Cairngorms National Park Authority

INTERNAL AUDIT REPORT

Follow up review

September 2017

BDO

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REPORT STATUS	
Auditor:	Sean Morrison
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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services
Daniel Ralph	Finance Manager
Audit Committee	Members

EXECUTIVE SUMMARY

Scope and Work Undertaken

Background

To provide assurance that the control improvements recommended by Internal Audit are being achieved, a review of the progress made by management in implementing previous Internal Audit recommendations was undertaken. In accordance with the Annual Internal Audit Plan, we have followed up on the implementation status of all recommendations raised during 2016-17, and those raised in previous years which were still outstanding at the time of the last review.

A total of 56 audit recommendations were followed up. These relate to 14 separate internal audit reports, as shown below:

- Financial Controls Risk Assessment) (2014/15) (8 recommendations)   - Financial Management Planning Efficiency (2014/15) (2 recommendations)
- Community Engagement (2014/15) (3 recommendations)   - Visitor Experience (2014/15) (1 recommendation)
- IT General Controls (2014/15) (5 recommendations)   - Regulatory Compliance(2014/15) (4 recommendations)
- Carbon Management(2014/15) (4 recommendations)   - HR & Payroll (2014/15) (4 recommendations)
- Project Management (2015/16) (6 recommendations)   - Post-Implementation of Records Management (2015/16) (3 recommendations)
- Planning Processes and Systems (2015/16) (7 recommendations)   - Complaints Handling (2015/16) (4 recommendations)
- Financial Controls (2015/16) (4 recommendations)   - Governance and Board Member Engagement (2015/16) (1 recommendation)

Methodology

Cairngorms National Park Authority's Internal Audit recommendation progress reports were reviewed to ascertain management's assessment of the degree of implementation achieved. Where the report stated that recommendations had been implemented, interviews were carried out with managers and staff, and testing was undertaken to verify continued compliance.

Acknowledgement

We appreciate the assistance provided by the staff involved in the review and would like to thank them for their help and on-going co-operation (see Appendix I for a list of staff interviewed during the follow-up review).

EXECUTIVE SUMMARY

Status of recommendations due for implementation as at July 2017

Overall, Cairngorms National Park Authority has made good progress in implementing the recommendations made. The summary below provides an overview of the status of each recommendation. Of the 56 recommendations due for implementation that have been followed up, 48 recommendations (85%) have been categorised as fully implemented, 2 recommendations (4%) have been categorised as superseded and 7 recommendations (11%) remain outstanding, details of which are shown from page 6 onwards.

As a result of the implementation of these recommendations, Cairngorms National Park Authority has made strong control improvements in a number of areas, notably within Project Management and Complaints Handling. Further work to ensure implementation of the remaining recommendations is required.

Audit	Status at July 2017					Total
	Fully Implemented	Partially Implemented	Not Implemented	Superseded	Not due for Implementation	
Financial Controls Risk Assessment (2014/15)	7	-	1	-	-	8
Financial Management, Planning and Efficiency (2014/15)	-	-	2	-	-	2
Community Engagement / Stakeholder Satisfaction (2014/15)	2	-	1	-	-	3
Visitor Experience (2014/15)	1	-	-	-	-	1
IT General Controls (2014/15)	4	-	-	1	-	5
Regulatory Compliance (2014/15)	4	-	-	-	-	4
Carbon Management (2014/15)	4	-	-	-	-	4
HR & Payroll (2014/15)	3	-	-	1	-	4
Project Management (2015/16)	6	-	-	-	-	6
Post Implementation of Records Management (2015/16)	3	-	-	-	-	3
Planning Processes and Systems (2015/16)	7	-	-	-	-	7
Complaints Handling (2015/16)	4	-	-	-	-	4

EXECUTIVE SUMMARY

	Status at July 2017					
Audit	Fully Implemented	Partially Implemented	Not Implemented	Superseded	Not due for Implementation	Total
Financial Controls (2015/16)	3	-	1	-	-	4
Governance and Board Member Engagement (2015/16)	-	-	1	-	-	1
TOTAL	48	-	6	2	-	56

RECOMMENDATION STATUS – FINANCIAL CONTROLS RISK ASSESSMENT (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
1	All sales invoices should be reviewed before being issued to ensure that the details on the invoices are correct and the raising of the invoice is in-line with budget.	🟢	Agreed. A new process including a sales invoice request form is being introduced to be signed off by the requesting officer and reviewed and approved by the Finance Manager prior to issue.	

Status at July 2017 & Revised Recommendation
Not Implemented The sales invoice request forms are no longer in use. Management are looking at possible changing accounting platform to allow greater integration of processes and less reliance on spreadsheet with initial scoping for the system to take place in August 2017.

Management Response – July 2017
Given the low volume of invoices requests for invoices to be raised are accepted rather than a standard proforma eg email, other forms used by land based business training, Planning and travel grants as this better suits the processing needs to other departments. From 1 April to 18 August 2017 13 Core invoices were raised and 3 for Tomintoul & Glenlivet Landscape Partnership.

RECOMMENDATION STATUS – FINANCIAL MANAGEMENT, PLANNING AND EFFICIENCY (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
2	LLTPNA prepares a quarterly update which shows progress against each expenditure category for which an efficiency target has been identified. Management should report progress against efficiency targets for the year in a similar format. This should ensure that issues are detected in a timely manner.	🟧	In progress – As recognised in 2013-14 internal audit report, monitoring of efficiency savings delivery has slipped somewhat as a result of staff change and other delivery pressures. This will be dealt with by the end of 2013-14.	

Status at July 2017 & Revised Recommendation

Not Implemented
Management have advised that this recommendation has not been implemented due to budgetary restrictions.

Management Response – July 2017

Management is committed to achieving efficiency savings, some of which may not be possible to quantify as costs savings, as Scottish Government is now looking for 3% efficiency savings. Initiatives already in place are a review of the fire extinguisher contract for Ballater which will cut the cost by 50% over 5 years. A similar review will be carried out once the next extension is occupied. The workflow procedures within the finance department is being reviewed to streamline work processes and automate the requisition process and automate the production of monthly and annual accounts.

RECOMMENDATION STATUS – FINANCIAL MANAGEMENT, PLANNING AND EFFICIENCY (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
3	Management should ensure that processes are established to identify and monitor efficiency savings throughout the year. Progress should be reported to the Board regularly, to allow scrutiny, and to management and staff, to ensure embedded in operating activities.	🟢	We accept that the sudden loss of the previous Finance Manager has led for a number of reasons to a lack of reporting on the identification and monitoring of efficiency savings. The Corporate Services Director has provided continuity of strategic planning and oversight during this time and remains confident that the 3% efficiency target will be delivered for the current year. A report will be drawn up for consideration by Management Team and then Finance and Delivery Committee reviewing efficiency savings for 2013/14 and identifying options for 2014/15.	

Status at July 2017 & Revised Recommendation

Not Implemented
The reporting on the identification and monitoring of efficiency savings against the 3% target was removed from the Authority's agenda as a result of Scottish Government cuts, however this position has been reversed and the 3% target is now a target again. Therefore until reporting is completed this recommendation remains not implemented.

Management Response – July 2017

See point 2.

RECOMMENDATION STATUS – COMMUNITY ENGAGEMENT/ STAKEHOLDER SATISFACTION (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
4	Management should implement a tracker using the format used for CNPA management team meetings as a basis for a stakeholder and communication engagement issues / action log detailing planned attendance by senior management at stakeholder and community meetings and recording of any issues / actions arising from such meetings that require further consideration.	🟧	In progress - A stakeholder engagement management system is being developed to be available by early 2014.	*Head of Comms & Engagement through OMG* *June 2015 (Revised)*

Status at July 2017 & Revised Recommendation
Not Implemented Management have advised that this recommendation has not been implemented due to budgetary restrictions.

Management Response – July 2017
There has been on going discussion on this and it is felt that the staff time required is disproportionate to the outcome. However, we are exploring whether a CRM (Customer Relationship Management) system would be a cost effective solution.

RECOMMENDATION STATUS – IT GENERAL CONTROLS (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
5	Management should review super user access to ensure access rights are appropriate.	🟢	Agreed.	

Status at July 2017 & Revised Recommendation
Superseded This recommendation has been superseded by the scope of the 2016/17 IT General Controls Audit undertaken by BDO.

Management Response – July 2017

RECOMMENDATION STATUS – HR & PAYROLL (2014/15)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
6	We recommend that management considers conducting a cost benefit analysis to assess the potential savings in staff time and overall cost of alternative payroll and HR delivery methods including comparisons of: - current approach to provision; - updated integrated systems; - use of a payroll bureau; and - consideration of shared services.	🟢	Agreed - Management are in the process of preparing a rolling replacement plan for ICT, both hardware and software. The review will consider options for integrated personnel and payroll software subject to the constraints of balancing operational needs and resource in the Authority's next Operational Plan. Previously a bureau service was used but was ended to achieve operational and cost efficiency. Management have considered a shared service option with LLTNPA and this was discounted as the costs and additional administration outweighed the benefits.	*Finance Manager* *March 2015*

Status at July 2017 & Revised Recommendation
Superseded This recommendation has been superseded by the scope of the 2016/17 Financial Processes Audit undertaken by BDO.

Management Response – July 2017

RECOMMENDATION STATUS – GOVERNANCE AND BOARD MEMBER ENGAGEMENT (2015/16)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
7	A regular appraisal process should be implemented to identify areas of further development the skills of board members. Board members should self review their performance to identify: - areas for improvement in work being performed; - further training required to perform the role effectively; and - additional development areas to undertake new committee roles.	🟧	Agreed - The new Convenor, elected with effect from September 2015, has put in place a collective performance self-evaluation with the full Board with actions picked up from those discussions. The Convenor is considering appropriate internal individual review mechanisms	*Convenor with Director of Corporate Services and Head of Organisational Development* *September 2015 and ongoing*

Status at July 2017 & Revised Recommendation

Not Implemented
The Audit Committee has written to the Convenor advising of the requirement to undertake appraisals for all members. The Convenor has met with the CEO and Corporate Services Director to identify suitable templates and timetables to implement this recommendation.

Management Response – July 2017

This is now near completion. Board member self assessment and training needs have been completed and will be submitted to Staffing and Recruitment Committee in the first instance in the third quarter of 2017, with subsequent discussion by the Board.
The Convenor now has scheduled two way feedback meetings with Board members.

RECOMMENDATION STATUS – FINANCIAL CONTROLS (2015/16)

Ref.	Original Recommendation from Previous Internal Audits	Sig.	Original Management Response to Previous Internal Audits	Responsibility & Implementation Date
8	A cost benefit analysis of merchandising the "Cairngorms" logo is required along with evaluating proposals to carry out the project. Private sector companies should be approached to integrate and create CSR initiatives with projects undertaken in the park.	🟢	Accepted. Cost benefit analysis will be performed before significant resources are allocated to the projects.	*Director of Corporate Services* *August 2016*

Status at July 2017 & Revised Recommendation
Not Implemented No cost benefit analysis or reports have been developed in relation to the feasibility of obtaining sources of funding from CSR opportunities.

Management Response – July 2017
A trial is underway on merchandising. The results of this small scale trial will be used to inform a fuller cost / benefit analysis before further action is taken.

APPENDIX I – STAFF INTERVIEWED

NAME	JOB TITLE
Daniel Ralph	Finance Manager

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

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

As part of the 2016-17 Internal Audit plan for Cairngorms National Park Authority, we will follow up on previously agreed recommendations made in Internal Audit reports in previous years, and in some cases during the current year.

PURPOSE OF REVIEW

The aim is to provide assurance to the Audit Committee and the Senior Management Team that previous internal audit recommendations have been implemented effectively and within targeted timescales.

KEY RISKS

The key risk associated with the area under review is:

- Action is not taken to implement recommendations resulting in weaknesses in control and subsequent loss, fraud or error.

DOCUMENT REQUEST

Reports on progress on implementing recommendations / recommendation tracker.

SCOPE OF REVIEW

We will review management's action taken to implement internal audit recommendations. This will involve the review of recommendations made in each of the internal audit reports issued in previous years and in some cases during 2016/17, and a follow up of outstanding recommendations from previous years.

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