

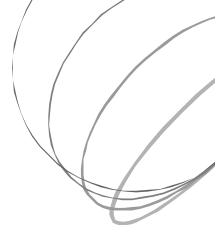
Cairngorms National Park Authority

Report on the 2005/06 Audit



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Executive Summary

Introduction

In 2005/06 we audited the financial statements of the Cairngorms National Park Authority and we looked at aspects of performance management and governance. This report sets out our key findings.

Financial Position

We have given an unqualified opinion on the financial statements of the Authority for 2005/06.

The Authority's gross operating expenditure for the year was £5.089 million [2004/05: £4.098 million]. The Authority finished the year with a surplus of £115,588 which when added to the accumulated deficit brought forward from the previous year of £146,975 gives a deficit carried forward of £31,387.

Performance Management

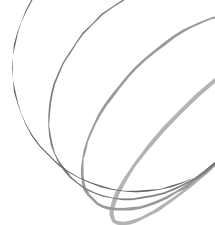
The major priority for the Authority during 2005/06 was the preparation of the draft National Park Plan. After a period of consultation and revision, it is intended that the final version of the National Park Plan will be submitted to Scottish Ministers for approval by Christmas 2006. A major challenge for the Authority in 2007/08 onwards will be ensuring the co-ordinated and integrated delivery of the Plan with its partner organisations.

It is anticipated that performance measures reflecting the strategic priorities emerging from the National Park Plan will be developed during 2006/07.

Governance

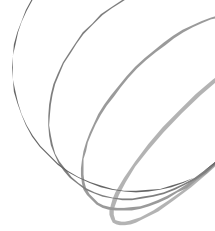
Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of an organisation. During the audit, systems of control relating to risk management, financial procedures and systems and fraud and corruption arrangements were reviewed, and our assessment of corporate governance arrangements updated.

**Audit Scotland
17 November 2006**



Introduction

1. This report summarises the findings from our 2005/06 audit of the Cairngorms National Park Authority. The scope of the audit was set out in our Audit Planning Memorandum, which was agreed with the Authority in March 2006. This plan described the work we planned to carry out on financial statements, performance and governance.
2. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. This is the final year of our current audit appointment, and we would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Authority during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



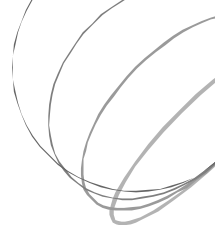
Financial Statements

Our Responsibilities

4. We audit the financial statements and give an opinion on whether:
 - they give a true and fair view of the state of affairs of the Authority for the year;
 - the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers; and
 - they have been prepared properly in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made by the Scottish Ministers.
5. We also review the Statement on Internal Control by:
 - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the Statement are consistent with our knowledge of the Authority.

Overall Conclusion

6. We have given an unqualified opinion on the financial statements of the Cairngorms National Park Authority for 2005/06.
7. Following discussion between officials of the Authority and external audit, a timetable was agreed for the provision of the accounts for audit. Accordingly audit work was scheduled to achieve a certification date that would permit the laying of the accounts before the Scottish Parliament by 31 December 2006. These targets will be achieved.
8. The financial statements were reviewed by the Audit Committee on 25 August 2006, and subsequently signed by the Chief Executive on 30 October 2006.



Financial Performance

9. The Authority received grant-in-aid for 2005/06 of £4.174 million [2004/05: £3 million]. The Authority finished the year with a surplus of £115,588 which when added to the accumulated deficit brought forward from the previous year of £146,975 gives a deficit carried forward of £31,387.

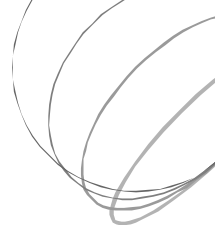
Issues Arising from the Audit

10. We reported the following issues to the Audit Committee on 25 August 2006:

Annual Report and Management Commentary:

11. The Authority as a Non-Departmental Body should comply with the Financial Reporting Manual (FReM) which, for the 2005/06 financial year, requires the Cairngorms National Park Authority to incorporate a Management Commentary in its annual accounts. Additional information required includes an exhibit showing the outturn against resource budget and the Authority's own budget; a review of key achievements and performance against targets in 2005/06; comments on future developments; comments on environmental matters with commentary on the Authority's contribution to sustainability and comments on initiatives related to efficiency and best value. The draft annual accounts received for audit did not include this information. The Authority intended to include the information in the Annual Report and sought clarification from the sponsoring department on the appropriateness of this approach. The information was incorporated in the Annual Report.
12. As this is the first year of compliance with the new FReM there is an opportunity to improve reporting the Authority's activities for 2006/07 onwards. The Chief Executive and Head of Corporate Services confirmed they will review the requirements and consider ways to improve reporting the activities of the Authority in their Annual Report and Accounts.

Action Plan Point 1



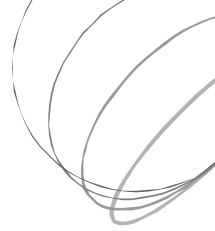
Remuneration Report

13. The disclosure on officers' remuneration in the annual accounts only shows the Chief Executive's salary and pension entitlements. The Financial Reporting Manual (FRoM) requires disclosure of information of officers in senior positions having responsibility for directing or controlling the major activities of the entity. This is clarified in the FRoM as influence over the decisions of the entity as a whole rather than decisions of individual sections within the entity. In the Remuneration Report it states that 'for the purposes of this report, persons in senior positions having authority for directing or controlling the major activities of the Authority are taken to comprise the Chief Executive and Board members'.
14. It is for each public body to determine which individuals are included within the remuneration report disclosure. The Authority adopted the above disclosure policy after consulting its sponsoring department. The Authority has agreed to keep under review the disclosures it makes in consultation with its sponsoring department.

Action Plan Point 2

Statement on Internal Control

15. As part of our responsibilities we are also required to review whether the statement on internal control prepared by the accountable officer reflects the Authority's compliance with Scottish Executive guidance. We are required to report if it does not meet the requirements specified or if the statement is misleading or inconsistent with other information of which we are aware from the audit of the financial statements.
16. The Statement on Internal Control included in the accounts presented for audit met the requirements of the guidance set out in the Scottish Public Finance Manual.



Performance Management

Introduction

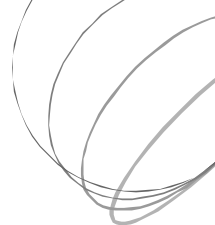
17. This section covers our assessment of the way in which the Authority secures best value in the use of its resources. This year we followed up on two main areas:
- development of performance measures; and
 - Best Value.

Performance Measures

18. A major priority of the Authority during 2005/06 was the preparation of the draft National Park Plan which sets out the mission/vision statement and identifies the outcomes the Authority, working with its partners, seeks to achieve within the Park. It is anticipated that the National Park Plan will be submitted to Scottish Ministers for approval by Christmas 2006.
19. We recognise that the Authority was only set up in March 2003 and is therefore at an early stage of developing performance measures. These focussed primarily on the statutory functions including developing the Park Plan. Progress against delivery is set out in the Annual Report. As a result the Authority's 2005/06 Annual Report had only a limited number of measures against which to measure its performance. We are aware that the National Park Plan will be the driver for setting performance indicators against which continuous improvement can be measured, and the Authority will develop a framework for assessing performance under the Plan and for supporting continuous improvement.

Best Value

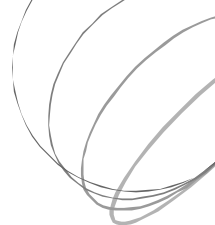
20. Since April 2002 there has been a duty of Best Value on Accountable Officers to *'ensure arrangements are in place to secure Best Value'*. High level guidance was issued in May 2003, followed by more detailed draft secondary guidance in August 2003. This duty can be described as:
- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost);
 - to have regard to economy, efficiency and effectiveness, and the equal opportunity requirements; and
 - to contribute to the achievement of sustainable development.



21. In May 2005, Ministers decided that they would not bring forward legislation which extends Best Value in the wider public sector. However, Ministers do wish to encourage and embed the principles of Best Value across the wider public sector, and revised guidance was issued in May 2006.

22. The Authority has demonstrated aspects of best value characteristics e.g. Economy, Efficiency and Effectiveness and Sustainability have been established as two 'cross-cutting' themes in the Authority's Corporate and Operational Plans since its establishment. A third theme, 'A Park for All', focuses on the promotion of equality. In our view there is scope to develop performance measures to demonstrate it is securing continuous improvement.

Action Plan Point 3



Governance

Introduction

23. This section sets out our main findings arising from our review of the Authority's corporate governance as it relates to:

- the systems of internal control; and
- review of internal audit

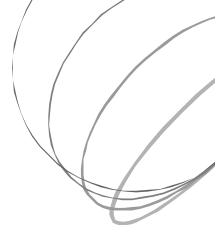
System of internal control

Final accounts management report

24. In our report we highlighted a number of control issues the Authority should address. The principal matters were:

- we examined the Authority's bank reconciliation as at 31 March 2006 and noted that several out of date cheques were shown as outstanding. We recommended that any cheques not presented for payment after six months from the date of issue are investigated and replaced or cancelled and written back into the accounts.
- we found that monthly reconciliations of the core bank account from November 2005 to March 2006 showed an outstanding payment of £9,701 matched by a corresponding outstanding bank receipt for the same amount. We were advised that this arose from a processing error in November. We also noted that the list of outstanding payments contained a cancelled cheque for £6,333 offset by a corresponding adjustment to the list of outstanding lodgements. We recommended that these transactions are cancelled and removed from future bank reconciliations.
- we also reviewed the payroll system and procedures. When changes are made to tax, national insurance and pension rates it is important these are checked following input to the system. We were advised that appropriate checks were carried out but we found no evidence was retained on file of these checks.

25. An action plan with an agreed timetable for implementing recommendations was agreed with the Head of Corporate Services to address the control issues identified above.

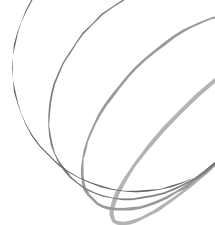


Review of Internal Audit

26. The Authority recognises internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. Internal audit services are provided by Deloitte & Touche.
27. The Authority's internal auditors provided the opinion, in their report of August 2006, that the Authority has an adequate framework of control over the systems examined.
28. We placed reliance on two elements of internal audit work for our wider Code responsibilities this year. The reviews we placed reliance on were:
 - Financial Ledger; and
 - Review of IT Contingency Planning.

Fraud and corruption arrangements

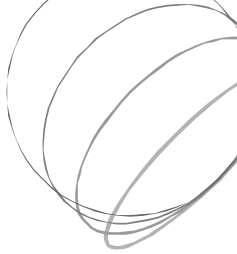
29. No frauds were identified by the Authority in 2005/06.



Looking Forward

National Park Plan

30. The National Park Plan will be submitted to Scottish Ministers during 2006/07. The Plan is a strategic document which sets out how the park will be managed to deliver its statutory aims. The Authority's own role in delivery of the plan is dependent on the organisation determining its medium and short term priorities and objectives. Monitoring of the delivery of the Plan will require the Authority to set measurable targets and performance indicators which ensure that the objectives are met by all partners to the Plan and that continuous improvement is demonstrated.



Appendix A: Action Plan

Key Risk Issues and Planned Management Action

Action Point	Refer Para. No	Issue Identified	Planned Action	Responsible Officer	Target Date
1	12.	As 2005/06 was the first year of compliance with the Financial Reporting Manual (FReM) there is scope to improve future disclosures in the Annual Report and Accounts.	The Authority will review the requirements of the FReM to identify areas where reporting can be improved in the 2006-07 Annual Report.	Head of Corporate Services	June 2007
2	14.	The Financial Reporting Manual (FReM) requires disclosure of information on officers in senior positions having responsibility for directing or controlling the major activities of the entity. The Authority adopted the policy of disclosing only the Chief Executive's salary and pension entitlements after consulting its sponsoring department.	The Authority will review, in conjunction with its sponsoring department, the disclosure of senior management remuneration in the Annual Report to ensure it is relevant and meets the requirements of the FReM.	Head of Corporate Services	June 2007
3	22.	There is scope to develop performance measures to demonstrate the Authority is securing continuous improvement.	The Authority will develop performance measures to demonstrate it is securing continuous improvement.	Head of Corporate Services	March 2007