



Cairngorms National Park Authority

Review of Governance and Accountability

Internal Audit 2010/11

November 2010

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CNPA – Review of Governance and Accountability

Executive Summary

Background

The Cairngorms National Park was established in September 2003 and the Cairngorms National Park Authority (CNPA) became fully operational on 1 September 2003. Since its establishment, the Park Authority has had several responsibilities including managing outdoor access in the Park, planning and development management, the production of a Local Plan and the publication of a National Park Plan.

The Cairngorms National Park Authority's board comprises 19 members. The Scottish Ministers appoint seven members, another seven are nominated to the Board by the five councils in the Park area (Highland, Aberdeenshire, Moray, Angus and Perth and Kinross Councils) and five are elected locally. The members will then serve between 18 months and four years.

The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties.

Governance is concerned with accountability and responsibilities; it describes how an organisation is directed and controlled. In particular, governance is concerned with:

- Organisation - the organisational structure, grouping, and co-ordinating mechanisms (such as steering groups) established within the organisation and in partnership with other bodies, for the management of change.
- Management - the roles and responsibilities established to manage business change and operational services, and the scope of the power and authority which they exercise.
- Policies - the frameworks and boundaries established for making decisions about investment in business change, and the context and constraints within which decisions are taken.

The governance structure in place within CNPA has the Board at the top of the structure, supported by Finance, Audit and Staffing and Recruitment Committees. Each committee will have Board level representation in the form of five members. The Planning Committee is a standalone Committee which does not formally report to the Board, however all Board members are currently Planning Committee members. The governance and effectiveness of the Planning Committee has been reviewed separately as part of the 2009/10 internal audit plan.

Working groups and forums will also be established as required, they will be tasked with directing and driving the planning and delivery of particular actions or projects. The current groups in place are:

- Cairngorms Deer Advisory Group;
- Cairngorms National Park Strategy Group;
- Inclusive Cairngorms;
- Land Management Forum;
- Local Outdoor Access Forum; and
- Sustainable Tourism Forum.

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Scope and Objectives	We have undertaken a key controls review to ascertain the adequacy and effectiveness of the internal control environment in place over the CNPA governance and accountability arrangements. This forms part of our annual audit of operational areas within CNPA. Our full scope is included at Appendix A .
Approach	We reviewed the actions of the board and associated committees at CNPA from end to end including a detailed review of relevant documentation and testing of key procedures on a sample basis. Our review also included interviews with employees and key stakeholders. Our audit included a review of the Data Protection, Freedom of Information and Complaints procedures in place within the organisation.
Overview of Key Findings	<p>Controls over Governance and Accountability offer scope for improvement, particularly in relation to the development of a Data Protection policy and management of the existing Complaints Management and FOI policies.</p> <p>The most significant findings arising from our work are summarised below.</p> <ul style="list-style-type: none">• CNPA does not have an over-arching Data Protection Policy; and• Planned review dates and the formal ownership of the Complaints Management and FOI policies have not been formally documented. <p>We also identified two low priority findings which are detailed in the main body of the report.</p> <p>Based on the work performed over the control environment across governance and accountability in CNPA, our overall assessment is that the current design and operation of controls is Adequate.</p>

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Executive Summary

Summary

The following table summarises our findings by priority and nature. Our detailed recommendations for improvement are shown in the Findings section.

Objectives	Total	Priority			
		Very High	High	Medium	Low
Board and Committees	2	-	-	-	2
Management Teams	-	-	-	-	-
Corporate Activities	2	-	-	2	-
Total	4	-	-	2	2

Very High
High
Medium
Low

<i>Fundamental control weaknesses or opportunities identified.</i>
<i>Major control weaknesses or opportunities identified or a significant volume of important weaknesses or opportunities identified.</i>
<i>Important control weakness or opportunities identified or a significant volume of individual control weaknesses.</i>
<i>Minor control weaknesses or improvement opportunities identified, generally of a lower risk nature.</i>

A more detailed explanation of the above priorities can be found at **Appendix B**.

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Findings

Objective – Compliance with the Data Protection Act (Corporate Activities)				
Finding		Recommendation	Rationale	
1 – Data protection policy				
<p>CNPA has data protection information available to staff within the Staff Handbook including information such as electronic filing and desk space management, management of emails, definitions of the data protection act principles and instructions for handling the media.</p> <p>However, there is no overarching publicly available document in place to guide the organisation’s ongoing management of data.</p>		<p>A Data Protection Policy should be developed by CNPA stating how it intends to comply with the requirements of the Data Protection Act and the purposes for which it holds data types that are named within the Act.</p>	<p>The policy will ensure that the organisation is publicly committed to compliance with Data Protection principles and that there are clear guidelines for compliance with the Act.</p>	
Management Response			Responsibility/ Deadline	Priority
<p>Recommendation agreed. The Authority will develop a Data Protection Policy to complement the information already set out in the staff handbook and the all-staff training that took place in Mach 2010.</p>			<p>Director of Corporate Services & Corporate Managers / June 2011</p>	<p>Medium</p>

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Findings

Objective – Review of Complaints Management and FOI (Corporate Activities)			
Finding		Recommendation	Rationale
2 – Policy ownership and review			
<p>A high-level review of the content and format of the CNPA Complaints Policy and Procedure was undertaken, with the following issues noted:</p> <ul style="list-style-type: none"> • No policy author or owner is named; • There is no publication date; • There is no details of who approved the policy; • The version is not documented to ensure control; • There is no detail of when the policy was last reviewed and when it should next be reviewed; and • There is no guidance on the management of multi-partner complaints. <p>A similar review was undertaken of the content and format of the CNPA Freedom of Information (FOI) Policy. A publication date was included in this document, but the remaining exceptions noted above, were not identified.</p>		<p>The CNPA Complaint and FOI policies should be updated to include, as a minimum, the following information:</p> <ul style="list-style-type: none"> • Name of the author and policy owner • Date of publication • Who approved the current version and when • A version control number (e.g. v2.1) • The date the policy was last reviewed • When it should next be reviewed and by whom 	<p>Having clear version control helps ensure that the readers of policies can ensure that they are reading the most up-to-date and therefore relevant documentation.</p> <p>A formal documentation of policy ownership and reviewer status will help ensure that those tasked with these activities can be identified as required.</p>
Management Response		Responsibility/ Deadline	Priority
Principle of recommendation is agreed. The Authority does not employ a standard system of version control numbers, but policies will be updated to highlight other control aspects identified.		Director of Corporate Services / March 2011	Medium

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Findings

Objective – There is a reporting structure in place where ultimately the Board receive assurance on all aspects of the organisation’s activities (Boards and Committees)				
Finding		Recommendation	Rationale	
3 – Draft finance committee minutes				
<p>A review was undertaken of the minutes, published on the CNPA website, of the Board and its committees. Three exceptions were identified where the minutes of the Finance Committee were marked as draft although they had been approved at the subsequent meeting of the committee.</p> <p>The exceptions were the minutes of the meetings held on 7 August 2009, 30 October 2009 and 19 February 2010.</p>		<p>Once the minutes of the meetings of the Finance Committee have been approved at the subsequent meeting of the Committee they should be marked as final before being added to the list of documents published on the website.</p>	<p>Where documents are published on the website that are marked as draft, reader ambiguity could be created as to whether the documents are the final version or whether they may still be subject to change.</p>	
Management Response			Responsibility/ Deadline	Priority
<p>Principle of recommendation is broadly agreed. The Authority places great value on openness and transparency and the key driver is therefore to ensure that draft minutes of meetings are available on the website as soon as possible. Draft minutes will always therefore be available on the website. Documents are updated to show they are final when the availability of relatively limited administration resources allow.</p>			<p>Director of Corporate Services / Ongoing</p>	<p>Low</p>

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Findings

Objective – Agendas are appropriately structured and action points from discussions are appropriately communicated and monitored					
Finding		Recommendation		Rationale	
4 – Recording and monitoring of action points					
<p>A review of the structure of the minutes of the Board and Committee minutes identified several minor opportunities for improvement, as follows:</p> <ul style="list-style-type: none"> • There is no standard format for the recording of action points; • Actions are not assigned reference numbers for tracking purposes; • Points of action are not always immediately identifiable in CNPA minutes. Actions may be highlighted in bold, however, this formatting is also used to bring the reader's attention to other points, such as the noting of a paper by the committee. 		<p>Action points should be immediately identifiable, this could be achieved by the use of a lined border around each action.</p> <p>Action points should be assigned a reference number that is quoted in subsequent discussions. Periodic reviews of outstanding actions should also be undertaken and as a minimum on an annual basis.</p> <p>A listing of outstanding action points from each committee should be added as a paper for information on each agenda. As a minimum this should include: details of the dates that each items was discussed; when a response is due; from whom; with any reasons for deferral documented and revised dates for action.</p>		<p>A standardised approach to the recording and management of action points across Board and Committee papers will assist readers in the tracking the actions of the meeting.</p> <p>The assignment of an action point tracking number will assist in both the tracking and subsequent recording of actions taken through the provision of a stronger audit trail.</p> <p>Action points will be immediately identifiable and stand out from the body of committee minutes if they have a lined border.</p>	
Management Response			Responsibility/ Deadline		Priority
Recommendation agreed.			Director of Corporate Services / Ongoing		Low

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Appendix A: Detailed Scope

Scope

The Cairngorms National Park was established in September 2003 and the Cairngorms National Park Authority (CNPA) became fully operational on September 1st 2003.

Since it was established the Park Authority has had several responsibilities including managing outdoor access in the Park, planning and development management, the production of a Local Plan and the publication of a National Park Plan.

The Cairngorms National Park Authority's board comprises 25 members (note: there are only 23 board members at the moment). The Scottish Ministers appoint ten members, another ten are nominated to the Board by the four councils in the Park area (Highland, Aberdeenshire, Moray and Angus Councils) and five are elected locally. The members will then serve between 18 months and four years.

The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties.

This review will assess the governance systems by which CNPA is directed and controlled. In terms of assessing CNPA's governance arrangements our objectives were to assess whether:

Board and Committees

- There is a formal, rigorous and transparent procedure for the appointment of new members to the Board;
- Members receive an induction on joining the Board and regularly update and refresh their skills and knowledge;
- The Board sets and reviews the strategic plans of the organisation;
- The Board has delegated responsibility to key Governance Committees;
- The Board and associated Committees have a clear role and remit in discharging their responsibilities;
- Risk Management is embedded in the Board agenda and associated Committees;
- The Board and Committees regularly review their own performance;
- The Board and Committees meet on a frequent basis;
- Agendas are appropriately structured and action points from discussions are appropriately communicated and monitored; and
- There is a clear reporting structure in place where ultimately the Board receive assurance on all aspects of the organisation's activities.

Management Teams

- The Management Team undertakes (where appropriate) discussions and actions from outputs of Board and Committee meetings;

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Appendix A: Detailed Scope



- There is an appropriate representative from management at each Committee; and
- There is clear evidence of reporting back to Committee on action points and there is an appropriate structure in place to manage this.

Corporate Activities

We will undertake high level reviews in the following areas:

- Compliance with Freedom of Information Act;
- Compliance with Data Protection Act; and
- Complaints Management.

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Appendix B: Internal Audit Evaluations

Overall assessment

Assessment Rating	Description
Substantial	Controls / procedures accord with accepted good practice and are operating to a high standard.
Adequate	The majority of controls / procedures accord with accepted good practice and are operating, although some deficiencies exist which could result in loss or fraud.
Limited	Controls / procedures in place offer scope for considerable improvement and concern is expressed about their adequacy.
Inadequate	The existing control environment requires substantial revision, and results in an unacceptably high risk of the Company suffering financial and/or reputational loss.

Standards

Management should be aware that our internal audit work was performed according to the Institute of Internal Auditors - UK and Ireland standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assessment on any gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

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Appendix B: Internal Audit Evaluations

Priorities	Explanations
<p style="text-align: center;">Very High</p>	<p><i>Fundamental control weaknesses or opportunities identified.</i></p> <p>A “very high” rating reflects significant weaknesses in the systems of internal control or processes for monitoring performance that will undermine the continued operation of the service. As applicable within the audit scope, deficiencies exist with respect to compliance with applicable laws and regulatory or other requirements, CNPA policies and procedures, and sound control practices. A “Very High” rating indicates that <u>immediate corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</p>
<p style="text-align: center;">High</p>	<p><i>Major control weaknesses or opportunities identified or a significant volume of important weaknesses or opportunities identified.</i></p> <p>A “high” rating reflects weaknesses in the systems of internal control or processes for monitoring performance. As applicable within the audit scope, deficiencies exist with respect to compliance with CNPA policies and procedures, sound control practices, and/or applicable laws and regulatory or other requirements. A “High” rating indicates that <u>timely corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</p>
<p style="text-align: center;">Medium</p>	<p><i>Important control weakness or opportunities identified or a significant volume of individual control weaknesses.</i></p> <p>A “medium” rating reflects, based on the results of our limited testing, generally adequate systems of internal controls, processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. Operations generally conform to CNPA policies and procedures, sound control practices and/or applicable laws and regulatory or other requirements, although minor deficiencies may exist.</p> <p>A “medium” rating indicates that any deficiencies noted do not significantly impair operational effectiveness, violate policy, law or regulations, or weaken control.</p>
<p style="text-align: center;">Low</p>	<p><i>Minor control weaknesses or improvement opportunities identified, generally of a lower risk nature.</i></p> <p>A “low” rating indicates, based on the results of our limited testing, strong systems of internal controls and processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. No major control deficiencies or significant volume of weaknesses were noted by our limited testing.</p>

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte LLP

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November 2010

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