1. **Purpose of Report**
   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. Ernst & Young LLP will present their report to the meeting and provide members of the Authority with an opportunity to discuss their findings and any significant implications.

2. **Recommendations**
   The Authority is recommended to:
   a. approve the audited Statement of Accounts 2017/18 (Appendix 1 to Item 3) and authorise the Chairman and Chief Executive (National Park Officer) to sign off the accounts for issue; and
   b. endorse the findings in the Audit Results Report for the year ended 31st March 2018 from Ernst & Young LLP (Appendix 2 to Item 3); and

3. **Implications**
   a. Financial – The Annual Accounts agree to the 2017/18 Budget Outturn report presented to the Authority in Item 2 of this Agenda. There is an additional external audit cost of £1,200 as referenced in Para 4(f). This will be absorbed in year within existing budgets.
   b. Equalities: - None

4. **Background**
   a. The draft annual accounts were authorised for issue by Hazel Fitzsimmons, Chief Financial Officer on the 31 May 2018 and published on the Authority’s website. The audit carried out by Ernst & Young LLP has now been concluded and the final Statement of Accounts 2017/18 are set out in Appendix 1 to Item 3.
   b. The detail of the accounts and the findings of the external auditors Ernst and Young were discussed at the Finance and Audit Group on 20th June 2018.
   c. The bottom-line outturn (a decrease in useable reserves of £964.0k shown on page 21 of the Financial Statements) is consistent with the deficit reported to the Authority in Item 2 of this Agenda.
   d. The split of this deficit across the following budget areas: Operating; Projects; Sill Project; Sill Business Plan and; Financing is shown in detail in Item 2 on this Agenda. This shows the Authority’s ongoing operational budget was in deficit by £174,500 – some £72,100 less than the budget target. The net expenditure in relation to The Sill project was £295,300 higher than budget but this is largely due to the fact that we did not require the budgeted cash flow loan of £441,900.
e. The Comprehensive Income and Expenditure Statement on page 20 of the Financial Statements gives a breakdown of Income and Expenditure by service heading. Members are advised that from 2016/17, the full costs of Management and Administration are included under the 'Corporate Management and Administration' heading and can no longer be allocated across service areas in the Financial Statements.

f. The Sill was required to be valued once it became operational. Lambert Smith Hampton (LSH) were appointed to provide the valuation report. The land and buildings were valued at £8,500,000. This resulted in an impairment of £1,136,200, which is recognised as a loss in the Comprehensive Income and Expenditure Statement. This does not affect the useable reserves of the Authority. Ernst and Young undertook detailed testing of the assumptions used by LSH and as a result we have agreed a scale fee of £1,200 in addition to the standard audit fee. This is deemed reasonable in light of the additional work undertaken in this exceptional year.

g. 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 5 year comparatives which are included in graph and table form at Appendix 3 to this report.

h. The key financial analysis shows:
   - For the third year running, income from other sources is greater than the Defra core grant, mainly as a result of £1.7M in grants received for The Sill.
   - Gross expenditure has decreased overall by £4.26M. £5.08M of this relates to a reduction of capital expenditure at The Sill as the building phase is completed. Revenue expenditure increased by £820k and this was partly due to an increase in salary costs of £270k as the Authority expanded its staff base and met the cost of increased employer’s pension contributions. Costs of £122k relating to redundancy, including a strain on the pension fund were also incurred in the year. Revenue costs relating to the operation of The Sill of £191k were incurred in 2017/18, together with £113k of fit out costs which were not capitalised due to them being under the capitalisation threshold.
   - Useable Reserves have reduced from £1,640,300 to £676,300. This is mainly as a result of planned spending from our accumulated balances to facilitate The Sill Project and there is an element of cashflow funding and as such the benefit of fundraising targets will credit income at a later date to the expenditure being incurred.

i. In terms of financial resilience the audited financial information shows a strong position:
   - The general reserves are at over £10m and at their highest ever value;
   - The pension deficit remains a long-term issue but its relative significance is lower in recent years.
   - In a year of significant financial challenges, including the opening of The Sill and a new management restructure, the Authority’s budgets have been well managed with a modest return to reserves of £3,500 being made.

j. Members of the Finance and Audit Group received the audit planning report from Ernst & Young LLP at their meeting on the 22 February 2018.

k. Nicola Wright, Senior Statutory Auditor, of Deloitte LLP will present a summary of the audit findings (as reported in Appendix 2 to Item 3) at this Authority meeting.
I. The Statement of Accounts and the audit findings have been received and considered by the Finance and Audit Group. The amendments to the draft Statement of Accounts published were related to disclosure and minor typographical changes only. An unadjusted misstatement of £6,221 relating to revenue expenditure being included in capital was highlighted in the Audit Results Report. This was discussed at the Finance and Audit Group and it was agreed that given the immateriality of the misstatement, no adjustment would be made.

m. In conclusion Members of the Authority are asked to note the audit findings and to approve the audited Statement of Accounts 2017/18 and authorise the Chairman and Chief Executive (National Park Officer) to sign off the accounts for issue

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