

# **DRAFT MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING of**

## **THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held in Don meeting room, CNPA HQ, Grantown on Spey (hybrid)  
on 30 September 2022 at 2pm**

### **PRESENT**

Judith Webb (Chair)  
Gaener Rodger

Eleanor Mackintosh

### **In Attendance:**

Ben Stern, Grant Thornton  
Andy L Mack, Grant Thornton  
Elizabeth Young, Azets  
David Cameron, Director of Corporate Services  
Danie Ralph, Finance Manager  
Andy Ford, Director of Climate and Nature Change  
Lisa Maclsaac, Governance & Corporate Performance Manager  
Mariaan Pita, Executive Support Manager

**Apologies:**            John Kirk                      John Latham                      Fiona McLean

### **Welcome and Apologies**

1. Judith Webb, the Chair welcomed everyone to the meeting. She advised that due to a further apology received this morning, the meeting was not quorate. Following discussions with the Director of Corporate Services they proposed to go ahead with the meeting and circulate the decisions in principle made after the meeting to absent members for ratification. This was agreed by members present.
2. Apologies were noted.
3. The Chair informed the Committee that the representatives from Grant Thornton were unable to stay for the whole of today's meeting and had asked that their item on the agenda be brought forward. It was agreed to take Item 13 first. Some discussion topics will be deferred for consideration at future meetings.

### **Minutes of Last Meeting – Approval**

4. The draft Minutes of the meetings on 27 May 2022 were approved with no amendments.
5. The Chair provided an update on the action points arising from previous meeting. (Located in the table at the end of the document)

## Declaration of Interests

6. There were no interests declared.

## External Audit Update (Oral)

7. Andy Mack, Grant Thornton, provided an oral update on external audit. He made the following points:
  - a) Audit has been delayed because of the firm losing John as Audit Manager together with other departures from the team. Grant Thornton is working hard to replace them and finding it hard to recruit to the audit sector.
  - b) Andy Mack reported he and his remaining staff are doing their best to work through the audit as seamlessly, professionally, and quickly as possible whilst meeting professional standards.
  - c) Already had discussions with Danie Ralph on a working on a timetable and will keep the committee updated.
8. The Audit and Risk Committee discussed the update and made the following comments and observations:
  - a) The Chair said that the norm would be that an external audit presence would be expected for each meeting for the whole meeting but making an exception today – AM agreed.
  - b) The Deputy Chief Executive commented that he understood the pressures on resourcing and the need to prioritise the public bodies that are in the portfolio for Grant Thornton that have earlier statutory reporting deadlines. He remains extremely concerned about the scope to complete the Cairngorms NPA audit by our statutory reporting deadline. He had not checked yet when Scottish Parliament rises before the Christmas break. He noted that even if there was scope to lay accounts until 31 December it's not that far away from the beginning of audit and therefore doesn't seem to be any contingency space. Hopeful that it will be straightforward given our accounts are not complicated and we don't have any assets or complexity of accounting.
  - c) The Deputy Chief Executive was most concerned if the external audit starts around mid-November there are only 5 weeks to go from start to finish with any real expectation of staff availability from organisations concerned. That timeframe includes getting Audit Scotland approving the accounts and getting them laid in front of Parliament possibly before parliament rises. That's going to be a hugely accelerated process which will put a lot of pressure on our finance teams as well as Grant Thornton, and at a time when Park Authority staff are trying to manage the current year's budget while also looking to develop next year's budget. The Deputy Chief Executive concluded that from a financial management point of view the planned timetable is possibly the worst time for an external audit to take place. How do we ensure get accounts laid before parliament within the statutory reporting deadlines? And what can we do to get chunks of audit work out of the way earlier if we can? Concerned about the level of disclosure notes that must be considered by the time we come to sign

the accounts, which will be 9 months after the balance sheet date. Overall, he concluded he is left with significant concerns.

- d) Andy Mack commented that looking back on previous years audits the timetable should be fine but not guaranteed. Andy Mack suggested the firm would seek to undertake earlier sample selections and test clarity of working papers, and should any issues appear, he will flag them with senior staff and the Committee, going through normal hierarchies as early as possible. He agreed there is a risk and a pressure on staff but will be sure to try and minimise that as much as possibly can.
- e) A member commented that their concerns were mostly covered by the Deputy Chief Executive's comments, and asked what are the repercussions for us if they are late and who should we be flagging this up to as a warning that this might be the case? The Chair was also conscious about reporting to board on this matter. The Deputy Chief Executive responded that we do need to flag to board the position of annual accounts audit and risks discussed today. The Park Authority also needs to flag the position to Audit Scotland and has already been in touch with our sponsor team, having been experiencing delays to original agreed timetable. Following this meeting he will update the Sponsor Team again.
- f) A member commented that this is an unfortunate position and asked about steps to take to prevent it happening again. The member reflected on the stress on staff which is quite significant and sought to confirm that the delay is with auditors not staff. The Deputy Chief Executive confirmed that we were ready for audit in July, and that all control steps are in place on external audit timetabling. Therefore, this seems to be a one-off situation around the resourcing of the firm.
- g) Andy Mack replied that Grant Thornton rated John Boyd highly and it was a big blow to the firm losing him. He added the firm has lost another couple of managers too. Last thing Grant Thornton want is causing stress and undue pressure and will seek to make it an efficient and high-quality audit.
- h) The Chair concluded that additional pressure on our staff and three routes of escalation are noted; highlighted that we are dealing with uncertain times and noted assurance on the conduct of the audit. The Chair hoped this is an exceptional year, and if more delays over and above current schedules are encountered asked for early flagging of those. Reassurance on this was provided by Andy Mack on behalf of Grant Thornton.

Andy Mack, Bern Stern and Daniel Ralph left the meeting.

**9. The Audit & Risk Committee noted the update.**

**10. Action Points arising: Deputy Chief Executive to provide updates on external audit status to Audit Scotland and Sponsor Team. Chair to provide update on external audit status to board following draft update to be provided by Deputy Chief Executive.**

**Internal Audit: Peatland ACTION Programme Set Up (Paper I)**

- 11. Elizabeth Young introduced the paper which presents the review of the Cairngorms NPA's establishment of the Cairngorms Peatland ACTION Programme and design and

implementation of arrangements to support the operation of that programme. In introducing the paper, Elizabeth highlighted the following

- a) The audit was undertaken at an early stage of the development of this programme and recommendations were intended to help shape the processes and controls in readiness for the programme to move to an open call for projects and funds. As such, it was to be expected that there is a higher than typical number of recommendations for action raised.

*Andy Ford joined the meeting*

- b) There are a few significant issues raised and recommended to take a full review of the programme for CNPA to understand all the risks and implications of that approach.
- c) Recommendation 2.1 on pg. 7 was highlighted which recognised that the initial direction of getting funding out as grants to applicants was quickly evolving to the need for a much more involved role in many instances by the Park Authority's experienced and knowledgeable staff. There is a need to ensure decisions are taken with full considerations of all implications and this is documented in appropriate agreements to establish clarity of all participants' responsibilities.
- d) Another recommendation highlighted is 4.1 on pg. 15 that follows on from the previous recommendation 2.1 where Azets are highlighting the need to make sure that there is a consistent set of documentation to underpin the process and recommended a review of these documents to make sure they are consistent and comprehensive.
- e) The remainder of the report looked at more specific aspects around how fund is operated and how issues are raised with contract awards or application appraisals. At a more strategic level it was recommended to have a communications plan for the framework.

12. The Audit and Risk Committee discussed the paper and made the following comments and observations:

- a) Deputy Chief Executive provided an overview, confirming this audit was commissioned by management in recognition we inherited procedures that had been used so far on peatland action and those were characterised as a typically traditional grant programme. It didn't take long as a management group to recognise that what was needed in the Cairngorms went much further than a traditional grant programme. A lot of work needed to be done with land managers, drawing our teams into more work than grant appraisers and awarders. Recognised the programme was evolving beyond that grant programme to a fuller service delivery for land managers. The Management Team therefore looked to internal auditor to give us some advice on the required focus of work and to seek assurance that our thinking was appropriate. As such the management team have found that report incredibly helpful.
- b) Deputy Chief Executive highlighted in terms of work already happened, the Park Authority has restructured the team have put additional management resources; have split the team in discrete ways to look at delivery and separately process and procedures; commissioned legal advice to get an agreement drawn up to be

used with land managers to give an overview of whole service level agreement position to be put in place to cover a number of the internal audit findings. We have also recognised in our processes the recommendation of ensuring we have a contract in place that is awarded by a land manager to a contractor, to make sure it is explicit what the relevant responsibilities of work are when it comes to commissioning work on the ground.

- c) Andy Ford, the Director of Nature, and Climate reinforced the implementation of changes already made in response to recommendations: establishment of a programme manager and operations manager; segregation on duties; development of process flow charts; and getting legal advice on development of appropriate legal agreements. He confirmed that management had therefore started on ensuring the right structure is in place to take on recommendations.
- d) The Chair noted that a lot of points have been raised in recommendations., The Chair reflected that the response to dealing with those, will help us role out future significant programmes of work: not just processes and safeguards for peatland work but also learning could be reapplied in future and hold resonance to other projects/ programmes.
- e) A member asked for assurance on prior notifications and possible planning authorities' conflict of interest, in context of park authority submitting them on behalf of landowners and us absorbing cost of that. Andy Ford confirmed would check that to ensure appropriate system design.
- f) Deputy Chief Executive confirmed this is a good point regarding recognition of risk of conflict of interest, and the system will need to ensure the clarity of separation of responsibility.
- g) The Chair asked to note that there are a lot of a short time scales for action and note the capacity resource associated with that.

**9. The Audit and Risk Committee:**

- a) **Considered the internal auditors report and findings.**
- b) **Endorsed the management responses to recommendations for future action and system improvements.**

**10. Action Points Arising: None**

*Andy Ford left the meeting*

**Internal Audit: Performance Management (Paper 2)**

- 11. Elizabeth Young, Azets introduced Paper 2 which presents the review of the Cairngorms NPA's approaches to performance management. The review has been undertaken as part of the agreed Internal Audit Plan for 2022/23.
- 12. The Audit and Risk Committee discussed the paper and made the following comments and observations:
  - a) Deputy Chief executive commented that the report is helpful and timing has been perfect in terms of looking at performance management in for the next Corporate Plan structure.

14. **The Audit and Risk Committee:**
  - a) **Considered the internal auditors report and findings.**
  - b) **Endorsed the management responses to recommendations for future action and system improvements.**

15. **Action Points Arising: None**

### **Internal Audit: Workforce Management and Planning (Paper 3)**

16. Elizabeth Young, Azets introduced Paper 3 which presents the review of the Cairngorms NPA's approaches to workforce management and planning for workforce requirements. The review has been undertaken as part of the agreed Internal Audit Plan for 2022/23.
17. The Audit and Risk Committee discussed the paper and made the following comments and observations:
  - a) Deputy Chief Executive reflected that succession planning requirements is recognised as an organisation, while difficult to implement within wider requirements on recruitment and equalities. The focus adopted was more around contingency arrangements around key service areas, with the underlying point to try to mitigate key service areas falling away if people leave. Identify what the key service areas are and contingency plans are in the event of turnover of one or two posts. He recognised the Workforce Management strategy hasn't been revised in this respect and this has been rightly raised.
18. **The Audit & Risk Committee:**
  - a) **Considered the internal auditors report and findings.**
  - b) **Endorsed the management responses to recommendations for future action and system improvements.**

19. **Action Points arising: None**

### **Internal Audit: LEADER Programme (Paper 4)**

20. Elizabeth Young, Azets introduced Paper 4 which presents the review of the Cairngorms NPA's coverage of responsibilities as Accountable Body for the Cairngorms LEADER Programme as established in the Service Level Agreement established with Scottish Government. The review has been undertaken as part of the agreed Internal Audit Plan for 2022/23.
21. The Audit and Risk Committee discussed the paper and made the following comments and observations:
  - a) The Chair commented it was nice to see positive report, very pleased to see such a good report and thanks to Deputy Chief Executive and the team.

- b) Deputy Chief Executive highlighted the report shows the great work team and LEADER has done over past 6 years, and it is helpful to look at LEADER experience and see recommendations that are forward looking. He commented that while one recommendation fits with current grants programme manager, the other sits more with future business continuity work, and he is happy with direction taken in this audit work.

**22. The Audit & Risk Committee:**

- a) **Considered the internal auditors report and findings.**
- b) **Endorsed the management responses to recommendations for future action and system improvements.**

**23. Action Points arising: None**

**Assurance Mapping (Paper 5)**

- 24. The Audit and Risk Committee agreed to defer the discussion on this paper until the next meeting.

**Internal Audit Progress Report (Oral)**

- 25. Elizabeth Young, Azets introduced this item which presents the internal audit progress report. Azets have made good progress in delivery of the internal audit plan, with first 3 reports now considered and a further 2 audits substantively complete. Azets were on track to complete by end of the year and nothing to highlight to committee.

**26. The Audit & Risk Committee noted the update.**

**Action on Audit Recommendations (Paper 6)**

- 27. David Cameron, Deputy Chief Executive introduced Paper 6 which presents an update to the Committee on action taken to implement control improvements highlighted by internal audit work. In noting that for some members the report was not easy to read if not adapted for font size online, the Committee agreed to defer consideration of this item.

**29. The Audit & Risk Committee agreed to defer consideration of this item of business:**

**30. Action Points arising: None**

**Audit & Risk Committee Draft Annual Report to the Board (Paper 7)**

31. David Cameron, Deputy Chief Executive presented Paper 7 which presents the draft Audit and Risk Committee's Report to the Board.
32. The Audit & Risk Committee considered the report and made the following comments and observations:
  - a) Elizabeth Young for Azets confirmed there is no comments from their perspective: it's very standard content with a good summary and covering all the areas that are expected.
  - b) The Chair highlighted we do have to make sure Board are fully aware of the external audit and the situation that we are in.
  - c) A member wanted to clarify why timeline for annual report is August. Deputy Chief Executive confirmed that this reflects the timeline driven by the changes of the committee structure that came into effect August 2021, that is why it is done in the mid-year.
  - d) A member wanted to know if Grant Thornton has been written to formally to complain which DC confirmed that this has been done by email with no direct response. She wanted to know if someone from the board could do something. The Chair confirmed that she will liaise with Deputy Chief Executive and inform board, she will also contact Grant Thornton and audit Scotland and Sponsor team.
  - e) The Chair commented that this is very thorough report and capturing of business
33. **The Audit & Risk Committee agreed submission of the draft report to the board without changes:**
34. **Action Points arising:**
  - i. **Work with DC that a letter goes on behalf of ARC to Grant Thornton, audit Scotland and the Sponsor team regarding the dissatisfaction of the delay in external audit.**

## **AOCB**

35. There were no items raised.

## **Date of Next Meeting**

36. The next scheduled Audit and Risk Committee meeting will take place on Monday the 5<sup>th</sup> of December 2022. (Date agreed subsequently to meeting.)
37. The public meeting finished at 15.35 hours.

## Action Points

Ref	Action Detail	Who	When	Status
10/09/2021 (Para 3)	Ongoing Discussion at Board and Governance Committee on risk appetite. Discussions are to be had with internal audit on supporting this work.	David Cameron / Internal Auditors	Scheduled late Q3 or Q4 22/23	In Hand
29/10/2021 (Para 8i)	Bring lessons learned on LEADER back as Agenda item to a future AR Committee.	David Cameron	After the programme had finished	Open
29/10/2021 (Para 4i)	Priority to be given to complete a detailed VAT review during the remainder of 2021-22.		By end March 2023	In Hand
29/10/2021 (Para 20i)	Provide AR Committee with timetable for forward planning of meetings.	David Cameron	First meeting in 2023	Open
11/02/22 (Para 10i)	External Auditor to complete audit with targeted sign off	John Boyd	by end of September 2022.	Open
11/02/22 (Para 18i)	Standardisation of project management procedures and terminology. This to be brought back to the ARC to ensure the appropriate language was used.	Lisa Maclsaac	On completion of internal review of process	Open
30/09/2022 (Para 34 i)	Letter to be sent to Grant Thornton, Audit Scotland, and Sponsor team with update to board on behalf of ARC regarding delay in audit	Judith Web	Before next meeting	Complete