

Annual Audit and Inspection Letter

November 2007



# **Annual Audit and Inspection Letter**

**Peak District National Park Authority**

**Audit 2006/07**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

Your relationship manager has prepared this report to summarise the Audit Commission's assessment of the Authority. The report draws on audit, inspection and performance assessment work completed during the year.

In this report, the Commission summarises findings and conclusions from the statutory audit, the appointed auditor has previously reported to you. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, exercise their professional judgement independently of the Commission (and the audited body). Findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; auditors take no responsibility to any member or officer in their individual capacity, or to any third-party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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# Summary

## Key messages

- 1 We gave an unqualified opinion on the Authority's accounts on 14 September 2007 in advance of the deadline of 30 September.
- 2 We also concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We gave an unqualified VFM conclusion on 14 September 2007.
- 3 The Authority is taking legal action in support of its minerals extraction policies in the National Park. The outcome of the actions is not known, but compensation may be payable if judgements are found against the Authority. This is clearly a significant issue for the Authority. The Authority is well aware of its responsibility to safeguard its financial standing and is continuing to consider its financial arrangements to cover any potential liabilities. We are monitoring developments, including reports to management and the Authority, in accordance with our responsibility to assess the Authority's financial management arrangements. Given the potential for the situation to change we will consider carefully whether we should report further as part of our continuing audit of the Authority's accounts.

## Recommendation

<b><i>Recommendations</i></b>
<i>R1 Continue to pay careful attention to the financial consequences of the legal action in respect of minerals extraction.</i>

## Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the findings and conclusions from the audit of the Authority and from any inspections undertaken during the year.
- 5 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We make recommendations, if appropriate, to assist the Authority in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Authority is planning to publish it on its website.
- 7 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Authority's accounts;
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter would also include the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999 and would summarise the key issues arising from any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act. There are no inspections to report this year.
- 9 We have listed the reports issued to the Authority relating to 2006/07 audit work in Table 1 at the end of this letter.

## Authority's use of resources

### Value for money conclusion

- 10 As your appointed auditor I am required to conclude whether I am satisfied the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion and is based upon the following criteria:
- setting, reviewing and implementing strategic and operational objectives;
  - communicating with service users and other stakeholders including partners;
  - monitoring and scrutiny of performance;
  - monitoring the quality of published performance information;
  - maintaining a sound system of internal control;
  - managing significant business risks;
  - managing and improving value for money;
  - ensuring the medium-term financial strategy, budgets and a capital programme are soundly based and designed to deliver strategic priorities;
  - ensuring that spending matches its available resources;
  - managing performance against budgets;
  - management of the asset base; and
  - promoting and ensuring probity and propriety in the conduct of business.
- 11 I concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

### Best Value Performance Plan

- 12 I have audited the Authority's best value performance plan and confirmed that this has been prepared and published in line with legislation and statutory guidance.

## Audit of the accounts

- 13 As your appointed auditor I issued an unqualified opinion on the Authority's accounts on 14 September 2007.
- 14 Before giving my opinion, I issued my Governance Report (on 14 September 2007) to the Audit and Performance Committee on the 2006/07 audit.

### Financial standing

- 15 In my Governance Report I drew members' attention to the disclosure made at Note 10 to the Authority's 2006/07 accounts. The note draws the reader's attention to the Authority's engagement 'in a number of legal actions in support of its minerals extractions policies in the National Park'. It further points out that 'the outcome of these actions is not known yet' and states that 'if judgements are found against the authority, compensation may be payable'. I stressed that I was continuing to monitor the action being taken by the Authority.
- 16 As you are aware, it is the Authority's responsibility to manage its financial and other resources and to safeguard the financial standing of the Authority. In this regard, members are being kept up-to-date with developments through reports from the Authority's senior officers, including its statutory officers. At the time of writing the next report was due to be considered by the Authority on 7 December 2007.
- 17 It is my responsibility to assess the adequacy of aspects of the Authority's financial management arrangements (see paragraph 10 above). I have, therefore, continued to monitor developments closely since September, holding discussions with senior and statutory officers and paying particular attention to the information being provided to senior management and to the Authority. I, and my successor as District Auditor, will continue to pay close attention to this issue.

## Whole of government accounts

- 18 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 19 I certified the pack on 1 October 2007. The pack was consistent with the statement of accounts for the year ended 31 March 2007.

## Closing remarks

- 20 We have discussed and agreed this letter with the Director of Corporate Services and Chief Finance Officer. We will present the letter at the Audit and Performance Committee on 25 January 2008 and we will ensure that copies are provided to all Authority members.
- 21 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

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**Table 1      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2006
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit and inspection letter	November 2007

- 22 The Authority has taken a positive and constructive approach to audit and inspection work throughout my five years as the District Auditor. I should like to thank the Authority's staff for their consistent support and cooperation.

**Andrew Blackburn**  
**District Auditor and Relationship Manager**

November 2007