performance management and individuals' roles within the framework. We commented that several actions reflected issues raised in the 2004 staff survey. It is also possible to see similarities with the 'issues to consider' from the Performance Assessment Report particularly as regards the need to embed performance management across the Authority.
- 10 Our report recommended that the Authority review proposals from the workshops at both service and corporate level, and act on them where appropriate. We further commented that in order for the proposed actions to be effective, the service staff that developed them should be fully involved and have ownership of their delivery.

## Performance assessment

- 11 The Authority has recently undergone a national park authorities' performance assessment (NPAPA). The assessment process was based on key lines of enquiry and similar to the approach used under the comprehensive performance assessment (CPA) regime. However, in the NPAPA, the SOLACE Enterprises' peer assessment approach is used. Although the NPAPA is not an Audit Commission assessment it is relevant to quote its main findings here.
- 12 The performance assessment report which the Authority has already made public concluded that the Authority 'is performing effectively' and 'making good progress'.

**Table 1 Performance against the NPAPA's key lines of enquiry**

Performance was 'strong' or 'strengths outweighed weaknesses' in most areas. Performance management was an area where weaknesses outweighed strengths

Theme	Assessment
Quality of vision	Strengths outweigh weaknesses
Quality of Authority's plans	Strengths outweigh weaknesses
Setting priorities	Weaknesses outweigh strengths
Organisational capacity	Strengths outweigh weaknesses
Working in partnership	Strong
Performance management and learning	Weaknesses outweigh strengths
Achievement in delivery of purposes and duties	Strong
Achievement of improvement in delivery of purposes and duties	Strong
Developing the effectiveness of the organisation	Strengths outweigh weaknesses

*Source: SOLACE NPA Performance Assessment Report*

- 13 The reviewers stated that 'the challenges are in how the Authority decides to move forward and how it will address this in the performance improvement plan'. Critical issues still to be addressed were highlighted as 'a review of the strategy for managing quarrying and minerals, setting priorities, and engaging and involving staff'. In response the Authority has expressed publicly its commitment to revising, with staff involvement, its performance improvement plan by early 2006.

## **Best value performance plan and performance information**

- 14 We completed our statutory audit of the Authority's 2004/05 best value performance plan (BVPP) and issued an unqualified opinion in December 2005.
- 15 We carried out a review of the performance indicator (PI) information included in the BVPP. Our review identified that the performance information included in the BVPP is supported by adequate evidence - we concluded that satisfactory arrangements are in place for the production and reporting of accurate performance information. We found no significant problems with the reported indicators and did not express any reservations.



## Accounts and governance

We gave an unqualified opinion on the Authority's 2004/05 accounts on 27 October 2005. You are well placed to meet the earlier deadline next year for the approval of accounts.

The Authority's financial position is currently stable with adequate levels of reserves. The Authority has established sound budgetary control and is aware of future challenges to its financial position.

Your overall corporate governance arrangements are satisfactory in all key areas.

### Audit of 2004/05 accounts

- 16 The published accounts are an essential means by which the Authority reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Authority's annual accounts on 24 June 2005.
- 17 The accounting statements were supported by good quality working papers. Officers had given satisfactory attention to professional standards and guidance. We identified no significant errors or misstatements in the audit of the financial statements and reported this to members in October 2005.
- 18 In the last two Annual Audit and Inspection Letters we emphasised that timeliness in producing the accounts will become increasingly important as the deadline for completion of the accounts is brought forward in line with the Government's requirement. The deadline for the approval of the 2005/06 accounts will be 30 June 2006. As you already achieved the end of June deadline this year you are well placed for the earlier statutory deadline.

## Financial standing

### General fund spending and balances

- 19 In 2004/05, the Authority achieved an underspending against its approved budget. Accounting for previously agreed appropriations to specific reserves, this resulted in an overall decrease on the general reserve of £11,036. The balance on the general fund carried forward to 2005/06 was £340,815 which is 4.2 per cent of net cost of services. At this level, reserves and balances are adequate and exceed the limits set down by the Authority's agreed policy.
- 20 The Authority has established robust budgetary control and monitoring procedures which aid the effective management of the Authority's financial resources. These procedures have proved effective. However, as you disclose in your accounts, the future holds continuing financial challenges for the Authority.

- In terms of capital investment you have restricted your borrowing to strategic capital projects and spend-to-save investments guided by the Asset Management Plan.
- In terms of revenue you are seeking to secure support from the Department for Environment, Food and Rural Affairs (Defra) for continuing the current levels of National Park Grant. The grant levels as currently notified for 2006/07 and 2007/08 will quite clearly present financial challenges for the Authority.

- 21 Careful monitoring and control will continue to be needed to ensure that spending plans are achieved and resources are available to fund future financial plans. Members should continue to give priority to financial management and to reviewing medium-term financial plans.

### **Pensions fund deficit**

- 22 Pension fund balances are a topical issue and a matter of national debate particularly for those employers like the Authority which operate defined benefit, final salary schemes.
- 23 As at 31 March 2005 the pension fund actuaries have estimated that the net underlying liabilities attributable to the Authority are £8.5 million (£5.3 million at 31 March 2004). The statutory arrangements for funding mean that this deficit will be made good by increased contributions. Following a slight increase from 1 April 2005, the Authority's contributions are currently set at 15.12 per cent and will remain at this level for 2006/07 and 2007/08. Contributions will then be re-determined following the next full actuarial assessment.

## **Systems of internal financial control**

We have not identified any significant weaknesses in the overall control framework.

### **Internal Audit**

- 24 In forming our audit opinion we have reviewed internal audit's work on the system and operation of controls within the Authority. We have been able to place reliance on the work of Internal Audit and have tailored our work accordingly.

## **Standards of financial conduct and the prevention and detection of fraud and corruption**

- 25 We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.
- 26 We have assessed overall arrangements and confirmed that the Internal Audit programme has been delivered covering all areas of significant risk. We have no significant issues to report to members.

## **Legality of transactions**

- 27 We have not identified any significant weaknesses in the framework established by the Authority for ensuring the legality of its significant financial transactions.
- 28 We have assessed overall arrangements and confirmed that there are no significant issues to report to members.

## **State aid payments**

- 29 The Authority's accounts include expenditure in relation to 'state aid' payments. In February 2004, national park authorities received approval for a new scheme of payments. Recipients of payments under the old scheme have been invited to transfer to the new approved scheme. Some are transferring whilst others are choosing to stay under the old scheme until their agreements expire. Payments made under the old scheme amounted to £160,517 in 2004/05 and are estimated by the Authority to be £81,946 in 2005/06.
- 30 Until Defra has obtained formal European Union approval of payments made under the old scheme the legality of such payments is in doubt. We have noted this position and will continue to monitor the Authority's actions.

## Other work

### Grant claims

- 31 In accordance with strategic regulation, the Audit Commission has continued with a risk-based approach to the certification of grant claims. We have reduced our audit of these claims but our ability to reduce further depends on the adequacy of the Authority's control environment.
- 32 The Authority's arrangements for managing and quality assuring grant claims submitted for audit have improved in recent years. However, we continue to note areas where improvement could be made including:
  - production of a grants timetable to ensure that all claims are submitted within the required deadlines; and
  - maintenance of clear audit trails for all projects including detailed reconciliations of expenditure claimed to supporting records.
- 33 We will continue to work with officers at the Authority to achieve these improvements.

## Looking forwards

### Future audit and inspection work

- 34 We have an agreed plan for 2005/06 which we presented to the Audit and Performance Committee in April 2005. We have reported in this letter those aspects of our plan that have already been completed such as the best value audit. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's letter.
- 35 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Authority. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2006. The Authority's Performance Improvement Plan, due to be updated in the light of the Performance Assessment Report, will be a key reference point for our future work.

### Revision to the Code of Audit Practice

- 36 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
  - the Code of Audit Practice (the Code).
- 37 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which we presented to the Audit and Performance Committee in March 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Authority's arrangements for ensuring value for money in its use of resources; and
  - a clearer focus on overall financial and performance management arrangements.

## Closing remarks

- 38 This letter has been discussed and agreed with officers. A copy of the letter will be presented to the Audit and Performance Committee on 27 January 2006.
- 39 The Authority has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

## Availability of this letter

- 40 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Authority's website.

Andrew Blackburn  
District Auditor and Relationship Manager  
December 2005

# Appendix 1 – Background to this letter

## The purpose of this letter

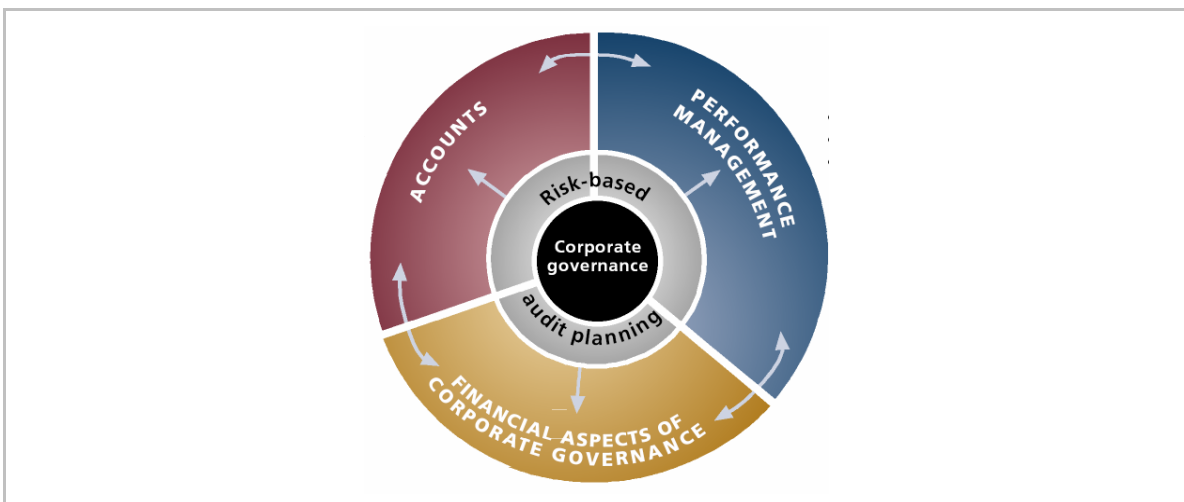
- 1 This is our audit and inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Authority's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Authority.
- 2 We have issued separate reports where appropriate during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

## Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

**Figure 1 Code of Audit Practice**

Code of Practice responsibilities



## **Accounts**

- Opinion.

## **Financial aspects of corporate governance**

- 7 Reviewing how effectively the Authority ensures:
- financial standing;
  - systems of internal financial control;
  - standards of financial conduct and the prevention and detection of fraud and corruption; and
  - legality of transactions with significant financial consequences.

## **Performance management**

- Use of resources.
- Performance information.
- Best value performance plan.

## **Inspection objectives**

- 8 Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:
- enable the Authority and the public to judge whether best value is being delivered;
  - enable the Authority to assess how well it is doing;
  - enable the Government to assess how well its policies are being implemented; and
  - identify failing services where remedial action may be necessary.



## Appendix 2 – Audit reports issued

**Table 2**

<b>Report title</b>	<b>Date issued</b>
Audit and Inspection Plan 2004/05	May 2004
Performance Breakthrough	March 2005
Report on the 2004/05 Financial Statements to those Charged with Governance (SAS 610)	October 2005
BVPP Opinion	December 2005
Final Accounts Memorandum	December 2005

## Appendix 3 – Audit and Inspection fee

**Table 3      Audit and Inspection fee update**

<b>Audit area</b>	<b>Plan 2004/05</b>	<b>Actual 2004/05</b>
Accounts	£5,605	£5,605
Financial aspects of corporate governance	£4,381	£4,381
Performance	£8,117	£8,117
<b>Total Code of Audit Practice fee</b>	<b>£18,103</b>	<b>£18,103</b>
Additional voluntary work (under section 35)	£0	£0
<b>Total</b>	<b>£18,103</b>	<b>£18,103</b>