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Internal Audit

Internal Audit Report - Draft

Dartmoor National Park Authority

Key Financial Systems Review 2023 – 24

October - November 2023

CUSTOMER SERVICE EXCELLENCE

Support, Assurance and Innovation

Audit Opinion	
Substantial Assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	

Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance
1. Non compliance with Treasury Management statutory requirements, regulations and best practice.	Substantial Assurance
2. Financial loss and undetected error or fraud.	Substantial Assurance
3. Purchasing arrangements and payments to creditors may not be secure or effective resulting in incorrect and / or unauthorised payments.	Reasonable Assurance
4. Income due to the organisation may not be suitably controlled (Invoice raising, income collection and banking).	Substantial Assurance
5. Bank reconciliation procedures may not be effective and errors or discrepancies may not be promptly identified and addressed.	Reasonable Assurance
6. Spend against the organisations budget may not be suitably controlled and reported, resulting in the risk of overspend.	Substantial Assurance
7. The Main Accounting System may not comply with accounting standards and may not accurately report the financial standing of the organisation.	Substantial Assurance
8. The Payroll (Salaries and Wages) may not be suitably controlled resulting in incorrect and / or unauthorised payments being made.	Substantial Assurance
9. Internal audit recommendations agreed from the previous year's audit report have not been implemented.	Reasonable Assurance

These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.	

Introduction

Section 151 of the Local Government Act 1972 requires that each local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". The Head of Business Support, as the responsible financial officer, has this statutory responsibility and must establish an appropriate control environment and effective internal controls for all financial activity and systems of the Dartmoor National Park Authority (DNPA).

An effective internal audit service reports on, and gives an objective opinion to management, on the effectiveness of the control environment and internal controls in managing the risks, including the financial risks, facing the Authority. This audit was undertaken as part of the annual plan agreed with the Head of Business Support.

The review of the financial systems in operation throughout the Authority was undertaken during October and November 2023. The audit was undertaken by physically attending the Parke Authority Headquarters. Our opinions given in this report are therefore based on first-hand experience in addition to remote evaluation of the systems and controls reviewed, the results of testing sample transactions and discussions with staff.

Executive Summary

Dartmoor National Park Authority's Finance Department appears to operate efficiently, with the supervision of knowledgeable and competent staff and managed by the Head of Business Support who, along with the Senior Finance Officer, have an extensive understanding of the financial administration of the Authority. They are closely involved with every-day operations and continue to set high standards.

Some findings and recommendations carried forward from last year have been carried over in relation to bank reconciliations and the processing of transactions in Finest, however progress has been made since last year. At the time of our visit to the finance office, the team were a little behind in processing GPC card reconciliations, however car park and and visitor centre banking transactions had both improved since last year's audit. As mentioned previously, the team are reliant on staff providing log sheets and receipts from officers in order for transactions to be processed. The team chase these up regularly and was visible during our visit, however workloads across the authority appear to be high and the main cause of the delays. We understand that when the new financial system is introduced, some GPC card processes will be reviewed with a view to streamlining the management sign-off element.

The income processing for visitor centres is highlighted as an area where some focus may be beneficial to future income generation. We identified that a high proportion of sales use a 'miscellaneous' VAT code which could benefit from some analysis to understand which products are being sold and which generate the most profit. This information could then be used to understand customer behaviour and influence future stock for sale.

This audit has confirmed that there are effective controls in place for the systems reviewed and the key financial risks are being mitigated. We consider this to be a good reflection of the continuity of staff that work in the finance department at the Authority.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Matt Whale (matthew.whale@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There were no issues arising from the evidence found in this audit that warrant inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Matt Whale
Internal Auditor

Appendix A

Detailed Audit Observations and Action Plan

1. Risk Area: Non-compliance with Treasury Management statutory requirements, regulations and best practice.	Level of Assurance
	Substantial Assurance

Opinion Statement:
The control framework in relation to the Authority's treasury management continues to be well managed and suitably comprehensive which is much to the credit of the Authority staff involved. Substantial assurance continues to be appropriate in this area as all statutory requirements and regulations are being followed and fully met. Policies and financial frameworks are in place and the low-risk approach and procedures in relation to investments are considered to be sound. Investment Strategy, Policy, Financial Regulations and Scheme of Delegation are all in place and are kept to date. Additionally, there is clear evidence that financial reporting to the Authority Leadership Team, the Audit and Governance Committee and the Authority Members is taking place.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

2. Risk Area: Financial loss and undetected error or fraud.	Level of Assurance
	Substantial Assurance

Opinion Statement:
We observed that cash flow and treasury management performance monitoring take place systematically at both authority and leadership team level. Transactions can only be made through the Authority's official bank accounts; we saw evidence of regular reconciliations and independent verification of what funds had been invested. We consider therefore, that controls in this area continue to be comprehensive and mitigate the risks by a substantial assurance opinion being given.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

3. Risk Area: Purchasing arrangements and payments to creditors may not be secure or effective resulting in incorrect and / or unauthorised payments.	Level of Assurance
	Reasonable Assurance

Opinion Statement:

Purchasing of supplies and services in the Authority continue to be undertaken in a responsible and effective manner. The finance team ensure that guidance and policies are adhered to with suitable controls in place, though we consider a review of GPC managerial check levels may be beneficial if this is an ongoing barrier to timely reconciliations. Spending limits are appropriate, and the cardholder list are regularly maintained.

Invoice processing is restricted to the finance team and the FINEST system ensures a suitable separation of duties, though with the introduction of a new finance system next year we consider this an area that will require testing in the next audit.

Creditor payments were sampled and found that procedures are being followed, delivery notes are matched with orders. BACS runs are weekly and payments are authorised by a senior officer in line with procedures. No cheques have been issued this year and they are carefully controlled. Petty cash is rarely used and we confirmed the most recent reconciliation had been done on 22nd September 2023 with transactions authorised in accordance with the budget book.

New requests for direct debits are always double checked by the finance team using independently obtained contact details and we have highlighted the ongoing need for vigilance with fraudsters attempts to infiltrate local authorities' systems and bank accounts.

SFO confirmed that the GPC card reconciliations, whilst being behind where they want to be, have improved since last year with Aug-Sep and Sep-Oct being worked on during our visit. Log sheets and receipts from officers is slowing things down still which we understand is a result of workloads across the authority, however we are told that they are likely to review the upper limits for GPCs requiring management sign-off. This would enable a common-sense, value-based approach to be used for expediency.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
3.1	A new finance system will be implemented before the next audit. Separation of duties is currently a feature of the FINEST system; this will need to be tested next time.	Opportunity	Separation of duties features should be tested in next year's audit.	The new financial system will have the ability for separation of duties and will streamline our current processes.
			Action Officer: Angela Stirland	Due Date: August 2024

<table>
<tr><td colspan="3">4. Risk Area: Income due to the organisation may not be suitably controlled (Invoice raising, income collection and banking).</td><td colspan="2">Level of Assurance

Substantial Assurance</td></tr>
<tr><td colspan="5">Opinion Statement:
Debtor income is well managed by the Authority, primarily because there are suitable controls and procedures in place to ensure that all income is collected efficiently, reconciled accurately and banked in a timely manner. Income is received through the National Park Visitor Centres and also through planning charges and car parking income. G4S collections are now taking place for the Parke banking which was minimal in recent years due to Covid-19. The other centres income is collected via card payments.

Audit discussions were carried out with the Senior Finance Officer concerning the processing of car park income and visitor centres. Car park income had caught up from last year’s audit having been reconciled up to August and the visitor centres up to September. This has contributed to the back log of the bank reconciliations as highlighted under the bank reconciliation section of this report. This is a manual process which is time consuming.

A review of the aged debtor report at the time of the audit confirmed that aged debt was £57.3k of which £0.25k was more than 30 days old. All debts detailed on the report had been paid in full. We also observed the receipt and allocation of funds during our visit which we consider to be efficient.

We noted that no analysis currently takes place of the income received by the authority through the visitor centres.</td></tr>
<tr><th>No.</th><th>Observation and Implications</th><th>Impact / Priority</th><th>Recommendation</th><th>Management Response</th></tr>
<tr><td rowspan="2">4.1</td><td rowspan="2">There has been no analysis of visitor centre income. The majority of transactions were identified as ‘miscellaneous’ in the VAT codes. With a better understanding of which products are being sold and those with greater margins, the centres could stock according to demand and increase income generation, and not waste money on stock that does not sell or that is not adding value.</td><td rowspan="2">Opportunity</td><td>Analyse sales to understand customer preferences and improve sales and income.</td><td>The Authority has recently appointed a new retail officer and they are looking at making changes particularly understanding the products sold and income generated.</td></tr>
<tr><td>Action Officer: Claire Ivatt</td><td>Due Date: September 2024</td></tr>
</table>

5. Risk Area: Bank reconciliation procedures may not be effective, and errors or discrepancies may not be promptly identified and addressed.	Level of Assurance
	Reasonable Assurance

Opinion Statement:
We observed that reconciliations of the bank accounts are taking place effectively during our visit. The Fibca Account (7) and DFD Account (8) were reconciled as recently as September, the Current Account (3) in August (showing an improvement from last year by several months) but Income (5) was last completed in May 2023. The delays for income reconciliation have been noted in previous audits, and stem from car park income and visitor centres manual processing and staff resource issues.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

6. Risk Area: Spend against the organisations budget may not be suitably controlled and reported, resulting in the risk of overspend.	Level of Assurance
	Substantial Assurance

Opinion Statement:
The Authority's financial regulations cover requirements for income and expenditure budget monitoring information to be regularly reported to Authority Members throughout the financial year. The Head of Business Support provides the Leadership Team and budget holders with regular budget monitoring information. Financial information provision at all levels contained appropriate detail and was clear.

The annual budget approved by Authority Members is correctly input to Finest, the financial system. Monitoring of the budget is undertaken by the Head of Business Support, expenditure is then controlled within agreed limits by officers across the Authority. All of these factors enable a substantial level of assurance to be awarded in this area.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

7. Risk Area: The Main Accounting System may not comply with accounting standards and may not accurately report the financial standing of the organisation.	Level of Assurance
	Substantial Assurance

Opinion Statement:
The Authority continues to use 'FINEST' as its main accounting system. As noted in previous audits the current system is supported by the 'FINEST' team at Devon County Council who also maintain it and act as system administrators. FINEST is due to be replaced in 2024 at DCC and the current plan has DNPA sharing a live date for the new system with DCC. The current system has controls that ensure compliance with accounting standards and provides a well-documented audit trail.

Comprehensive control procedures are in place whereby appropriate officers have access to the system and suitable restrictions are in place to prevent unauthorised use. 'FINEST' users are reviewed regularly by the Finance Team. We are confident that with the support of DCC, the new system will meet all standards necessary next year, however time for staff training will be critical to its success. Substantial assurance continues to be awarded in this area as all aspects of the main accounting system reviewed are working well and comprehensive controls remain in place.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

8. Risk Area: The Payroll (Salaries and Wages) may not be suitably controlled resulting in incorrect and / or unauthorised payments being made.	Level of Assurance
	Substantial Assurance

Opinion Statement:
Devon County Council HR One service is used by the Authority to administer its payroll and monitoring for any errors are undertaken by the Authority's HR team, by updating the 'error log' spreadsheet. There were four entries in the log for the current financial year including a duplicate mileage claim, hours missed, hours paid instead of accrued, and a new member not set up on iTrent. The record is comprehensive and includes an archive to 2015. A variance report is generated every month which helps the team to identify any payroll anomalies. The procedures are well established and managed reflecting the competence of the HR team and their working relationship with the finance team.

The log of errors reflects the importance of the variance report and payroll checks in the procedures which prove the effectiveness of the system. We reviewed the starters and leavers and confirmed that all staff on the payroll were accurate at the time of our check and aside from those noted in the error log, staff appear to be paid accurately and timely.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
No observations and recommendations recorded				

9. Risk Area: Internal audit recommendations agreed from previous year's audit report have not been implemented.	Level of Assurance
	Reasonable Assurance

Opinion Statement:

1.1.1 The authority should ensure that the card transactions are reconciled to the main accounting system promptly and on a regular basis. The current backlog should be processed as a matter of priority. **Opinion:** See 9.1 below.

2.1.1 Officers should be reminded that invoices must be raised promptly and where possible in the same financial year as the charges relate. **Opinion**: Much improved. Invoices appear to be raised in a timely manner. Investigated one water company invoice for delayed issue and trail of emails evidenced not a DNPA issue for delays, evidence trail was robust.

6.1.1 The finance team should ensure that bank reconciliations are undertaken on a monthly basis. This will enable any errors and discrepancies to be identified promptly. **Opinion:** Improvements seen since last year, procedures are being reviewed which is likely to improve them further.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
9.1	Highlighted areas have been addressed and aware of need to get reconciliations of GPCs up to date. Some progress has been made since the last audit.	Medium	Need for reconciliations to be done in a timely fashion. Review of managerial sign-off limits may help progress this.	The authority is looking at options for the implementation of financial threshold that needs sign off, which will aid the timeliness of GPC reconciliation.
			Responsible Officer: Angela Stirland and Cornelia Angell-Reimers	Due date: September 2024

Appendix B

Scope and Objectives

Ordering and Payments:
To ensure that purchasing is carried out in compliance with the Authority's financial regulations, Instructions for Procurement and also European procurement regulations (EU Procurement Directive) so that the Authority obtains the best value for money.

Income and Cash Collection:
To confirm that income due to the organisation is suitably controlled (invoice raising, income collection and banking).

Payroll and Travel Expenditure:
To confirm that Payroll and Travel Expenditure is suitably controlled resulting in correct and / or authorised payments being made

Main Accounting System:
To ensure that the Main Accounting System is operated in accordance with the organisation's Financial Regulations so that the Authority's financial position is accurately reported.

Bank reconciliation:
To ensure that bank reconciliation procedures are carried out efficiently and effectively to safeguard the Authority's financial balances.

Investments:
To review and ensure that regulatory requirements, performance targets and best practice expectations are met. To ensure controls are in place to prevent financial loss as a result of error or fraud.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	**Definitions**
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Appendix C

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Grant Thornton

Auditor's Interim Annual Report on Dartmoor National Park Authority

2022/23 VFM arrangements

December 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.

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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

1. Executive summary

Value for money arrangements and key recommendation(s)

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 their commentary on the Authority's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions are summarised in the table below. We have not noted any significant weaknesses in arrangements and this represents a good outcome for the Authority.

Criteria	Risk assessment	2021-22 Auditor Judgment		2022-23 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified	G	No significant weaknesses in financial sustainability arrangements identified, although the Authority's critical financial challenge remains. No improvement recommendations made.	A	No significant weaknesses in arrangements identified. One improvement recommendation raised. The Authority's financial challenges continue to be significant and require continued urgent focus.
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified. One improvement recommendation made.	A	No significant weaknesses in arrangements identified. Three improvement recommendation made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified. One improvement recommendations made.	G	No significant weaknesses in arrangements identified. No improvement recommendations made.

- G: No significant weaknesses in arrangements identified or improvement recommendation made.
- A: No significant weaknesses in arrangements identified, but improvement recommendations made.
- R: Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

VFM arrangements

Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. The Authority, as with all national parks and local authorities, will need to continue to plan on the basis of "flat cash" funding in the medium term, effectively a cut in funding in real terms. This has become particularly acute after the year end at 31 March 2023, given the impact of rising inflation. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority. We raised one improvement recommendations on financial sustainability this year. Further details can be seen on pages 9 of this report.

Governance

Our work this year has focused on refreshing our understanding of the governance arrangements in place at the Authority, and the progress made in implementing the recommendations made in the prior year. Our work has not identified any significant weaknesses in arrangements. We have raised three improvement recommendation in respect of risk management arrangements. Further details can be seen on pages 13-15 of this report.

Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in is use of resources. Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness.

Audit of the 2022/23 Financial Statements

Our accounts audit is to be completed in January and February 2024 and the outcome will be reported in our ISA260 Audit Findings Report to your Governance Committee in March 2024.

2. Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We have not yet completed our audit of your financial statements and are therefore unable to issue our audit opinion.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Our work has not identified any issues requiring a statutory recommendation.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Our work has not identified any issues requiring a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Our work has not identified any issues requiring an application to the court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Our work has not identified any issues requiring an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

Our work has not identified any issues requiring a judicial review.

3. Securing economy, efficiency and effectiveness in the Authority's use of resources

All Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out at Appendix A.

Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Authority 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).

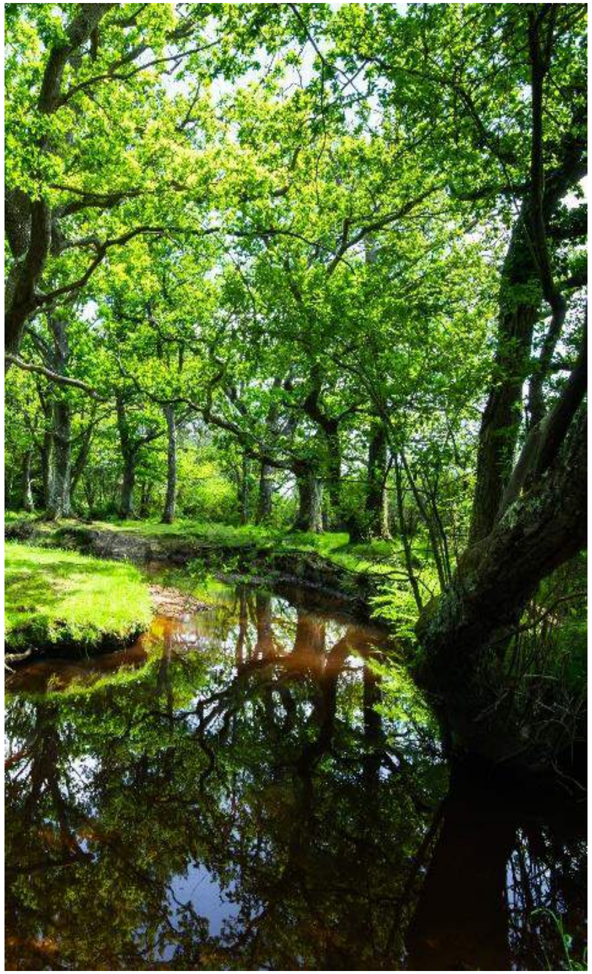
Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 7 to 13. Further detail on how we approached our work is included at Appendix B.



4. Financial sustainability

We considered how the Authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial pressures

2022-23 revenue outturn

The 2022-23 revenue out-turn reported an underspend of £4k against net expenditure spend of £3.825 million which is a positive achievement given the Authority's continuing financial challenge. A deficit of £112,741 for 2022/23 was forecast at month nine, but the Authority received additional FIPL (Farming in Protected Landscapes) allocation at the year end.

The 2022/23 deficit represented a 0.11% variance against budget, which compares favourably to a deficit of £51,913 and a minus 1.27% variance in 2021/22. The Authority's budget paper, in March 2022, identified significant risks to the 2022/23 financial performance and stated that "the *financial outlook from 2022/23 onwards is challenging when the Authority has flat cash grants and inflation is running above 5%.*" Key risks to 2022/23 financial performance included:

- Customer Driven Income – sensitive to factors beyond the Authority's control including consumer behaviour and the weather;
- National Park Grant Settlement - changes in government policy as a result of wider economic uncertainty which could result in a reduction in National Park Grant;
- Pay Award - any variance from the 3% allowance in the budget would create a financial pressure;
- National economic conditions - inflationary pressures and impact on consumer spend could create financial pressures for the Authority.

2023/24 financial pressures

The significant financial risks facing the Authority for 2023/24 and future years are recognised within its Medium-Term Financial Plan (MTFP). The MTFP sets balanced budgets, in March before each financial year, recognising an environment of inflationary cost pressures and other assumptions.

In terms of 2023/24 financial performance, the forecast financial outturn (reported to the November 2023 Audit and Governance Committee) is a deficit of £67,661 at the end of month six. This represents a negative variance of 1.72% against the 2023/24 net revenue budget of £3.927 million. It is predicted that the difference will be an additional draw on the earmarked "Budget Management Fund" reserve.

Medium Term Financial Plan

The MTFP, of March 2023, sets out the Authority's strategic approach to financial management for the 2023/24 budget and the financial years 2024/25 and 2025/26. Underpinning the refining of assumptions for the next year's MTFP, a series of proactive in-depth business reviews led by finance, has challenged

- income growth,
- efficiency savings; and
- the use of reserves

The aim is that zero based budgeting, following these reviews, will allow balanced budgets to be set for the current 2024/25 budget setting round, and in the MTFP for the 2025/26 and 2026/27 financial years

Financial sustainability (continued)

Medium Term Financial Plan (continued)

Other authorities, despite uncertainties, extend their MTFP longer than two years and may set the financial scene some 3 – 5 years in their MTFP to invite further debate and direction. Given the Authority's uncertainty around the National Park Grant "flat funding" we suggest that the Authority set a three-year MTFP, for March 2024, to the end of the financial year 2027/28. This will involve more uncertain assumptions, however it is good practice for an authority to have a view of "financial resilience" in terms of its income and expenditure and the impact on reserves over a period longer than two years.

(Improvement Recommendation One: Three-year Medium Term Financial Plan including the financial year 2027/28)

Level of reserves

The MTFP sets out the Authority's Reserves Strategy, which aims to maintain the General Reserve to a target of £500k, some 12% of net budget, whilst also utilising some £242k and £284k of reserves in years 2024/25 and 2025/26 respectively. It is predicted through its "risk based analysis of reserves" that the Authority will have £1.152 million of earmarked reserves at the end of the 2025/26 financial year. Earmarked reserves allow the Authority to put aside monies for "invest to save" schemes and smooth spending between financial years, where appropriate. However, utilising reserves at a rate of some £250k a year is not financially sustainable in the longer term.

Capital Strategy

Capital spend for this Authority is commonly of a small scale relating to vehicles or IT. For larger schemes such as new buildings or conversions, Members receive specific reports to support decision making, with background, reasons why the scheme is being recommended, a cost benefit analysis, and sources of finance. The Authority's capital programme for the MTFP period currently consists of £29k in 2024/25 and £52k in 2025/26.

Farming in Protected Landscapes (FiPL)

The Strategy identifies the need to achieve additional grant income to support delivery of the Business Plan and Partnership Plan. A number of grants have been secured, the single most financially significant being FiPL which is funding for farmers and land managers in Areas of Outstanding Natural Beauty (AONB), National Parks and the Broads. The Authority received some £815k for 2022/23, the second year of delivery for the FiPL programme. The Authority has been able to meet its planned budget profile for the grant following the re-profiling in year. It expects to continue into the next year of the FiPL scheme which attracts some £800k of grant and costs in 2022/23.

Conclusion on Financial Sustainability

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. There is a high level of understanding of the Authority's financial challenges in terms of its budgetary pressures in the short and the medium term.

We acknowledge the challenging context arising after the 2022/23 year end, with the significant increase in inflation adding pressures beyond those initially planned for.

Improvement recommendations

Improvement Recommendation 1	**We suggest that the Authority sets a three-year Medium Term Financial Plan (MTFP) covering the years 2025/26, 2026/27 and 2027/28, for March 2024, so that it has a better medium-term view than its current two-year MTFP.**
Improvement opportunity identified	Other authorities, despite uncertainties, extend their MTFP longer than two years and may set the financial scene some 3 – 5 years in advance to invite further debate and direction. Given the Authority's uncertainty around the National Park Grant "flat funding" we suggest that the Authority sets a three-year MTFP, for March 2024, to the end of the financial year 2027/28.
Criteria impacted	Financial Sustainability
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The duration of a local authority's medium-term financial plan can vary, and there is no universal standard for how many years it should cover, but typically span a period of three to five years. Management believes that taking on extra work, with limited resources, would simply emphasize the ongoing issues we are already cognizant of. However, we will consider the option to add an additional year to our MTFP scheduled for March 2024.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

5. Governance

We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Leadership and committee effectiveness

Appropriate leadership is in place at the Authority. The Authority operates through full Authority meetings as well as through its Audit and Governance Committee, Development Management Committee and the Standards Sub-Committee. The Audit and Governance Committee has delegated power to act as Those Charged With Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee has appointed members with financial and non-financial experience.

In January 2022, we recommended that the Audit and Governance Committee undertake a self-assessment each year, which is considered best practice. Once completed the outcome will be reported in the Annual Governance Statement.

Major decisions are made at meetings of the full Authority, with issues arising from the various committees being reported to the full Authority for information and oversight. The Authority meets eight times a year and appropriate minutes are taken which are approved and available online.

Policies, procedures, and controls

As a public organisation, the Authority aims to maintain the highest standards of conduct and integrity. The Authority expects the highest standards of corporate behaviour and responsibility from all Authority members and staff. The Authority has in place a range of policies and procedures designed to ensure compliance with legislative and regulatory standards, including Codes of Conduct for Members and Staff, a Local Code of Corporate Governance, and a range of HR policies and procedures. In addition, the Authority has anti-fraud and corruption policy in place. Members' interests are recorded on an individual basis on the Authority's website.

In January 2022, we made an improvement recommendation relating to out of date policies. In the current year we have identified seven policies which need review; eg the Anti Fraud and Corruption Policy 2017 and the Code of Conduct 2012. We therefore draw your attention to the prior year improvement recommendation in Section 7 of this report.

Monitoring and Assessing Risk

The Leadership Team monitors and reviews the Strategic Risk Register on a quarterly basis to ensure they mitigate the Authority's risks. The Strategic Risk Register is then presented to the Audit and Governance Committee every six months in May and November. In the prior year we included an improvement recommendation that the Register should identify specific named officers to own each risk and that the Risk Management Policy should be updated. We are pleased to note that that this recommendation has been implemented.

Governance (continued)

Monitoring and Assessing Risk (continued)

Each risk on the Strategic Risk Register is linked to a specific category (either Performance, Strategy, Finance, or Governance) and has a description, control measures, and a risk score which is RAG-rated. Any additional control measures or resources required are identified. However, the Authority's risks are not mapped to the delivery of its corporate objectives in its business plan. The Authority's arrangements for both performance management and risk management could be better streamlined so there is one integrated reporting framework for the Corporate Objectives, Business Plan, KPIs and the Strategic Risk Register. **(Improvement Recommendation Two: Integration of performance management and risk management through mapping risks to corporate objectives and rating the performance delivery of these objectives.**

The most recent Strategic Risk Register was presented to the A&G Committee on 3 November 2023. The Register details the basis for including risks as well as how they are monitored and scored. However, the rescoring of risks under the new methodology, outlined in the January 2023 Risk Management Policy, has disproportionally increased the severity of the Authority's risk profile (as shown in the next table) without a change in business practices. This change in the severity of the Authority's risk profile has not been picked up by Members nor management as part of the in-year monitoring of risk. The Head of Organisational Development agrees that visually this misrepresents the Authority's true risk profile as for 2022, only four risks were not green and in 2023, only one risk is green. There were 2 red, 2 amber and 16 green; but now, of the 20 risks there are 8 severe (orange), 11 material (yellow) and 1 manageable (green). We suggest that the Authority's risks are re-scored so they better reflect the Authority's true profile. (Improvement Recommendation Three: Re-scoring of the risks to better reflect the Authority's true risk profile)

Summary of Strategic Risk Register – November 2023

Impact of new scoring methodology

Risk Ref	Risk Description	Planned Residual Risk – old scoring	Planned Residual Risk – new scoring
PERFORMANCE			
P1	Ineffective internal communication	8	Severe Risk
P2	Inadequate external communication/community engagement	6	Severe Risk
P3	Inadequate Info Management/Business Continuity Planning.	15	Severe Risk
P4	Inadequate focus on Performance Management	6	Material Risk
P5	Lack of support to deliver actions in the Partnership Plan	9	Material Risk
P6	Failure to determine major planning applications < 13 weeks	8	Severe Risk
STRATEGY			
S1	Failure to implement culture of risk assessment/management	6	Material Risk
S2	Emergencies affecting DNPA land/buildings or activity	4	Material Risk
S3	Managing officer workload	15	Severe Risk
S4	Workforce planning and resilience	20	Severe Risk
S5	Farming in Protected Landscapes	9	Material Risk
S6	Review of Byelaws	9	Material Risk
FINANCE			
F1	Potential for further reductions in National Park Grant	20	Severe Risk
F2	Inadequate financial management	4	Material Risk
F3	Appeals, Public Enquiries and enforcement action	6	Material Risk
GOVERNANCE			
G1	Fraud & Corruption	2	Manageable Risk
G2	Inadequate procurement practice	6	Material Risk
G3	Inadequate management of partnerships and projects	8	Severe Risk
G4	Inadequate decision-making process and documentation	6	Material Risk
G5	Failure to implement new or changes to legislation or policy	6	Material Risk

Governance

As well as the Authority's identifying, assessing and scoring its strategic risks, it also needs to identify additional control measures that can be implemented along with any resources that might be required to give a "Planned Residual Risk Rating" to show how the Authority is either reducing its risk profile or tolerating the level of risk. However, on review of the Strategic Risk Register we found that of the 20 identified risks, control measures have reduced the severity of the risk in just the following 8 cases.

Risk Ref	Residual Risk	Planned residual risk
P5	severe	material
S3	very severe	severe
S4	very severe	severe
S5	severe	material
S7	very severe	material
F1	very severe	severe
F2	severe	material
F3	very severe	material

The Authority has the option to treat, transfer, terminate or tolerate (known as the 4 T's) its risks depending on its "risk appetite" for each risk. The Authority has yet to determine its "risk appetite" and therefore may wish to clarify whether the "Planned Residual Risk" is appropriate for each of its 20 strategic risks.

(Improvement Recommendation Four: Determining the Authority's risk appetite for its strategic risks .

Internal control

Internal audit is provided by Devon Audit Partnership, a shared service agreement between a number of the local authorities in Devon. Internal audit agrees an annual audit plan with the Head of Business Support and then presents the plan to the Audit and Governance Committee for approval. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the Annual Governance Statement. Internal Audit also issue an Annual Report summarising their work each year, along with the Head of Internal Audit Opinion which provided Substantial Assurance for 2022/23.

Budget Setting Process

The Authority has an established budget-setting process in place. The budget for 2023-24 was approved at full Authority in March 2023. The budget is reviewed regularly to forecast outturn results throughout the year, with a final outturn being presented to the May Audit and Governance Committee. The Audit and Governance Committee provides an appropriate level of routine review, particularly in light of the Authority's track record of delivering a balanced year end outturn position. The current and prior year periods both show small variances which are indicative of the effectiveness of the budget setting and monitoring processes in place.

Budgetary Control

There are good systems in place for oversight of the budget. Budget monitoring is performed on a monthly basis via Microsoft Teams, led by the Head of Business Support. Matters arising are considered by the Leadership Team at regular meetings. Variances are identified and explained on a monthly basis, with actions to mitigate these agreed at Leadership Team level where required. Routine reporting to Members takes place at Audit and Governance Committee, reporting the month 6 and 9 outturn positions to ensure Members are aware of budget variances and how these are being managed.

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. As outlined above, we have raised three improvement recommendations to strengthen governance arrangements as detailed overleaf.

Improvement recommendations

Improvement Recommendation 2	**We recommend that the Authority integrate its performance management and risk management frameworks through the mapping of risks to corporate objectives and rating the risk around the service delivery of these objectives.**
Improvement opportunity identified	Each risk on the Strategic Risk Register is linked to a specific category (either Performance, Strategy, Finance, or Governance) and has a description, control measures, and a risk score which is RAG-rated. Any additional control measures or resources required are identified. However, the Authority's risks are not mapped to the delivery of its corporate objectives in its business plan. The Authority's arrangements for both performance management and risk management could be better streamlined so there is one integrated reporting framework for the Corporate Objectives, Business Plan, KPIs and the Strategic Risk Register.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The recommendation is noted. The Leadership Team have agreed to review the format of the Business Plan to include a new section for performance indicators and will consider how to streamline risk management. The Head of Organisational Development met with a contact at Lake District National Park Authority to understand their approach and receive a demonstration of their KPI IT system.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	The Authority should re-score its strategic risks on the Risk Register to better reflect the Authority's true risk profile
Improvement opportunity identified	The new risk scoring methodology has increased the severity of the Authority's risk profile without a change in business practices. This change in the severity of the Authority's risk profile has not been picked up by Members nor management as part of the in-year monitoring of risk. The Head of Organisational Development agrees that visually this misrepresents the Authority's true risk profile. There were 2 red, 2 amber and 16 green in 2022; but now, in 2023, of the 20 risks there are 8 severe (orange), 11 material (yellow) and 1 manageable (green).
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The recommendation is accepted and work is underway to rescore the Strategic Risk Register for future monitoring and reporting.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4	**We suggest that the Authority discuss and determine the Authority's risk appetite for its each of its 20 strategic risks**
Improvement opportunity identified	The Authority needs to identify additional control measures that can be implemented along with any resources that might be required to give a "Planned Residual Risk Rating" to show how the Authority is either reducing its risk profile or tolerating the level of risk. However, on review of the Strategic Risk Register we found that of the 20 identified risks, control measures have reduced the severity of the risk in just 8 cases. The Authority has the option to treat, transfer, terminate or tolerate (known as the 4 T's) its risks depending on its "risk appetite" for each risk. The Authority has yet to determine its "risk appetite" and therefore may wish to clarify whether the "Planned Residual Risk" is appropriate for each of its 20 strategic risks.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Leadership Team will consider this recommendation at its next performance meeting to be held on 9th January 2024.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

6. Improving economy, efficiency and effectiveness

We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring, and assessment

The Authority's vision and priorities are set out in its Business Plan which is updated and presented to the Authority meeting in March each year. A Business Plan Monitoring report considering progress against plan is presented to the Audit and Governance Committee twice a year in May and November. The Business Plan links the five-year Dartmoor Partnership Plan to the National Park's individual strategic priorities for the year, and also where relevant to the detailed annual revenue budget and the Medium Term Financial Plan.

Our review identified that performance against the priorities and actions set out in the plan is also monitored routinely by the Leadership Team. The performance monitoring arrangements provide useful and timely information to members and management, and support the overall objectives of the Authority in delivering the Business Plan.

The Authority sets out its key actions across its six priority areas as identified in the plan, with detailed descriptions of what each action comprises, the desired outcome, target start and end dates, and whether these link to the three key aspects of the national policy context. In addition to the Business Plan, there is a Performance Indicator framework in place comprising 37 indicators, a mix of "State of the Park" indicators, national indicators required by central government or agreed with other National Park Authorities, and local indicators set by the Authority.

Performance against the indicators is reported to the Audit and Governance Committee. The report indicated mixed results against the performance indicators; in many cases such as for volunteer days or local engagement. Of the 37 indicators identified for tracking, 21 were either partially or wholly below target at the end of 2022/23. Some targets have not been met for a number of years and the trend is towards worsening rather than improving performance e.g. in timely response to planning applications.

As part of a prior year recommendation we have suggested that The Authority should seek to review its indicators and, where relevant, understand reasons where these have not been achieved. Where achievement is unrealistic, the Authority should consider revising the indicator to be achievable. Where this is inappropriate or impossible (e.g. for nationally-determined indicators), the Authority should agree specific actions to improve performance against indicators, especially those where performance is worsening. In addition, we suggest in the better integration of risk management and performance management, raised in Improvement Recommendation Two, that risks to delivery of performance should be reflected in the Authority's risk register.

Improving economy, efficiency and effectiveness

Partnership working and working with stakeholders

Partnership working is clearly established within the Authority's strategic framework documents, including the Authority's Business Plan, and in the way the Authority operates on a day to day basis.

Partnership working is a key focus for the Authority for a number of reasons, including:

- to help generate support funding, for example through the National Lottery Heritage Fund to progress individual projects;
- to encourage volunteering to support the work of the Authority and various projects that the Authority is progressing;
- to support the local community in which the Authority operates

The proactive approach to partnership working is evident from the progress made in a number of key areas including:

- Continued delivery of the South West Peatland Partnership, with all sites now complete except one and 75% of the Nature for Climate target achieved
- Delivery of the Dartmoor Hill Farm Project, and a further bid being prepared in partnership with the Princes Countryside Fund for another three years

Procurement

The Authority has procurement procedures within its Financial Regulations and a Sustainable Procurement Policy which sets out the approach to delivering effective procurement. This supports budget holders who have responsibility for procurement decisions. Budget holders are also supported by the Finance team.

Conclusion

Overall, we are satisfied that the Authority has appropriate arrangements in place for ensuring economy, efficiency, and effectiveness in its use of resources.

7. Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Governance The Authority should maintain a register of all its key policy documents with dates of last review, to ensure that all key documents are regularly updated. This register should also document all named officers and job titles included in the policy to ensure that these are kept up to date.	Improvement	October 2022	Work in progress. These policies are being updated.	No	No
2	Introduce an annual self-assessment effectiveness review of the Audit and Governance Committee which is the Committee considered to be Those Charged With Governance.	Improvement	January 2022	Once completed the outcome will be reported in the Annual Governance Statement.	No	No
3	Improving economy, efficiency, and effectiveness The Authority has 37 different performance indicators tracking a variety of different aspects of its performance. The Authority should seek to review its indicators and, where relevant, understand reasons where these have not been achieved. Where achievement is unrealistic, the Authority should consider revising the indicator to be achievable. Where this is inappropriate or impossible (e.g. for nationally-determined indicators), the Authority should agree specific actions to improve performance against indicators, especially those where performance is worsening. Risks to delivery of performance should be reflected in the Authority's risk register.	Improvement	October 2022	A review is ongoing.	No	No

8. Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

Audit opinion on the financial statements

We plan to issue our opinion on the Authority's financial statements in March 2024.

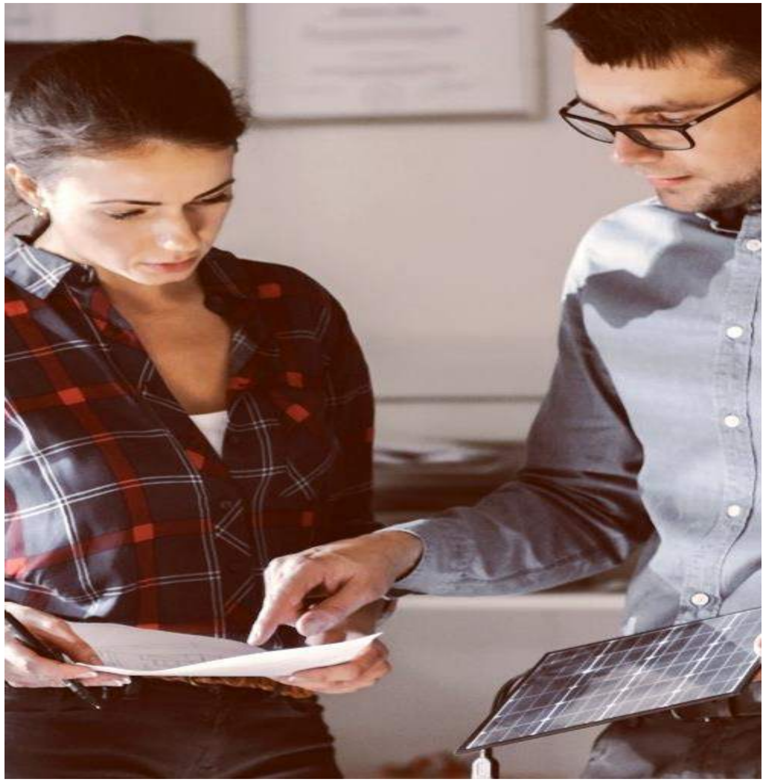
Further information on our audit of the financial statements is set out overleaf.

8. Opinion on the financial statements

Audit of the financial statements

The 2022/23 Audit Plan was presented to the Audit and Governance Committee in May 2023. The Authority provided draft financial statements in line with the national timetable of 31 May 2023.

The final audit visit will be carried out in February 2024. The Audit Findings Report will be presented to the Authority's Audit and Governance Committee in March 2024. Requests for the Audit Findings Report should be directed to the Authority.



Appendices

Appendix A – Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Appendix B: An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report?	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	9, 13,14 and 15

Grant Thornton

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Dartmoor National Park Authority 2022-23 Audit Plan

Year ending 31 March 2023

January 2024

Contents

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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 Authority 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.

1. Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food, fuel and increasing bank interest rates, is proving challenging for many households, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within challenging budgets.

Local Authority funding, including national parks, continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands and increases in supplies and services.

Local Context – the Authority's financial performance:

At the end of 2022/23, the Authority reported a deficit of £4k, an improvement on the prior year outturn which was a £52k deficit. The Authority's reserves position continues to be relatively healthy, in the challenging national context, with the Authority reporting total reserves of £3.6m in its outturn report for 2022/23. The Authority's Medium Term Financial Plan (MTFP) presented on 3 March 2023 identified that the savings gap is due to reach a cumulative £483k by 2025-26, assuming a continued "flat cash" National Park Grant. The report presented a more optimistic scenario if the grant were to be increased by 1%, but the Head of Business Support confirmed that after the report's submission the "flat cash" position had been confirmed, along with £440k of additional funding which would be used to keep the Princetown Visitor Centre open.

Audit reporting delays – context

In a report published in January 2023, the NAO highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including audit opinions published by the required deadlines set by the government. The NAO outlined a number of reasons for this and proposed actions.

In March 2023, Grant Thornton published '*About time?*', which explored the reasons for the delay in publication of audited local authority accounts. The report explores several of the causes of delay and the steps which might be taken to reduce the incidence of delays. These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies. The Grant Thornton report made a number of recommendations for improving timeliness in publishing audited accounts. Copies of the Grant Thornton report have been circulated to members of the Authority.

Key matters

Our Responses on key Authority matters

- As a firm, we are absolutely committed to high standards and continually improving audit quality and financial reporting in the local authority sector. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Head of Business Support.
- We will continue to review the Authority's financial position through our regular discussions with the Head of Business Support, including budget monitoring, any changes to the MTFP, maintenance of general reserves, DEFRA funding and your key expenditure areas.
- We will continue to consider your arrangements for managing and reporting your financial resources as part of our 2022-23 audit of your financial statements and value for money work (VFM).
- Our VFM work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will follow up progress in implementing the actions agreed in respect of matters identified in prior year audit work relating to the financial statements audit as well as recommendations made as part of our review of your value for money arrangements
- We will continue to provide the Authority with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, discuss topical issues with our technical specialists and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We continue to identify a significant risk in regards to the management override of controls (see page 8) which is our key response to this risk.

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the Dartmoor National Park Authority for those charged with governance.

Respective responsibilities

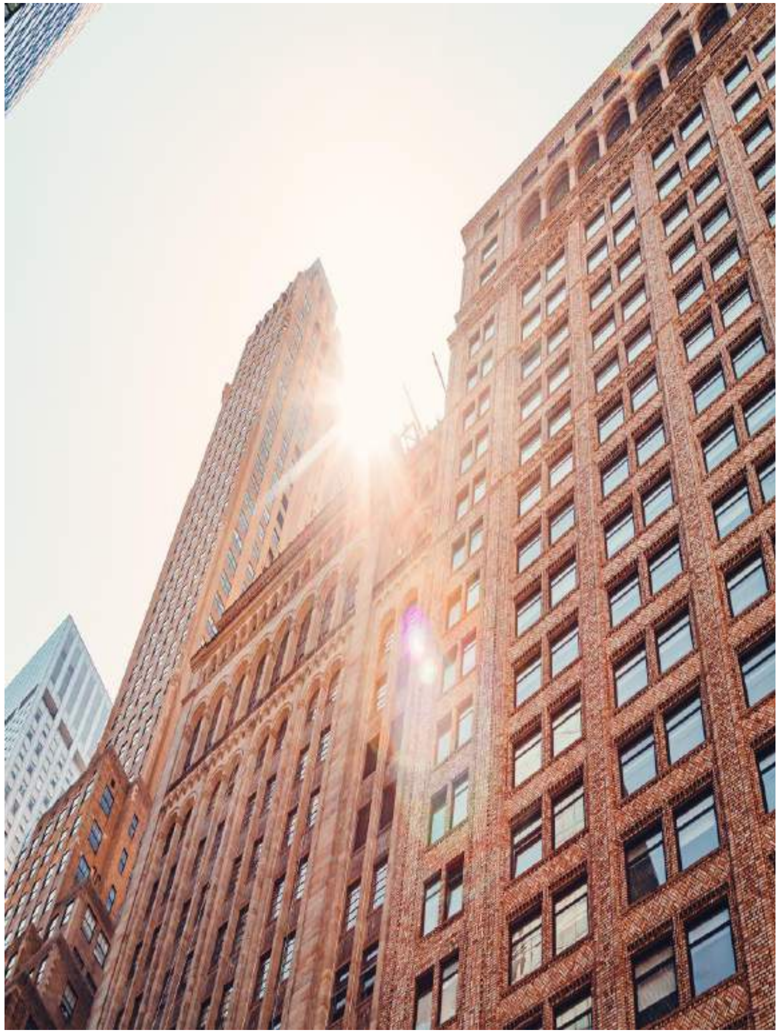
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Authority); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Authority of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Closing valuation of land and buildings
- Valuation of the net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined materiality to be £146k (PY £121k) for the Authority, which equates to 2% (PY: 2%) of your gross expenditure for the year ended 31 March 2023.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £7,000 (PY £6,100) for the Authority.

New Auditing Standards

There are two auditing standards which have been updated this year which will increase our audit work. These are ISA (UK) 315 (Identifying and assessing the risks of material misstatement) and ISA(UK) 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this Plan.

Value for Money (VFM) arrangements

Our risk assessment regarding your arrangements to secure value for money did not identify any risks of significant weakness at the planning stage.

Our VFM work was undertaken between November and December 2023 and will be presented to the February 2024 Audit and Governance Committee. This report will remain an interim until the financial statements audit is concluded.

Audit logistics

We completed our audit planning in November 2023. Our final audit is underway and is due to conclude at the end of February 2024

Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report, and our Auditor's Annual Report on our VFM work.

Our proposed fee for the audit will be £19,041 (PY: £16,041), subject to the Authority delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

3. Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure (Rebutted)	**Revenue** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at the Authority, mean that all forms of fraud are seen as unacceptable. **Expenditure** We have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure for an Authority where services are provided to the public through taxpayers' funds • the culture and ethical frameworks of local authorities, including at the Authority, mean that all forms of fraud are seen as unacceptable.	As we do not consider this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than our normal audit procedures which include: **Accounting policies and systems** • evaluate the Authority's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code • update our understanding of the Authority's business processes associated with accounting for income and expenditure. **Grant income** • for grant income, we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with the CIPFA Code. **Expenditure** • agree, on a sample basis, non-pay expenditure and year end payables to supporting evidence • undertake detailed substantive analytical procedures on pay expenditure. We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the balance sheet date of 31 March 2023.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	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. We have identified an increased incentive for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Closing valuation of land and buildings	The Authority re-values its land and buildings annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£3.6m in the draft 2022-23 financial statements) and the sensitivity of this estimate to changes in key assumptions. 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.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert used by the Authority • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluate the assumptions made by management for those assets not revalued during the year (as applicable) and how management has satisfied themselves that these are not materially different to current value at year end

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability for 2022-23 is considered a significant estimate due to the size of the numbers involved (£914k in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net balance as a significant risk, which is one of the most significant assessed risks of material misstatement. 2022-23 is the first year in which the liability is based on the updated triennial valuation undertaken by the pension fund actuary based on data as at 31 March 2022. There has therefore been a significant reduction in the liability, which was £15.6m in the prior year.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net balance is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority's to the actuary to estimate the liability • test 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 • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • evaluate the triennial pension fund valuation outcomes and assess the reasonableness and prudency in that overall valuation through our audit approach • obtain assurances from the auditor of the Devon Pension Fund 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.

4. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules (as applicable) for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors within the Authority's boundary the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements
  - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act)
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'.

All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the significant risks identified in this report.

5. Progress against prior year audit recommendations

We identified one issue in our 2021-22 audit of the Authority's financial statements as set out below, together with management's response. We can confirm that the recommendation has now been actioned.

Issue and risk identified in 2021-22 ISA260 Report (November 2022)	Recommendations and management's initial responses, updated for May 2023:
Accounting policy for capitalisation: Our review of the Authority's accounting policies identified that the de minimis limit for capitalisation of expenditure on land and buildings assets and information communications technology related equipment is set at £20,000. In determining its accounting policies the Authority must have regard to the concept of materiality, and we consider that £20,000 is excessively high for the Authority given its size and profile. Other entities of a similar type and size set their de minimis limit at £5,000. The current de minimis represents a risk of material misstatement, as it is possible that expenditure is charged to revenue when it should have been capitalised, therefore understating the value of the Authority's assets and overstating its revenue expenditure, with consequent impacts on reserves balances. We note that this policy is consistent with the prior year and preceding periods, and would not have had a cumulative material impact on the 2021-22 or 2020-21 financial statements.	We recommend that from 2022-23 onwards, the Authority considers adopting a de minimis limit for the capitalisation of expenditure more in line with organisations of a similar size and profile. Management response (November 2022): We have reviewed de minimis limits at other local authorities in the local area. We intend to adopt a policy with a de minimis limit of £10,000 from 2022-23 onwards, which is consistent with other bodies in the Devon area. We do not receive specific capital funding; all funding received is revenue and any capital spend is discretionary. November 2023 update: This change has been actioned in the 2022-23 draft statement of accounts.

6. 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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure cost of services of the Authority for the financial year. We have determined materiality to be £146k (PY £121k) for the Authority, which equates to 2% of your expenditure cost of services for the year ended 31 March 2023.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
3	**Other communications relating to materiality we will report to the Authority** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Authority any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Authority any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £7,000 (PY £6,100) for the Authority. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Authority to assist it in fulfilling its governance responsibilities.

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.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	146,000	We have determined materiality at 2% of gross operating expenditure. We consider this as the most appropriate criteria given stakeholders interest in the Authority delivering its budget.
Performance materiality	109,500	Assessed to be 75% of financial statement materiality.
Trivial matters	7,000	This equates to 5% of materiality. This is our reporting threshold to the Audit and Governance Committee for any errors identified.

7. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT system has been judged to be in scope at audit planning stage. Based on the financial statement audit approach we will perform the level of assessment required. We will keep this under review as the audit progresses and will update our understanding if there are additional IT systems within the scope of the audit. We will report that to you including our assessments (as applicable) in our ISA(UK) 260 report.

IT system	Audit area	Estimated value	Planned level IT audit assessment
Finest	Financial reporting	£7.9m	Detailed ITGC assessment (design and implementation)

8. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

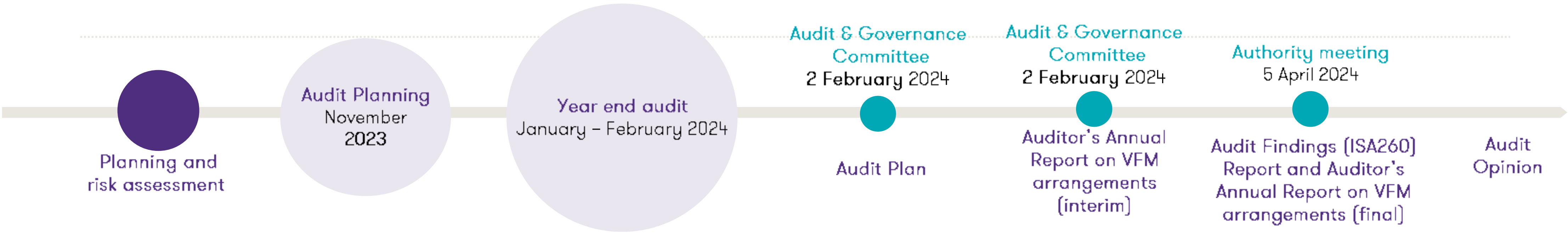
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We did not identify any risks of significant weaknesses from our initial planning work. Our VFM work was undertaken between November and December 2023 and will be presented to the February 2024 Audit and Governance Committee. This report will remain an interim until the financial statements audit is concluded.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our final Auditor's Annual Report.

9. Audit logistics and team



Peter Barber, Key Audit Partner & Engagement Lead

Peter leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Authority.

Liam Royle, Engagement Manager

Liam plans, manages, and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any key issues.

Linnet Tutcher, Audit In-charge

Linnet is the key audit contact responsible for the day-to-day management and delivery of the audit work

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Authority to begin with effect from 2018-19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Authority's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Authority's business processes, which may result in us needing to perform additional inquiries to understand the Authority's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £1,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which may impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, is detailed on page 22 and has been agreed with the Head of Business Support.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
Dartmoor National Park Authority audit	£16,041	£19,041

Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees

Detailed analysis

Audit fees	Estimated fee
Scale fee per PSAA for 2022-23	13,091
PPE Valuation	1,500
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500
Value for Money audit – new NAO requirements	1,750
ISA 540	450
ISA 315	1,000
Additional journals testing	750
Estimated fee	**19,041**

11. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

12. Communication of audit matters with 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 and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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 matters in relation to going concern	•	•
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 (deliberate manipulation) 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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

Grant Thornton

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