

Cairngorms National Park  
Authority  
INTERNAL AUDIT REPORT  
Grant Funding and Management  
June 2017

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



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REPORT STATUS	
Auditors:	Sean Morrison and Gemma Rickman
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DISTRIBUTION LIST	
Audit Committee	Members
David Cameron	Director of Corporate Services
Danie Ralph	Finance Manager

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# 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

**Background**

As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would perform a review of the grant funding and management arrangements in place within Cairngorms National Park Authority (CNPA).

CNPA provides grants towards projects which aim to benefit the national park in line with the authority’s 2015-18 Corporate Performance Framework and the Scottish Government National Performance Framework. The key aims of the Corporate Performance Framework include the conservation of the national park, improvement of the visitor experience and development of the rural environment of the park. The key strategic objective of the Scottish Government’s National Performance Framework is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Grant awards are formally approved in accordance with the Authority’s delegated authority schedule. CNPA is in the process of developing a grant toolkit to provide staff with guidance on awarding, recording and monitoring of grants. A Grant Risk Assessment Matrix is included as an appendix to the grant toolkit and requires staff to assess the financial, operational, reputational, external and compliance risk of each application as ‘High’ or ‘Low’ based on a number of questions relating to the activities which will be carried out with the funding, who will be responsible and where will the activities be carried out.

The time and resource required to evaluate and monitor funding applications and awards is dependant on the value and the assessed risk of the grant. The £45,000 grant awarded to Highlands and Islands Enterprise (HIE) in relation to the Tomintoul and Glenlivet Development Trust project, for example, required Board approval and is subject to regular progress meetings between CNPA and HIE in addition to an annual report to the Board providing updates on the project, in accordance with the terms and conditions of the grant. The £10,000 grant awarded to Spey Catchment Initiative, however, did not require Board approval, but requires discussion at quarterly steering group meetings as part of the monitoring process.

# EXECUTIVE SUMMARY

## OVERVIEW

Offers of grant funding contain terms and conditions which outline a number of requirements attached to the award including deliverables, grant conditions, required reporting and repayment of grant clauses.

Monitoring arrangements for multi-year grant funding arrangements are defined within individual grant award terms and conditions. For example, a Memorandum of Agreement is in place between CNPA and the Marr Area Partnership (MAP) in relation to the multi year grant funding provided to MAP, which outlines a number of monitoring arrangements, such as regular (at least quarterly) meetings between CNPA and MAP staff; an annual monitoring visit undertaken by CNPA incorporating a review of activity and evidence of expenditure, and examination of future plans; and the provision of an annual report to CNPA outlining progress against areas of work.

### Scope and Approach

The scope of our review was to assess whether Cairngorms National Park Authority is awarding grant funding in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework. We assessed whether the process for evaluating and awarding applications for grant funding is clearly documented and whether grant funding applications are evaluated and awarded in accordance with a clearly defined process. We assessed whether the application process provides a proportionate approach for considering the risk and value of grant funding applications and whether grant terms and conditions are appropriate. We assessed whether grant funding arrangements are monitored effectively to ensure funds are used effectively and agreed objectives are achieved. We also assessed whether there is a process in place to monitor the progress of multi-year grant funding arrangements.

Our audit approach was to review key documentation in relation to grant funding and management, 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 CNPA is awarding grants in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework. We also noted that appropriate grant terms and conditions are in place, with key conditions such as the payment and use of grant funding, monitoring requirements and data protection requirements contained throughout the sample of grant awards tested.

# EXECUTIVE SUMMARY

## OVERVIEW

### Key Findings

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

- **Grant Administration procedures** - Whilst management are in the process of developing a Grant Toolkit to provide guidance to staff on the awarding, recording and monitoring of grants, this is not yet finalised and in place. In addition, whilst a Grant Risk Assessment Matrix template is provided as an appendix to the grant toolkit, this had not been completed for 9 out of the 10 grant awards tested.
- **Grant Register** - CNPA does not maintain a register which records all grant funding awarded.

### Conclusion


We are able to provide moderate assurance over the design and operational effectiveness of the controls in place relating to grant funding and management arrangements within CNPA. Whilst our testing confirmed that grant funding awards had been authorised appropriately following reasonable evaluation of applications and that monitoring arrangements are in place, improvement is required to ensure the process for the evaluation, approval and monitoring of applications and awards is clearly defined and consistently applied.

# EXECUTIVE SUMMARY

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


- ✔ Grant funding may not be awarded solely for activities in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework.
- ✔ Grant funding applications may not be evaluated and awarded in accordance with a defined process.
- ✔ The application process may not provide a proportionate approach for considering the risk and value of grant funding applications.
- ✔ Grant terms and conditions may not be appropriate.
- ✔ Grant funding arrangements may not be monitored effectively to ensure funds used effectively and agreed objectives are achieved.
- ✔ There may not be a process in place to monitor the progress of multi-year grant funding arrangements.

# EXECUTIVE SUMMARY

AREAS FOR IMPROVEMENT			
Ref.	Sig.	Finding Summary	Recommendation
1		<p>Whilst management are in the process of developing a Grant Toolkit to provide guidance to staff on the awarding, recording and monitoring of grants, this is not yet finalised and in place.</p> <p>In addition, whilst a Grant Risk Assessment Matrix template is provided as an appendix to the grant toolkit which is used to determine the level of evaluation and due diligence required for funding applications, this had not been completed for 9 out of the 10 grant awards tested.</p>	<p>We recommend that the Grant Toolkit is completed, encompassing all processes in place for the awarding, recording and monitoring of grant funding.</p> <p>The toolkit should also clearly define the following:</p> <ul style="list-style-type: none"> <li>- Actions to be taken when grant conditions are not being met or terms and conditions are breached;</li> <li>- The process for consideration of the risk and value of grant funding applications to determine the proportion of resource required to evaluate these; and</li> <li>- Review and scrutiny arrangements for progress reports provided by grantees.</li> </ul>

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: The process for evaluating and awarding applications for grant funding may not be clearly documented.			
Ref.	Finding	Sig.	Recommendation
1	<p>A well documented and up to date procedure is crucial for ensuring that current and future staff have guidance on how to perform their roles in line with best practice.</p> <p>Whilst management are in the process of developing a Grant Toolkit to provide guidance to staff on the awarding, recording and monitoring of grants, this is not yet in place.</p> <p>In addition, whilst a Grant Risk Assessment Matrix template is provided as an appendix to the grant toolkit which is used to determine the level of evaluation and due diligence required for funding applications, this had not been completed for 9 out of the 10 grant awards tested.</p> <p>There is a risk that the process for evaluating and awarding applications for grant funding may not be clearly documented, and staff may not be following the process as a result.</p>		<p>We recommend that the Grant Toolkit is completed, encompassing all processes in place for the awarding, recording and monitoring of grant funding.</p> <p>The toolkit should also clearly define the following:</p> <ul style="list-style-type: none"> <li>- Actions to be taken when grant conditions are not being met or terms and conditions are breached;</li> <li>- The process for consideration of the risk and value of grant funding applications to determine the proportion of resource required to evaluate these; and</li> <li>- Review and scrutiny arrangements for progress reports provided by grantees.</li> </ul>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Accepted. Finalisation of the toolkit has been delayed by other priority activities and will now be accelerated.</p>		<p><b>Responsible Officer:</b>  <i>Director of Corporate Services</i></p> <p><b>Implementation Date:</b>  <i>30 September 2017</i></p>	



# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** Grant funding may not be awarded solely for activities in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework.

Ref.	Finding	Sig.	Recommendation
2	<p>A well maintained grant register provides a tool for recording all grant funding awarded and improves the monitoring and reporting arrangements in place.</p> <p>CNPA does not maintain a register which records all grant funding awarded.</p> <p>There is a risk that grant funding provided is not recorded appropriately and grants may not be monitored effectively as a result.</p>	●	<p>We recommend that management develops and maintains a grant register which records all grant funding provided. The performance requirements detailed within each grant award terms and conditions should be recorded and monitored within the tracker.</p> <p>The register should be reviewed on a regular basis to ensure funds are used effectively and agreed objectives are achieved.</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
<p>Agreed. This is a sensible recommendation and one which mirrors recent thinking within the Finance Team that we should establish and maintain a central register of live grant funding initiatives.</p>			<p><i>Responsible Officer:</i> Finance Manager</p> <p><i>Implementation Date:</i> 30 November 2017</p>





# APPENDIX I - STAFF INTERVIEWED




NAME	JOB TITLE
David Cameron	Director of Corporate Services
Danie Ralph	Finance Manager
Lee Haxton	Community Support Manager
Bruce McConachie	Land Management Adviser

NAME	JOB TITLE
Will Boyd-Wallis	Head of Land Management & Conservation
Peter Crane	Head of Visitor Services
Emma Grant	Business Administration Apprentice
Sally Mackenzie	Ecology Adviser

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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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 undertakes significant work through grant funding third party organisations. As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would consider the arrangements in place to evaluate applications for grant funding and to award and monitor these grants, ensuring the agreed objectives are achieved.

## PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit Committee with assurance that the controls in place for evaluating applications for grant funding and for awarding and monitoring these grants are well designed and operating effectively.

## KEY RISKS

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

- Grant funding may not be awarded solely for activities in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework;
- The process for evaluating and awarding applications for grant funding may not be clearly documented;
- Grant funding applications may not be evaluated and awarded in accordance with a defined process;
- The application process may not be evaluated and awarded in accordance with a defined process;
- The application process may not provide a proportionate approach for considering the risk and value of grant funding applications;
- Grant terms and conditions may not be appropriate;
- Grant funding arrangements may not be monitored effectively to ensure funds are used effectively and agreed objectives are achieved; and
- There may not be a process in place to monitor the progress of multi-year grant funding arrangements.


# APPENDIX III - TERMS OF REFERENCE

## SCOPE OF REVIEW



The scope of this review is to assess whether:

- Grant funding is awarded in alignment with the objectives within the Corporate Performance Framework and the Scottish Government National Performance Framework;
- The process for evaluating and awarding applications for grant funding is clearly documented;
- Grant funding applications are evaluated and awarded in accordance with a clearly defined process;
- The application process provides a proportionate approach for considering the risk and value of grant funding applications;
- Grant terms and conditions are appropriate;
- Grant funding arrangements are monitored effectively to ensure funds are used effectively and agreed objectives are achieved; and
- There is a process in place to monitor the progress of multi-year grant funding arrangements.



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