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CAIRNGORMS NATIONAL PARK AUTHORITY
Audit Committee Paper 4 Annex 1 07/03/14

Cairngorms National Park Authority

Internal audit report 2013-14

Follow up review

19 February 2014

This report is for:

Action

David Cameron, *Corporate Services Director*

Information

Audit committee

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The contacts at KPMG in connection with this report are:

Stephen Reid

Director, KPMG LLP

Tel: 0131 527 6795

Fax: 0131 527 6666

stephen.reid@kpmg.co.uk

Brian Curran

Senior Manager, KPMG LLP

Tel: 0141 300 5631

Fax: 0141 204 1584

brian.curran@kpmg.co.uk

Ross Clarke

Audit Assistant, KPMG LLP

Tel: 0141 300 5521

Fax: 0141 204 1584

ross.clarke@kpmg.co.uk

Introduction and scope

We have performed a follow-up review to determine the progress made by management in implementing previously agreed internal audit recommendations.

Our review was designed to obtain a statement of progress for all recommendations agreed by management in previous internal audit reports. We sought management representation on the status of all recommendations and tested a sample of recommendations, to confirm that new or improved controls had been implemented and were operating effectively.

The following internal audit reports were within the scope of this follow-up review. We have completed follow-up testing where the agreed completion date has passed. These reviews are summarised below.

2012-13	2011-12
Leader review	Financial management, planning and efficiencies
Performance management	Community engagement / stakeholder satisfaction
Financial controls risk-self assessment	
Partnership working	
Visitor experience	

Summary of recommendations

The charts below summarise the status of recommendations by grading. The risk ratings in the table are those ratings assigned to the original recommendations.

Internal audit assignments	Total recommendations				Recommendations incomplete			
	Critical	High	Moderate	Low	Critical	High	Moderate	Low
2012-13								
Leader review	-	-	-	1	-	-	-	-
Performance management	-	-	-	2	-	-	-	-
Financial controls risk self-assessment	-	-	-	5	-	-	-	4
Partnership working	-	-	-	2	-	-	-	2
Visitor experience	-	-	-	1	-	-	-	1
2011-12								
Financial management, planning and efficiencies	-	-	2	-	-	-	1	-
Community engagement/stakeholder satisfaction	-	-	3	2	-	-	2	1
Total	-	-	5	13	-	-	3	8

Management has made progress in addressing all previously agreed internal audit recommendations. Management progress against 19 recommendations was considered as part of this review. Seven recommendations (39%) have been implemented, but 11 recommendations (61%) have yet to be fully implemented. Management should focus on ensuring that recommendations are implemented on a timely basis, focusing efforts on those areas which will minimise the greatest level of risk.

Recommendations marked as complete were tested to ensure implemented appropriately. The status of outstanding recommendations is summarised in appendix one.

Appendices

Appendix one

Summary of outstanding findings

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Financial controls risk assessment – Authorisation of sales invoices		Low
<p>At CNPA, none of the five sales invoices selected for testing had evidence of review before being issued. In addition, two invoices had the same invoice number.</p> <p>There is a reputational risk that invoices are issued with inaccurate / incorrect information.</p>	<p>It is recommended that all sales invoices are reviewed before being issued to ensure that the invoice is correct.</p> <p>Evidence of review should be retained on file.</p>	<p>In progress</p> <p>Implementation delayed by unexpected staffing changes in February 2013 and other work pressures.</p> <p>Responsible officer: Finance Manager</p> <p>Original implementation date: 31 December 2013</p> <p>Revised implementation date: 31 August 2014</p>

Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Financial controls risk assessment – reconciliations		Low
<p>At CNPA, reconciliations are performed on a monthly basis and signed as reviewed. There was no evidence of who had prepared the reconciliations and they were not dated as prepared. Furthermore, reconciliations were signed as reviewed, but not dated.</p> <p>Thus, there is an inadequate audit trail over segregation of duties. Also, there is a risk that reconciliations are not being reviewed timely as this could not be evidenced in all cases.</p>	<p>It is recommended that all reconciliations are evidenced and dated as prepared and reviewed to provide a complete audit trail.</p>	<p>In progress</p> <p>Implementation delayed by unexpected staffing changes in February 2013 and other work pressures.</p> <p>Responsible officer: Finance Manager</p> <p>Original implementation date: 30 April 2013</p> <p>Revised implementation date: 31 August 2014</p>

Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Financial controls risk assessment – Authorisation of journals		Low
<p>Journals are printed and signed as authorised by the finance manager. However, journals are not signed and dated as prepared, or dated as reviewed. Furthermore, for a number of journals tested there was no supporting documentation attached.</p>	<p>It is recommended that all journal forms are completed for all journals, including bank transfers, which are signed and dated as prepared and authorised, and supporting documentation attached to the journal to provide a sufficient audit trail that the journal was raised appropriately and authorised.</p>	<p>In progress</p> <p>The control system for authorisation of journals sits within a wider system of reconciliation of monthly accounts and management accounting processes. We agree that this could be further enhanced by actual sign off of journal entries to provide a more sufficient audit trail.</p> <p>Responsible officer: Finance Manager</p> <p>Original implementation date: 31 December 2013</p> <p>Revised implementation date: 31 August 2014</p>

Appendix one
Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Financial controls risk assessment – New supplier checks		Low
<p>Formal supplier reference checks are not retained on file at either authority.</p> <p>While, there are processes in place to approve invoices prior to payment, there is a risk that supplier details may be added and a supplier paid which is not genuine.</p>	<p>It is recommended that the process for checking suppliers is formalised and evidence retained centrally to ensure only appropriate suppliers are paid.</p>	<p>In progress</p> <p>Implementation delayed by unexpected staffing changes in February 2013 and other work pressures.</p> <p>Responsible officer: Finance Manager</p> <p>Original implementation date: 30 September 2013</p> <p>Revised implementation date: 31 August 2014</p>

Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Financial management, planning and efficiency – Reporting progress against efficiency savings		Moderate
<p>The CNPA finance committee receives a regular update on progress of efficiency savings for the current year. However, this is high level and does not indicate the progress of individual savings plans. Review of finance committee papers highlighted that the forecast deficit for 2012-13 included overspend against two components of the 2012-13 total efficiency target.</p> <p>This indicates that savings identified for these areas are not sustainable and there is a risk that appropriate action is not taken to identify other savings to compensate, resulting in CNPA failing to meet is required efficiency target.</p>	<p>LLTPNA prepares a quarterly update which shows progress against each expenditure category for which an efficiency target has been identified.</p> <p>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.</p>	<p>In progress</p> <p>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.</p> <p>Responsible officer: Finance Manager</p> <p>Implementation date: Continuous from April 2012</p> <p>Revised implementation date: Late 2013-14</p>

Finding(s) and risk	Recommendation(s)	Current status of management action plan
<p>Community engagement/stakeholder satisfaction – Attendance at stakeholder and community working groups</p>		
<p>CNPA engages with stakeholders and communities through attendance at local partnership working groups, forums and community planning meetings. While there is evidence of regular participation at stakeholder and community groups there is no evidence of formal mechanisms for reporting to senior management on any issues identified that may impact the operations or reputation of CNPA.</p> <p>There is a risk that matters identified at stakeholder and community groups, that may impact the reputation or operations of CNPA, are not subject to appropriate discussion and action by senior management.</p>	<p>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.</p>	<p style="text-align: center;">Moderate</p> <p>In progress</p> <p>A stakeholder engagement management system is being developed to be available by early 2014.</p> <p>Responsible officer: Finance Manager</p> <p>Implementation date: 31 January 2012</p> <p>Revised implementation date: Early 2014</p>
<p>Community engagement/stakeholder satisfaction – Review of media publications</p>		
<p>The CPNA board received a monthly report via email in respect of monthly media analysis. A weekly email is also sent to all board members with scanned copies of media articles mentioning the national park for that week. However, there is no formal process for discussion amongst board members of the impact on CPNA of any articles noted.</p> <p>There is a risk that without formal discussion that any matters impacting the reputation or operations of CPNA are not considered and responded to by senior management in a timely manner.</p>	<p>Management should undertake a review of current processes to ensure that media coverage of CNPA is captured and appropriately considered by senior management, where relevant.</p>	<p style="text-align: center;">Moderate</p> <p>In progress</p> <p>An annual report on CNPA's C&E programme will include media analysis, social media statistics and business barometer results.</p> <p>Responsible officer: Director of Corporate Services</p> <p>Implementation date: March 2013</p> <p>Revised implementation date: November 2014</p>

Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Community engagement/stakeholder satisfaction – Business barometer		Low
<p>CNPA receives the findings of a business barometer, from the Cairngorms Business Partnership, to provide an indication of the local views of the Cairngorms National Park and CNPA. The results of this barometer are received quarterly, but there is little evidence to show that this is subject to regular review by senior management.</p> <p>There is a risk that issues that may impact the reputation or operations of CNPA are not considered and actioned in a timely manner.</p>	<p>Management should implement a formal process for considering and reporting the results from the business barometer.</p>	<p>In progress</p> <p>An annual report on CNPA's C&E Programme will include media analysis, social media statistics and business barometer results.</p> <p>Responsible officer: Corporate Services Director</p> <p>Implementation date: 31 March 2013</p> <p>Revised implementation date: 30 November 2014</p>

Appendix one
Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Partnership working – Key partner responsibility		Low
<p>The LLTTNPA NPPP clearly identifies the key partners responsibility against specific outcomes . However, while the CNPA NPPP makes reference to the importance of partners in delivery of the NPPP, it does not identify the specific partner involvement in the outcomes or work programmes which form the five year plan period.</p>	<p>Formal IPAs should be in place to identify the responsibility of partners in outcome delivery, monitoring of indicators and reporting requirements. Specific partners should be identified within the NPPP against each outcome to demonstrate accountability and demonstrate how each partner contributes to the delivery of the NPPP.</p>	<p>In progress</p> <p>The Authority considered the development of one to one agreements to support NPPP delivery along the lines of the IPAs established in LLTNP. There are other structures and processes to support the delivery of the NPPP in the Cairngorms NP, such as a Strategic Delivery Group which brings together key partner representatives to consider and monitor NPPP delivery. The Ministerial letters issued to partners at the time of the launch of the NPPP also did a great deal to support implementation of the plans and we will continue to work with colleagues in the Scottish Government to seek to follow up these letters.</p> <p>The Management team has reviewed the position throughout the year but does not believe these are necessary at this stage. Updated processes now in place are considered adequate at this stage.</p> <p>Responsible officer: Management Team</p> <p>Original implementation date: During 2013-14</p> <p>Revised implementation date: N/a</p>

Appendix one

Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Partnership working – Partner corporate plans		Low
<p>The NPPP requires key partner entities to identify and report in their corporate plans how they contribute to delivering the NPPP.</p> <p>As part of our sample testing of partnership arrangements, we identified one where no reference was made in the corporate plan to delivery of the NPPP.</p>	<p>Partnership agreements should be formalised to ensure accountability for delivery of the NPPP; management engage with partners to ensure they meet the requirement to report in their corporate plans how they contribute to delivery.</p>	<p>In progress</p> <p>Minister's letters to partners at the time of launch of NPPPs made clear partners responsibilities in delivery and reporting. We will continue to seek to reinforce this direction and work with Scottish Government colleagues in this respect. In addition, we will continue to evaluate whether any other local arrangements such as IPAs may help support and supplement the guidance given to partners from Ministers and the Scottish Government.</p> <p>The Management team has reviewed the position throughout the year but does not believe these are necessary at this stage. Updated processes now in place are considered adequate at this stage.</p> <p>Responsible officer: Management Team</p> <p>Original implementation date: During 2013-14</p> <p>Revised implementation date: N/a</p>

Appendix one
Summary of outstanding findings (continued)

Finding(s) and risk	Recommendation(s)	Current status of management action plan
Visitor experience – Policies and procedures		Low
<p>There is a draft strategy and action plan for sustainable tourism 2011-16 which identifies actions to aid the delivery of the strategy, including outcomes, measurements and timescales.</p> <p>There is no responsibility for delivery outlined within the draft strategy document.</p>	<p>Management should update the actions detailed within the tourism strategy to include details of responsibility for delivery to encourage increased accountability and transparency for the delivery of the tourism strategy 2011-16.</p>	<p>In progress</p> <p>The recommendation has to an extent already been implemented, with lead delivery responsibility and timetable already set out in the adopted action plan used by the Sustainable Tourism Forum. We will also include these lead responsibilities in the Sustainable Tourism Strategy when the next opportunity to do so arises.</p> <p>Responsible officer: Head of Service</p> <p>Original implementation date: During 2013-14</p> <p>Revised implementation date: July 2014</p>

Appendix two

Classification of internal audit 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"> ■ Potential financial impact of more than 1% of total expenditure. ■ Detrimental impact on operations or functions. ■ Sustained, serious loss in brand value. ■ Going concern of the organisation becomes an issue. ■ Decrease in the public's confidence in the Authority. ■ Serious decline in service/product delivery, value and/or quality recognised by stakeholders and customers. ■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. ■ Life threatening. 	<ul style="list-style-type: none"> ■ Requires immediate notification to the Authority's audit committee. ■ Requires executive management attention. ■ 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. ■ Separately reported to chairman of the Authority's audit committee and executive summary of report.
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"> ■ Potential financial impact of 0.5% to 1% of total expenditure. ■ Major impact on operations or functions. ■ Serious diminution in brand value. ■ Probable decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by stakeholders and customers. ■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. ■ Extensive injuries. 	<ul style="list-style-type: none"> ■ Requires prompt management action. ■ Requires executive management attention. ■ 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. ■ Reported in executive summary of report.

Classification of internal audit findings (continued)

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"> ■ Potential financial impact of 0.1% to 0.5% of total expenditure. ■ Moderate impact on operations or functions. ■ Brand value will be affected in the short-term. ■ Possible decrease in the public's confidence in the Authority. ■ Moderate decline in service/product delivery, value and/or quality recognised by stakeholders and customers. ■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. ■ Medical treatment required. 	<ul style="list-style-type: none"> ■ Requires short-term management action. ■ Requires general management attention. ■ 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. ■ Reported in executive summary of report.
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"> ■ Potential financial impact of less than 0.1%*of total expenditure. ■ Minor impact on internal business only. ■ Minor potential impact on brand value. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by stakeholders and customers. ■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. ■ First aid treatment. 	<ul style="list-style-type: none"> ■ Requires management action within a reasonable time period. ■ Requires process manager attention. ■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. ■ Reported in detailed findings in report.



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