

The Audit Findings (ISA260) Report for Lake District National Park Authority

Year ended 31 March 2024

18 September 2024 (original version presented to Governance Committee on 3 October 2024)

13 February 2025 (updated version with all changes to previous version in blue – due to be presented to the Governance Committee on 21 February 2025)





Lake District National Park Authority

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Dear Governance Committee

Audit Findings for Lake District National Park Authority for the 31 March 2024

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Governance Committee on 3 October 2024.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Gareth

Gareth Mills, Key Audit Partner & Engagement Lead

For Grant Thornton UK LLP

Private and Confidential

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Contents



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Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – Audit of Financial Statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit Adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Management Letter of Representation](#) (draft)
- G. [Audit opinion](#) (proposed)

Page

- 4
6
20
22

25
26
27
29
32
33
35

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lake District National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and the Authority's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA / LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely as planned during July and August. Our findings are summarised in section two of this report.

To date, we have not identified any adjustments which impact useable reserves, this is a good outcome for the Authority. Our audit work identified a small number of presentational and disclosure adjustments which are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at in the Action Plan at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and we thank the Authority for their engagement in the audit process. There are no matters of which we are aware that would require modification of our audit opinion [see Appendix G] or material changes to the financial statements, subject to the following outstanding matters:

- Receipt and review of the pension assurance letter and responses to our audit inquiries from the auditor of Cumbria Local Government Pension Scheme, and completion of any work arising from those responses on the defined benefit pension balance
- Receipt of the signed management representation letter (see appendix F)
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified subject to the satisfactory completion of the above outstanding matters.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness
- Financial sustainability
- Governance.

Our work on the Authority's 2023-24 value for money (VFM) arrangements is complete and will be reported in our Auditor's Annual Report.

We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Governance Committee on 3 October 2024.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

There have been no changes to our audit approach since we issued our Audit Plan in April 2024, however our materiality has changed because of a reduction in expenditure compared to 2022-23. See page 7 for further details.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified 'clean' audit opinion on the financial statements of the Authority, subject to the receipt of satisfactory IAS 19 assurances from the Pension Fund auditor and the other outstanding items as detailed on page 4.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality due to the actual gross expenditure changing significantly from that of 2022-23 which was used at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for the Authority.

Materiality area	Amount per Audit Plan (£000)	Updated Amount (£000)	Qualitative factors considered
Materiality for the financial statements	376	341	In determining materiality, we have considered the level of misstatement which could reasonably be expected to influence the economic decisions of users of the financial statements. Materiality has been set at 1.9% of your 2023-24 gross expenditure.
Performance materiality	244	222	Performance materiality has been set at 65% of headline materiality.
Trivial matters	19	17	Triviality has been set at 5% of headline materiality.
Materiality for senior officer remuneration	15	15	This balance is material by nature due to the sensitivity of the disclosure.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any evidence of management override of controls. However, we have identified a control issue in relation to users with system administrator rights and which is documented in the Action Plan at Appendix B.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>ISA 240 fraud in revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>For the Authority, we have concluded that the greatest risk of material misstatement relates to commercial income. We have therefore identified the occurrence and accuracy of commercial income as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Authority as other income streams are primarily derived from grants or formula based income from central government.</p>	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> evaluated the Authority's accounting policy for recognition of income for appropriateness gained an understanding of the Authority's system for accounting for income and evaluated the design of the associated controls agreed, on a sample basis, amounts recognised as income from commercial and non-commercial revenue streams in the financial statements. <p>We identified two errors in our sample testing whereby income was incorrectly recognised as income in advance prior to being received. The full population has been considered and a £54k adjustment proposed. This is a balance sheet only adjustment between debtors and creditors and has no impact on the Authority's useable reserves. Please see Appendix D for further details.</p> <p>Our work has not identified any issues in respect of the risk of fraud in revenue recognition.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Closing Valuation of land and buildings and investment property - specifically for assets where valuation movements are not in line with expectations</p> <p>The Authority revalues its land and building on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of numbers involved, and the sensitivity of this estimate due to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • evaluated the basis of the valuation • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>An assessment of assets not revalued in year by management has been undertaken, to provide assurance that the carrying value is not materially different to the current value at year end. We have also undertaken our own procedures in this area and estimate a £52k difference between current and carrying value. We are also satisfied that there is not a risk of material misstatement at 31 March 2024 in relation to this issue.</p> <p>Our work in relation to investment property valuation has confirmed that the valuation is prepared in accordance with RICS standards. We have not identified any issues in this area.</p> <p>Our work in relation to the closing valuation of land and buildings has confirmed that the valuation is prepared in accordance with RICS standards. We have not identified any issues on the closing balance, however, an issue was identified in the prior period adjustment (PPA) which management proposed.</p> <p>The PPA was in respect of the valuation of a car park and upon further review was required to be further amended as the incorrect income was used. This will be updated in the final version of the accounts, please see page 30 for further details.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the Authority's share of the pension fund

The Authority's pension fund net defined benefit balance, as reflected in its balance sheet, represents a significant estimate in the financial statements. The pension fund balance is considered a significant estimate due to the size of the numbers involved, and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that, there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

In 2022-23 the Authority's share of Cumbria Local Government Pension Scheme was in surplus for the first time which resulted in the need to do an assessment against IFRIC14 and ultimately resulted in the surplus not being recognised in the Authority's balance sheet. Should the Authority's share of Pension Scheme still be in surplus at 31 March 2024 we will consider the Authority's IFRIC14 assessment and comment accordingly in our ISA 260 report later this year.

With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net balance as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (Mercer) for this estimate and the scope of the actuaries' work
- assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation
- assessed the accuracy and completeness of the information provided by the group to the actuaries to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report
- evaluate the continued appropriateness of recognising any pension asset position against the Code and IFRIC 14 criteria
- assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs).

We have requested assurances from the auditor of Cumbria Local Government Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Given the timing of the draft Pension Fund accounts and the subsequent audit period, these assurances are yet to be received, however, we anticipate we will receive these prior to 21 February. We will provide a verbal update on this to the Governance Committee.

Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund balance. The assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and we have not identified any further issues with the estimation process.

We have identified some disclosure amendments within Note 17, please see Appendix D for further details.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IT Control deficiencies:</p> <ul style="list-style-type: none"> Our work on IT general controls identified a high number of finance users with system admin rights. A total of 5 out of 8 finance users have system admin access which gives them rights to make changes within the system such as adding / deleting users. 	<ul style="list-style-type: none"> While these rights do not grant them superuser rights to make changes on the system, the ability to make the changes within the system could be a risk if this is granted to a high number of users. This increases risk of unauthorised activity and management override of controls. 	<p>We recommend that the Authority reviews the users with system admin rights to ensure that only necessary users have system admin rights. This is also documented at Appendix B.</p>
<p>Prior period adjustment:</p> <ul style="list-style-type: none"> The Authority identified that a prior period adjustment was required due to incorrect rental income being used to inform the valuation of an asset during 2022-23. 	<ul style="list-style-type: none"> On review it was identified that the prior period adjustment was still using the incorrect rental income within the new valuation Our review of all assets of the same nature did not find any further errors The prior period adjustment only impacted 2022-23 The amendments impact the Balance Sheet, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and relevant supporting notes. 	<p>We have undertaken sufficient audit procedures to conclude that we are satisfied with the revised prior period adjustment. We are satisfied this is not indicative of any further errors or risk of material misstatement.</p>

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £20.9m</p> <p>Investment Property Valuation - £5.7m</p>	<p>Other land and buildings comprises specialised assets which require valuation on a depreciated replacement cost (DRC) at year-end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year-end.</p> <p>The Authority has engaged their internal valuation team to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis with significant assets being valued annually. A total of 98% of total assets were revalued during 2023-24.</p> <p>The total year end valuation of land and buildings was £20.860 million, a net increase of £1.738 million from 2022-23 (£19.122 million).</p> <p>The investment properties have been valued on a market value. In line with the requirements of the code, all Investment properties have been valued in year.</p> <p>The total year-end valuation of investment properties was £5.716 million, a net increase of £0.44 million from 2022-23 (£5.672 million).</p>	<p>In response to these estimates:</p> <ul style="list-style-type: none"> we assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate we reviewed the underlying information and sensitivities used to determine the estimate are complete and accurate reviewed the assumptions used by the expert, including the floor areas we confirmed the valuer has prepared their valuations in accordance with RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates; and we reviewed the level of disclosure in the financial statements and consider it to be appropriate. <p>We considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates. We have not identified any indication of management bias.</p> <p>Management has considered the year-end value of land and buildings not revalued in the period, and have not identified any material change to the carrying value. An assessment of assets not revalued in year by management has been undertaken, to provide assurance that the carrying value is not materially different to the current value at year end. We have also undertaken our own procedures in this area and estimate a £52k difference between current and carrying value. We are also satisfied that there is not a risk of material misstatement at 31 March 2024 in relation to this issue.</p> <p>Our work in relation to investment property valuation has confirmed that the valuation is prepared in accordance with RICS standards. We have not identified any issues in this area. Our work in relation to the closing valuation of land and buildings has confirmed that the valuation is prepared in accordance with RICS standards. We have not identified any issues on the closing balance however an issue was identified in the prior period adjustment which will be corrected, see page 12 for further details.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>(Green)</p>

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>Net pension liability – £0.809m</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Authority's net pension surplus at 31 March 2024 is nil (PY nil) for the funded benefits scheme and for unfunded benefits a deficit of £0.809m (PY £0.852m). The Authority uses Mercer to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2022. Given the significant value of the net pension balance, small changes in assumptions can result in significant valuation movements. There has been a £0.237m net actuarial loss during 2023-24.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed management's expert Assessed the actuary's approach taken, detail work undertaken to confirm reasonableness of approach Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below) <table border="1" data-bbox="958 683 1881 1023"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.9%</td> <td>4.9%</td> <td>● Green</td> </tr> <tr> <td>CPI inflation</td> <td>2.7%</td> <td>2.6% - 2.7%</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>3.1% - 5.1%</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>22.8 21.5</td> <td>22.0 – 23.5 20.7 – 22.2</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.7 23.9</td> <td>25.0 – 26.2 23.2 – 24.4</td> <td>● Green</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Confirmed the completeness and accuracy of the underlying information used to determine the estimate [TBC] Confirmed the reasonableness of the Authority's share of pension assets [TBC] Confirmed the reasonableness of movement in the estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.9%	4.9%	● Green	CPI inflation	2.7%	2.6% - 2.7%	● Green	Salary growth	4.2%	3.1% - 5.1%	● Green	Life expectancy – Males currently aged 45/65	22.8 21.5	22.0 – 23.5 20.7 – 22.2	● Green	Life expectancy – Females currently aged 45/65	25.7 23.9	25.0 – 26.2 23.2 – 24.4	● Green	<p>TBC – work remains in progress</p>
Assumption	Actuary Value	PwC range	Assessment																								
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2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property as estimated by the valuer.	<p>In response to this estimate we have:</p> <ul style="list-style-type: none"> reviewed the accounting policy recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation assessed the reasonableness of the useful economic life for a sample of assets assessed the appropriateness of the policy in line with the financial reporting framework. <p>Our sample testing of useful economic lives identified a number of assets which had no remaining economic life, however, were still in use by the Authority. Last year we raised an associated recommendation for management within our Action Plan (see Appendix C) and note that this has only been partially implemented in 2023-24. We believe there remains an ongoing recommendation in this area. The asset register includes approximately 110 assets with a nil net book value and are fully depreciated in the asset register. These assets had a gross cost of £1,097k.</p> <p>We have not identified any further issues in relation to this estimate.</p>	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious</p> <p>(Grey)</p>
Year-end accruals	The Authority accrues for items of income and expenditure due post year end which exceed £3,000 as per their policy.	<p>We have included accruals within our creditors sample testing, for each tested accrual we have:</p> <ul style="list-style-type: none"> reviewed the accounting policy considered the appropriateness of the underlying information used to determine the estimate compared the estimate to actual income / expenditure received or paid after the preparation of the draft financial statements considered the impact of any changes to valuation method where possible, compared the accrual to prior year values and methodology considered the adequacy of disclosure of estimate in the financial statements. <p>We have not identified any issues in relation to this estimate.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>(Green)</p>

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious





2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Sun systems	ITGC assessment (design and implementation effectiveness only)	 Amber	 Amber	 Green	 Green	Management override of controls

Our audit work has identified deficiencies in the Authority's IT environment and controls. These are in relation to cyber security and IT General Controls specifically in relation to the number of system admin users and Cyber Essentials accreditation. It was noted during the audit that the application for Cyber Essentials accreditation had been made, with results awaited. Details of these matters are outlined at Appendices B and C of this Report. We are satisfied that these are not individually nor in aggregate significant.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements (red)
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk (amber)
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope (green)
-  Not in scope for testing (grey)

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is set out at Appendix F. We have requested representation on the prior period adjustment (see page 12).
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation except for one confirmation where alternative procedures were undertaken.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided. We would like to thank Authority finance and other colleagues for their engagement with the external audit process throughout the year and particularly during July and August. This helped to ensure the audit was delivered to the agreed timetable.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
<p>Going concern</p>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Authority and the environment in which it operates the Authority’s financial reporting framework the Authority’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified; however a disclosure change was made in relation to materiality, further detail included at Appendix D. We plan to issue an unmodified opinion in this respect – as noted at Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As in prior years, only limited work is expected to be required on this, as the Authority is not expected to exceed the audit threshold in 2023-24.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2023-24 audit of the Authority in the audit report, as detailed at Appendix G.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM: our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report.

As part of our work, we considered whether there were any significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. There are no significant weaknesses in the Authority's arrangements highlighted in our review.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Management Letter of Representation (draft)
- G. Audit opinion (proposed)

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and / or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on this recommendations during the course of the 2024-25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	<p>Our work on IT general controls identified high number of finance users with system admin rights. A total of 5 out of 8 finance users have system admin access which gives them rights to make changes within the system such as adding or deleting users.</p> <p>While these rights do not grant them superuser rights to make changes on the system, the ability to make the changes within the system poses a risk if this is granted to a high number of users. This increases risk of unauthorised activity and management override of controls.</p>	<p>We recommend that the Authority reviews the users with system admin rights to ensure that only necessary users have system admin rights.</p> <p>Management response</p> <p><i>Management do not accept this recommendation. The finance team is relatively small with varied work patterns, so it is essential that users have permissions to allow efficient administration, including cover for absences. Access is limited to appropriately senior members of the finance team. It is not judged that this leads to an increased risk of inappropriate activity or management override of controls.</i></p>
Medium	<p>The Authority's has included a disclosure in Note 4 'Accounting Standards that have been issued but have not yet been adopted' in relation to the impact of IFRS16 leases – due to be applicable in local authority accounts from 1 April 2024. However, the Authority has excluded low value assets incorrectly, determined based on the lease cost rather than asset value, from the disclosure.</p>	<p>We recommend that the Authority reviews the full lease population to ensure asset values for all leases are considered, in order for a comprehensive implementation of IFRS16 in full in the 2024-25 accounts.</p> <p>Management response</p> <p><i>Management accept the recommendation. We are aware of the need to obtain right of use asset valuations for assets of potentially significant value on below market rate lease payments. This work has yet to be completed but will be done as part of the wider work required for implementation of IFRS16.</i></p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2022-23 financial statements, which resulted in four recommendations being reported in our 2022-23 Audit Findings (ISA260) Report. We have followed up on the implementation of our recommendations and note the progress made.

Assessment	Issue and risk previously communicated in 2022-23	Update on actions taken to address the issue
Partially implemented	<p>Our sample testing of useful economic lives identified errors in the asset lives applied. As a result of these errors, management reviewed the fixed asset register to quantify the total error across the full asset base as a result of incorrect asset lives being used.</p> <p>Recommendation We recommend the Authority reviews the useful economic lives of assets held in the fixed asset register to ensure these remain accurate and appropriate.</p>	<p>No errors were noted in our testing of useful economic lives specifically, however, the Authority continues to have a number of assets with nil NBV which are still in use.</p> <p>Ongoing recommendation: The Authority should continue to review the appropriateness of asset lives, and if assets are still in use, consider if the original life was appropriate.</p>
To revisit in 2024-25 following the transfer to the new payroll provider.	<p>The payroll system which oversees costs of £9,733k is managed by Bury Council. From discussions with management our understanding is that management receive no formal assurance over the operation of controls at Bury Council.</p> <p>Recommendation We recommend that the Authority formally requests and receives a level of assurance over the operation of the payroll system.</p> <p>Following discussions with management we understand they have compensatory controls in place which they believe mitigates the risk. We will reconsider the recommendation as part of the Authority's expected change in payroll provider in 2024-25.</p>	<p>Management did not accept this recommendation. The service provided by Bury relates to processing of payroll data provided to them by the LDNPA People Team. Significant validation checking is performed by LDNPA on the system output for every payment run, including comparison of month on month payments, seeking assurances on variations and cross checking to expected known changes. This means significant testing is performed on every pay run, which mitigates the need for assurance over the operation from the payroll provider.</p> <p>We will reconsider the recommendation as part our 2024-25 audit when the new payroll provider is in use.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially implemented	<p>We note that the Authority maintains an ICT risk register as part of its risk management arrangements, however, it does not have a formal policy covering cyber risk and currently does not hold accreditation with Cyber Essentials.</p> <p>High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any Authority's growth journey.</p> <p>Recommendation</p> <p>We recommend the Authority proactively looks at its cyber preparedness and puts in place appropriate policies and safeguards.</p>	<p><i>Management acknowledges the importance of cyber security. We have policies aimed at good cyber security hygiene and regularly push out training to all users relating to cyber security risks. The authority has moved the vast majority of servers to an off-site data centre managed by a third party and has also made significant progress with CyberEssentials certification. We expect to meet all the criteria for certification before the end of the calendar year. We have also put in place the relevant insurance to help mitigate the impact of a cyber event, should one arise.</i></p>
Partially implemented	<p>We have reviewed the IT General Controls for the in-scope financial systems. Our review identified some deficiencies in the processes in place during the period under review:</p> <ul style="list-style-type: none"> • there are no periodic reviews of user access • our review identified cases where user access was not removed on a timely basis. <p>Robust IT General Controls are essential to mitigate risks to the integrity of the financial systems.</p> <p>We understand that since June 2023, finance receives notification of leavers and therefore who requires removal from the finance system, facilitating timely removal from the finance system.</p> <p>Recommendation</p> <p>We recommend the Authority reviews the security and access procedures and change management processes and puts in place appropriate policies and controls in line with best practice</p>	<p>Our 2023-24 work did not identify any issues in relation to timely removal of leavers.</p> <p>The testing undertaken in 2023-24 identified that in some cases there is no documentation trail for new access & access change requests and there is no periodic reviews of user access rights. This suggests an ongoing need to focus on and action this issue.</p> <p><i>Management acknowledge the importance of control over access changes in the system. Although no inappropriate or erroneous changes have been identified, we accept that improved documentation to support user changes would help improve controls and this will be introduced.</i></p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on useable reserves £000
As a result of sample testing, we identified 2 items where income in advance had been recognised, however income had not been received at year end so a debtor was also recognised. This led to an overstatement of both debtors and creditors. The full population has been considered and both are overstated by £54,000.	Nil	Dr Creditors 54 (decrease) Cr Debtors 54 (decrease)	Nil
The Authority identified that income from a lease had been omitted when valuation had been calculated. The valuation was understated by £24,000.	Cr Surplus of deficit on revaluation of non-current assets 50	Dr PPE 52 Cr Revaluation Reserve 52	Nil
The movement is higher than the actual understatement due to PPA correction made below which impacts opening balances.	Cr Depreciation 2		
Overall impact	£52	Nil	Nil

Impact of adjusted misstatements [2022-23]

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on useable reserves £000
Impact on 2022-23 comparator figures due to prior period adjustment	Dr Surplus of deficit on revaluation of non-current assets 29	Dr Revaluation Reserve 29 Cr PPE 29	Nil
An error in the prior period adjustment was identified whereby a further incorrect rental income value was used in the valuation and income from a lease had been omitted. The valuation was overstated by £29,000.			
Overall impact	£29	Nil	Nil

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure / issue / Omission	Details	Adjusted?
Narrative Report	The Narrative Report quoted the auditor planning materiality figure which had changed since planning. A revised paragraph on materiality has been drafted by the client to be included in the final accounts, which removes the materiality figure for external audit.	✓
Note 4 – Accounting Standards that have been issued but have not yet been adopted	Low value assets incorrectly determined based on the lease cost rather than asset value. Note should be updated to reflect that work is still ongoing and impact not yet known.	✓
Note 10 – Movement in Reserves Statement – Adjustments between accounting basis and funding basis under regulations	Comparators were not correctly updated as part of the prior period adjustment and should be updated for consistency with the primary statements and other notes to the accounts.	✓
Note 12 – Members’ Allowances	Note did not correctly cast in draft accounts, this has been revised which impacts total column only.	✓
Note 14 – Financing and Investment Income and Expenditure	The split of income and expenditure between income & expenditure on investment properties and changes to their fair value, and net profit / loss upon sale of assets has been corrected. No impact to totals in the note or the primary statements.	✓
Note 17 – Defined Benefit Pension Schemes	There have been various disclosure changes to ensure the values accurately reflect both funded and unfunded elements within the tables. Disclosure change only as no overall impact to reserves.	✓
Note 17 – Defined Benefit Pension Schemes	As a result of being notified that since submission to the actuary the asset value of the pension fund had increased, the Authority has uplifted the values in the disclosure note by the change in asset value. Typically, we would expect adjustments to be made following an IAS 19 rerun rather than the Authority to estimate the figures, however we recognise that this would not lead to a material difference, and overall the asset position does not change due to the asset ceiling.	✓
Note 23 - Leases	Our sample testing identified errors where lease values disclosed had not been updated for RPI. Following a full review of leases further issues were identified. Overall future minimum lease payments is understated by £274k.	✓
Note 25 – Financial Instruments	Additional disclosure on the financial instrument note to be made featuring additional lines to show balances for items not classified as financial instruments as per the example in the Code, thus facilitating a reconciliation of the note back to the Balance Sheet.	✓
Typographical changes	A small number of typographical and consistency changes were made to the statements.	✓

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Misstatement in depreciation charges as a result of incorrect asset lives applied	Cr Depreciation (79)	Dr Property, plant & equipment 79	(79)	Nil	This was considered immaterial, so management opted not to adjust in 2022-23. This has been corrected during 2023-24.
Misstatement as a result of error in the calculation of revaluation movements	Cr Surplus/ deficit on revaluation of non-current assets (18)	Dr Property, plant & equipment 18	(18)	Nil	This was considered immaterial, so management opted not to adjust in 2022-23. High value asset so revalued annually, and satisfied valuation in 2023-24 appropriate.
Misstatement in impairment in relation to EV chargers	Cr Impairment (85)	Dr PPE 85	(85)	85	This was considered immaterial, so management opted not to adjust in 2022-23. This has been corrected during 2023-24.
Overall impact	182	182	182	85	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services. The fees reconcile to the financial statements.

Audit fees	Proposed fee per Audit Plan	Final proposed fee
Scale fee as set by PSAA	£50,283	£50,283
ISA 315 revised (Identifying and assessing the risk assessment of material misstatement) – new controls requirement (not included in PSAA tender submission)	£2,510	£2,510
Total audit fees (excluding VAT)	£52,793	£52,793

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Grant Thornton UK LLP

Lake District National Park Authority
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Lake District National Park Authority for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular, the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and valuation of the Authority's share of the pension fund. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We

understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 32 to the financial statements is accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

F. Management Letter of Representation (draft)

- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

- xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Governance Committee at its meeting on **[ENTER DATE]**.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

G. Audit opinion (proposed)

Our draft audit opinion is included below.

We anticipate we will provide the Authority with an unmodified 'clean' audit report.

Independent auditor's report to the members of Lake District National Park Authority

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Lake District National Park Authority (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ('the Code of Audit Practice') approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Resources' (S151 Officer) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Resources' (S151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Head of Resources' (S151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Resources (S151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Resources (S151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

G. Audit opinion (proposed)

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Head of Resources' (S151 Officer)

As explained more fully in the Statement of Responsibilities, the Authority is required to **make arrangements** for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Resources (S151 Officer). The Head of Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Head of Resources (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Head of Resources' (S151 Officer)

As explained more fully in the Statement of Responsibilities, the Authority is required to **make arrangements** for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Resources (S151 Officer). The Head of Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Head of Resources (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Resources (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Governance committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and

G. Audit opinion (proposed)

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of the risk of management override of controls and fraud in revenue recognition. We determined that the principal risks were in relation to material closing journals, journals posted by senior management, journals posted post year end above a certain threshold and journals posted in March above a certain threshold. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals posted by senior management, journals posted post year end above a certain threshold and journals posted in March above a certain threshold,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the Authority's share of the pension fund and its land and building and investment property valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

G. Audit opinion (proposed)

- **Financial sustainability:** how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Lake District National Park Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date:

