
CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: REMIT AND MEMBERSHIP OF COMMITTEES

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Purpose

To review the remit and terms of reference of the Audit Committee against the requirements of the Scottish Public Finance Manual; to seek replacement members for the Audit and Finance Committees; and to seek the Board's ratification of the Chairs of its Committees.

Recommendations

That the Board:

- a) approves the revised Terms of Reference for its Audit Committee, as set out in Annex 2;
- b) approves the appointment of Andrew Thin to its Finance Committee;
- c) Board seeks the agreement of one of the newly appointed members to serve on its Audit Committee; and
- d) ratifies the Chairs of its Committees, as set out in paragraph 17.

Executive Summary

Following an internal audit review of the Scottish Executive's sponsorship of National Park Authorities, the auditors have recommended that the Authorities themselves undertake a review of the remits of their Audit Committees to ensure compliance with the Scottish Public Finance Manual (SPFM). This paper proposes the adoption of a revised remit for the Authority's Audit Committee in light of that review.

As vacancies exist on both the Audit and Finance Committees from 1 April 2006, it is also considered timely to seek the Board's approval to new appointments to those Committees.

The Board's Standing Orders require that the full Board ratifies the appointment of Chairs to each of its Committees. This paper also seeks ratification of the Chairs appointed by each of its Committees.

REMIT AND MEMBERSHIP OF COMMITTEES FOR DECISION

Background

1. The Authority's Sponsor Department has undergone a Scottish Executive internal audit review of its sponsorship arrangements for both National Park Authorities. A recommendation arising from the review is a requirement for the National Park Authorities themselves to undertake a review of the remit of their own Audit Committees, to ensure they meet the requirements of the Scottish Public Finance Manual (SPFM). This recommendation was communicated to the Authority by letter, on 28 February 2006.
2. The Scottish Public Finance Manual is issued by Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and to secure effective accountability and good systems of internal control. As a general rule, the guidance in the SPFM should be considered applicable to all sponsored bodies, and this will be expanded in each sponsored body's Financial Memorandum and Management Statement.
3. This paper sets out the conclusions of the comparison of the Authority's current remit for the Audit Committee, last considered by the Board in September 2005, and makes recommendations for changes required.
4. Both members who stepped down from the Board at 31 March 2006 were members of one of the Board's Committees: Sally Dowden was a member of the Audit Committee, while Joyce Simpson was a member of the Finance Committee. It is, therefore, opportune to seek appointment of replacement members for these Committees.
5. It has also come to our attention that the Board's Standing orders require the appointment of all Committee Chairs to be ratified by the full Board. The paper also seeks the Board's approval to the Committee Chairs agreed by the members of each Committee during their cycle of meetings between October and December 2005.

Audit Committee Terms of Reference and Requirements of SPFM

6. Direct comparison between the requirements of the SPFM for Audit Committees and that established by the Board is complicated by the drafting of the SPFM to fit primarily with the operation of Scottish Executive Departments. However, the key principles of the SPFM standard terms of reference for Audit Committees have been drawn out and compared with those currently approved by the Board for its Audit Committee. A summary of the comparison is presented in Annex 1 to this paper.
7. The outcome of the comparison indicates that the following additions should be made to the Audit Committee's Terms of Reference:

- a) Provision of advice to the Accountable Officer on completion of the Statement of Internal Control (added as item 'h' of proposed remit);
 - b) Review planned activity of the Authority's external auditors (included in extended item 'e' of proposed remit);
 - c) Review major findings of other relevant audit reports or Parliamentary Committee findings, insofar as they affect the overall performance of the Authority (included as item 'i' of proposed remit);
 - d) To review the adequacy of management responses to issues identified by audit activity, and arrangements for monitoring implementation of agreed recommendations (included in extended item 'c' of proposed remit)
8. The Board should note that, in practice, the Audit Committee in its work to date has fulfilled the above responsibilities. However, it is recommended that, for completeness, these elements should be added to the Committee's Terms of reference. Additionally, the Scottish Executive auditors have recommended that the right of the internal and external audit representatives to have free and confidential access to the Chair of the audit Committee should be made explicit, and this has been added to the proposed revised Committee remit. Accordingly, a revised Audit Committee Terms of Reference is set out at Annex 2 to this paper.

Recommendation

9. **That the Board approves the revised Terms of Reference for its Audit Committee, as set out in Annex 2.**
10. Both the Audit and Finance Committees now have vacancies, following Sally Dowden and Joyce Simpson standing down from the Board at the end of March 2006. All Committee memberships are due to be revisited in September 2006. The Board are therefore invited to consider whether it wishes to fill the vacancies in these two Committees for the remaining five month period, until September.
11. An invitation to members to fill these vacancies in Committee membership has previously been issued by the Chief Executive. To date, no-one has come forward to take up membership of the Audit Committee in the place of Sally Dowden. Andrew Thin has indicated that he is willing to take on the membership of the Finance Committee in place of Joyce Simpson.
12. Board members may wish to take the opportunity at the meeting to seek further volunteers or nominations for membership of these Committees.
13. At the time of writing this paper, two new appointments to the Board are yet to be confirmed by Ministers. As no members have come forward to serve on the Audit Committee, the Board may wish to consider nominating one these new members to serve on the Audit Committee.

Recommendations

14. That the Board approves the appointment of Andrew Thin to its Finance Committee.
15. That the Board seeks the agreement of one of the newly appointed members to serve on its Audit Committee.
16. The Authority's Standing Orders require that all Committee Chairs are ratified by the full Board. While members are aware of the Chairs of each Committee, the formal practice of ratifying members appointed as Chair of each Committee has not been undertaken.
17. The current Chair of each of the Board's Committees is as follows:

Audit Committee:	Eric Baird
Finance Committee:	Eleanor Mackintosh
Staffing and Recruitment Committee:	Andrew Thin (Deputy Chair, David Green)

Recommendation

18. That the Board ratifies the Chairs of its Committees, as set out in paragraph 17.
19. The Board has already selected, and therefore approved, Andrew Thin as the Chair of the Planning Committee.

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Comparison of SPFM Terms of Reference for Audit Committee with Current CNPA Committee Terms of Reference

SPFM Requirement	Current CNPA Coverage and/or Action Required
Committee membership drawn from Board, plus one or more non-executive or independent members	Criteria for independent members met by attendance of internal and external auditors at Committee meetings.
Head of Audit and a senior representative of the external auditor should normally be present at meetings.	Meetings attended by representatives of both internal and external auditors, together with Chief executive (Accountable Officer) and Head of Corporate Services.
Committee to meet twice each year.	Committee meeting at least three times each year.
Committee to review adequacy of arrangements for sound internal control and risk management.	Met in full by points 'd' and 'g' of current remit.
Following review of internal control, the Committee shall provide the Accountable Officer with advice on completion of the Statement of Internal Control.	Not currently covered – this element to be added to remit.
Committee to review planned internal audit activity and results of its work	Met in full by points 'b' and 'c' of current remit.
Committee to review planned external audit activity and results of its work	Met to an extent by point 'e' of current remit. This should be widened to include the responsibility to review the external auditor's planned activities.
Committee to review major findings of other relevant audit reports or Parliamentary Committee findings, insofar as they affect the overall performance of the Authority.	Not currently covered – this element to be added to remit.
Committee to review the adequacy of management responses to issues identified by audit activity, and arrangements for monitoring implementation of agreed recommendations.	Covered by points 'c' and 'f' of current remit, although this specific role requires to be made more explicit.
Committee to review other sources of assurance relating to corporate governance requirements, including reports issued by the Head of Corporate Services on behalf of the Accountable Officer.	Covered by point 'g' of current remit.
As well as financial and value for money audits, the Committee may consider other related topics as appropriate.	Covered in part by point 'f' of existing remit, but may require to be broadened.

CNPA AUDIT COMMITTEE

Proposed revision to Terms of Reference (additions in italics)

- Membership:** 5 (quorum 3)
- Members:** Eric Baird
Sally Dowden – replace with newly appointed member?
Sue Walker
Bob Wilson
Duncan Bryden
- Staff in Attendance:** Chief Executive (Accountable Officer) – non voting
Head of Corporate Services - non voting
- External Attendance:** To include external auditor and internal auditor as required. *These representatives have the right to free and confidential access to the Chair of the Committee.*
- Remit:**
- a) To agree appointment of an internal auditor;
 - b) To oversee and monitor the development of the CNPA's internal audit plan (in accordance with the Scottish Public Finance Manual);
 - c) To receive and consider reports by the internal auditor; *review the adequacy of management responses to issues identified by audit activity, and to review arrangements for monitoring implementation of agreed recommendations*
 - d) To monitor the adequacy of the CNPA's internal control systems;
 - e) *To review the planned activity of the Authority's external auditors and to consider reports by the external auditor on the CNPA's annual accounts and other matters;*
 - f) To oversee the CNPA's arrangements for ensuring use of resources economically, efficiently and effectively (as required by s.19 of the National Parks (Scotland) Act 2000).
 - g) To oversee the CNPA's risk management and corporate governance arrangements.
 - h) *To provide advice to the Accountable Officer on completion of the Statement of Internal Control.*
 - i) *To review major findings of other relevant audit reports or Parliamentary Committee findings, insofar as they affect the overall performance of the Authority*
- Committee Life:** Permanent, but with a review of membership, chairmanship and remit each year (in September).