

Committee: **AUDIT AND REVIEW**

Date: **25 September 2007**

Report: **AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT 2006/07**

### **Purpose of report**

1. To submit the following to members:
  - Annual Governance Report for 2006/07 prepared by the Audit Commission
  - Annual letter of representation from management to the Audit Commission

### **Background**

2. In order to comply with International Standards on Auditing (ISA) those 'charged with governance' are required to receive the Annual Governance Report from the Audit Commission this rests with the Audit and Review Committee under the Authority's Scheme of Delegation.

3. The Authority approved the Statement of Accounts on the 29<sup>th</sup> May 2007 prior to the Audit Commission undertaking their audit fieldwork. This work has now been completed and there are no material amendments to be made to the Accounts as presented to the Authority.

### **Statutory Purposes**

4. The Audit Commission Act 1998 and the Audit Commission's statutory Code of Audit Practice for Local Government Bodies (the Code) requires the Audit Commission to present a report to members summarising the conclusions of their audit work. In order to enable the Audit Commission to formally issue the opinion on the accounts and meet the statutory deadline of the 30<sup>th</sup> September 2007, as required by the Audit and Accounts Regulations 2003, the Audit Commission's report (the Annual Governance Report) is attached at **Appendix A**.

5. ISA 260 also requires that a letter of representation is sent to the Audit Commission by the Authority prior to the 30<sup>th</sup> September 2007 deadline. In the past this letter has been signed by the Treasurer, the Chief Executive and the Monitoring Officer, however, the implementation of the ISA means that Members are to be given an opportunity to comment on the contents of the letter and add to the letter if necessary. A draft copy of the letter of representation is attached at **Appendix B**.

### **Annual Governance Report**

6. The Annual Governance Report attached at **Appendix A** concludes that the Audit Commission is proposing to issue an unqualified audit opinion on the 2006/07 Statements.

7. The Code requires the Audit Commission to issue a conclusion on the arrangements made by the Authority in relation to securing economy, efficiency and effectiveness in its use of resources (value for money).

## **Letter of Representation**

8. Each year the Authority issues a letter of representation to the Audit Commission confirming the basis upon which the statutory accounts have been prepared. A draft of this letter is attached at **Appendix B**, the wording of which is consistent with the template included at Appendix 4 of **Appendix A**.

9. ISA 260 requires that members approve the letter (**Appendix A**). This also allows members to comment on the contents as appropriate, if they see fit.

## **RECOMMENDATIONS**

10. Members are recommended to:

- note the contents of the Audit Commission's Annual Governance Report (**Appendix A**)
- approve that the Treasurer, Chief Executive and Chair of the Authority sign the Letter of Representation at **Appendix B**, or an appropriately amended version thereof. The signature of the letter is to be deemed as evidence that members have had opportunity to comment in accordance with the ISA 260.

**Irene Brannon**  
**Senior Finance Officer**  
7 September 2007

Background Documents:  
Accounts and Audit Regulations 2003

# **Annual Governance Report**

**Yorkshire Dales National Park Authority**

**Audit 2006/07**

### **Status of our reports**

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.

### **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 0845 056 0566.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the National Park Authority at the time they are considering the financial statements).
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 1.
- 4 This report has been prepared for presentation to the Authority on 25 September 2007. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to members on 16 June 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2.

## Key messages

- 6 Our work on the financial statements is substantially complete. We propose issuing an unqualified audit opinion on 25 September 2007 (a draft report is attached at Appendix 3).
- 7 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the use of resources on 25 September 2007 (a draft report is attached at Appendix 3).

## Audit status

- 8 At the date of issue of this report our detailed audit is substantially complete.
- 9 The Authority has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation.

## Accounts and Statement on Internal Control

- 10 Our work on the financial statements is substantially complete.
- 11 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 12 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 13 The final draft of the letter of representation has been attached as Appendix 4.

### Unadjusted misstatements

- 14 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no unadjusted misstatements for us to bring to your attention.

### Accounting practices

- 15 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority. There are no matters arising to which we wish to draw your attention.

### Systems of internal control

- 16 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 17 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed. There are no matters which we wish to bring to your attention.
- 18 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

## Use of resources

### Work performed

- 19 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission.
- 20 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 5.

### Best value performance plan

- 21 Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

### Audit fee update

- 22 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan.

**Table 1**

	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
Accounts and Statement on Internal Control	15,375	15,375
Use of Resources	4,945	4,945
Total Audit Fees	20,300	20,300
Certification of grant claims	1,500	437 (as at 31.7.07)

- 23 The analysis above shows that our audit fee has been contained within the totals you have already agreed.

## Appendix 1 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

## Appendix 2 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	April 2006	April 2006	The Authority
Annual governance report	September 2007	September 2007	The Authority
Opinion on financial statements	September 2007	September 2007	The Authority
Value for money conclusion	September 2007	September 2007	The Authority
Regularity memorandum	October 2007		Head of Finance and Resources
BVPP report	October 2006	October 2006	The Authority
Annual audit letter	November 2007		The Authority

## Appendix 3 – Proposed auditor's report

### Independent auditor's report to the Members of Yorkshire Dales National Park Authority

#### Opinion on the financial statements

I have audited the financial statements of the Yorkshire Dales National Park Authority (YDNPA) for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the [Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement]and the related notes]. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to YDNPA in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission<sup>1</sup>.

#### Respective responsibilities of the Treasurer and auditors

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 .

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended

M Kirkham  
District Auditor  
Audit Commission  
Kernel House  
Killingbeck Drive  
Leeds  
LS14 6UF

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, YDNPA made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2006/07 on 3 October 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

M Kirkham  
District Auditor  
Audit Commission  
Kernel House  
Killingbeck Drive  
Leeds  
LS14 6UF

## Appendix 4 – Management representation letter

To: Mr M Kirkham  
The Audit Commission  
Kernel House  
Killingbeck Drive  
Leeds  
LS14 6UF

### **Yorkshire Dales National Park Authority - Audit for the year ended 31 March 2007**

We confirm, to the best of our knowledge and belief and having made appropriate enquiries of other officials of the Yorkshire Dales National Park Authority (the Authority), the following representations given to you in connection with your audit of the Yorkshire Dales National Park Authority's financial statements for the year ended 31 March 2007.

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

The Yorkshire Dales National Park Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

#### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Yorkshire Dales National Park Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you.

#### **Related Party Disclosures**

We confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

#### **Contingent Liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- There is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- There are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- No financial guarantees have been given to third parties.

## **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Yorkshire Dales National Park Authority.

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

## **Assets**

Losses and gains arising from sale & purchase commitments have been properly recorded and when appropriate adequately disclosed in the financial statements.

## **Irregularities**

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect error.

To the best of our knowledge and belief, there have been no:

- Irregularities involving management or employees who have significant roles in the system of internal accounting control;
- Irregularities involving other employees that could have a material effect on the financial statements;
- Communications from regulatory agencies concerning non-compliance with or deficiencies in, financial reporting practices which could have a material effect on the financial statements.

## **Post Balance Sheet Events**

Since the date of the approval of the financial statements by Members of the Authority, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete stock and no stock is stated at an amount in excess of net realisable value.

## **Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash or investment accounts.

Signed on behalf of Yorkshire Dales National Park Authority

## Appendix 5 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.

Code Criteria	Description	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	Adequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate
10	The body has put in place arrangements for managing performance against budgets.	Adequate
11	The body has put in place arrangements for the management of its asset base. <i>[delete if the audited body does not have a significant fixed asset base]</i>	Adequate
12	The body has put in place arrangements that are	Adequate

<b>Code Criteria</b>	<b>Description</b>	<b>VFM Conclusion</b>
	designed to promote and ensure probity and propriety in the conduct of its business.	

Mr M Kirkham  
District Auditor  
Audit Commission  
Kernel House  
Killingbeck Drive  
York Road  
LEEDS  
LS14 6UF

14 September 2007

Dear Mr Kirkham

**Yorkshire Dales National Park Authority – Audit for the year ended 31 March 2007**

We confirm, to the best of our knowledge and belief and having made appropriate enquiries of other officials of the Yorkshire Dales National Park Authority (the Authority), the following representations given to you in connection with your audit of the Yorkshire Dales National Park Authority's financial statements for the year ended 31 March 2007.

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

The Yorkshire Dales National Park Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

**Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Yorkshire Dales National Park Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you.

### **Related Party Disclosures**

We confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Contingent Liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- There is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- There are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- No financial guarantees have been given to third parties.

### **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Yorkshire Dales National Park Authority.

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Assets**

Losses and gains arising from sale & purchase commitments have been properly recorded and when appropriate adequately disclosed in the financial statements.

### **Irregularities**

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect error.

To the best of our knowledge and belief, there have been no:

- Irregularities involving management or employees who have significant roles in the system of internal accounting control;
- Irregularities involving other employees that could have a material effect on the financial statements;
- Communications from regulatory agencies concerning non-compliance with or deficiencies in, financial reporting practices which could have a material effect on the financial statements.

**Post Balance Sheet Events**

Since the date of the approval of the financial statements by Members of the Authority, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete stock and no stock is stated at an amount in excess of net realisable value.

**Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash or investment accounts.

Signed on behalf of the Yorkshire Dales National Park Authority

Name: J Moore  
Position: Treasurer

Name: D Butterworth  
Position: Chief Executive

Signed: .....  
Date:

Signed: .....  
Date:

Signed by the Chairman of the Authority on behalf of the Authority as evidence that Members are aware of the representations on which the auditor intends to rely.

Name: C Lis  
Position: Chair

Signed: .....  
Date:.....