

**DRAFT MINUTES OF THE AUDIT AND RISK  
COMMITTEE MEETING of  
THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held via Lifesize Video Conferencing  
on 29 October 2021 at 2pm**

**PRESENT**

Judith Webb (Chair)  
John Kirk  
John Latham

Eleanor Mackintosh  
Fiona McLean (Vice-Chair)  
Gaener Rodger

**In Attendance:**

Elizabeth Young, Azets  
Stephanie Hume, Azets  
David Cameron, Director of Corporate Services  
Grant Moir, CEO  
Vicky Walker, Governance and Reporting Manager

**Apologies:** John Boyd, Grant Thornton,  
Chris Brown, Azets

**Welcome and Apologies**

1. The Chair welcomed everyone to the meeting. Elizabeth Young will replace Chris Brown who is on 6 month secondment and will be covering Chris' workload.

**Minutes of Last Meeting – Approval**

2. The draft Minutes of the meetings on 10<sup>th</sup> September 2021 were approved with no amendments.
3. **Action points arising from previous meeting:**
  - a) At Para 3) **In Hand** – ongoing discussion at Board and Governance Committee on risk appetite. Discussion are to be had with internal audit on supporting this work.

- b) **At Para 12i) Closed**– Clarify that former Planning Convener and Deputy Convener remain Board members on page 2 of Final Accounts 2020-2021. **DC confirmed this has been done.**
- c) **At Para 24i) In Hand** - Future Committee to focus on Heritage Horizons once programme had commenced. **Will continue as standing item from next committee.**
- d) **Capercaillie Update request – Closed for Audit and Risk Committee and now sitting with Performance Committee:** consultation is underway and will be discussed at Performance Committee this afternoon.

**The following action was agreed in recording actions:**

- e) Agreed to present action points into table with actions, accountability and deadlines for future minutes.
- f) Consider bringing in external resource to support pieces of work where there is resourcing impact.

**Declaration of Interests**

- 4. There were no interests declared.

**Internal Audit: LEADER Report (Paper 1)**

- 5. Stephanie Hume, Azets, introduced the report which presents the review of the Cairngorms LEADER Programme administration and the Cairngorms NPA's compliance with the terms of the Service Level Agreement (SLA) agreed with Scottish Government. She highlighted the following areas:
  - a) Largely positive report with 4 recommendations which are low grade.
  - b) Team extremely helpful when doing work. Audit found evidence of clear eligibility criteria and adjustments to working criteria due to Covid-19 were still compliant to SLA.
  - c) Recommendations focus on records management and need to reconcile retention periods between Scottish Government and CNPA. Electronic records were not restricted from being edited in windows explorer. Migration to cloud storage may resolve this issue although it is recommended a risk assessment is undertaken.
  - d) Recommendation that lessons learned are captured on processes as these are not routinely documented and should be captured in formal action plan for future work.
- 6. The Audit and Risk Committee discussed the paper and made the following comments and observations:

- a) A member requested clarity on how lessons learned had been implemented. The Director of Corporate Services stated there had been an independent review undertaken which sought views of all stakeholders. This exercise had distilled some of the key lessons learned from the programme delivery and the Director noted this audit was a helpful report and supported preserving the benefits of LEADER and future community development programme with Scottish Government. The Director will look at collective lessons learned internally from programme management and seek to distil those into a lessons learned exercise within the organisation.
- b) The Director of Corporate Services provided clarity on extension of projects during COVID 19 with a focus on delivery now completing by early December 2021.

**7. The Audit and Risk Committee:**

- a) Considered the internal auditors report and findings;
- b) Endorsed the management responses to recommendations for future action and system improvements.

**8. Action Points Arising:**

- i. Bring lessons learned back as Agenda item to a future Audit and Risk Committee.

**Internal Audit: Follow Up Review (Paper 2)**

- 9. Stephanie Hume, Azets, introduced Paper 2 which presents the Internal Auditor's follow up Review of action taken against audit recommendations. The following points were highlighted:
- 10. Overall 50 actions are covered by the report with the majority are grade 1 and grade 2 and therefore low level. Of this number, 7 had been closed, 10 were partially complete and 25 were not yet at the deadline for action to be resolved. Eight were therefore incomplete at the deadline point for action. It was recommended some old actions were updated and presented to Committee to agree it is noted as "no longer applicable": for example the grant toolkit is no longer appropriate as regulations have changed.
- 11. The Director of Corporate Services confirmed that some actions have slipped over the previous year but assured the committee there will be a focus to reduce these substantially in the final quarter of 2021-22.

12. The Audit and Risk Committee discussed the paper and made the following comments and observations:
  - a) A member queried when it would be appropriate for the Audit and Risk Committee to intervene. It was suggested the report presents an opportunity for the committee to set priorities and raise concerns about any outstanding actions and therefore these twice yearly reports gave the opportunity to members to make appropriate governance and leadership interventions.
  - b) A member queried how realistic data management timescales were? It was confirmed that some outstanding actions were dependant on some ongoing IT infrastructure work being completed which was scheduled for January 2022. It was suggested prudent to retain the earliest possible timescales to act on these matters and if COVID restrictions to office access prevented action the deadline could be amended.
  
13. **The Audit and Risk Committee:**
  - a) **Considered the internal auditor's report following review of action taken on outstanding internal audit recommendations;**
  - b) **Approved the revised timetables for action provided by management as set out in the internal auditor's report.**

### **Internal Audit: Progress Report (Paper 3)**

13. Elizabeth Young, Azets, introduced Paper 3 which presents the Internal Auditor's Progress Report. She outlined that the majority of plan was on track to be delivered over next couple of months. Internal audit reports were due for completion in November and February and would be presented to the February committee.
  
15. **The Audit & Risk Committee considered and agreed the internal auditor's progress report.**

### **Forward Schedule of Business (Oral)**

17. David Cameron, Director of Corporate Services introduced this item. Internal audit update will come to February meeting. He had also discussed with the internal audit supporting an assurance mapping exercise. The closure of 2021/22 accounts and timeline for closure will come to February meeting.
  
19. **The Audit & Risk Committee agreed the forward schedule of business for the Committee.**
  
20. **Action Points arising:**

- i. **Provide ARC with template for forward planning of meetings.**
- ii. **Members to continue to add items to draft agendas and request focus on specific areas.**

#### **Internal Audit: High Level VAT Review (Paper 4)**

21. Motion to take this item in Confidential session given it's commercially sensitive nature was approved.

#### **AOCB**

22. There were no items raised.

#### **Date of Next Meeting**

23. The next scheduled Audit and Risk Committee meeting will take place on Friday 11<sup>th</sup> February 2022.
24. The public meeting finished at 15:00 hours.

**DRAFT CONFIDENTIAL MINUTES OF THE AUDIT AND  
RISK COMMITTEE MEETING of  
THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held via Lifesize Video Conferencing  
on 29 October 2021 at 3pm**

**PRESENT**

Judith Webb (Chair)  
John Kirk  
John Latham

Eleanor Mackintosh  
Fiona McLean (Vice-Chair)  
Gaener Rodger

**In Attendance:**

Veronica Donnelly, Azets  
Elizabeth Young, Azets  
Stephanie Hume, Azets  
David Cameron, Director of Corporate Services  
Grant Moir, CEO  
Vicky Walker, Governance and Reporting Manager

**Apologies:**           None

**Internal Audit: High Level VAT Review (Paper 4)**

1. Veronica Donnelly, Azets introduced the report which presents the high level VAT review undertaken by Azets, the Authority's internal auditors, as part of the agreed 2020/21 Internal Audit Plan. The report established that there appeared merit in looking in more detail at underpinning arrangements in a number of operational areas to ensure documentation and language used does not inadvertently give rise to VAT issues. There was also merit in looking in more detail at a number of the Authority's more complex partnership arrangements to ensure appropriate arrangements were in place to mitigate any potential VAT implications.
2. The Audit and Risk Committee discussed the paper with the following comments and observations arising:

3. The audit was asked to identify any risk areas in the organisations VAT position and handling of VAT. The overall report has not highlighted significant concerns however there is a recommendation to ensure VAT is managed within governance arrangements and not exposing the organisation to any liabilities.
4. The audit considered examples of contracts and financial reports. As a non-departmental public body there was no special treatment for VAT. The threshold for VAT registration is currently 85k of income. This does not include monies to support activities and those activities being public realm (e.g. grant funding). Joint working arrangements is where HMRC could determine this is a supply of services for consideration. This where the main risk with CNPA's VAT status is.
5. The audit identified some income within the operational plan which could be interpreted as VAT eligible. If this exceeded the threshold in future there would be a legal requirement to register for VAT.
6. A member queried whether there were any benefits to being VAT registered. Veronica Donnelly, Azets, responded that this depends, as it only relates to business income but VAT recovery is available unless VAT chargeable to other party.
7. It was queried whether CNPA could apply for a Section 33 – VAT exemption as applies to National Parks in England. The Committee recognised this was a matter for discussion with Scottish government at appropriate time around VAT status. However the focus at the moment for the Authority is accepting current position and ensuring organisation is operating appropriately.
8. A member queried whether VAT amount payable could be negotiated. It was confirmed that it could not be negotiated.
9. There was consensus among members on the need for a detailed VAT review to understand what the risk is in relation to CNPAs management of VAT and to ensure key controls were in place within significant partnership programmes of work to properly manage the VAT position.
10. It was queried whether a VAT officer was needed within the organisation. The Director of Corporate services stated a call off arrangement maybe explored if review highlights significant work is required. He confirmed that current finance resource was being looked at as part of a wider piece of work.
11. Both the Chief Executive and Director of Corporate Services reassured the Committee they were looking at criteria on p. 9 and this appeared to confirm there was very limited

overall likely exposure. However, there is a clear need to ensure VAT arrangements are in place and are appropriate.

**3. The Audit and Risk Committee:**

- a) Considered the high level VAT report set out in the Annex to this paper;**
- b) Agreed a detailed VAT review should be added to the 2021/22 internal audit programme, to cover identified areas of the Authority's income as set out in Annex I, together with administrative arrangements supporting the Cairngorms Capercaillie Project, LEADER support and Peatland Action Programme and draft arrangements for coordination and management of the Heritage Horizons programme.**

**4. Action Points Arising:**

- i. Priority should be given to completed a detailed VAT review during the remainder of 2021-22.**

**5. The meeting closed at 14:39 hours.**