

# Cairngorms National Park Authority

## INTERNAL AUDIT REPORT - FINAL Expense Claims Process

October 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services
Members of the Audit Committee	

## Restrictions of use

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	  2
		Low	  5
		Total number of recommendations: 7	

## OVERVIEW

**Background**

As part of the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would carry out an evaluation of the arrangements in place surrounding travel and staff expenses claimed and paid within Cairngorm National Park Authority (CNPA). The purpose of this review is to provide management and the Audit Committee with assurance on the design and effectiveness of the controls in place governing travel and staff expenses claimed and paid within CNPA.

CNPA has a Travel & Subsistence Policy, which was approved by the Staff Consultative Forum in September 2013. The Policy provides guidance on the subsistence costs allowed and the methods of travel that can be used, and what expenditure can be claimed for. Amounts claimable are documented within the Policy, for example, mileage allowance, staying with friends allowance and Personal Incidental Expense Allowance.

Travel costs and other expenses can be processed through three methods: the expense claim process, credit cards, and travel providers. The process for each method has been summarised below:

Expense Claims

Staff and Board members claim business expenditure they have incurred by completing the CNPA claim form. The claim form is a standard template, and requires details of business journeys (including the purpose of the journey, the departure and return time, and the total mileage incurred). Details and the costs of subsistence can also be recorded within the form, including accommodation, various methods of travel, and miscellaneous expenses. The form must be fully completed and signed by the staff/Board member, with all evidence attached. Evidence required is explained within the Travel & Subsistence Policy, and includes the likes of itemised

# EXECUTIVE SUMMARY

## OVERVIEW

receipts and invoices. The completed form with supporting evidence attached is then submitted to the relevant line manager to sign as approved. Thereafter, Finance receive the form and evidence, review these and items are then coded within Sage (CNPA's finance system) under the relevant expense code. Expense claims are then paid at the end of the month (separately from salary payments).

### Credit Cards

The Chief Executive Officer, Directors, and the Head of Organisational Development have each been allocated a company credit card. A generic corporate credit card is also in place, which can be used by support staff to purchase office items or make travel bookings for staff members. All credit cards are with The Royal Bank of Scotland. Each month, credit card statements are received by finance, who then request the relevant staff members to provide all supporting evidence, if not already received. The credit card holder must sign the statement, to agree the expenditure on the statement. Finance would thereafter record all expenses on Sage, in the same manner as expense claims.

### Travel Providers

CNPA does not have any formal contracts in place with any travel providers (discussed further in test 1.4.1.1). However Clyde Travel Management (CTM) have been used for rail and air bookings. Support staff contact CTM with their travel needs, and CTM would thereafter book the appropriate travel arrangements. CTM produce an invoice for payment for each transaction.

### **Scope and Approach**

The scope of our review was to assess whether:

- An appropriate policy and procedures are in place which comply with good practice and clearly define acceptable expenses and any restrictions;
- Appropriate procedures are in place to review expenses and query any non-compliance prior to approval;
- An appropriate approval process is in place which clearly defines responsible individuals and approval thresholds;
- Contractual arrangements with travel providers are appropriate; and
- Approved travel providers are used, and arrangements offer value for money.

# EXECUTIVE SUMMARY

## OVERVIEW

Our approach included the review of key documentation in relation to the expense claims process, such as the Travel & Subsistence Policy, and enquiries with key staff to assess whether appropriate controls are in place, and whether existing controls are operating effectively. We also conducted sample testing to confirm the design and operational effectiveness of the controls in place.

### Good Practice

We noted elements of good practice from our review. A Travel & Subsistence Policy has been developed, and is available to all staff. The Policy clearly states the supporting evidence required to support expense claims, for example, itemised receipts.

### Key Findings

We have identified a number of areas where, based on our knowledge of best practice in this area, improvements can be made to develop the expense claims process arrangements within CNPA. These areas include:

**Travel & Subsistence Policy:** Our review of the Policy identified a number of areas which could be expanded to ensure the Policy provides complete clarity to staff and management in line with our knowledge of best practice in this area. These are as follows:

- The Policy does not make reference to or provide guidance on a range of categories of expenses, including entertainment and gifts, office expenses, IT and communications, professional fees and subscriptions, training and away days, and items outside of Policy. The Policy could also be developed to provide more clarity on what expenses are allowable, as our sample testing identified items claimed that the current wording of the Policy may not specifically allow;
- The Policy does not fully reflect HMRC's benchmark payment rates, particularly around the amount claimable depending on the time spent away from work; and
- The Policy does not provide up to date guidance on the use of credit cards.

In addition, the Policy states that line managers should approve expense claims. However, clarity could be provided on the delegated authority for approving the CEO's expense claims.

*(continued overleaf)*

# EXECUTIVE SUMMARY

## OVERVIEW

### Key Findings (continued)

- **Adherence to Policy and processes:** Our sample testing of ten expenses, six credit card statements, and four Clyde travel bookings identified the following:
  - Requisition forms are not being consistently completed for purchases booked in advanced, where applicable. In addition, all elements of the requisition form are not being fully completed. For example, our testing identified that value for money and procurement considerations are not being completed.
  - Seven instances where a staff member other than the relevant line manager had approved expense claims or requisition forms, with no documented reason provided.
  - Two credit card transactions where receipts were lost, or the incorrect receipt was provided (a visa payment receipt, rather than an itemised receipt). Therefore, confirmation could not be obtained that the expenses incurred were allowable according to the Policy, as no itemised receipt or staff declaration of what the items were was available.
  - One instance where the Authority paid for a Board member's flights, which were not stated as being standard economy. The policy states that unless there are exceptional circumstances, air fares must be economy class.
  - The Policy requires that air travel bookings should be approved in advanced. This is not consistently applied, particularly where credit cards are used to purchase air fares.

In addition, Internal Audit were unable to obtain supporting evidence for 2 credit card statements selected for testing.

- **Approvals:** There is no requirement for line managers to review and approve staff credit card purchases. Card holders sign the monthly credit card statement to confirm all expenditure is accurate, however, this is not required to be reviewed and approved by line managers. In addition, we note that the finance team review expense claims and credit card statements to ensure all supporting documentation has been received, however there is no signature or audit trail required to support this review. *(continued overleaf)*

# EXECUTIVE SUMMARY

## OVERVIEW


### Key Findings (continued)

- **Travel contractual arrangements:** There are no contractual arrangements in place with travel providers. We note that CNPA often purchases travel means directly from air or rail organisations, for example, Scotrail. However, we note that from April 2018 - July 2019, travel arrangements purchased through travel provider Clyde Travel Management was approximately £27,481.88 (including fees of c£1,500 to CTM). CNPA's Procurement Policy states that any estimated expenditure over £10,000 should be tendered, and as this has not taken place, the Procurement Policy thresholds have not been adhered to. Clyde Travel Management is the travel provider under the Scottish Government's National Travel Framework, however CNPA have not signed up to this Framework.
- **Expense system:** CNPA expenses claims are currently completed on a paper form, and supporting evidence, such as receipts, are attached to the form. The form is then physically signed by a line manager as approved, and is submitted to Finance to process for payment. However, there is an opportunity to improve the efficiency and effectiveness of the current process, by implementing an electronic expenses system. This would ensure that claims, supporting documentation and approvals are all stored and recorded centrally and electronically.
- **Board Policy:** A Travel & Subsistence Policy is in place, which details the expense process for staff members. Although we recognise that this Policy is adopted by Board members in practice, there is no documented Policy that formally applies to Board members. In addition, delegated authority levels for approving Board member expense claims has not been documented.
- **Policy review:** The current Travel & Subsistence Policy in use has not been reviewed and approved since September 2013.

### Conclusion

At this stage, we can provide moderate assurance over the design and operating effectiveness of the controls in place. We recommend management implement the noted control improvements to develop the current arrangements, and ensure they operate consistently across CNPA.


# EXECUTIVE SUMMARY

AREAS FOR IMPROVEMENT			
Ref.	Sig.	Finding Summary	Recommendation
1		<p>CNPA's Travel &amp; Subsistence Policy provides guidelines for management and staff on expense claims and allowable items.</p> <p>Our review of the Policy identified a number of areas which could be expanded to ensure the Policy provides complete clarity to staff and management in line with our knowledge of best practice in this area. These are as follows:</p> <ul style="list-style-type: none"> <li>- The Policy does not make reference to or provide guidance on a range of categories of expenses, including entertainment and gifts, office expenses, IT and communications, professional fees and subscriptions, training and away days, and items outside of Policy. The Policy could also be developed to provide more clarity on what expenses are allowable, as our sample testing identified items claimed that the current wording of the Policy may not specifically allow;</li> <li>- The Policy does not fully reflect HMRC's benchmark payment rates, particularly around the amount claimable depending on the time spent away from work; and</li> <li>- The Policy does not provide up to date guidance on the use of credit cards.</li> </ul> <p>In addition, the Policy states that line managers should approve expense claims. However, clarity could be provided on the delegated authority for approving the CEO's expense claims.</p> <p>There is a risk that the Travel &amp; Subsistence Policy does not provide fully comprehensive guidance on CNPA's <sup>8</sup> expense processes.</p>	<p>We recommend that the Travel &amp; Subsistence Policy is further developed to include the elements noted within our finding.</p>




# EXECUTIVE SUMMARY

## AREAS FOR IMPROVEMENT

Ref.	Sig.	Finding Summary	Recommendation
2		<p>It is essential that the Travel &amp; Subsistence Policy is adhered to when processing expense claims. All supporting documentation should be provided, and appropriate approvals should be evidenced.</p> <p>Our sample testing of ten expenses, six credit card statements, and four Clyde travel bookings identified the following:</p> <ul style="list-style-type: none"> <li>- Requisition forms are not being consistently completed for purchases booked in advanced, where applicable. In addition, all elements of the requisition form are not being fully completed. For example, our testing identified that value for money and procurement considerations are not being completed.</li> <li>- Seven instances where a staff member other than the relevant line manager had approved expense claims or requisition forms, with no documented reason provided.</li> <li>- Two credit card transactions where receipts were lost, or the incorrect receipt was provided (a visa payment receipt, rather than an itemised receipt). Therefore, confirmation could not be obtained that the expenses incurred were allowable according to the Policy, as no itemised receipt or staff declaration of what the items were was available.</li> <li>- One instance where the Authority paid for a Board member's flights, which were not stated as being standard economy. The policy states that unless there are exceptional circumstances, air fares must be economy class. <i>(continued overleaf)</i> <sup>9</sup></li> </ul>	<p>To address the issues noted and to gain assurance on the consistent application of the policy, we recommend that CNPA reviews and revises the policy to more clearly define the approval procedures that are required prior to incurring costs and the evidence of authorisation required for seeking re-imburement.</p>


# EXECUTIVE SUMMARY

AREAS FOR IMPROVEMENT			
Ref.	Sig.	Finding Summary	Recommendation
2 (cont.)		<ul style="list-style-type: none"> <li>- The Policy requires that air travel bookings should be approved in advanced. This is not consistently applied, particularly where credit cards are used to purchase air fares.</li> </ul> <p>In addition, Internal Audit were unable to obtain supporting evidence for 2 credit card statements selected for testing.</p> <p>There is a risk that the Travel &amp; Subsistence Policy is not being adhered to, and that the processes adopted are not consistently applied.</p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: An approved expenses policy and appropriate procedures are not in place to clearly define acceptable expenses and any restrictions.


RISK: An appropriate approval process is in place which clearly defines responsible individuals and approval thresholds.

Ref.	Finding	Sig.	Recommendation
1	<p>CNPA's Travel &amp; Subsistence Policy provides guidelines for management and staff on expense claims and allowable items.</p> <p>Our review of the Policy identified a number of areas which could be expanded to ensure the Policy provides complete clarity to staff and management in line with our knowledge of best practice in this area. These are as follows:</p> <ul style="list-style-type: none"> <li>- The Policy does not make reference to or provide guidance on a range of categories of expenses, including entertainment and gifts, office expenses, IT and communications, professional fees and subscriptions, training and away days, and items outside of Policy. The Policy could also be developed to provide more clarity on what expenses are allowable, as our sample testing identified items claimed that the current wording of the Policy may not specifically allow;</li> <li>- The Policy does not fully reflect HMRC's benchmark payment rates, particularly around the amount claimable depending on the time spent away from work; and</li> <li>- The Policy does not provide up to date guidance on the use of credit cards.</li> </ul> <p>In addition, the Policy states that line managers should approve expense claims. However, clarity could provided on the delegated authority for approving the CEO's expense claims.</p> <p>There is a risk that the Travel &amp; Subsistence Policy does not provide fully comprehensive guidance on CNPA's expense processes.</p>		<p>We recommend that the Travel &amp; Subsistence Policy is further developed to include the elements noted within our finding.</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Recommendation agreed. Policy will be reviewed and updated to cover the findings from the audit.</p>	<p><i>Responsible Officer:</i> <i>Director of Corporate Services</i> <i>Implementation Date:</i> <i>January 2020</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Agreed expenses procedures are not consistently followed, with no controls in place to identify non-compliance.			
Ref.	Finding	Sig.	Recommendation
2	<p>It is essential that the Travel &amp; Subsistence Policy is adhered to when processing expense claims. All supporting documentation should be provided, and appropriate approvals should be evidenced.</p> <p>Our sample testing of ten expenses, six credit card statements, and four Clyde travel bookings identified the following:</p> <ul style="list-style-type: none"> <li>- Requisition forms are not being consistently completed for purchases booked in advanced, where applicable. In addition, all elements of the requisition form are not being fully completed. For example, our testing identified that value for money and procurement considerations are not being completed.</li> <li>- Seven instances where a staff member other than the relevant line manager had approved expense claims or requisition forms, with no documented reason provided.</li> <li>- Two credit card transactions where receipts were lost, or the incorrect receipt was provided (a visa payment receipt, rather than an itemised receipt). Therefore, confirmation could not be obtained that the expenses incurred were allowable according to the Policy, as no itemised receipt or staff declaration of what the items were was available.</li> <li>- One instance where the Authority paid for a Board member's flights, which were not stated as being standard economy. The policy states that unless there are exceptional circumstances, air fares must be economy class.</li> </ul> <p><i>(continued overleaf)</i></p>		<p>To address the issues noted and to gain assurance on the consistent application of the policy, we recommend that CNPA reviews and revises the policy to more clearly define the approval procedures that are required prior to incurring costs and the evidence of authorisation required for seeking re-imburement.</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Agreed expenses procedures are not consistently followed, with no controls in place to identify non-compliance.			
Ref.	Finding	Sig.	Recommendation
2 (cont.)	<p>- The Policy requires that air travel bookings should be approved in advanced. This is not consistently applied, particularly where credit cards are used to purchase air fares.</p> <p>In addition, Internal Audit were unable to obtain supporting evidence for 2 credit card statements selected for testing.</p> <p>There is a risk that the Travel &amp; Subsistence Policy is not being adhered to, and that the processes adopted are not consistently applied.</p>	■	
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Recommendation agreed. Policy will be reviewed and updated to cover the findings from the audit.</p>			<p><i>Responsible Officer:</i>  <i>Director of Corporate Services</i></p> <p><i>Implementation Date:</i>  <i>January 2020</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: There are insufficient approval procedures in place to provide adequate review and oversight of all expenses paid.			
Ref.	Finding	Sig.	Recommendation
3	<p>It is important that there is a sufficient level of review and approval of expenses and purchases.</p> <p>There is no requirement for line managers to review and approve staff credit card purchases. Card holders sign the monthly credit card statement to confirm all expenditure is accurate, however, this is not required to be reviewed and approved by line managers</p> <p>In addition, we note that the finance team review expense claims and credit card statements to ensure all supporting documentation has been received, however there is no signature or audit trail required to support this review.</p> <p>There is a risk that there is inadequate oversight of expenses paid, as a result of insufficient approval processes, which therefore increases the risk of fraud.</p>	●	<p>We recommend that that the Finance team's review of expense claims and credit card documentation is enhanced and evidenced, for example, via signature. This will support a two-step approval process, which is good practice.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Recommendation agreed.</p>			<p><i>Responsible Officer:</i> Finance Manager</p> <p><i>Implementation Date:</i> April 2020</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Contractual arrangements with travel providers are not appropriate.

RISK: Approved travel providers are used, and arrangements offer value for money.

Ref.	Finding	Sig.	Recommendation
4	<p>It is expected that contractual agreements are in place with travel providers, where appropriate, to ensure CNPA receives maximum benefits from travel providers, and to ensure the CNPA Procurement Policy is adhered to.</p> <p>There are no contractual arrangements in place with travel providers. We note that CNPA often purchases travel means directly from air or rail organisations, for example, Scotrail. However, we note that from April 2018 - July 2019, travel arrangements purchased through travel provider Clyde Travel Management was approximately £27,481.88 (including fees of c£1,500 to CTM). CNPA's Procurement Policy states that any estimated expenditure over £10,000 should be tendered, and as this has not taken place, the Procurement Policy thresholds have not been adhered to. Clyde Travel Management is the travel provider under the Scottish Government's National Travel Framework, however CNPA have not signed up to this Framework.</p> <p>There is a risk that appropriate contractual agreements with travel providers are not in place, and the CNPA Procurement Policy is not adhered to.</p>	●	<p>We recommend that CNPA signs up to the Scottish Government National Travel Framework. This will ensure that Clyde Travel Management can be used by CNPA, through a procured method as required by the Procurement Policy. CNPA should ensure going forward that it procures travel providers in line with the Procurement Policy, where estimated expenditure meets the relevant thresholds.</p>

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
<p>We debate that procurement thresholds have not been met, given that the procured costs in this instance are the c£1,500 in fees to Clyde Travel Management and not the gross total of expenditure which includes the costs of travel which are standard train and air fare ticket prices.</p> <p>We will however look into signing up to the Scottish Government National Travel Framework identified by the auditors.</p>	<p><b>Responsible Officer:</b>  <b>Finance Manager</b></p> <p><b>Implementation Date:</b>  <b>June 2020</b></p>



# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: An approved expenses policy and appropriate procedures are not in place to clearly define acceptable expenses and any restrictions.			
Ref.	Finding	Sig.	Recommendation
5	<p>It is important that an appropriate system is in place to allow for expense claims to be completed and approved in an efficient manner.</p> <p>CNPA expenses claims are currently completed on a paper form, and supporting evidence, such as receipts, are attached to the form. The form is then physically signed by a line manager as approved, and is submitted to Finance to process for payment. However, there is an opportunity to improve the efficiency and effectiveness of the current process, by implementing an electronic expenses system. This would ensure that claims, supporting documentation and approvals are all stored and recorded centrally and electronically.</p> <p>There is a risk that the current process adopted is not fully effective in recording, approving and monitoring expense claims.</p>	●	<p>We recommend that CNPA assesses the costs vs benefits of introducing an electronic expense system, which will allow for expense claims to be effectively processed. An expense system should allow for the full process to be handled electronically, from creating claims and attaching supporting documentation (photos/scans/electronic versions) to the approval and payment of claims. Approvals can also be provided remotely, which would reduce delays in obtaining approval on hard copy claim forms. CNPA should consider purchasing a system which has user-friendly reporting and automated alerts, for example, when an expense claim has been submitted for review, or for when supporting evidence has not been attached. The electronic system could also automatically calculate miles included in a business journey, which would therefore reduce the risk of business mileage being inflated.</p> <p>The introduction of an electronic expense system would mitigate the risks which we have identified from our review (Ref. 2), of procedures not being adhered to.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Recommendation accepted and noted this is entirely in line with our existing Organisational Development Strategy of seeking to simplify and digitise systems. This may also be investigated in parallel with a review of the finance system.</p>			<p><b>Responsible Officer:</b>  <b>Finance Manager</b>  <b>Implementation Date:</b>            August 2020</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: An approved expenses policy and appropriate procedures are not in place to clearly define acceptable expenses and any restrictions.			
RISK: An appropriate approval process is in place which clearly defines responsible individuals and approval thresholds.			
Ref.	Finding	Sig.	Recommendation
6	<p>It is expected that an appropriate and formally documented expenses Policy is in place for both staff and Board members.</p> <p>A Travel &amp; Subsistence Policy is in place, which details the expense process for staff members. Although we recognise that this Policy is adopted by Board members in practice, there is no documented Policy that formally applies to Board members. In addition, delegated authority levels for approving Board member expense claims has not been documented.</p> <p>There is a risk that an appropriate expenses Policy and protocols have not been developed and applied consistently for Board members.</p>	●	<p>We recommend that CNPA ensures a travel &amp; subsistence/expenses Policy is developed which formally applies to Board members. As the current Travel &amp; Subsistence Policy applies to Board members in practice, management may consider amending the current Policy to ensure the application to Board members is formally documented. Authority to approve Board member expenses should also be clearly documented.</p>
<b>MANAGEMENT RESPONSE</b>		<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>	
Recommendation agreed		<p><i>Responsible Officer:</i>  <i>Director of Corporate Services</i></p> <p><i>Implementation Date:</i>  <i>January 2020</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS





RISK: An approved expenses policy and appropriate procedures are not in place to clearly define acceptable expenses and any restrictions.			
Ref.	Finding	Sig.	Recommendation
7	<p>It is expected that the Travel &amp; Subsistence Policy is reviewed and approved on a regular basis, to ensure the information within the Policy remains accurate and valid.</p> <p>The current Travel &amp; Subsistence Policy in use has not been reviewed and approved since September 2013.</p> <p>There is a risk that information within the Policy may become outdated and therefore inaccurate.</p>	●	<p>We recommend that CNPA reviews the Travel &amp; Subsistence Policy every three years, or prior to reflect any changes in legislation or processes.</p> <p>In addition, we recommend that version control is added to the Policy, showing the last and next review date.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Recommendation agreed.			<p><i>Responsible Officer:</i>  <i>Director of Corporate Services</i></p> <p><i>Implementation Date:</i>            January 2020</p>




# APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
David Cameron	Director of Corporate Services
Daniel Ralph	Finance Manager
Diane Buchan	Finance Officer

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

As part of the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would carry out an evaluation of the arrangements in place surrounding travel and staff expenses claimed and paid within Cairngorm National Park Authority (CNPA).


## PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit Committee with assurance on the design and effectiveness of the controls in place governing travel and staff expenses claimed and paid within CNPA.

## KEY RISKS

Based on the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- An approved expenses policy and appropriate procedures are not in place to clearly define acceptable expenses and any restrictions;
- Agreed expenses procedures are not consistently followed, with no controls in place to identify non-compliance;
- There are insufficient approval procedures in place to provide adequate review and oversight of all expenses paid;
- Contractual arrangements with travel providers are not appropriate; and
- Approved travel providers are not used, therefore CNPA loses out on discount opportunities.



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