

**DRAFT MINUTES of MEETING of the
AUDIT COMMITTEE of
THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held at CNPA Offices, Grantown on Spey
on 15 December 2006**

Present:

Eric Baird
Duncan Bryden
Nonie Coulthard

Bob Wilson
Sue Walker

In Attendance:

David Cameron, Head of Corporate Services
Bob Clark, Audit Scotland
Duncan Geddes, Deloitte
Liza MacDonald, Deloitte
Stephen O'Hagan, Audit Scotland

Apologies:

Jane Hope

Election of Chair

1. David Cameron advised that as this was the first meeting of the Committee since September, members were required to elect a Chair under the Boards Standing Orders. Sue Walker nominated Eric Baird, this nomination seconded by Bob Wilson. There being no other nominations, Eric Baird was declared chair

Minutes of Previous Meeting

2. The minutes of the previous meeting, of 25 August 2006, were approved without amendment.

Matters Arising

3. On point 4 of the minute, members noted that there had been an update on Health and Safety presented to the Board as part of a wider update on progress of Theme 5. **Members requested that the Head of Corporate Services also provide a separate**

report on Health and Safety to the full Board in order to further highlight and reinforce Board members' responsibilities and show progress made in delivering responsibilities in this area by officers.

4. Point 17 of the minute had indicated that the internal audit on procurement had been deferred. David Cameron and Duncan Geddes responded that they had reached agreement to cover procurement activity as part of a wider review of the Authority's overall approach to Best Value, to be undertaken as part of the 2006/07 internal audit programme.
5. On point 30, David Cameron reported that it was understood that the coverage of Health and Safety issues by the Staff Consultative Forum (SCF) did meet legislative requirements. However, the role of the SCF would be reinforced, with the Business Services Manager also now to attend meetings to deal specifically with Health and Safety issues.

External Audit: Report on the 2005/06 Audit (Paper 1)

6. Bob Clark introduced his report to members, which had been reproduced as Annex 1 to this paper. Bob highlighted that the external audit for 2005/06 had resulted in his signing a clear external audit statement. Accounts had been laid before Parliament on 27 November compared with a 31 December deadline, and he hoped that this timetable could be brought further forward in future years. In this regard, the original target for completion of the external audit had been 30 October. Some delays had arisen in the 2005/06 audit as this had been the first year of the Authority producing the accounts within a combined annual report and accounts format, and it was accepted by the external auditor that it would take some time to bed-in this process.
7. Bob Clark also pointed out that his report highlighted that the Authority's annual report contained a very limited number of performance measures to that which may be expected for a public sector audit. He had accepted David Cameron's explanation that the stage of the Authority's development was more focused on a few required statutory objectives to be achieved, such as developing and submitting the National Park Plan (NPP) to Ministers, and developing and placing a Local Plan on deposit. In future, the Authority was likely to be more active in the development of performance measures drawn from its roles of coordination and, in part, delivery of the NPP.
8. Lastly, Bob Clark highlighted that reliance had been placed on work undertaken by the internal auditors.
9. In response to questions from members, Bob Clark confirmed that the lack of coverage of performance measures in the annual report was not a criticism of the report by auditors. It had been highlighted by the auditor at this stage in order to ensure it was considered for future reports.

10. Members questioned, with reference to the Authority's role in coordinating the NPP, whether there was a risk that we would be audited on a series of performance measures over which the Authority had no direct control. The external auditors reinforced the point that it was vital that measures adopted for performance management and continuous improvement should be within the control of the organisation and that the Executive Team must have robust discussions with the sponsor team to ensure that was the case.
11. **The Committee thanked Bob for his report and endorsed officers' proposed actions in response to the issues identified.**

Internal Audit Review: Cash Flow (Paper 2)

12. Duncan Geddes gave a brief introduction to the Deloitte report on the Authority's cash flow management. He highlighted that, in overall terms, the Authority's control environment was efficient, with adequate controls which were working effectively. Two minor control gaps had been identified with recommendations for action made and management responses received. Areas identified in the report tended to highlight the need for some further segregation of duties.
13. Members sought David Cameron's views on whether he was content with the report and its findings. He confirmed that he had discussed a draft with the internal auditors and was content with the findings. He felt that segregation of duty would always be a potential issue in a relatively small organisation, but that action would be taken to ensure this dealt with as far as possible within the organisation.
14. **The Committee endorsed officers' proposed actions in response to the issues identified.**

Internal Audit Review: Risk Management (Paper 3)

15. Duncan Geddes gave a brief introduction to the Deloitte report on the Authority's risk management processes. He highlighted from the review that risk management processes within the Authority were generally adequate, with only minor matters for improvement identified. On the basis of the Institute of Internal Auditors' Risk Maturity cycle model, the Authority was assessed as between stages 3 and 4 of a five-stage cycle, with the approach to risk in the organisation characterised as moving from "risk defined" to "risk managed". This level of development was thought to show good progress for a relatively new organisation.
16. The review of the Authority's risk management highlighted wider training and awareness of risk management and risk register amongst officers outside of the Management Team, and the documentation of decisions made by Management Team as the areas in which further improvements may be made. On the former area in particular, Duncan Geddes reported that further embedding risk management processes within the organisation would require all staff, and particularly officers project managing activities, to be better aware of the content of the strategic risk

register and to link their project activities to achievement of managing these strategic risks wherever appropriate.

17. **The Committee endorsed officers' proposed actions in response to the issues identified.**

Balanced Scorecard: Governance and Risk Management (Paper 3)

18. David Cameron introduced this paper, which set out proposals for the establishment of a "balanced scorecard" model for monitoring organisational performance. The model sought to establish key performance measures with which to monitor the overall "health" of the organisation, taking account of financial management, human resource management, governance and risk management, and corporate and operational plan delivery. The paper presented sought the Committee's views on the proposed governance and risk management performance measures, whether the measures proposed adequately summarised the organisation's health in managing its operations in these areas, and whether the proposed tolerance levels from target were appropriate in light of the Committee's overall views of management of risk in delivering governance and risk management objectives.
19. In discussion, members sought clarification on the intent of the measure proposed on Freedom of Information (FoI). David Cameron responded that the Authority was required by statute to respond to requests for information within 20 working days and the measure in the balanced scorecard model sought to establish whether this key aspect of the organisation's governance was working effectively.
20. Members accepted the balanced scorecard model approach. The internal audit representatives also commented that the approach proposed would itself make a helpful contribution to organisational risk management and would assist them in developing annual audit plans.
21. **The Committee agreed the governance and risk management performance measures proposed, and associated tolerance levels for monitoring purposes, for inclusion in the Authority's balanced scorecard model.**

Governance Update: Standards Commission and Ombudsman Investigations (Paper 4)

22. David Cameron introduced this paper, providing an update on investigations recently completed by the Standards Commission for Scotland and the Scottish Public Services Ombudsman. He reported that no issues or recommendations requiring changes to governance arrangements have been highlighted by these investigations. All three investigations resulted in the complaint not being upheld.
23. The paper also highlighted David Cameron's current practice in handling complaints. This is aimed at maintaining, as far as possible, the member's or officer's right to confidentiality during the initial stages of any complaint investigation. He proposed

to continue to deal with and monitor the progress of complaints in this way, bringing updates such as this to Committee on numbers of investigations that have taken place and where the complaints have not been upheld.

24. Should it emerge that the complaint has any grounds, it is proposed that the Audit Committee should be informed at that point. This will allow the Authority's responses to any drafts of investigation reports or findings, or the preparation of any submissions for hearings, to be considered by Committee members in fulfilling the Committee's remit to oversee corporate governance arrangements.
25. Members sought clarification of the level of Committee involvement – specifically, when the Committee would act on a matter and when the full Board would be involved. David Cameron responded that he anticipated the Audit Committee to have the responsibility to initially consider responses to any issues or recommendations made on governance matters. This may require a subsequent report to the full Board.
26. **The Committee noted the outcome of investigations by the Standards Commission for Scotland and the Scottish Public Services Ombudsman.**
27. **The Committee approved the internal procedure for handling complaint investigations conducted by external bodies and the Audit Committee's involvement in these processes.**

Office Greening Update (Paper 6)

28. The paper presented a summary of main actions taken to date by the Authority's Greening Group in implementing the Organisational Greening Policy and Targets for Action approved by the Board in March 2006. David Cameron highlighted that the Authority had received a silver award following an audit of its activities by the Green Tourism Business Scheme (GTBS), and that the audit had identified areas for future improvement. Officers had also begun a programme of pool vehicle replacement which would substantially reduce emissions from business travel.
29. **The Committee welcomed the report, noting that a further report setting out the Greening Action Plan would be presented to the Committee in due course.**

Audit Committee Annual Report (Paper 7)

30. The paper presented set out the Committee's draft Annual Report to the Board.
31. Members requested that paragraph 24 be amended to more clearly reflect that the intent of the Committee was to consider the outcome of specific projects, and the actual contribution of these project activities to delivery of the National Park Plan priorities and the Authority's own Corporate Plan goals.

32. **Subject to this amendment, members approved the Annual Report for submission to the Board.**

Strategic Risk Register (Paper 8)

33. Members considered the latest Strategic Risk Register, following review by Management Team in October.
34. **Members agreed that the Register should recognise the risk to strategic direction of the Authority from a potentially significant turnover in Board members following direct elections to the Board in March and local council elections in May.**
35. Members sought clarification on when the Risk Register would be overhauled, while accepting that most of the risks continued to appear relevant. David Cameron indicated that it was his intention to arrange a risk management workshop to establish an updated Strategic Risk Register around the Authority's next Corporate Plan, which would cover 2008 to 2011. He anticipated that the workshop would take place early in 2008 once the Corporate Plan was relatively finalised.
36. **Members agreed that the risk management workshop should include the Audit Committee in addition to the Management Team.**

Standing Item: Update on Internal Audit Recommendations (Paper 9)

37. **Members noted that progress continued to be made in addressing internal audit recommendations.**
38. Members noted that action on a number of recommendations had now been reviewed by Deloitte and would be removed from the schedule following confirmation that the internal auditors were content with changes made to control systems.

AOCB

39. No other business was raised.

Date of Next Meeting

40. 23 March at 9:00 am, Ballater.