

**Draft MINUTES of MEETING of the
AUDIT & RISK COMMITTEE of**

THE CAIRNGORMS NATIONAL PARK AUTHORITY

**held at the Cairngorms NPA Offices, Grantown-on-Spey
on 6 September 2019**

Present:

Judith Webb (Chair)
Peter Argyle
Janet Hunter

John Latham
Gaener Rodger (Vice Chair)

In Attendance:

Claire Robertson, BDO
John Boyd, Grant Thornton
Grant Moir, Chief Executive
David Cameron, Corporate Services Director
Danie Ralph, Finance Manager
Alix Harkness, Clerk to Board
Pippa Hadley, Board Member

Apologies: None.

Welcome and Apologies

1. The Chair welcomed everyone to the meeting.

Minutes of Previous Meeting

2. The draft minutes of the 3 May 2019 meeting were approved with no amendments.

Matters Arising

3. David Cameron reported that movement on the outstanding actions listed at the end of the 3 May 2019 Audit & Risk Committee Minutes are:
 - a) Audit & Risk Committee training, –In Hand – scheduled to take place on Thursday 14th November 2019 1-4pm in Braemar Highland Games Centre. Open up to remainder of the Board especially those who have indicated an interest in taking the vacant position in the committee and Loch Lomond & Trossach National Park Audit & Risk Committee.
 - b) Committee specific induction pack – Open – To follow after training has taken place.
 - c) Planning Consent Complaint dating from 2017 which had been escalated to the SPSO – Closed – Has been resolved and letter is annex to Paper 8 on today's Agenda.
4. Gaener Rodger arrived at this point.

Internal Audit Review: LEADER Administration Review (Paper 1)

5. Claire Robertson presented a Paper which presents the internal auditor's report on the LEADER Administration Review.
6. The Audit & Risk Committee made the following observations and comments:
 - a) The Chair praised the positive report and noted that the remaining concern surrounding the LARKS system which was out with the Authority's control. David Cameron explained the position on LARKS. He explained it was launched before it was fit for purpose, therefore the Authority developed its own system which is fit for purpose. He added that the team have a pragmatic solution as possible where the team work to the Scottish Government requirements and work our own system.
 - b) The Chair thanked the LEADER team for such a good report given the scope for things to go wrong in a European funded programme. David Cameron thanked the Chair and agreed to feedback to the team.
7. Pippa Hadley arrived at this point.
8. **The Audit & Risk Committee considered the internal auditor's findings.**
9. **Action:**
 - i. **David Cameron to praise the LEADER team on the outcome of the report on behalf of the Audit & Risk Committee.**

Internal Audit Review: Risk Management Review (Paper 2)

10. Claire Robertson presented the internal auditors' Risk Management Review.
11. In discussion the Audit & Risk Committee made the following observations and comments:
 - a) The Chair requested that risk appetite/ management/ approaches could be covered in the training. Claire agreed that she could prepare best practise examples including the likelihood and impact for the training. David Cameron agreed.
 - b) What did the terminology 'risk maturity' mean? Claire explained that it was the characteristics of what they think is good practise with a scale and it is used as a benchmark in a very detailed spreadsheet. This is prepared for management so that they can plan any developments as they see fit and the risks within it may not be necessarily reported to this Committee unless they reach a certain level.
 - c) With regards to risk appetite would this be looked at as a Board and as an organisation? David Cameron agreed that he would engineer a situation where the two things come together; where the ambition of Board ties into the ambition of the Corporate Plan to have a mutual understanding and to avoid conflict at the Board meeting. Claire added that the risk appetite is set by the Board but in the context of Corporate Plan.

- d) Suggestion that there should be a wider Board discussion on risk to give a bigger voice on it as a group.
- e) Suggestion to include in the training, how things are broken down e.g. spreadsheet and benchmarks.

12. The Audit & Risk Committee considered the internal auditor's follow up report.

13. Action:

- i. Training to include sections on risk appetite and to explain the processes and measures in place in the background.**

Internal Audit Annual Report (Paper 3)

14. Claire Robertson presented the BDO Internal Audit Annual Report for 2018/19.

15. The Chair noted that there were some recommendations around business continuity.

16. David Cameron welcomed the ongoing relationship with BDO as internal auditors, commenting that the internal audit service continued to add real value to the work of the Authority and its control framework. Members noted that internal audit work was well tailored to the scale and culture of the Authority. With regards to business continuity he confirmed that a lot of work on it remains that has been slightly delayed as a result of a vacant governance post and added that they were recruiting for that post with interviews taking place in two weeks' time,

17. A member asked if the deadline of having staff trained by February 2020 had been taken into account and was still deemed as achievable. David Cameron confirmed that he was aiming to try and bring something to next Audit & Risk Committee meeting, to see if the Committee agree that the work is progressing in the right direction.

18. The Audit & Risk Committee:

- a) Considered the internal auditor's annual report covering their work in 2018/19;**
- b) Noted the internal auditor's annual Statement of Assurance as set out on page 8 of their report;**
- c) Agreed the report raised no new issues prior to the review of the final accounts document for 2018/19 and the Governance Statement included in the accounts document.**

19. Action:

- i. Progress on Business Continuity to be brought to the next meeting.**

2018/19 Final Accounts (Paper 4)

20. Danie Ralph, Finance Manager tabled a revised external final report and letter of representation to accompany the final accounts.

21. Danie Ralph presented and sought approval to the final accounts for 2018/19, prior to their being submitted to Audit Scotland for final certification. Danie reminded that

Committee of its role with regards to the accounts - to support the Accountable Officer with regard to their personal responsibilities for issues of risk, control and governance through a process of constructive challenge.

22. David Cameron explained that this year the target of breaking even this year had been met. He added that there had been a good process between Grant Thornton and our internal finance team. He explained that the core accounts have become complicated over past years, to accommodate large projects such as the capercaillie framework and the Tomintoul & Glenlivet Partnership Project. Grant Moir referred to page 11 of the report where £4.76million had been received in Grant in Aid funding and an additional £2.23million had been sought from other sources which puts the Authority in a good position going forwards.
23. In discussion the Audit & Risk Committee made the following observations:
 - a) Clarification was sought into whether the Authority could keep underspend? David Cameron advised that this was one of the limiting factors, there were no arrangements for Non Departmental Public Bodies (NDPB) to retain underspend. He explained that the Authority set themselves a Key Performance Indicator of 1% underspend to 2% overspend.
 - b) Clarification sought as to the meaning of tax payers' equity? David Cameron explained that it was a description of balances. Danie Ralph added that if we were to close down tomorrow pay creditors and liquidate assets tax payers' equity is the cash amount remaining.
 - c) How did planning fees work? David Cameron explained that the Authority receives 60% of planning fees of the applications that are called in with the appropriate Local Authority retaining the other 40%. Grant Moir added that the Scottish Government would be Reviewing Planning fees in the near future and through this review it may be possible to take a look at the current system.
21. **The Audit & Risk Committee approved the final accounts prior to submission to Grant Thornton and Audit Scotland for final certification.**
22. **A member recognised the work of the finance team getting to this point and in particular Danie Ralph. The Chair agreed and thanked Danie and the team for this.**
23. **Actions: None.**

Final Accounts Letter of Representation (Paper 5)

24. John Boyd presented the proposed revised letter of representation, highlighting to the Committee that this standard element of the accounts audit process sought confirmation that all the information submitted in the accounts presented for audit are accurate and that all material information has been disclosed to the auditors. John highlighted that the letter had already been reviewed and approved by David Cameron and Danie Ralph.
25. **The Audit and Risk Committee:**
 - a) **Considered the revised Letter of Representation for the 2018/19 audit;**
 - b) **Reviewed and agreed that the letter is signed by the CEO as Accountable Officer.**

26. **Action: None.**

External Audit Report (Paper 6)

27. John Boyd presented the external audit report on the 2018/19 audit, highlighting in particular that Grant Thornton proposed to issue an unqualified audit opinion. John thanked Danie Ralph for a good set of working papers provided according to the timetable, noting that the draft accounts presented for audit had been presented to a high standard. John also thanked the finance team and other staff for all their assistance, which had contributed to the external audit process moving very smoothly. All audit work had been completed within the agreed timetable.
28. John Boyd highlighted that financial planning and governance arrangements had also been considered as part of the audit, and that review had identified no issues to be raised.
29. Materiality for external audit had been set at 2% of gross expenditure. One adjustments to the draft final accounts were identified on page 14, during course of the audit. David Cameron explained that this adjustment was around the Tomintoul & Glenlivet Project where there was a new rule (IFRS 15). He explained that this new rule required to recognise each stream of income as it comes in not as deferred income when all money comes in, in its entirety. He added that this meant that some some of the Authority's internal financial process needed to be changed.
30. Members sought clarification from John on this point of materiality, which John explained set a level for adjustments which, if required, would be brought explicitly to the attention of members for review, as being of a level which could have a significant impact on the accuracy of the Authority's financial reports.
31. David Cameron advised that he was happy with the recommendations made moving forward. He noted the slight delays in provision of information and noted that both the CNPA and Grant Thornton need to knuckle down and get back to each other timely.
32. Members and officers expressed their thanks to the Grant Thornton team for their professionalism and good working relationships in undertaking the audit. The Chair thanked John Boyd for his clear report and presentation to the Committee.
- 33. The Committee noted Grant Thornton's report on the 2018/19 audit.**

34. **Action: None.**

Strategic Risk Register (Paper 7)

35. David Cameron presented an update on the Authority's Strategic Risk Management and a commentary on management's review of action taken and current risk status.
36. Members made the following comments and observations:
- a) Was there a need to reduce the total number of risks in the register? David Cameron advised that some that were showing a steady downward trend may be removed through the next Audit & Risk Committee and Board meeting in December 2019.

- b) A member advised that she did not appreciate the crossover between general risks and service specific risks in the register and asked if they two should be separated? David Cameron agreed that this was difficult to obtain from the current presentation of the Risk Register and agreed to separate the two with a page break to make the presentation clearer.

37. **Members reviewed the risk register, noting that there were no changes warranted at this time.**

38. **Action:**

- i. **Presentation of the Strategic Risk Register to separate the two categories of risks to be made for the next time it is presented.**

Complaints Handling (Paper 8)

39. David presented an update on the Authority's complaints handling since the Committee's last meeting in May 2019. He added that annex 2 to the paper signified that the complaint was now closed.
40. Members noted the update.

Audit & Risk Committee Annual Report (Paper 9)

41. David Cameron presented the draft Audit & Risk Committee Annual Report to the Board.
42. **The Committee considered the report and agreed that no amendments were required prior to its circulation to the Board for their meeting on 20th September 2019.**

AOB

43. No items presented.

Date of Next Meeting

44. 1 November 2019, Cairngorms NPA Offices, Grantown-on-Spey.
45. Meeting closed 10.20 hours

Audit & Risk Committee: Outstanding Actions

Action	Status
Audit and Risk Committee member training	Open
Audit and Risk Committee induction pack	Open
Risk mitigation action for LEADER Accountable Body role – letter to Scottish Government as outlined in paper to Committee 31 August 2018	Open