Audit Progress Report

Loch Lomond and the Trossachs National Park Authority

March 2024

mazars

Contents

01

Section 01:

Audit Progress

1. Audit Progress

This report sets out the progress of the 2023/24 external audit.

Status of the audit

Our detailed planning work will start in February 2024. However, as part of our initial planning, we have considered experience gained from our 2022/23 audit and have met with finance officers to discuss the timetable for the audit, including at a planning meeting held in February 2024. We will continue to have regular catch-up meetings with members of the finance team as the audit progresses.

We intend to bring our Audit Strategy Memorandum to the next meeting of the Audit and Risk Committee. However, this report includes the draft timetable and indicative risk assessment for the 2023/24 audit.

We anticipate carrying out our final fieldwork in June 2024.

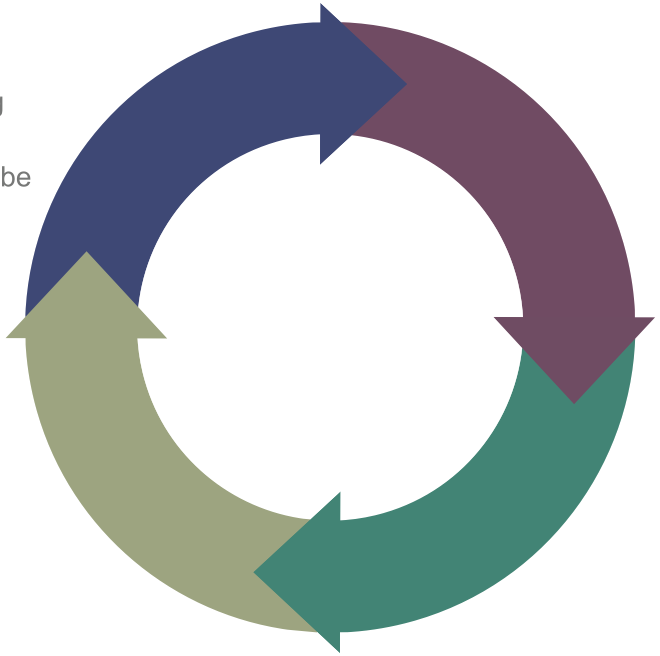
1. Audit Progress

Annual Accounts 2023/24

Draft timetable

Planning (February and March 2024)

- Planning visit and developing our understanding of LLTNPA
- Initial opinion risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review



Interim (March 2024)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary
- Wider Scope procedures, including reviewing whether LLTNPA still qualifies as a less complex body so as to determine whether to limit our work on wider scope to financial sustainability and reviewing the Governance Statement as we did in the prior year.

Fieldwork (June 2024)

- Reviewing the draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

Completion (July and August 2024)

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit and Risk Committee
- Reviewing subsequent events
- Signing the auditor’s report

Audit progress

1. Audit Progress

We are still to complete our planning, however our work to date has identified potential risks to the audit of the financial statements. The risks identified are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

Our initial indicative summary risk assessment, illustrated in the table below, highlights those risks which we anticipate being significant and other enhanced risks in respect of LLTNPA. We have summarised our expected audit response to these risks on the next pages.

1. Management override of controls
2. Valuation of property, plant and equipment
3. Valuation of the pension liability/surplus

1. Audit Progress

Specific identified audit risks and planned testing strategy

We have included below more detail on the reasons for the initial risk assessment highlighted on the previous page and also our planned testing approach for the significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during our audit, we will report this to LLTNPA's Audit and Risk Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	●	○	We plan to address the management override of controls risk by: • reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias; • examining any accounting policies that vary from the Government Financial Reporting Manual; • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and • considering and testing any significant transactions outside the normal course of business or otherwise unusual.
2	**Valuation of property, plant and equipment** LLTNPA held land and buildings with a net book value of £8.6 million as at 31 March 2023. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Due to the high degree of estimation uncertainty associated with valuations in this audit area, we have determined there is a significant risk in this area.	○	●	●	We will evaluate the design and implementation of any controls which mitigate the risk. We will also: • assess the scope and terms of engagement with the Valuer; • assess the competence, skills and objectivity of the Valuer; • assess how management use the Valuer's report to value land and buildings included in the financial statements; • test the accuracy of the data used in valuations; • challenge LLTNPA and Valuer's assumptions and judgements applied in the valuations; • review the valuation methodology used, including the appropriateness of the valuation basis; and • consider the reasonableness of the valuation by comparing the valuation output with market intelligence.

1. Audit Progress

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	**Valuation of the net defined benefit liability/surplus** LLTNPA had a net pension asset of £2.9 million at 31 March 2023. Estimation of the net pension asset or liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.	○	●	●	We will address this risk by reviewing the controls that LLTNPA has in place over the information sent to the Scheme Actuary by the fund administrators (Strathclyde Pension Fund). We will also: • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation, including on asset ceiling calculations if required; • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

1. Audit Progress

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

The materiality levels outlined in this paper are indicative since we are still to complete our consideration of materiality for 2023/24. We will revise materiality for the financial statements, if required, as our audit progresses.

Our planning materiality will be based on the audited 2022/23 accounts and will be set based on a benchmark of total expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to LLTNPA's Audit and Risk Committee.

We consider that total expenditure represents the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

Materiality	Amount (£'000)
Financial statement materiality This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of total expenditure for the year ended 31 March 2023 based on the latest audited financial statements for 2022/23 (rounded to the nearest '000).	293
Performance materiality This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70% of planning materiality.	205
Reporting threshold (i.e., clearly trivial) We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	9
Specific items We assess the Remuneration and Staff Report as sensitive given users' interest in this specific are of the Annual Report. We are proposing to set materiality in this area at 1 band within the tables in the Remuneration Report i.e. an error that moved a disclosure by one band would be assessed as material.	1 band

Contact

Mazars

Director: Tom Reid

Email: Tom.reid@mazars.co.uk

Manager: Gregory Oduor

Email: gregory.oduor@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.com

Follow us:

LinkedIn:
www.linkedin.com/company/Mazars

Twitter:
www.twitter.com/MazarsGroup

Facebook:
www.facebook.com/MazarsGroup

Instagram:
www.instagram.com/MazarsGroup

WeChat:
ID: Mazars

mazars