

Cairngorms National Park Authority

INTERNAL AUDIT REPORT

Tomintoul and Glenlivet Landscape Partnership Project

May 2017

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



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REPORT STATUS	
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DISTRIBUTION LIST	
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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Design	 Generally a sound system of internal control designed to achieve system objectives with some exceptions.	High	
Effectiveness	 Evidence of non compliance with some controls, that may put some of the system objectives at risk.	Medium	 1
		Low	 1
		Total number of recommendations: 2	

OVERVIEW
<p>Background</p> <p>Cairngorms National Park Authority (CNPA) is leading on the Tomintoul and Glenlivet Landscape Partnership (TGLP) project, which aims to use the rich heritage of the Tomintoul and Glenlivet area to promote rural regeneration. The vision is for the communities of Tomintoul and Glenlivet to share and celebrate the hidden heritage of the area, enhancing the landscape, heritage, skills and development opportunities in the long term. Planned work includes projects to improve the museum and visitor centre in Tomintoul, gather oral history, conserve important buildings, restore woodland and improve paths in the area. Funding from the Heritage Lottery Fund (HLF), CNPA, Crown Estate and Highlands and Islands Enterprise, in addition to in-kind support from other partners such as the Tomintoul and Glenlivet Development Trust, contributed to developing detailed proposals for these projects as part of the development stage, which concluded in May 2016.</p> <p>As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would review the completeness and robustness of the processes surrounding the closure of the development stage of the TGLP project and the operation of the project administration arrangements for the full delivery phase of the project.</p> <p>CNPA conducted a review of the development stage of the project. Areas of success and lessons learned from the development stage of the project are outlined in the Development Phase Evaluation Report. Lessons learned have been categorised between governance, continuity, communication and volunteer support. Governance lessons learned, for example, highlight that an overlap between Board and project team structures resulted in key stakeholders being unable to attend both Board and team meetings, and recommended reducing the membership of the Board and establishing working groups to support the project team.</p>

EXECUTIVE SUMMARY

OVERVIEW

Project governance arrangements are outlined in the TGLP Collaboration Agreement and the TGLP Governance Structure document. The agreement states that the Partnership will be led by the Project Board, which will meet every 2 months and will be responsible for monitoring and guiding the achievement of the following Partnership objectives:

- i. Sustain and develop the skills, land management systems and people that support the character of the productive landscape, creating new opportunities for employment, particularly for young people.
- ii. Improve the condition of and connections between habitats to support robust populations of priority species and ecosystem services in the face of climate change.
- iii. Build a greater understanding of the landscape through revealing and promoting the built and cultural heritage that people know or have forgotten.
- iv. Create focal points and access routes to reinforce the distinct character and identity of Tomintoul and Glenlivet.
- v. Give volunteers the skills they need to discover and manage the landscape heritage and share its stories with others.
- vi. Share and celebrate our heritage: the farming, keeping, smuggling and concealing that have helped shape the local culture and landscape.

Membership of the Board is comprised of representatives from CNPA, Tomintoul and Glenlivet Development Trust, Spey Catchment Initiative, Royal Society for the Protection of Birds, Historic Environment Scotland, Highlands and Islands Enterprise and the Crown Estate.

Roles, responsibilities and communication protocols for the delivery phase of the project are defined within the TGLP Governance Structure document. Detailed roles and responsibilities of CNPA, TGLP Board, working groups and the TGLP team are outlined in the document, with the TGLP team responsibilities being split between the Programme Manager, Administration Officer, Communications Officer, Land Management Officer, Community Heritage Officer and Training Officer positions.

The administration of the project is supported by a TGLP Scheme Delivery Phase Timetable, which outlines the key milestones from the beginning of the delivery phase in October 2016 to the planned culmination of the project in September 2020. The timetable is maintained on an ongoing basis by the Programme Manager and is stored within the TGLP Delivery folder on CNPA's shared network. A file structure schedule outlines the location of key documents in a number of TGLP Delivery sub-folders, including finance, meetings and reporting folders.

EXECUTIVE SUMMARY

OVERVIEW

Project management tools, including templates of an issues log, communications plan and risk register, support CNPA's Project Management Guidance and Process documents. The documents provide staff with a definition of a project in addition to an overview of the project management process, including project planning and evaluation arrangements.

Separate accounting records and bank accounts are maintained for TGLP activities. Reconciliations between the grant funding claimed and grant funding awarded are maintained on an ongoing basis by the CNPA Finance Manager. Quarterly claim forms are submitted to HLF with a list of the eligible expenses incurred and supporting documentation, such as invoices, attached to evidence the expenditure. Grant funding awarded from all other partners, including Highlands and Islands Enterprise, Crown Estate and Chivas Pernod-Ricard, is claimed by raising an invoice for the amounts when project work has been completed.

Finance reports, which provide an analysis of expenditure against budget, and progress reports, which provide an update on key areas of the project such as recruitment and communications, are reviewed by the TGLP Board on a monthly basis. Summary reports of income and expenditure, separating TGLP and other activities, are also provided to the Finance and Delivery Committee up to four times per year.

Scope and Approach

The scope of the review was to assess whether the project governance arrangements have been clearly defined and documented appropriately and whether there are robust project administration arrangements in place for the delivery phase of the project. We assessed whether roles, responsibilities and communication protocols have been clearly defined and documented appropriately, whether project funds have been accurately accounted for and verified as eligible and whether there is a process in place to ensure all relevant grant funding has been claimed. We also assessed whether there are robust reporting arrangements in place to ensure effective oversight of the project, including cash flow expectations, contingencies and changes in spend profile.

Our approach was to review key documentation in relation to the TGLP project and interview key staff to assess whether the design of the controls is appropriate and these controls are operating effectively and as described.

Good Practice

We are pleased to report that project governance arrangements, roles, responsibilities and communication protocols have been clearly defined and documented within the TGLP Collaboration Agreement and the TGLP Governance Structure document. There are robust processes in place for ensuring that project funds have been accurately accounted for and all relevant grant funding has been claimed. Progress reports prepared by the Programme Manager provide the TGLP Board with oversight of key project areas on a monthly basis.

EXECUTIVE SUMMARY

OVERVIEW

Key Findings

Notwithstanding the areas of good practice noted above, we have noted areas where further improvement is possible, summarised below:

- **Project administration and management protocols** - CNPA's project administration and management templates, including an issues log and communications plan, have not been completed for the delivery phase of the TGLP project. There is also an opportunity to provide more detailed project management protocols within the Project Management Guidance and Process documents.
In addition, the change management process for the delivery phase of the project has not been documented.
- **Changes in spend profile** - There is an opportunity to further improve the reporting arrangements in place by providing the TGLP Board with oversight of changes in spend profile and supporting narrative to explain any changes exceeding an agreed threshold.

Conclusion

We are able to provide moderate assurance over the design and operational effectiveness of the controls in place in relation to the closure of the development stage of the TGLP project and the project administration arrangements for the full delivery phase of the project.

RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE

- ✓ The project governance arrangements may not have been clearly defined and documented appropriately for the delivery phase of the project.
- ✓ Roles, responsibilities and communication protocols may not be clearly defined and documented appropriately.
- ✓ Project funds may not have been accurately accounted for and verified as eligible.
- ✓ There may not be a process in place to ensure all relevant grant funding has been claimed.
- ✓ There may not be robust reporting arrangements in place to ensure effective oversight of the project, including cash flow expectations, contingencies and changes in spend profile.

EXECUTIVE SUMMARY

AREAS FOR IMPROVEMENT			
Ref.	Sig.	Finding Summary	Recommendation
1		<p>CNPA's project management templates, including an issues log and communications plan, have not been completed for the delivery phase of the TGLP project. There is also an opportunity to provide more detailed project management protocols within the Project Management Guidance and Process documents.</p> <p>In addition, the change management process for the delivery phase of the project has not been documented.</p>	<p>We recommend that all project management templates are completed for the delivery phase of the TGLP project.</p> <p>We also recommend that more detailed project management protocols are defined within the Project Management Guidance and Process documents. The protocols should clearly define the process to be followed for the following stages of a project:</p> <ul style="list-style-type: none"> - Option selection and prioritisation; - Collaboration with partners; - Solution development; - Delivery (including monitoring and reporting); and - Changes (including time, cost, quality and risk changes). <p>The change management process for the delivery phase of the project should be clearly documented, including the identification of defined limits outlining at which point HLF approval is required.</p>

All our findings and recommendations are set out in the following pages and include those of low significance which have not been summarised above.

DETAILED FINDINGS AND RECOMMENDATIONS

RISK: There may not be robust project administration arrangements in place for the delivery phase of the project.

Ref.	Finding	Sig.	Recommendation
1	<p>Project Management Guidance and Process documents provide staff with an overview of the project management process, including project planning, control, closure and evaluation arrangements. Links to key project administration and management tools are provided within the documents, including templates of an issues log, communications plan and risk register.</p> <p>We noted that the project management templates have not been completed for the delivery phase of the TGLP project. We also found that there is also an opportunity to provide more detailed project management protocols within the Project Management Guidance and Process documents.</p> <p>In addition, whilst management explained that any changes to the scope of the project would be agreed with an HLF representative prior to implementation, the change management process for the delivery phase of the project has not been documented.</p> <p>There is a risk that project administration and management arrangements in place for the delivery phase of the project may not be robust.</p>		<p>We recommend that all project management templates are completed for the delivery phase of the TGLP project.</p> <p>We also recommend that more detailed project management protocols are defined within the Project Management Guidance and Process documents. The protocols should clearly define the process to be followed for the following stages of a project:</p> <ul style="list-style-type: none"> - Option selection and prioritisation; - Collaboration with partners; - Solution development; - Delivery (including monitoring and reporting); and - Changes (including time, cost, quality and risk changes). <p>The change management process for the delivery phase of the project should be clearly documented, including the identification of defined limits outlining at which point HLF approval is required.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. The Programme Manager has now been recruited for this programme and will be charged with completing all project management templates to enhance robustness of management controls. As the documentation will be completed and owned by the Programme Manager this will also enhance lines of management responsibility.</p>		<p>Responsible Officer: Tomintoul and Glenlivet Programme Manager with Head of Land Management and Conservation</p> <p>Implementation Date: 31 July 2017</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

RISK: There may not be robust reporting arrangements in place to ensure effective oversight of the project, including cash flow expectations, contingencies and changes in spend profile.

Ref.	Finding	Sig.	Recommendation
2	<p>Finance reports, which provide an analysis of expenditure against budget, and progress reports, which provide an update on key areas of the project such as recruitment and communications, are reviewed by the TGLP Board on a monthly basis.</p> <p>There is an opportunity to further improve the reporting arrangements in place by providing the TGLP Board with oversight of changes in spend profile and supporting narrative to explain any changes exceeding an agreed threshold.</p>	●	We recommend that changes in spend profile exceeding an agreed threshold are reported to the TGLP Board on a monthly basis.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed.			<p><i>Responsible Officer: CNPA Finance Manager</i></p> <p><i>Implementation Date: 30 September 2017</i></p>

OBSERVATIONS

Recruitment of the TGLP team

Project governance arrangements, including roles and responsibilities of key staff, for the delivery phase of the project are outlined in the TGLP Governance Structure document. However, working groups have not yet been established and a number of the TGLP team, including a Communications Officer, have not yet been employed. We recognise that management intend to establish working groups in the coming months and that interviews are being held for all vacant TGLP team positions.

Eligibility of TGLP project costs

We found that there is no guidance in place specifying which expenses are eligible in relation to the TGLP project funding. However, we recognise that no quarterly claims submitted to HLF have been rejected as a result of ineligible expenses being claimed, and that a recommendation was raised in relation to this in the December 2016 Project Financing internal audit report.

Reporting of cash-flow

Finance reports provide an analysis of expenditure against budget to the TGLP Board on a monthly basis. There is an opportunity to further improve the oversight of financial activity by providing reporting on cash-flow to the TGLP Board. However, we recognise that a recommendation was raised to develop quarterly cash-flow reporting for the TGLP project in the December 2016 Project Financing internal audit report.

APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
Daniel Ralph	Finance Manager
Jackie Webley	Programme Manager
Hamish Trench	Director of Conservation and Visitor Experience
Will Boyd-Wallis	Head of Land Management and Conservation

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

Cairngorms National Park Authority (CNPA) is leading on the Tomintoul & Glenlivet Landscape Partnership project, which aims to use the rich heritage of Tomintoul & Glenlivet area to promote rural regeneration. The vision is for the communities of Tomintoul and Glenlivet to share and celebrate the hidden heritage of the area, enhancing the landscape, heritage, skills and development opportunities in the long term. Planned work includes projects to improve the museum and visitor centre in Tomintoul, gather oral history, conserve important buildings, restore woodland and improve paths in the area. Funding from the Heritage Lottery Fund, CNPA, Crown Estate and Highlands and Islands Enterprise, in addition to in-kind support from other partners such as the Tomintoul & Glenlivet Development Trust, contributed to developing detailed proposals for these project as part of the development stage, which concluded in May 2016.

As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would review the completeness and robustness of the processes surrounding closure of the development stage of the Tomintoul and Glenlivet Landscape Partnership project and consider the robustness of the project administration arrangements for the full delivery phase of the project.

PURPOSE OF REVIEW

The purpose of this review is to examine the processes surrounding the closure of the development stage of the Tomintoul and Glenlivet Landscape Partnership project and the administration arrangements for the full delivery phase of the project, and to provide assurance to management and the Audit Committee on the design and effectiveness of the controls in place.

KEY RISKS

Based upon the risk assessment undertaken, discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The project governance arrangements may not have been clearly defined and documented appropriately for the delivery phase of the project;
- There may not be robust project administration arrangements in place for the delivery phase of the project;
- Roles, responsibilities and communication protocols may not be clearly defined and documented appropriately;
- Project funds may not have been accurately accounted for and verified as eligible;
- There may not be a process in place to ensure all relevant grant funding has been claimed; and
- There may not be robust reporting arrangements in place to ensure effective oversight of the project, including cash flow expectations, contingencies and changes in spend profile.



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