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# Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority

Internal audit report 2013

Carbon management and internal sustainability reporting

23 January 2014

This report is for:

## Action

*David Cameron - Corporate Services Director (Cairngorms National Park)*

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## Information

*Audit Committee*

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### Introduction and scope

In accordance with the 2011-12 to 2013-14 strategic internal audit plan for Loch Lomond & The Trossachs National Park Authority (“LL&TNPA”) and Cairngorms National Park Authority (“CNPA” and together “the Authorities”), as approved by the audit committees, we have performed an internal audit of carbon management and internal sustainability reporting.

The objective of this audit was to consider the design and operating effectiveness of the Authorities’ processes for internal sustainability reporting. This joint review considered processes to identify and capture relevant data underlying sustainability indicators, calculation of those indicators and processes for monitoring and reporting of indicators.

### Background

One of the aims set out by the Scottish Government for Scotland’s national parks is to “*promote the sustainable use of the natural resources of the area*”. In 2008 the Scottish Government published the Climate Change (Scotland) Bill, which included a target to reduce greenhouse gas emissions from 1990/95 levels by at least 80% by 2050. As such, it is important that both Authorities are seen to be appropriately monitoring and managing the environmental impact of their operations.

The Scottish Government has issued guidance on the preparation of sustainability reports, which is based on the requirements of the UK Treasury’s Financial Reporting Manual, but amended to be applicable to Scottish circumstances. The aim of the guidance is to encourage and support a consistent and comparable approach to the publication of sustainability information.

## Key findings and recommendations

We identified no ‘critical’ or ‘high’ risk graded recommendations for either Authority in the course of our work.

### LL&TNPA

We identified seven ‘low’ graded recommendation. We also identified a number of areas of good practice through the course of our review.

### CNPA

We identified one ‘moderate’, and three ‘low’ risk graded recommendations. We also identified a number of areas of good practice through the course of our review.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in the report. Management has accepted the findings and agreed reasonable actions to address the recommendation.

	Authority	Critical	High	Moderate	Low
Number of internal audit findings	LL&TNPA	-	-	-	4
	CNPA	-	-	1	3
Number of recommendations accepted by management	LL&TNPA	-	-	-	4
	CNPA	-	-	1	3

### Summary of internal audit findings

We identified no ‘critical or ‘high’ risk recommendations during this review.

We noted that:

- both Authorities demonstrated a number of good practices, although there are some areas that could be strengthened in relation to the measurement, monitoring and reporting of carbon emissions;
- staff at both Authorities were found to be knowledgeable and engaged with carbon reduction issues, although this could be further enhanced through the development of staff’s understanding of Scottish public sector monitoring and reporting guidance; and
- both Authorities were found to have reduced CO2 emissions over the medium-term.

We noted opportunities to improve the completeness and accuracy of CO2 reporting which were discussed with management; we have not raised recommendations in these areas on the grounds of materiality.

## Action plan – LL&TNPA (continued)

Findings and risk	Recommendations	Agreed management actions
<b>1 Sharing of good practices</b>		<b>Low</b>
<p>The Authority does not currently communicate with other similar bodies on their CO2 reduction measures or performance. Whilst it is recognised comparable information is produced for sustainability reporting at Scottish government level, there is a risk that better understanding over best practice in relation to emission levels and reporting are not utilised.</p>	<p>It is recommended that management considers sharing carbon monitoring practices with other organisations to ensure best practices are implemented.</p>	<p>Agreed. Build sharing of best practice into the LLTNPA carbon management plan.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>
<b>2 Staff engagement</b>		<b>Low</b>
<p>Staff at the Authority were found to be aware of the natural environment and the impacts of carbon emissions. This was also found to be reflected within the Authority's policies and procedures. Due to the nature of the Authority's activities there is a perceived greater responsibility to consider the environment, and therefore a potential reputational risk should some staff not be aware of how the Authority's policies and procedures take account of carbon emissions. It was found that training on carbon emissions and reporting had not been given to staff and would further enhance knowledge and understanding.</p>	<p>It is recommended that management implement staff training on carbon emission monitoring and reporting in order to enhance awareness and engagement.</p>	<p>Agreed. Continue to develop staff understanding and engagement in relation to carbon emissions reduction through the implementation of operational plan objectives and providing opportunities for training as appropriate.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>

## Action plan – LL&TNPA (continued)

Findings and risk	Recommendations	Agreed management actions
<b>3 Retrospective to target driven monitoring</b>		<b>Low</b>
<p>LL&amp;TNPA measure performance against base line data and monitor sustainability performance as part of the quarterly performance management reporting regime. Management has an internal target of reducing emissions by 20% against the base line data by 2015. Based on reported 2010-11 values, emissions were found to have reduced by around four percent to date; there is a risk that targets for 2015 are not met.</p> <p>Implementation of monitoring against forward projected targets, in conjunction with the current practices applied to departmental operational plans, would assist management in forecasting future CO2 emission levels.</p>	<p>It is recommended that targets are set and monitored against business plan measures, and that this is reported to senior management on a quarterly basis.</p>	<p>Agreed. Monitor operational plan objectives in relation to carbon management as part of the regular performance reporting process.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>
<b>4 Base line data</b>		<b>Low</b>
<p>Discussions with management at LL&amp;TNPA suggested that base line data may not be accurate.</p> <p>There is a risk that the comparison against these values give an inaccurate measure of LL&amp;TNPA's performance against carbon reduction indicators.</p>	<p>It is recommended that baseline values are re-assessed and, if required, re-set to values believed to be correct and relevant to the organisation in its current state.</p>	<p>Agreed. Review the baseline data and reset as appropriate to ensure that we have an accurate carbon management plan.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>

## Action plan – CNPA

The action plan summarises CNPA specific recommendations, together with related risks and management's responses.

Findings and risk	Recommendations	Agreed management actions
<b>1 CO2 emissions reporting</b>		
<p>CNPA carry out internal monitoring of fleet vehicle mileage, business mileage and utility volumes, but this is not converted into CO2 emissions and not reported to the Scottish Government on a quarterly basis.</p> <p>There is a reputation risk for CNPA that they are not in compliance with Scottish Government best practice.</p>	<p>It is recommended that CNPA submit quarterly CO2 emissions reports in line with Scottish Government guidance.</p>	<p><b>Moderate</b></p> <p>Accept recommendation. We will develop our monitoring model to include these aspects of operations and begin production of quarterly reports.</p> <p><b>Responsible officer:</b> Governance and Information Manager with Facilities Officer</p> <p><b>Implementation date:</b> 30 September 2014</p>
<b>2 Energy Indirect - completeness</b>		
<p>Purchased energy readings at both CNPA sites were tested and found to be accurate, with meter readings performed by staff and accrued volumes then apportioned into appropriate periods. It was identified that there is currently no set procedure for recording and reporting of purchased energy and this therefore represents a risk over completeness of reported energy volumes.</p>	<p>It is recommended that a review of all purchased energy for all assets is carried out and procedures put in place to ensure purchased energy sources, including biomass, are included within future CO2 monitoring and reporting.</p>	<p><b>Low</b></p> <p><b>Responsible officer:</b> Governance and Information Manager with Facilities Officer</p> <p><b>Implementation date:</b> 30 September 2014</p>

## Action plan – CNPA (continued)

Findings and risk	Recommendations	Agreed management actions
<b>3 Sharing of best practice</b>		<b>Low</b>
<p>The Authority does not currently formally communicate with other similar bodies on their CO2 reduction measures or performance. Whilst it is recognised comparable information is produced for sustainability reporting at Scottish Government level, there is a risk that better understanding over best practices in relation to emission levels and reporting are not utilised.</p>	<p>It is recommended that management considers sharing carbon monitoring practices with other organisations to ensure best practices are implemented.</p>	<p>Accept recommendation as a very low priority depending on resources.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>
<b>4 Staff engagement</b>		<b>Low</b>
<p>Staff at the Authority were found to be aware of the natural environment and the impacts of carbon emissions. This was also found to be reflected within the Authority's policies and procedures. Due to the nature of the Authority's activities there is a perceived greater responsibility to consider the environment, and therefore a potential reputational risk should some staff not be aware of how the Authority's policies and procedures take account of carbon emissions. It was found that training on carbon emissions and reporting had not been given to staff and would further enhance knowledge and understanding.</p>	<p>Management should ensure that staff are aware of ongoing activities in relation to Carbon management to ensure these are taken into account in their work.</p>	<p>Agreed.</p> <p><b>Responsible officer:</b> Director of Corporate Services</p> <p><b>Implementation date:</b> March 2015</p>



# Appendices

### Introduction and objective

In accordance with the 2011-12 to 2013-14 strategic internal audit plan for Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority (“the Authorities”), we will undertake an internal audit review of Carbon management/internal sustainability reporting.

One of the aims set out by the Scottish Government for Scotland's National parks is “to promote the sustainable use of the natural resources of the area”. As such, it is important that the environmental impact of the Authorities is measured, monitored and reported on appropriately. The overall objective of this review will be to consider the processes and controls in place to measure and report the Authorities' environmental impact.

### Scope

This joint review will consider:

- processes to identify and capture relevant data underlying indicators;
- review of calculations of indicators/KPIs to source data/relevant evidence;
- review of the processes for monitoring and reporting of indicators/KPIs and the result/impact of this; and
- best practice against comparable organisations.

### Approach

We will adopt the following approach in this review:

- project planning and scoping;
- conducting interviews with staff to gain an understanding of the Authorities' processes and procedures in relations to Carbon management/internal sustainability reporting;
- identify and agree key risks and processes with management;
- reviewing the adequacy and effectiveness of key processes through sample testing and discussion with management; and
- agreeing findings and recommendations with management.

## Appendix two

# Classification of findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>■ Potential financial impact of more than £400,000.</li> <li>■ Detrimental impact on operations or functions.</li> <li>■ Sustained, serious loss in brand value.</li> <li>■ Going concern of the organisation becomes an issue.</li> <li>■ Decrease in the public's confidence in the Authority .</li> <li>■ Major decline in service/product delivery, value and/or quality recognised by students and customers.</li> <li>■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.</li> <li>■ Life threatening.</li> </ul>	<ul style="list-style-type: none"> <li>■ Requires immediate notification to the audit and compliance committee.</li> <li>■ Requires executive management attention.</li> <li>■ Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days.</li> <li>■ Separately reported to chairman of the audit and compliance committee and executive summary of report.</li> </ul>
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>■ Potential financial impact of between £200,000 to £400,000.</li> <li>■ Major impact on operations or functions.</li> <li>■ Serious diminution in brand value and/or market share</li> <li>■ Probable decrease in the public's confidence in the Authority.</li> <li>■ Significant decline in service/product delivery, value and/or quality recognised by students and customers.</li> <li>■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.</li> <li>■ Extensive injuries.</li> </ul>	<ul style="list-style-type: none"> <li>■ Requires prompt management action.</li> <li>■ Requires executive management attention.</li> <li>■ Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.</li> <li>■ Reported in executive summary of report.</li> </ul>

## Appendix two

# Classification of findings

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>■ Potential financial impact of between £50,000 to £200,000.</li> <li>■ Moderate impact on operations or functions.</li> <li>■ Brand value and/or market share will be affected in the short-term.</li> <li>■ Possible decrease in the public's confidence in the Authority .</li> <li>■ Moderate decline in service/product delivery, value and/or quality recognised by students and customers.</li> <li>■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty.</li> <li>■ Medical treatment required.</li> </ul>	<ul style="list-style-type: none"> <li>■ Requires short-term management action.</li> <li>■ Requires general management attention.</li> <li>■ Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.</li> <li>■ Reported in executive summary of report.</li> </ul>
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>■ Potential financial impact of less than £50,000.</li> <li>■ Minor impact on internal business only.</li> <li>■ Minor potential impact on brand value and market share.</li> <li>■ Should not decrease the public's confidence in the Authority .</li> <li>■ Minimal decline in service/product delivery, value and/or quality recognised by students and customers.</li> <li>■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty.</li> <li>■ First aid treatment.</li> </ul>	<ul style="list-style-type: none"> <li>■ Requires management action within a reasonable time period.</li> <li>■ Requires process manager attention.</li> <li>■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months.</li> <li>■ Reported in detailed findings in report.</li> </ul>



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