

Report to	Audit Committee
Date	27 September 2011
By	Chief Finance Officer
Title of Report	Audit of Accounts ended 31 March 2011: Letter of Representation and Statement of Accounts 2010/11 Update
Purpose of Report	To recommend to the Committee the Letter of Representation and the revised Statement of Accounts 2010/11

Recommendation: The Committee is recommended to:

- 1. Note the findings of the Audit Commission in their Annual Governance Report (AGR)**
 - 2. Note the adjusted misstatements to the 2010/11 Statement of Accounts as set out in paragraph 5.3.**
 - 3. Consider the advice in relation to unadjusted misstatements and agree that they should not be adjusted for (paragraph 5.4).**
 - 4. Note the results of the public inspection of the accounts (paragraph 6.1).**
 - 5. Approve the letter of representation on behalf of the Authority (Appendix 1 of this report).**
 - 6. Consider and approve the management responses to the action plan in the AGR as set out at Appendix 5 of the AGR.**
 - 7. Approve the revisions to the Annual Governance Statement as set out in paragraph 7.1**
 - 8. Approve the audited Statement of Accounts for 2010/11 (Appendix 6 of this report).**
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1. Introduction

- 1.1 Under the Accounts and Audit Regulations 2011, the South Downs National Park Authority's Statement of Accounts for 2010/11 must be approved by Members by the 30 September 2011. Under the Authority's constitution, the Audit Committee is charged with this responsibility. This is the first set of financial statements produced for the Authority.
- 1.2 The Audit Commission is required to give assurance that the Statement of Accounts is free from material misstatement and to report significant matters arising from the audit.
- 1.3 The Audit Commission has conducted its audit of the Statement of Accounts and has recommended only a relatively small number of adjustments prior to issuing their opinion and the publication of the accounts.
- 1.4 However following discussions with the Audit Commission officers have agreed to make some important changes to the disclosure of staffing costs in the interests of ensuring transparency and to recommend amendments to the Annual Governance Statement which was approved by the Audit Committee in June 2011.
- 1.5 This report presents the revised 2010/11 Statement of Accounts following the audit (**Appendix 6**) It outlines the amendments made to the statements since they were originally produced at the end of June and provides assurances to the Audit Committee in relation to the preparation of the Statement of Accounts. It also provides information regarding the summary accounts and informs the committee of the outcome of the public inspection of the accounts.

2. Background

- 2.1 The main legislative requirements relating to the preparation, publication and audit of the Authority's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under Section 27 of the 1998 Act.
- 2.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and considered by a committee or the Full Authority, and approved by a resolution of that committee or of Full Authority by the 30 September.
- 2.3 The accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

3 Format of the Statement of Accounts

- 3.1 The Authority is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis and adopt the IFRS based Code of Practice on Local Authority Accounting (the Code).
- 3.2 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the Authority and to provide answers to basic questions such as:
 - What did the Authority's services and capital programme cost in 2010/11?
 - Where did the money come from?
 - What does the Authority own?
 - What commitments does the Authority have and what provisions and reserves has the Authority set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.3 In accordance with the accounts and audit regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities together with the core financial statements, supplementary statements and the notes to the accounts.
- 3.4 The Statement of Accounts would comprise both "Single Entity Accounts", which are in respect of wholly Authority controlled activities, and "Group Accounts" in respect of activities where the Authority has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no other activities requiring the preparation of Group Accounts in 2010/11.
- 3.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
 - Movements in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Financial Statements
- 3.6 The explanatory foreword included in the Statement of Accounts aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A commentary on these key aspects of the 2010/11 Statement of Accounts is included in **Appendix 2** to this report.
- 3.7 The District Auditor (external audit) has completed work on the audit of the accounts and will be reporting their findings to this Committee through the Annual Governance Report. Following this report, the District Auditor will be able to issue their audit opinion and the accounts will be published.

4 Preparation of the Statement of Accounts

- 4.1 The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010/11, issued by CIPFA. There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2010/11 Statement of Accounts are in line with the requirements of the Code.
- 4.2 The accounts have been prepared by appropriately qualified and trained officers from Brighton & Hove City Council as the financial services provider who have undertaken extensive training on the new requirements for preparing local government financial statements and notes under IFRS. Finance officers who are involved in the preparation of the Statement of Accounts attend regular training to ensure an up to date knowledge and continuous professional development.
- 4.3 Officers have made reference to CIPFA's practitioner's guidance notes, disclosure checklists and other technical guidance in preparing the Statement of Accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely, during the preparation of the financial statements, with external audit over this first set of financial statements for the Authority.
- 4.4 The Authority makes a number of critical judgements, accounting estimates and assumptions in the preparation of the financial statements; the details are disclosed in note 2 to the financial statements.
- 4.5 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers of Brighton & Hove City Council. Following this review, the Statement of Accounts were then approved by the Chief Finance Officer to be issued for public inspection and audit.
- 4.6 During the accounts audit process, officers liaise closely with external auditors in respect of audit queries and work closely to ensure prompt and successful resolution of these queries. During the audit of the 2010/11 accounts, there have been no disputes between officers and external audit in the required amendments to the accounts. However it was agreed that increased disclosure would be included in both the explanatory forward and note 17 to the accounts about expenditure on staffing. This is to ensure that the reader of the accounts is clear about the total costs of staffing including use of interims, consultant, agency staff and secondments as well as direct employees. The technical requirements of the Code require detailed disclosure on senior officers' remuneration but as the Authority did not have any direct employees this was not included in the original financial statements. However following discussions with the Audit Commission the explanatory forward has been clarified on this matter and increased information has been included in note 17 to construct a broadly equivalent note to that which would have been included if the Authority had had employees meeting the relevant criteria.

5 Audit of the Statement of Accounts 2010/11

- 5.1 The District Auditor has completed the audit of the Authority's accounts and their Annual Governance Report (AGR) which reports on the external assessment of the financial statements and arrangements to secure Value for Money which forms part of this Committee's agenda.
- 5.2 The AGR for 2010/11 states that the draft financial statements were of an adequate standard supported by good quality working papers.
- 5.3 During the course of the audit, the external auditors detected a relatively small number of errors in the financial statements. There were relatively small number of amendments to the accounts discussed and agreed with officers; details of these amendments and the financial statements affected are included in **Appendix 3** of this report.

- 5.4 There were other misstatements identified from the audit which were discussed between officers and external audit; however, for reasons set out in the letter of representation (see Appendix 1 of this report), the Authority has elected not to adjust the financial statements. Details of these unadjusted misstatements are detailed in **Appendix 4** of this report.
- 5.5 Compilation of the financial statements relies on data extracted from the financial systems operated by Brighton & Hove City Council and the Authority including those systems which interface into the financial system. It is therefore, important for the auditors to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them. One of the main control weaknesses identified by the auditors were within the accounts payable and procurement systems operated by the Authority. This is a key system as it generates a large part of the Authority's expenditure. The auditors undertook additional substantive testing, which did not identify any cases of error or fraud. There was also a main control weaknesses identified by the auditors within the payroll system used by the Authority. The auditors undertook additional substantive testing, which did not identify any cases of error or fraud. Recommendations by the Audit Commission to improve the control environment within the accounts payable and procurement systems and the payroll system are included in Appendix 5 of the AGR.
- 6. Public Inspection of the Accounts**
- 6.1 Members of the public, in accordance with the Audit Commission Act 1998, are granted access for a four-week period to the Authority's unaudited Statement of Accounts and are invited to enquire on any aspect of these Accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the Accounts with the Audit Commission.
- 6.2 The Authority received no enquiries.
- 7. Annual Governance Statement**
- 7.1 It is part of the responsibility of the external auditor to ensure that information presented alongside the financial statements is consistent with their understanding of the organisation. This includes a review of the Annual Governance Statement (AGS). The Audit Commission considered that the AGS did not fully reflect weaknesses in the procurement and accounts payable systems. Revisions to the AGS have been discussed with the Authority's Monitoring Officer, Chair, Deputy Chair and the Chair of the Audit Committee and a new version with changes in italics is included for approval at **Appendix 5**.
- 8. Resources**
- 8.1 There are no resource implications from this report.
- 9. Risk Management**
- 9.1 There has been no direct risk assessment for this report.
- 10. Human Rights, Equalities, Health and Safety**
- 10.1 There are no implications arising from this report.
- 11. External Consultees**
- 11.1 None.

CATHERINE VAUGHAN

Chief Finance Officer

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Appendices 1. Letter of Representation
2. Commentary on the Statement of Accounts

3. Details of amendments made to the Financial Statements
4. Details of unadjusted misstatements
5. Revised Annual Governance Statement with changes in italics
6. 2010/11 Statement of Accounts

SDNPA Consultees

Chief Executive Officer, Director of Corporate Services, Head of Planning, Head of Operations, Monitoring Officer.

Letter of Representation

To:

Helen Thompson
District Auditor
Audit Commission
Bicentennial House
Southern Gate
Chichester
West Sussex
PO19 8EZ

South Downs National Park Authority - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of South Downs National Park Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Authority and the reasons for not correcting these items are as follows;

Property, Plant and Equipment

- The systems, procedures and documentation on procurement have been reviewed. A dedicated procurement manager has been appointed, a revised procurement policy prepared and the processes involved have been more closely mapped.
- The impact to the 2010/11 statements is not material.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Authority have been properly reflected and recorded in the financial statements.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other Authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of South Downs National Park related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of South Downs National Park Authority

I confirm that the this letter has been discussed and agreed by the Audit Committee on 27 September 2011

Signed

Name: Catherine Vaughan
Position: Chief Finance Officer
Date: 27 September 2011

Commentary on the Statement of Accounts

Comprehensive Income and Expenditure Account (CI&E)

The level of General Fund balance held at 31 March 2011 was £0.728 million; this represents the working balance of the Authority and is deemed appropriate by the Authority's Chief Finance Officer. In addition there are also earmarked reserves of £3.098 million.

Segmental Reporting

The Code includes a requirement to disclose segmental reporting information with the aim to disclose information to enable users of the Authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. Information on reportable operating segments is presented in note 21 and includes the following;

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of the Authority's internal management reporting;
- A reconciliation between the segment reporting analysis and the cost of services in the Comprehensive Income and Expenditure Statement;
- A reconciliation between the segment reporting analysis and an analysis of total income and expenditure (i.e. a subjective analysis);
- Information on services included within each operating segment.

Reportable operating segments are based on the Authority's internal management reporting.

Balance Sheet (BS)

This statement is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

The level of non current assets was £0.265 million as at 31 March 2011. The in year movement in non current assets is detailed in note 9 to the core financial statements. The movement of £0.265 million relates to the following:

- The deposit on the Authority's new permanent office, Capron House
- The purchase of a fleet of vehicles

Investments

At 31 March 2011, the Authority had cash and cash equivalents totalling £5.677m of which £2.506m was invested externally. Investments are made by the treasury team at Brighton & Hove City Council under the Financial Services contract. Note 22 to the financial statements provides further information on investments.

Earmarked Reserves

These represent funding that has been set aside for a specific purpose and there is a balance of £3.098 million at 31 March 2011. Details of Earmarked Reserves held can be found in the note 5 to the financial statements.

Pension Asset

The pension asset was £0.002 million at 31 March 2011. The Authority also recognises a reserve for the estimated net pension asset. Therefore, amounts included in the Authority's accounts in relation to post employment benefits have no effect on the overall financial position as the asset is offset by a Pensions Reserve

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2011 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for the following:-

Accumulated Absences – This relates to the accumulated compensated absences (e.g. annual leave and flexi leave) that are carried forward for use in future periods if the current period's entitlements are not used in full.

Details of Amendments to the Statement of Accounts

Explanatory Foreword

Additional paragraphs were added to the section on Financial Performance and Segmental Reporting to promote better understanding of the Authority's strategy with regard to staffing in the shadow year.

Note 10 - Capital Expenditure and Capital Financing

The note disclosed £61,000 of capital expenditure financed from earmarked reserves. This should have been disclosed as financing from revenue contributions.

Note 11 – Leases

External audit were not able to fully agree the disclosure of operating lease payments due within one year, and payments due after one year but within five years, in the table at Note 11 to supporting lease documentation. As a result, the future minimum lease payments were increased from £95,000 to £142,000.

Note 15 – Related Parties

This note correctly discloses that during 2010/11 Brighton & Hove City Council provided a Chief Finance Officer and other financial services on a contractual basis, and that senior officers of Brighton & Hove City Council were in a position to influence your financial transactions. To fully comply with the requirements of the 2010/11 Code of Practice on Local Authority Accounting the value of transactions and any outstanding balances between the Authority and Brighton & Hove City Council were added to the disclosure.

Note 17 – Officers' Remuneration

This note has been rewritten and tables added to fully disclose the cost of all staff whether permanent members of staff, those employed through an agency or those seconded from other public bodies.

Note 18 – External Audit Costs

The split of external audit costs disclosed at note 18 was not correct. The whole £23,000 audit fee paid related to external audit services carried out by the appointed auditor.

Note 24 – Creditors

There was material misclassification in creditors disclosed at note 24. This was caused by an error in the process used to classify sundry creditor accruals.

Impact on note 24: Central government body creditors were understated by £39,000, other local authority creditors were understated by £99,000 and other entity and individual creditors were overstated by £138,000. These misclassifications had no overall impact on the total value of creditors disclosed in the note.

Details of Unadjusted Misstatements to the Statement of Accounts

Non Current assets

External audit highlighted that the purchase of five of the Authority's vehicles included the road fund licence. This cost, totalling £1,275, was capitalised with the cost of vehicle purchase. The impact of this is not material and for this reason the Authority has elected not to make an adjustment to the accounts.

Annual Governance Statement with revised text in italics.

Annual Governance Statement for the year ended 31 March 2011

1 Scope of responsibility

The South Downs National Park Authority (the “authority”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the authority’s functions, and which includes arrangements for the management of risk.

The South Downs National Park Authority came into being in “shadow” form on 1 April 2010, and the focus of the authority’s activity and decision making in the year 2010/11 has been making preparations for taking on full statutory responsibilities from 1 April 2011. This statement outlines how the authority has approached the question of how it will go about the discharge of its statutory functions, and how it has adopted a governance framework in support of its objectives. The statement also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 for the authority to conduct a review at least once in a year of the effectiveness of its system of internal control.

2 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic priorities and to consider whether these priorities have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the authority’s aims, objectives and policies, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place within the authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

The process by which the review of internal control has been conducted was the subject of consideration by the authority’s Audit Committee. The agreed process has involved the Interim Chief Finance Officer, Director of Corporate Services and Monitoring Officer carrying out the review in consultation with members of the Senior Management Team. A draft of the statement has then been considered by Audit Committee, prior to approval by the Full Authority (the “Authority”). The Audit Committee has also agreed that an action for the authority in its second year of operation, 2011/12, shall be the preparation and adoption by members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year’s annual governance statement by forming agreed criteria against which the effectiveness of the governance framework may be assessed.

3 The Authority's Approach to National Park Purposes

Through carrying out its general statutory duties and responsibilities in connection with the two national park purposes, the authority seeks to work for and with the local community to foster the social and economic wellbeing of communities within the National Park.

The authority's approach to the delivery of national park functions has been the subject of consideration by members. Guiding principles have been adopted. A key element in the agreed approach is working with partners and community groups.

The authority has therefore developed and maintained a range of relationships and arrangements with other agencies in the public, private and voluntary sectors, to ensure that they are able to engage with and contribute to the work of the authority. An Accord with Natural England was entered into in November 2010, and Memoranda of Understanding with the South Downs Network and South Downs Land Management Group, in February 2011. In March 2011 a Memorandum of Understanding with the Associations of Local Councils within the South Downs was agreed. The authority also made member appointments to a number of local partner organisations and groups including the South Downs Local Access Forum, East and West Sussex Rural Forums.

The delivery of planning services has been the subject of specific consideration, resulting in members agreeing to enter into agency arrangements with local authorities for the delivery of services from 1 April 2011.

In March 2011, the authority considered and approved arrangements for the establishment of a Sustainable Communities Fund, including the making of grants to local community and voluntary groups for projects supporting sustainable communities within the National Park. The Grants Panel includes membership of local organisations from the private and voluntary sectors.

Since its inaugural meeting on 20 April 2010, the authority has operated arrangements to enable members of the public to ask questions and make representations on relevant matters at meetings of the Full Authority and its committees.

In March 2011, the authority adopted a complaints procedure to enable complaints about the authority's activities to be considered and responded to. Information on how to use the complaints procedure is available via the authority's website. Provision has been made for an annual report on complaints received to be considered by the authority's Standards Committee, so that the authority can be assured that the procedure is working well and that lessons for service improvement are being identified wherever practicable.

4 Structures and processes

The authority has established structures and processes which support its approach to discharging national park purposes, by ensuring that there is transparency and accountability in its decision making and in the use of public funds. The authority intends that the successful operation of such processes will be consistent with aims of sound administration and enhance the confidence of partners and stakeholders in its affairs.

On 20 April 2010 the authority established four committees with distinct terms of reference: Audit Committee, Resources and Performance Committee, Planning Committee and Standards Committee. This enables members to develop expertise in particular areas of the authority's operations and contributes to the efficient discharge of the authority's business.

Major strategic plans and policies receive consideration by members. A scheme of delegation to officers was approved by members in April 2010, making clear that the role of officers is to implement and give effect to strategies and policies approved by the authority.

In 2010/2011 the authority held nine full meetings of the Authority, all of which were open to members of the press and public to attend and make presentments to (save for individual items of a sensitive nature properly considered in confidential session). Agendas and minutes of meetings are available for inspection by the public both at the authority's offices and via the authority's website. The authority has adopted Standing Orders governing the conduct of business at meetings of the authority and its committees.

In addition to formal meetings, there have been a number of informal briefing and training sessions for members on various aspects of their responsibilities and to aid the development of policy. Decisions on policy and strategic issues are made in formal meetings. A Member Development Strategy is in place and there are annual member discussions about development needs.

At its inaugural meeting on 20 April 2010, the authority designated the roles of statutory officers. Richard Shaw, as Chief Executive, is National Park Officer and Head of Paid Service. Kevin Gardner, Head of Legal Services for Hampshire County Council, is Monitoring Officer. Catherine Vaughan, Chief Finance Officer for Brighton & Hove City Council, is Interim Chief Finance Officer (Section 151 Officer).

The authority has maintained arrangements to ensure that its dealings are lawful. In addition to the advice of the Monitoring Officer, the authority receives legal services support from West Sussex County Council's legal services under a service level agreement. In 2010/11 no formal reports by the Monitoring Officer, further to section 5 of the Local Government and Housing Act 1989, were necessary.

An indemnity for members and officers against personal liability was the subject of a report to members, the recommendations of which were agreed, in February 2011.

The authority's approach includes maintaining a small core staff, with outsourcing of a range of specialist services such as finance, legal services and ICT. This is designed to ensure flexibility in the use of resources to meet changing needs, and to secure value for money.

The authority's 2011/12 budget and Medium Term Financial Strategy are based on an assessment of the authority's longer term funding position, and involve only committing additional resources on one off projects. This is to protect the authority's financial position and manage risk.

5 Risk management and internal control

The authority has established a systematic strategy, framework and processes for managing risk. A risk register is maintained, and reviewed on a quarterly basis at meetings of the Audit Committee. This enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

At its inaugural meeting the authority adopted Financial Regulations, providing a framework for the management of the authority's financial affairs. At this meeting the authority also adopted a Treasury Management Policy and Annual Investment Strategy. A Budget and Business Plan were approved by the Authority in May 2010. Financial Regulations and Procedures were the subject of further review by the Authority in March 2011.

Contracts standing orders were adopted in July 2010, setting out arrangements governing the award of contracts, to ensure that procurement processes were fair, transparent and lawful, and that best value for money is being obtained.

Payment of allowances to members is made in accordance with the scheme approved by members following receipt of an independent review, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

Members have a key role in providing assurance that the authority's funds are used economically, efficiently and effectively in accordance with agreed policies. The financial strategy and budget is agreed by the Authority following scrutiny by the Resources and Performance Committee, who receive reports on budget monitoring. The authority's accounts are subject to external audit on an annual basis and reported to the Audit Committee at a public meeting.

The Authority has also received confidential reports on the matter of securing long term premises, exercising due care to ensure that the needs of the authority are met in the most appropriate way.

As part of its preparations for becoming fully operational from 1 April 2011, the authority has taken care to manage the transitional arrangements for transfer of responsibility from the South Downs Joint Committee. Members considered and approved a Transition Plan in November 2010.

Internal audit support has been provided under a service level agreement by Brighton & Hove City Council's Internal Audit service. The authority's external auditors, the Audit Commission, review the appropriateness of internal audit arrangements and accordingly place reliance on the work done. *The*

coverage in 2010/11 was broad and overall provided an audit opinion of Reasonable Assurance. Significant control weaknesses were however identified in relation to procurement and the accounts payable system. The procurement weaknesses were quickly investigated and reported to the Audit Committee and included payments to the Head of IT, Property and Procurement which were not considered to represent value for money. The accounts payable weaknesses related to the processes for authorisation of invoices. Detailed action plans are in place to address these issues which will be monitored by the Audit Committee.

The authority has established an Audit Committee with membership that includes two independent members. This ensures the provision of appropriate skills and experience in the scrutiny of the authority's arrangements for financial control and risk management, and enhances transparency.

6 Standards of Conduct

The authority regards the adoption and maintenance of high standards of ethical conduct as a vital factor in its strategic approach to the fulfilment of national park purposes, by securing and enhancing the confidence of partners and stakeholders in its abilities and effectiveness.

The authority adopted a members' Code of Conduct on 20 April 2010. Training for members has been provided on the implications of the Code, including the provision of refresher training in December 2010. Following detailed scrutiny by the Standards Committee in February 2011, the authority also adopted in March 2011 a local protocol for members and officers dealing with planning matters, a local protocol on member and officer relations, and an officer Code of Conduct. The terms of approval require these documents to be reviewed after one year in operation. Whistle blowing and anti-fraud policies are in place.

The authority's Standards Committee has responsibility for assessing and determining allegations of failure to comply with the members' Code of Conduct. Detailed procedures were agreed by the Committee and relevant training provided for Standards Committee members in November 2010. There have been no allegations of failure to comply with the Code.

Membership of the Standards Committee includes two independent members, serving as Chair and Vice- Chair. This ensures the provision of appropriate skills and experience in the authority's arrangements for the maintenance of high ethical standards, and enhances transparency.

All member meetings of the Authority commence with an item regarding declaration of personal and prejudicial interests, with declarations recorded in the minutes of the meeting. A Register of Members' Interests is maintained, as required by the Local Government Act 2000.

7 Significant governance issues

Significant control weaknesses in the procurement and accounts payable systems were identified as described in section 5 above. As indicated in section 2 above, an action for 2011/12 will be the preparation and adoption by members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year's annual governance statement by forming agreed criteria against which the effectiveness of the governance framework may be assessed.

Actions for 2011/12 also include the following:

- training for new members;
- training for new permanent employees;
- first full budget requiring detailed monitoring;
- determine future of support service arrangements;
- planning efficiency exercise with Local Planning Authorities;
- *ensure actions taken to improve the controls around procurement and accounts payable become embedded in practice.*

Signed

Signed

Chair
Date: 27 September 2011

Chief Executive
Date: 27 September 2011