

Cairngorms National Park Authority

ANNUAL INTERNAL AUDIT PLAN 2016-17

March 2017 update



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1. INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in the Firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular the International Professional Practices Framework of the Chartered Institute of Internal Auditors, and the Public Sector Internal Audit Standards (PSIAS).

Internal Audit at Cairngorms National Park Authority (CNPA)

We have been appointed as internal auditors to CNPA to provide the Board (via the Audit & Risk Committee), the Chief Executive (as Accountable Officer), the Corporate Services Director and other managers with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at CNPA will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit plan for 2016-17 we have sought to gain an understanding of the business of CNPA together with its risk profile, through document review and interview of key staff. This plan has been developed in the context of:

- The overall business strategy of CNPA
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing CNPA

2. AUDIT RISK ASSESSMENT

Background

Our risk based approach to internal audit uses CNPA's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of CNPA's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Organisation's current risk profile.

Planned approach to internal audit 2016-17

The Internal Audit proposed audit programme for 2016-17 is shown at Appendix I. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified during that period.

We have set out further in Appendix II the rationale for the inclusion of particular reviews in the audit plan, based on our initial review of the Organisation's risk register, discussions with a number of key stakeholders and consideration of various documents, publications and information sources.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within CNPA. Where revisions are required we will obtain approval from the Corporate Services Director prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to CNPA and which ensures availability of key officers.

A proposed phasing of our audit plan, based on our current understanding of CNPA's workloads is set out in Appendix III.

Variations to the Plan

Significant variations to the plan arising from our reviews, changes to CNPA's risk profile or due to management requests will be discussed in the first instance with the Corporate Services Director and approved by the Audit & Risk Committee before any variation is confirmed.

3. PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering this programme to you is shown below:

Name	Grade	Telephone	Email
Claire Robertson	Director	07583 237579	claire.robertson@bdo.co.uk
Andrew O'Donnell	Senior Auditor	0141 248 3761	andrew.odonnell@bdo.co.uk

Our indicative staff mix to deliver the programme is shown below:

Grade	2016-17 (days)	Grade Mix (%)
Director	8	20
IT Consultants	4	10
Auditors (Qualified)	36	60
Audit Assistant (Part Qualified)	4	10
Total	52	100

The core team will be supported by specialists from our national Risk and Advisory Team and wider firm as and when required.

Reporting to the Audit & Risk Committee

We submit the Internal Audit Plan for discussion and approval by the Audit & Risk Committee at its meeting on 1st July. We will liaise with the Corporate Services Director and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit & Risk Committee meeting.

Following completion of the internal audit programme for 2016-17 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

APPENDIX I

Internal Audit Plan 2016-17

Assurance Theme	Subject	Days	Assurance / Advisory
Governance and Risk	Risk management	5	Advisory
Internal Control Systems	LEADER administration	7	Assurance
	Project financing	5	Assurance
	Tomintoul and Glenlivet Landscape Partnership	5	Assurance
	Grant funding and management	4	Assurance
	Core financial processes	5	Assurance
	Pensions administration	4	Assurance
	ICT General Controls Review	10	Assurance
	Follow up	3	Assurance
Indirect Audit Activity	Audit plan development & client liaison	2	
	Audit & Risk Committee & annual reporting	2	
TOTAL		52	

APPENDIX II

Internal Audit Plan Overview

Overview

The plan overview sets out the proposed audits in more detail and highlights further comment and rationale for inclusion in the Annual Internal Audit Plan 2016-17, together with the risk assessment source.

We will scope individual audits in advance of commencing any reviews and agree terms of reference with key officers involved.

Audit Area	Comment	Source
Risk Management	<p>We will assess the maturity and effectiveness of the risk management arrangements in the following key areas:</p> <ul style="list-style-type: none"> • strategic direction (including policy, roles and responsibilities, objectives and communication) • process for identifying, evaluating and measuring key risks (strategic and operational) • operational management (training, induction, and risk reporting) 	<ul style="list-style-type: none"> a) BDO assessment b) Executive Management
LEADER Administration	<p>The Service Level Agreement (SLA) between Scottish Government and Accountable Bodies for LEADER Local Action Groups (LAGs) requires an annual internal audit of the functions and services undertaken by each Accountable Body (AB) in fulfilment of their role, including an internal audit assessment of the extent of observance by the Accountable Body of the requirements of the SLA. We will assess whether efficient, effective and well controlled processes have been developed to ensure compliance with the service level agreement, whether roles and responsibilities have been clearly defined, and whether there is sufficient management oversight of the programme.</p>	<ul style="list-style-type: none"> a) Risk Register - A1 b) Executive Management
Project Financing	<p>LEADER and Tomintoul and Glenlivet Landscape Partnership Projects represent significant project activities on which the Authority has a lead stewardship role for financial management, accounting and grant claims. We will review the robustness of the arrangements in place to manage project expenditure, separate project accounting from main CNPA accounts, and to manage cash flow considerations associated with these activities.</p>	<ul style="list-style-type: none"> a) Risk Register - A9 b) Executive management

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Internal Audit Plan Overview

Audit Area	Comment	Source
Tomintoul and Glenlivet Landscape Partnership - development project close and delivery	We will review the completeness and robustness of the processes surrounding closure of the development stage of the project, assessing whether project funds have been accurately accounted for and verified as eligible, all relevant grant funding has been claimed, and all financial elements have been reconciled. Our review will also consider the robustness of the project administration arrangements for the full delivery phase of the project, and the clarity of the project governance arrangements.	a) Risk register - A9 b) Executive Management
Grant Funding and Management	Cairngorms NPA undertakes significant work through grant funding third party organisations. Our review will consider the arrangements in place to evaluate applications for grant funding and to award and monitor these grant funding arrangements, ensuring the agreed objectives are achieved.	a) Risk Register - A1, A8 b) Executive Management
Core CNPA Financial Processes	We will perform a high level controls review across all key financial control systems. This will include a review of processes relating to purchasing, income, cash and banking, payroll and fixed assets. This will be complemented by more detailed reviews of specific financial control areas in year 2 and 3 of the plan, informed by the outcome of this review.	a) Risk Register - A1 b) Executive Management
Pensions Administration	We will review the adequacy and robustness of the pension administration arrangements, including a review of the processes and procedures in place for compiling the annual certificate.	a) Executive Management

APPENDIX II

Internal Audit Plan Overview

Audit Area	Comment	Source
ICT General Controls Review	<p>Cairngorms NPA is reliant on its ICT infrastructure and business systems to deliver services effectively to internal and external stakeholders. We will carry out an assessment of the general technology control environment by considering the adequacy of network security at both the logical and physical layers. We will also assess arrangements in place for the monitoring, maintenance and administration of the network and network devices. A core part of our review will be to assess the level of resilience and redundancy built into the network by considering network availability, data backups and ICT disaster recovery planning. We will also review the adequacy of service desk arrangements including incident, change and performance management.</p> <p>Our work for the ICT General Controls Review will act as a key input to a separate advisory exercise which will be delivered as part of the 2017-18 Internal Audit Plan. This work will aim to provide a snapshot of the current information technology landscape highlighting potential areas of weakness that may adversely impact current business processes or the achievement of longer term strategic objectives outlined in the Corporate Plan.</p>	a) Executive Management

APPENDIX III

Phasing of the Plan

Respecting existing work pressures, and subject to the availability of key officers, we would look to agree with Cairngorms NPA the phasing of our audit work as shown in the following tables. We would normally seek to phase our work around Audit & Risk Committee dates.

Block 1: April - June 2016

Review	Proposed Audit Sponsor
Risk management	David Cameron

Block 2: July - September 2016

Review	Proposed Audit Sponsor
LEADER administration	David Cameron
Pensions administration	David Cameron

Block 3: October - December 2016

Review	Proposed Audit Sponsor
Project financing	David Cameron
Core CNPA financial processes	David Cameron

Block 4: January - March 2017

Review	Proposed Audit Sponsor
Tomintoul and Glenlivet Landscape Partnership	Hamish Trench
Grant funding and management	David Cameron
ICT General Controls Review	David Cameron

APPENDIX IV

Internal Audit Strategy 2016 - 2019

We have set out on the next two pages the areas selected for internal audit coverage from 2016-17 to 2018-19. These areas have been selected to ensure there is a spread of assurance over different financial, strategic and operational areas in each year.

Assurance Theme	Subject	Risk Register	2016 - 2017	2017- 2018	2018- 2019
Governance and Risk	Corporate Governance	✓		✓	
	Risk Management	✓	✓		
	Business performance management				✓
	Business Continuity Planning				✓
Internal Control	LEADER Administration	✓	✓	✓	✓
	Project Financing	✓	✓		
	Tomintoul and Glenlivet Landscape Partnership	✓	✓		
	Grant Funding and Management	✓	✓		
	Financial Processes	✓	✓	✓	✓
	Pensions Administration	✓	✓		
	ICT General Controls Review		✓		
	Project Management	✓		✓	
	Communications and Social Media Strategy	✓		✓	
	ICT performance & strategic development (phase 1)	✓		✓	

APPENDIX IV

Internal Audit Strategy 2016 - 2019 (continued)

Assurance Theme	Subject	Risk Register	2016 - 2017	2017- 2018	2018- 2019
	Resource Planning	✓			✓
	Partnership Management	✓			✓
	Stakeholder Engagement	✓			✓
	Follow up		✓	✓	✓

APPENDIX V

Risk Register

We have linked our strategic Internal Audit plan to Cairngorms National Park Authority's risk register, which is summarised below.

Risk ref.	Risk	Audit Coverage	Gross Risk	Net Risk
A1	Resources: public sector finances constrain capacity to allocate sufficient resources to deliver corporate plan.	18/19	25	12
A2	Government and Policy: wider national political changes and policy direction force change away from current objectives.	18/19	10	8
A3	Governance: Board and changes to membership cause mission drift away from agreed priorities.	17/18	20	8
A4	Staff and Communications: staff work not sufficiently prioritised toward Corporate Plan objectives.	17/18, 18/19	15	6
A5	Partnerships: key partnership delivery mechanisms do not operate to deliver corporate priorities.	16/17, 17/18, 18/19	15	8
A6	Staff and Communications: organisational morale and motivation drops within a difficult overall public sector financial and delivery climate and ongoing organisational development.	17/18	16	6
A7	Staff and Communications: staff do not buy into or strive to deliver the vision, mission and values of the Authority.	17/18, 18/19	15	5
A8	Reputation: perceived actions and behaviours of the Authority are not commensurate with our values and produce an organisational reputation not in keeping with the vision of an outstanding national park.	16/17, 17/18	15	6
A9	Resourcing: competing demands prevent adequate consideration of longer term priorities around delivery of NPPP	18/19	25	8
A10	Partnerships: transfer of Crown Estates may result in significant disruption to established patterns of partnership working with key land-owned and reduced effectiveness in delivery with this key stakeholder group.	18/19	12	6

APPENDIX V

Risk Register

Risk ref.	Risk	Audit Coverage	Gross Risk	Net Risk
C1	Partnerships: Conservation partnerships, crucial to delivery of priorities across land owned by others, are not formed or sufficiently developed to deliver conservation priorities.	18/19	15	8
C2	Staff and Communications: partners' staff are not engaged with or do not buy into the Authority's conservation priorities.	17/18	15	10
V1	Partnerships: competing priorities act to prevent or delay delivery of Cairngorm and Glenmore Strategy and Active Cairngorms Strategy.	18/19	16	8
V2	Resourcing: delivery of strategic path networks / tourism infrastructure is not achieved or delayed as insufficient resource is allocated to project development or delivery stages.	17/18	20	9
R1	Resources and Partnerships: the broad partnership, policy combination and financial resources required to address challenges of housing delivery are not sufficient.	18/19	16	9
R2	Resourcing and partnerships: breadth of need and limitation of resource available prevents "transformational change" within most fragile communities.	18/19	20	9

APPENDIX VI

Internal Audit Charter

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within Cairngorms National Park Authority ("the organisation") and defines the scope of Internal Audit activities.

Internal Audit's Purpose

Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps the Organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit & Risk Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the Organisation's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all the Organisation's records, property, and personnel relevant to the performance of engagements
- Obtain the necessary assistance of the Organisation's personnel in relevant engagements, as well as other specialised services from within or outside the Organisation.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, and reporting.

The Head of Internal Audit will:

Strategy

- Develop and maintain an Internal Audit Strategy
- Review the Internal Audit Strategy at least annually with management and Audit & Risk Committee

APPENDIX VI

Internal Audit Charter

Planning

- Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- Engage with Management and consider the Organisation's strategic and operational objectives and related risks in the development of the Internal Audit Plan
- Review the Internal Audit Plan periodically with management
- Present the Internal Audit Plan, including updates, to the Audit & Risk Committee for periodic review and approval
- Prepare an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- Submit the Internal Audit Budget to the Audit & Risk Committee for review and approval annually
- Coordinate with and provide oversight of other control and monitoring functions, including Risk Management, Compliance & Ethics, and external audit
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Organisation.

Performance

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish Internal Audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the Internal Audit Budget
- Ensure the ongoing effectiveness of Internal Audit activities.

Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit & Risk Committee summarising Internal Audit activities and the results of Internal Audit Engagements
- Provide periodic reports to management and the Audit & Risk Committee on the status of management actions taken in response to Internal Audit Engagements
- Report annually to the Audit & Risk Committee and management on Internal Audit performance against goals and objectives
- Report as needed to the Audit & Risk Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit & Risk Committee of emerging trends and practices in internal auditing.

APPENDIX VI

Internal Audit Charter

Independence and Internal Audit's Position within CNPA

To provide for Internal Audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit & Risk Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Corporate Services Director who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment should be disclosed to either the Corporate Services Director, or the Chair of the Audit & Risk Committee, dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the Organisation; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any Organisation employee not employed by the Internal Auditing Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Internal Audit's Scope

The scope of Internal Audit activities includes all activities conducted by the Organisation. The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors, and the Public Sector Internal Audit Standards (PSIAS). This Charter is a fundamental requirement of the CIIA Framework.

Approval and Validity of this Charter

This charter shall be reviewed and approved annually by Management and by the Audit & Risk Committee on behalf of the Board of the Organisation.

APPENDIX VII

Internal Audit Working Protocols & Performance

Working Protocols

The table below illustrates the key communication and reporting points between the Organisation and Internal Audit, which we will be subject to regular review. Any future changes to the communication and reporting points will be reported to the Audit & Risk Committee for approval.

Table One: Liaison Meetings between Internal Audit and Cairngorms NPA

Meeting	Frequency	Audit & Risk Committee	Corporate Services Director	Managers	Relevant Staff	External Audit
Internal Audit Update Meeting	As required		✓	✓		
Quality Assurance Meeting	Annually		✓			
Internal Audit Liaison meeting with Chair of Audit & Risk Committee	As required	✓				
Access to Audit & Risk Committee to discuss internal audit progress	As necessary	✓				
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	
Meetings with External Audit	As necessary					✓

APPENDIX VII

Internal Audit Working Protocols & Performance

Table Two: Key reporting points between Internal Audit and Cairngorms NPA

Meeting	Audit & Risk Committee	Corporate Services Director	Managers	Relevant Staff	External Audit
Annual Internal Audit Plan	✓	✓	✓	✓	✓
Individual Internal Audit Planning Documents			✓	✓	
Draft Internal Audit Reports			✓	✓	
Final Internal Audit Reports	✓	✓	✓	✓	✓
Quality Progress Reports	✓				
Annual Internal Audit Report	✓	✓		✓	✓

APPENDIX VII

Internal Audit Working Protocols & Performance

Performance Measurement

Performance measurement is the use of measures and associated targets to assess objectively the performance of a body. It is now well established as an important means of improving performance and reinforcing accountability. BDO LLP has been appointed as internal auditors to Cairngorms National Park Authority, subject to satisfactory performance. Consequently there is value in reviewing the quality of our service on a regular basis.

Internal Audit Performance measures and indicators

Internal audit performance can be assessed in two ways. Firstly, there is the ability for us to self assess our performance on a regular basis and report back to the Audit & Risk Committee on certain measures around inputs and satisfaction from those officers who have been subject to a review. Secondly, the view of the Audit & Risk Committee as to the value being received from its internal audit provider has to be taken into account. For our part we will look to report to the Audit & Risk Committee regularly on the internal audit inputs as detailed below.

The tables below contain performance measures and indicators that we consider to have the most value in assessing the efficiency and effectiveness of internal audit. We recommend that the Audit & Risk Committee approves the following measures which we will report to each meeting and / or annually as appropriate.

Table Three: Performance Reporting to each Audit & Risk Committee

Measure / Indicator
<i>Audit Coverage</i>
Audits completed against the Annual Audit Plan
Actual days input compared with Annual Audit Plan
<i>Audit Planning and Reporting</i>
Days to issue draft report after end of fieldwork

APPENDIX VII

Internal Audit Working Protocols & Performance

Table Four: Annual performance reporting to Audit & Risk Committee

Measure / Indicator
<i>Relationships and Customer Satisfaction</i>
Customer Satisfaction Reports
<i>Staffing and Training</i>
Staff mix compared with budget
Percentage of Partner and Manager time
Continuity of staffing
Use of specialist staff (e.g. IT Risk and Advisory)
Provision of appropriate training for staff

Management Performance Measures and Indicators


Management's ability to respond efficiently to internal audit findings and recommendations helps the Audit & Risk Committee to form its own view of the internal control framework. Importantly, Management's consideration of internal audit findings plays a contributory factor in our ability to deliver timely reports to the Audit & Risk Committee. We recommend, therefore, that the following measures are also reported to the Audit & Risk Committee.

Measure / Indicator	Timing
<i>Audit Reporting</i>	
Days for receipt of management responses	As data becomes available

Other Performance Measures

In addition to the above mentioned measures we will also provide the Finance Committee with the results of other reviews of our internal audit service as and when they become available, including:

- Independent quality assurance reviews as required by the Chartered Institute of Internal Auditors (IIA); and
- BDO internal quality assurance reviews



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