Loch Lomond & The Trossachs National Park Authority (LLTNPA)

Financial year ended 31 March 2022

Prepared for the Audit & Risk Committee, the Accountable Officer, and the Auditor General for Scotland

DRAFT External Audit Report for the Audit & Risk Committee

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 external audit 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 Loch Lomond & The Trossachs National Park Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). 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.

Key messages

This is our [draft] report to Loch Lomond & The Trossachs National Park Authority ("LLTNPA") Audit & Risk Committee, Board, and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2022. We [plan to issue] an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration Report. We thank management for all their assistance during the audit process.

01 Materiality

We re-calculated our materiality based on the unaudited annual report and accounts. The benchmark of 2% of gross expenditure remained the same. This resulted in:

- Materiality of £290,000 and a performance materiality (75% of materiality) of £217,500.
- All audit adjustments above £14,500 were reported to management and captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £5,000).

02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in revenue (around the year end) (ISA UK 240)
- Risk of fraud in expenditure (around the year end) (FRC PN10)
- Risk of misstatement of defined benefit pension scheme liabilities
- Risk of misstatement in the valuation of property, plant and equipment

We have no matters to bring to your attention arising from our work over these significant audit risks.

03 Other audit matters

Our final report summarises a number of other audit matters, including:

- We have concluded that LLTNPA meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud and/or material error.

We identified two adjusted misstatement to the draft accounts as well as a number of disclosure adjustments. These are detailed in Appendix 1 and not considered material to the accounts.

04 Wider Scope Audit

In accordance with the Code we determined that Loch Lomond & The Trossachs National Park Authority ("LLTNPA") meet the definition of a smaller body. This is based on LLTNPA's expenditure transactions and balances held being relatively smaller than other public bodies and the financial statements are considered less complex.

In accordance with the Code we have concluded in this report on your governance statement and LLTNPA's financial sustainability arrangements. During our audit we did not identify any further areas of wider scope risk.

05 Our Audit Fee

Our audit fee, set out in our audit plan, of £12,470 was our final audit fee. There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022 at LLTNPA. The scope of our audit was set out in our External Audit Plan communicated to the Audit & Risk Committee in March 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of LLTNPA's annual report and accounts for the financial year ended 31 March 2022; and
- Consideration of LLTNPA' financial sustainability and Governance Statement disclosures, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016).

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Accountable Officer and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit Status as at 10 August 2022

Our audit is substantially complete subject to the following audit procedures:

- Final Engagement Leader Review
- Outstanding testing procedures over income and expenditure
- Subsequent events and disclosure review procedures
- Letter of representation

Responsibilities

LLTNPA is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. LLTNPA is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to LLTNPA throughout our audit work. In delivering our audit we use a dedicated public sector audit team. This ensures our team have a comprehensive understanding of LLTNPA and the wider public sector to focus on key areas of risk relevant to your financial statements.

Engagement Leader

John Boyd left Grant Thornton in August 2022. Andy Mack, Public Sector Audit Director, took up responsibility for the Audit. To ensure audit quality, the key audit work was overseen by John Boyd, with Andy providing final Engagement Leader review.

Audit of the annual report and accounts

Key messages and judgements

We [plan to] issue an unmodified audit opinion on the annual report and accounts.

There were two adjusted misstatement to the financial statements. We raised a number of disclosure adjustments identified from our review of the annual report and accounts. Further details are provided in ***Appendix 1.***

We would like to thank management for all their assistance during the year in ensuring the delivery of the audit, to the timescales agreed at the start of the financial year.

Our audit opinion

For the financial year ended 31 March 2022 we [plan to] issue an unmodified opinion on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework;
- expenditure and income were regular and in accordance with applicable enactments and guidance; and,
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

In accordance with our annual external audit plan, our audit work commenced in June 2022. We received the draft primary financial statements in line with our agreed timetable. There were two adjusted misstatements to the draft financial statements. There were a number of disclosure adjustments in respect of the draft financial statements to ensure compliance with the FReM. A full listing of the misstatements is detailed in Appendix 1.

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. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee in March 2022. We updated our audit materiality to reflect the 2021/22 draft financial statements. It is set at £290,000 representing 2% of gross expenditure. Performance materiality was set at £217,500, representing 75% of our calculated materiality. We report to management any difference identified over £14,500 (being 5% of overall materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures (salary) within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000).

Responding to significant financial statement risks

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

Risks identified in our Audit Plan	Commentary

Management override of controls
 	
As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override LLTNPA's controls for specific transactions.
 	
Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure and income) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements. We will obtain an understanding of the business rationale of significant transactions that we become aware of that, based on our audit knowledge and understanding, are outside the normal course of business for the entity, or that otherwise appear to be unusual.
	• We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
	• We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. We note that there is limited areas of areas of significant estimation and judgement in the accounts or areas of significant estimation uncertainty. Through our review of holiday pay accrual, amortisation of intangible assets, and review of provider accrual and associated debtor, we did not identify any indication of management bias or error.
	Journals testing including:
	  • Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
	  • We reviewed the journals population to identify any large or unusual items that may be indicative of fraud or error. This includes consideration of journals during the year and journals to create the year end accounts;
	  • Reviewed the journals population, identifying those where there may be increased risk of fraud, including any prepared by senior management, and selected these for target testing.
	  • Ran journals routines to identify journals with increased risk profile for specific target testing.
	
	Conclusion [Subject to conclusion of audit procedures]
	Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indications of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. LLTNPA have limited accounting estimates and we are satisfied that there is no indication of inappropriate management bias in the estimates made.

Risks identified in our Audit Plan	Commentary
Risk of fraud in expenditure recognition Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. In addition, depreciation and impairment are funded through agreed forecast Scottish Government funding and therefore less incentive to manipulate. We therefore focus on non-pay expenditure including programme expenditure, project expenditure and other operating costs. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of these expenditure streams ensuring the completeness and occurrence of expenditure. Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set.	• We performed walkthroughs of the controls and procedures over non-pay expenditure streams including programme expenditure, project expenditure and other operating costs; • Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording; • Focused substantive testing of non-pay expenditure recognised pre and post year end to identify if there is any potential understatement to address the risk of cut-off; and • Review of accruals and payables, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates. **Conclusion [Subject to conclusion of audit procedures]** Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of the completeness and occurrence of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or payables balances at year end.

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. LLTNPA receives Grant in aid funding through resource allocations direct from the Scottish Government. The risk of management manipulation and fraud is therefore limited. We focus our significant risk of material misstatement on the LLTNPAs material revenue streams being planning fee income and programme and project income. Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set. We therefore our testing on revenue recognised at year end including existence of receivables at the year end.	• We performed walkthroughs of the controls and procedures over material revenue streams; • Substantive testing of revenue throughout the year to confirm its occurrence and accuracy of recording; and • Focused substantive testing of recognised in the final two months of the year end and proceeding two months of the next financial year to identify if there is any potential overstatement to address the risk of cut-off; and • Substantive testing of debtor balances at the year end to gain assurance over completeness of balances due. **Conclusion [Subject to conclusion of audit procedures]** Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of income. We gained assurance around the completeness and occurrence of material revenue streams around the year end and that these were free from material misstatement. We did not identify any exceptions in the completeness and accuracy of receivables balances at year end.

Risks identified in our Audit Plan	Commentary
IAS 19 Defined Benefit Pension Liabilities (valuation) LLTNPA participates in the Strathclyde Pension Fund, a local government pension scheme (LGPS). The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, LLTNPA is required to recognise its share of the scheme assets and liabilities on the statement of financial position. Hymans Robertson UK LLP provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme liability could be materially misstated within the financial statements. We will consider the work of the actuary (Hymans Robertson UK LLP), including the assumptions applied, using the work performed by PricewaterhouseCoopers (PwC) (commissioned on behalf of Audit Scotland to review actuarial assumptions proposed by LGPS actuaries), as well as local audit assessment. We will liaise with Audit Scotland as Auditors of the Pension Fund to provide assurances over the information supplied to the actuary in relation to the LLTNPA, including assets held and membership data, and confirm joint assurances in respect of employer and employee contributions in the year. We will review and test the accounting entries and disclosures made within LLTNPA's financial statements in relation to IAS 19.	• From year end planning review our risk focused predominantly around the key assumptions used in the actuarial valuation, where there was an increased risk of material misstatement. • We performed walkthroughs of the controls and procedures over the valuation of defined benefit pension liabilities, including Management oversight of the valuation; • We considered the work of the actuary (Hymans Robertson UK LLP), including the assumptions applied, using the work performed by PricewaterhouseCoopers (PwC) (commissioned on behalf of Audit Scotland to review actuarial assumptions proposed by LGPS actuaries), as well as local audit assessment. • We obtained assurances from Audit Scotland as Auditors of the Pension Fund over the information supplied to the actuary in relation to LLTNPA, including assets held and membership data, and confirm joint assurances in respect of employer and employee contributions in the year. • We performed substantive analytical procedures in the year over the pension fund movements, investigating any deviations from audit expectation. • We reviewed the accounting entries and disclosures made within LLTNPA's financial statements in relation to IAS 19. **Conclusion [Subject to financial assurances from LPGS fund auditor]** Through our audit procedures performed we did not identify any exceptions in our review and testing over IAS 19 defined benefit pension liabilities recognised in the financial statements. Through considering the work performed by PwC, we are satisfied that the assumptions applied by the actuary are reasonable.

Risks identified in our Audit Plan	Commentary
Property, plant and equipment (valuation) As at 31 March 2021, the authority held property, plant and equipment of over £11 million. Assets of short useful economic lives (such as furniture and fittings and IT hardware) are held at depreciated historic cost as a proxy for current value. This approach is consistent with the FReM and given valuations are less subjective, not considered to be of significant risk of material misstatement. Land and buildings (including leasehold buildings) are held at their current value. Management, using professionally qualified valuers, is required to make material judgements and estimation techniques to calculate the valuation of land and buildings as at 31 March 2022. Given the subjectivity and complexity surrounding valuations there is an inherent risk of material misstatement within the accounts. In particular, we will consider the valuation of the Gateway Centre, which was valued as a specialist property in 2021 but which we understand there have been ongoing discussions around the potential future use of the property. It is important that consideration is given to the appropriate asset value as at 31 March 2022.	• We performed walkthroughs of the controls and procedures over the valuation of property, plant and equipment; • We considered the work of the valuer (Ryden LLP), including the assumptions applied, and underlying data used to undertake the valuation; • We compared the valuation undertaken, including indices applied by Management as at 31 March 2022, against our auditor estimate using BCIS rates and challenged Management and the valuer on the suitability of the indices applied. • We performed sample testing of asset valuations to confirm that these were appropriately classified and were based on appropriate data sources and underlying valuation assumptions. • We challenged Management's assessment around the impairment and classification of Gateway Centre. This asset was impaired to nil value on the basis that it is no longer operational and due to existing lease conditions there was limited opportunity for sale. Management and LLTNPA's valuer concluded the fair value would therefore be nil. • We reviewed the accounting entries and disclosures made within LLTNPA's financial statements in relation to valuation movements. **Conclusion** Through our audit procedures performed we did not identify any exceptions in the valuation of property, plant and equipment (PPE) in the accounts. We challenged Management around the classification of the Luss Visitor Centre as "Held for Sale" and given the asset was not being actively marketed at 31 March 2022, the assets was reclassified as "surplus" PPE. This did not impact on the valuation. The valuation of land and buildings is a complex areas, requiring significant estimation and judgement. The accounting recognition of the asset is often dependent on the current and planned use of a building. We found that LLTNPA does not currently have a clear asset plan or strategy in place and therefore decisions on the use of land and buildings often takes place on an individual level. This is evident in the valuation of the Gateway Centre. We recommend that in supporting the National Park Partnership Plan and LLTNPA's long term vision and priorities, Management look to establish a clear Estates Strategy to outline how LLTNPA will maximise the effective use of it's estate to delivery its priorities. ***Action Plan – Recommendation 1***

Significant estimates and judgements

LLTNPA's annual report and accounts contain areas of estimation and judgement. Two areas of significant estimation is in relation to IAS 19 defined benefit pension liabilities and the valuation of property, plant and equipment. There were two further other material estimates in relation to the depreciation of property, plant and equipment assets and accruals and deferred income. This has been confirmed by Management and confirmed in our audit testing including review of disclosures.

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
IAS 19 Defined benefit pension liabilities	LLTNPA engage Hymans Robertson UK LLP provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. These key assumptions are discussed with the actuary to inform the report. These are predominantly informed by the actuaries recommended assumptions. The Finance Manager reviews the draft actuarial valuation. The output is also reviewed by the Director of Corporate Services as part of accounts production process to ensure appropriate and any significant movements or unusual entries discussed with the actuary.	As noted in our Response to significant risk section, using the work of PwC we reviewed the key assumptions underpinning the actuarial valuation. We are satisfied that the assumptions adopted were appropriate for LLTNPA and that those applied were considered reasonable i.e. within our acceptable tolerances. We did not identify any indication of management bias in the underlying assumptions applied in the estimate and found that Management have disclosed the key sensitivities surrounding these in the draft financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of property, plant and equipment (land and buildings)	In accordance with the FReM, Management revalue land and buildings with sufficient regularity to ensure the carrying value is not materially different to its current value. The last full independent revaluation was undertaken on 31 March 2021. In intervening years, Management apply suitable indices to reflect the market movement on the carrying value of assets and also consider if there are any assets where there is indication of impairment or significant spend. Management commissioned an independent valuation of the Luss Visitor centre on the basis the asset was deemed a surplus asset and that the asset should be held at fair value. The valuer was instructed to conduct the valuation in accordance with the FReM and RICS guidance. Key assumptions are discussed with Management to ensure appropriate (including use of land / buildings and valuation basis). These are predominantly around the asset classification, condition and use. During 2021/22, Management also concluded that the Gateway Visitor Centre was no longer operational. Due to lease restrictions on any potential sale and limited rental opportunities, the asset is deemed to have a nil value.	We have reviewed the assumptions underpinning the valuation of land and buildings and are satisfied that these are reasonable and consistent with our audit expectation based on BCIS rates and other knowledge. In 2021/22 the Gateway Centre has been impaired to nil value. We have confirmed with Management that there are no plans to utilise the asset and the asset is effectively surplus. Restrictions on any potential sale on the property due to lease conditions as well as limited rental opportunities, mean the fair value of the property is nil. We have also discussed with the valuer who has confirmed the suitability of this valuation. We have challenged management and the valuer over the assumption and are satisfied that as at 31 March 2022 the asset is non-operational and appropriately valued as a surplus asset of nil value. We therefore are satisfied that the approach is reasonable.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other areas of estimation and judgement

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation of property, plant and equipment	Depreciation is provided on a straight-line basis on all non-current assets (other than freehold land) at rates calculated to write down the cost or valuation of each asset over its estimated useful life. Asset useful economic lives are reviewed annually to ensure these remain appropriate. Depreciation charges are calculated through the fixed asset register and subject to review by the Finance Team to ensure appropriate.	We have reviewed the depreciation policies applied by LLTNPA and are satisfied that these are reasonable given the nature of assets held. We have performed analytical procedures to confirm that the charge in the year is in line with our audit expectation. There is no indication of management bias in depreciation rates applied.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Accruals and deferred income	Accruals reflect expenditure that has occurred by 31 March 2022 but for which LLTNPA have not received an invoice at the balance sheet date. These predominantly relate to invoices received after the year end relating to 2021/22 or where there is a contract in place but invoice is outstanding (mainly other public bodies) or for payroll costs where payment is outstanding at 31 March or untaken annual leave (holiday pay accrual). Deferred income, reflects balances where cash has been received but for which performance conditions / restrictions permit recognition of the income until future years. As part of the annual accounts process Management review income received and assess performance conditions outstanding.	We have reviewed the approach adopted by LLTNPA in arriving at estimates for accruals and deferred income. Our testing found there to be limited areas of estimation and judgement. There is no indication of management bias through sample testing performed.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within LLTNPA. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We did this through a walkthrough of key controls within LLTNPA including payroll, expenditure, and journals.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to LLTNPA and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit & Risk Committee, concerning LLTNPA's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit & Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of LLTNPA's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered LLTNPA's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 6.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - LLTNPA's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - LLTNPA's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is LLTNPA's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of LLTNPA's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no significant matters to report.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information **(subject to final review]**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Opinion on other aspects of the annual report and accounts	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required and are satisfied that these have been properly prepared in accordance with applicable legislation. The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the directions made thereunder by the Scottish Ministers.

Issue	Commentary
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Governance statement	The governance statement is included within the Accountability Report. The report outlines the governance framework in place at LLTNPA. The Report includes the Statement of the Accountable Officer's responsibilities and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There was no matters arising from our review of the governance statement that we want to draw attention to.
Written representations	A letter of representation has been requested from the Accountable Officer, including specific representations, which is included in the Audit & Risk Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us.
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by LLTNPA meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Wider scope audit – Smaller body

As set out in our Audit Plan, LLTNPA meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement, and conclusions are set out on page 11 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	**No significant risks identified within our audit planning.**	Governance The LLTNPA Chief Executive is supported by the Executive Team and are responsible for strategic decision making and operational delivery. The Board, comprising seventeen members agree the overall direction of the Authority, provide oversight on the organisation's performance and discuss and develop policy and strategy, engaging with issues and stakeholders in the National Park. The Board meet in pubic at least three times a year and members are tasked with ensuring effective and proper governance of the organisation. More detailed responsibilities are delegated to statutory and non-statutory committees. There are two statutory committees that are held in public; the Planning & Access Committee and the Audit & Risk Committee. In addition, there are two other Committees; the Chairs and Executive Group, who discuss emerging issues, help to maintain sustainability and security of the organisation and advise the Board on strategic risks or opportunities; and the Futures Group, who provide early thinking on strategic topics. During 2021/22 LLTNPA's governance arrangements continued to operate effectively. We found effective scrutiny and challenge and no significant concerns around governance arrangements.	We are satisfied that LLTNPA's Governance Statement disclosures represents the governance arrangements in place during 2021/22.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Financial Sustainability, (as applicable to a smaller body)	No significant risks identified within our audit planning.	**2021/22 Financial performance and sustainability** For 2021/22, LLTNPA reported net expenditure for the year (before revaluation of property and pension fund actuarial movements) of £13.25 million (2020/21: £7.56 million). The outturn position reflected a small cash underspend of £53k against the Scottish Government resource limit for the year. However, there was a more significant underspend of £836k against capital resource limit. This was primarily due to procurement and supply chain problems, including the impact of Covid-19, impacting the level of capital expenditure in the year. Non-cash Annually Manager Expenditure (AME) was £2.04 million over budget. This was the result of pension adjustments and the asset revaluations. Specifically the impairment of the Gateway and Luss visitor centres. The Scottish Government agreed that the Authority could incur expenditure up to £1.6m over its allocated AME budget, based on the expected change in valuation basis of one property. This property was previously considered a specialised property and valued on a depreciated replacement cost basis, but was re-classified as a surplus property at 31 March 2022 and fully impaired. As noted in Recommendation 1, there is an opportunity for enhancing the strategic planning around the use of assets which should reduce the potential risk for unforeseen impairments through the accounts. LLTNPA set an annual Operational Plan which outlines they key activities for the year and how these contribute to the National Park Partnership Plan outcomes and LLTNPA 5 year Corporate Plan priorities. Underpinning the plan LLTNPA has medium term financial projections including those used to inform the Scottish Government's five year spending review. Building on our recommendation in the prior year, Management have considered financial plans over the medium to longer term, reflecting upon the impact of the global pandemic and LLTNPA recovery plans, to continue to ensure that resources are prioritised to delivery the organisations' key priorities.	Through our audit procedures we have not identified any significant risks in relation to LLTNPA's financial sustainability. LLTNPA's operating expenditure is funded through a combination of programme, project and other income as well as grant-in-aid funding. Management continue to ensure that medium to longer term plans are continuously refreshed to ensure they continue to support the Corporate Plan.

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There was two corrected misstatement. There were no uncorrected misstatement to the financial statements arising during our audit.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being adjustment to remove overstated deferred income and associated receivable balance for transactions that should be recorded in 2022/23		
Dr Deferred income		42
Dr VAT receivable		8
Cr Receivables		(50)
Being reclassification of Luss Visitor centre as Asset Held for Sale to PPE – Surplus assets		
Dr PPE – Surplus Assets		200
Cr Assets Held for Sale		(200)
Overall impact	**-**	**(0)**

Misclassification and disclosure changes [subject to final disclosure review of accounts]

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

Disclosure	Auditor recommendations	Adjusted?
Annual Report	In accordance with the FReM a number of presentational adjustments were required to the Annal Report including the Performance Report and Accountability Report. These were primarily presentational updates.	✓
Annual Report	Performance and Governance sections amended to reflect risk of EU Withdrawal on the National Park as well as the impact of Covid-19 and other specific risks.	✓
Critical judgements	International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates. LLTNPA should disclose judgements that Management makes when applying its accounting policies that have the most significant effect on carrying amounts in the financial statements. We would not consider the valuation of property, plant and equipment to represent such judgements as it is the application of accounting policy rather than judgement. Significant Estimates relate to assumptions and estimates at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In the draft accounts, Management have disclosed valuation of property, plant and equipment and pension valuations. There is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months. This should focus on those key areas of assumptions such as pension fund discount rate or key assumptions in the valuation	Partly – The disclosure in the accounts has been updated to reflect the judgement and estimates made around specific assets, including Luss Visitor Centre and the Gateway Visitor Centre. However, there are further opportunities to enhance the disclosure in accordance with the accounting standards. In particular we would not consider there to be significant judgement identified in the valuation of land and buildings and the estimation in relation to these and subsequent sensitivity should be focused on the key areas of uncertainty. Audit are satisfied that this is not material disclosure misstatement to the financial statements.

There were minor presentational (rounding / formatting) changes recommended to Management. These are not considered material to the accounts.

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2021/22, the one significant recommendation arising from our audit work.

Recommendation	Agreed management response
1. Estates planning and impact on accounting treatment	
The valuation of land and buildings is a complex areas, requiring significant estimation and judgement. The accounting recognition of the asset is often dependent on the current and planned use of a building. We found that LLTNPA does not currently have a clear asset plan or strategy in place and therefore decisions on the use of land and buildings often takes place on an individual level. This is evident in the valuation of the Gateway Centre. We recommend that in supporting the National Park Partnership Plan and LLTNPA's long term vision and priorities, Management look to establish a clear Estates Strategy to outline how LLTNPA will maximise the effective use of it's estate to delivery its priorities.	The Annual Operating Plan for 2022/23 includes an outcome to establish a clear strategic approach to managing our assets. The Estates Asset Management Strategy will be produced in 2022/23 for assets within our responsibility. Action owner: Emma Yendell, Estates Manager Timescale for implementation: 31 March 2023

3. Follow up of 2020/21 recommendations

We set out below our follow up of our 2020/21 recommendations and these are reflected below for information.

1. Pension Fund

The IAS 19 defined benefit valuation represents a material liability within the financial statements (2021: £6.276 million). The valuation is subject to significant estimation and thus sensitive to movements in underlying assumptions. While we recognise that Management utilise Hymans Robertson to provide actuarial expertise in determining actuarial valuation, there is an opportunity to enhance the processes and controls around the valuation to enable Management greater oversight of the estimates made and assurances around the accuracy of the calculation. In particular, assurances from the actuary around the controls in place at the actuary to ensure data used in the valuation is complete and accurate and controls in place at the actuary to ensure underlying calculations are correct.

Responsible office: Head of Finance

Follow up: Complete

2021/22 Update: LLTNPA rely on the actuaries Hyman Robertson to provide actuarial expertise in the valuation of our pension fund. Membership data is provided by the Authority to the Pension fund administrators, Strathclyde Pension Fund, to the actuaries who in turn provide this to the actuaries for the annual valuation. In preparation for the 21/22 annual accounts, LLTNPA obtained assurances from the actuary around the processes, controls and checks undertaken by the actuary to ensure the pension data is complete and accurate.

4. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	9,890
Pooled Costs	2,140
Contribution to Audit Scotland costs	440
Contribution to Performance Audit and Best Value	-
2021/22 Fee	**12,470**

Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact John Boyd, Audit Director in the first instance who is Engagement Lead for LLTNPA (john.p.boyd@uk.gt.com) or Joanne Brown, Head of Public Sector Assurance Scotland, who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2021 (grantthornton.co.uk)

Independence and ethics

- 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 Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

5. Communication of audit matters

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

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, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of LLTNPA's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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