

Report 1: Annual Accounts to March 2022

1. Purpose of Report

- a. To present the report of independent auditors Ernst & Young LLP on the annual accounts and provide members with an opportunity to discuss their findings to date and any significant implications.

2. Recommendations

The Authority is recommended to:

- a. note the Draft Statement of Accounts 2021/22 (Appendix 1 to Report 1);
- b. delegate responsibility to the Chairman and Chief Executive (National Park Officer) in consultation with the Chair of the Finance and Audit Group to approve and sign off the final accounts for issue upon receipt of the final audit report; and
- c. endorse the findings to date in the Draft Audit Results Report for the year ended 31 March 2022 from Ernst & Young LLP (Appendix 2 to Report 1).

3. Implications

- a. **Financial:** The Annual Accounts agree to the 2021/22 Budget Outturn reported to the Authority in June 2022.
- b. **Equalities:** None
- c. **Link to Business Plan:** Financial performance and budget management are an integral part of resourcing all aspects of the Business Plan and of maintaining an organisation that is fit for the future (Aim 6 of the Business Plan).

4. Background

- a. Ernst & Young LLP are appointed independently by Public Sector Audit Appointments Ltd to audit the annual accounts and provide an overall assessment of the Authority's systems for delivering good value from its resources.
- b. The draft annual accounts were authorised for issue by Hazel Fitzsimmons, Chief Financial Officer on the 20 July 2022 and published on the Authority's website. The audit carried out by Ernst & Young LLP is substantially completed. The Draft Statement of Accounts 2021/22 are set out in Appendix 1 to Report 1.
- c. The draft annual accounts contain figures provided by our actuaries in relation to the Authority's pension liabilities. In order to gain reassurance on the statement of these liabilities, Ernst & Young require a report from the auditors of the Tyne and Wear Pension Fund. This has not yet been received and is expected towards the end of September.
- d. The detail of the draft accounts and an update from external auditors Ernst & Young were discussed at the Finance and Audit Group on 31 August 2022.

- e. The bottom-line outturn (an increase in the General Fund Balance of £355,000 shown on page 26 of the Financial Statements) is consistent with the surplus reported to the Authority at its June meeting.
- f. The Comprehensive Income and Expenditure Statement on page 25 of the Financial Statements gives a breakdown of Income and Expenditure by service heading. In accordance with the CIPFA code of practice, Management and Administration costs are included under the 'Corporate Management and Administration' heading and are not allocated across service areas in the Financial Statements.
- g. The Authority's land and buildings are valued on a five-year cycle, with the exception of The Sill which is required to be valued annually. As at 31 March 2022, The Sill was valued at £8,200,000. This was £100,000 higher than the prior years valuation of £8,100,000, and when the reversal of depreciation charged in the year is taken into account, a valuation gain of £438,400 arises.
- h. The Annual accounts are extremely detailed and technical documents. Within them they contain valuable management information which all board members should consider as part of their oversight and governance role. The Authority receives financial results, including five-year comparatives which are included in graph and table form at Appendix 3 to this report.
- i. The key financial analysis shows:
 - Income from other sources is lower than the Defra core grant for the fourth year running, however, as the Defra Grant remains static and other income areas increase, the difference becomes less pronounced.
 - Gross income has increased by £1.34M This increase includes an increase in external grants received of £947K as project activity increased following delays caused by the pandemic last year. There was an increase in sales, fees and charges of £389K, which included increases in retail sales, café income, car park income and Activity sponsorship income.
- j. Gross expenditure has increased overall by £1.03M. This corresponds to the increase in external funding and to the costs associated with generating the additional gross income mentioned above.
- k. Useable Reserves have increased from £1.10M to £1.46M. This increase is made up of the outturn surplus of £355K.
- l. In terms of the Authority's financial resilience the audited financial information shows a strong position:
 - Once Earmarked Reserves (including amounts to cover future budget requirements) are disregarded, the General Fund Balance is £468,800. This amount is considered sufficient but not excessive and includes some provision to enable the Authority to react to the financial risk (now realised and discussed further in Report 2) with regard the LGA Pay Award, as well as other increasing costs arising from the current economic climate.
 - The pension deficit remains a long-term issue, although, better than expected asset returns and an increase in the assumed discount rate have resulted in a

decrease in the liability of £1.32M. The next tri-annual actuarial valuation is due, based on the March 2022 figures.

- The Authority's budgets have been well managed in the year, with a budget surplus reported to the June Authority meeting of £316,500. A strong recovery from Covid and an increase in external projects, has enabled the Authority to increase its reserves to give some cushion against increasing future costs.
- m. Members of the Finance and Audit Group received the audit planning report from Ernst & Young LLP at their meeting on the 25 May 2022.
- n. Hassan Rohimun, Audit Partner, of Ernst and Young LLP will present a summary of the audit findings to date (as reported in Appendix 2 to Report 1). The findings of the draft audit report at this stage have not identified any audit differences above the threshold. Further there were no uncorrected misstatements identified.
- o. An internal control finding has been reported on page 27 of the report (Appendix 2 to Report 1) regarding the fact non-cash adjustments affecting the Comprehensive Income and Expenditure Statement only, are not posted through the financial system. This has been discussed with management and the Finance and Audit Group and the recommendation is not accepted as the off book adjustment is deemed more than adequate and reduces the risk of transposition errors from the creation of unnecessary journals.
- p. The outstanding work required before a final signed opinion, and report on the year ended 31 March 2022 can be issued is detailed on page 6 of the draft audit results report. Subject to the satisfactory completion of the outstanding items Ernst & Young except to issue an unqualified audit opinion.

5. Conclusions

- a. In conclusion Members of the Authority are asked to endorse the audit findings to date and note the Statement of Accounts 2022/23, noting that the assurance letter from the auditors of the pension fund is outstanding as well as some final procedures, and delegate the Chairman and Chief Executive (National Park Officer) in consultation with the Chair of the Finance and Audit Group, to authorise and sign off the accounts for issue once the final audit report is received.

Contact Officer: For further information contact Hazel Fitzsimmons, Head of Business Support on 01434 611504 or e-mail: hazel.fitzsimmons@nnpa.org.uk or Tracey Craft, Finance Manager on 01434 611523 or e-mail tracey.craft@nnpa.org.uk