

Cairngorms National Park Authority

Report on the 2007/08 Audit



November 2008



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Contents

Executive Summary	1	Governance	7
Introduction	3	Performance Management	9
Financial Position	4	Looking Forward	11



Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by Cairngorms National Park Authority. We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial Position

Cairngorms National Park Authority met its financial target to stay within its resource budget this year. The organisation had a total resource budget of £4.633 million for 2007/08. The outturn for 2007/08 was an underspend of £11,551.

Scottish Ministers have agreed a resource budget for the Park Authority of £4.633 million for 2008/09, the same level as for 2007/08. Current projections forecast expenditure in line with this planned budget for the year.

Financial Statements

We have given an unqualified opinion on the financial statements of the Park Authority for 2007/08.

We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Performance

The Corporate Plan 2005-08 set out 5 strategic themes, each with a number of goals and milestones for delivery by 31 March 2008. These targets have been well progressed. The only exception to this is the formal adoption of the Local Plan, which has been delayed as a consequence of objections raised through the consultation process.

The Corporate Plan for 2008-2011 has been developed to align the work of the Park Authority with the National Park Plan which was approved in 2007, and also to demonstrate the linkage of objectives and outcomes with the Scottish Government's National Framework and strategic outcomes. The Park Authority's approach to this has been highlighted as a good practice example for other organisations currently developing this linkage.



Best Value

The Park Authority continues to make good progress in demonstrating Best Value in the organisation. The Scottish Government self assessment questionnaire has been completed to assess arrangements currently in place. Progress against the action plan developed is monitored on a six-monthly basis to ensure sufficient focus is placed on those areas where there is scope for further improvement. We will continue to monitor developments in this area and specific progress made against the action plan during 2008/09.

Governance

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for the Park Authority operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Looking forward

The final part of our report notes some key risk areas for the Park Authority going forward. We have highlighted a number of national issues which affect all public sector bodies such as the Park Authority, including the introduction of Scotland Performs; the impact of international financial reporting requirements; and the review of data handling arrangements in public bodies across Scotland. The Park Authority also faces challenges in successfully delivering its refocused activities against a background of tighter financial restrictions within the resource budget for 2008/09 and beyond.

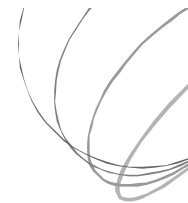
The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
November 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of Cairngorms National Park Authority. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 19 March 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of Cairngorms National Park Authority during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



Financial Position

4. In this section we summarise key outcomes from our audit of Cairngorms National Park Authority financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of Cairngorms National Park Authority and its expenditure and income for the period in question;
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
 - the consistency of the information which comprises the Foreword included in the Annual Report with the financial statements, and
 - the regularity of the expenditure and receipts.
6. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control, and
 - assessing whether disclosures in the statement are consistent with our knowledge of Cairngorms National Park Authority.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of Cairngorms National Park Authority for 2007/08.
8. As agreed the unaudited accounts were provided to us on 5 June 2008, supported by a comprehensive working paper package. The good standard of the supporting papers and the timely responses from Cairngorms National Park Authority staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 25 July 2008 as timetabled.



Financial Position

Outturn 2007/08

9. Cairngorms National Park Authority is required to work within the resource budget set by the Scottish Government. In 2007/08 Cairngorms National Park Authority stayed within both the cash and non cash elements of its resource budget – see exhibit 1 below.

Exhibit 1 – Performance against Resource Budget 2007/08

Resource Allocation (£million)	Budget	Actual Outturn	Difference
Grant in Aid – cash	4.546	4.536	0.010
Resource Cover – non cash	0.087	0.087	0.000
Total	4.633	4.623	0.010

2008/09 Budget

10. Scottish Ministers have agreed a resource budget for Cairngorms National Park Authority of £4.633 million for 2008/09. This comprises:

- £4.546 million grant in aid – the same level of resource as in 2007/08
- £.087 million to cover non cash costs.

Exhibit 2 – 2008/09 Resource Plan

	TOTAL	'CASH'	'NON CASH'
	£m	£m	£m
Grant in Aid (baseline)	4.546	4.546	0.000
Non cash resource	0.087	0.000	0.087
Resource Budget	4.633	4.546	0.087
Other Income Sources	0.055	0.055	0.000
Total Operating Plan	4.688	4.601	0.087
Analysed as:			
Grant in Aid		4.546	
Other sources		0.055	
'Total Cash'		4.601	
'Non cash' resource		0.087	
Total Operating Plan		4.688	



11. The Park Authority is expected to deliver 2% cash-releasing efficiencies from 2008/09 to 2010/11, and this is reflected in the budget agreed with Scottish Ministers. A number of actions have been identified by the Park Authority in order to realise these savings, focused mainly on the core budget. Actions include accommodation rationalisation with staff relocating from Morlich House, a planned reduction in staff costs through management of turnover, and a reduction in website hosting and development costs through retendering contracts.
12. Funding for 2009/10 and 2010/11 has been set at £4.757 million and £4.922 million respectively. We will monitor the financial plans being developed by the Park Authority to meet these future aspirations set out in the corporate plan, within these financial constraints.

Issues arising from the audit

13. Auditing standards require us to report to the audit committee the main issues arising from our audit of the financial statements. On 25 July 2008, we reported to the audit committee that no significant issues were identified.

Regularity Assertion

14. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.



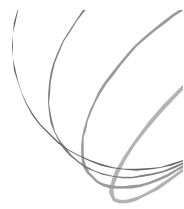
Governance

Overview of arrangements

15. This section sets out our main findings arising from our review of Cairngorms National Park Authority governance arrangements. This year we reviewed:
 - key systems of internal control
 - internal audit.
16. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 7-8). Our overall conclusion is that arrangements within the Park Authority are sound and have operated through 2007/08.

Strategy and delivery

17. The Corporate Plan 2008-11 has been approved by Scottish Ministers and was implemented during 2008. This plan aligns the work of the Park Authority with the National Park Plan priorities for action and the Scottish Government's National Framework and Strategic outcomes.
18. A strategic review of Scotland's two National Park Authorities commenced during 2007/08. The first stage looked at the ways in which the functions of the Park Authorities can be best delivered. The key recommendations of the review include a reduction in the size of boards, an increase in the proportion of directly elected members, and the introduction of a ministerially chaired National Parks Strategy Group. The review also recommended that future organisational arrangements should be reviewed again, should any further National Parks be created in Scotland. A three month consultation period on the recommendations is due to finish in February 2009.
19. A second stage of the review was planned for late 2008, however the recommendations of the first stage encompass most of the planned areas of coverage, including the possible need for other boundary changes in either of the Parks and criteria for future National parks. It is proposed that outstanding issues of powers and responsibilities of National Park Authorities will now be addressed by the National Parks Strategy Group.
20. The Park Authority is a member of Scotland's Environmental and Rural Services (SEARS), a partnership designed to deliver streamlined services for rural land managers. Phase 1 of the partnership, launched in June 2008, focuses on:
 - a customer focused service, with closer partner working



- co-ordination of visits and inspections, to minimise duplication across partners
 - a “one door” approach, where any SEARS partner covering a topic can be approached for information
 - consistent and responsive service across SEARS partners, including common and transparent customer care standards.
21. The SEARS project provides the Park Authority and other partners with an opportunity to identify efficiency gains through collaborative working. Although the Park Authority is a relatively small organisation in relation to other stakeholders, SEARS could have a significant impact on the way it operates, including the resources required to develop proposals and deliver expectations. We will continue to monitor developments in this area during 2008/09.

Systems of internal control

22. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2007/08 the internal audit provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
23. As part of our audit we reviewed the high level controls in a number of the Park Authority's systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively.

Prevention and detection of fraud and irregularities

24. The Park Authority has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.

Internal Audit

25. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on the Park Authority's internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2007/08, as we anticipated in our annual audit plan.



Statement on Internal Control

26. The Statement on Internal Control provided by the Park Authority Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out Cairngorms National Park Authority approach to this.

Performance Management

27. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
28. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

Best Value developments

29. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
30. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
31. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
32. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.



33. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.
34. The Park Authority completed the Scottish Government self assessment questionnaire during 2007/08. This exercise was undertaken to assess the Best Value arrangements currently in place. The exercise demonstrated that good progress was being made in embedding Best Value within the organisation. Progress against the developed action plan is monitored on a six-monthly basis to ensure sufficient focus is placed on those areas where there is scope for further improvement.

Efficiency

35. The Park Authority, in line with other public sector bodies, is required to make 2% efficiency savings in 2008/09 financial plans. As noted earlier in this report, consideration has been given to how this is to be achieved and arrangements have been put in place to action this.
36. These will be challenging targets for the Park Authority to achieve and we will keep developments in this area under review during 2008/09.

Performance Management

37. The Corporate Plan for 2005-2008 set out the Park Authority's aims and how these would be delivered. The plan set out 5 strategic themes, each with a number of goals and milestones for delivery by 31 March 2008. These targets have been well progressed. The only exception to this is the formal adoption of the Local Plan, which has been delayed as a consequence of objections raised through the consultation process. Final modifications are now being made to the plan, and the Park Authority is currently liaising with the Scottish Government Reporters unit about the timing of an enquiry into the local plan. It is hoped that the finalised plan will be adopted before the end of 2009.
38. The Corporate Plan for 2008-2011 has been developed to align the work of the Park Authority with the National Park Plan which was approved in 2007, and also to demonstrate the linkage of objectives and outcomes with the Scottish Government's National Framework and strategic outcomes. A monitoring process has been adopted and regular updates on progress are presented to Board. The Park Authority's approach to this has been highlighted as a good practice example for other organisations currently developing this linkage.



Looking Forward

39. The Park Authority faces a number of challenges in 2008/09, which include:

- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements have now been issued by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. Organisations need to develop their own performance management frameworks and ensure these align appropriately with the Scotland Performs framework. The Park Authority has made good progress in this area already, and we will continue to monitor developments as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on leases and infrastructure accounting. The challenge for the Park Authority is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. The final report, published in June 2008, identified good practice across the public sector, and



made a number of recommendations for improvement. We will monitor the Park Authority's response to the review and action taken as part of our 2008/09 audit.

- **Scotland's environment and rural services (SEARS)** – Phase 1 of the project was implemented in June 2008. Phase 2 will be launched at Royal Highland Show in 2009, and a programme of work leading to and beyond the 2009 show has been developed by the Project Board. The Park Authority is represented on the Programme and Project Boards and will contribute as required to various workstreams. We will continue to monitor developments in this area.
- **Strategic Review** – Phase 1 recommendations from the strategic review including the board size, proportion of directly elected members, and collaboration between the Park Authorities are currently being consulted on. Future decisions by the proposed National Park Strategy Group could still have a significant impact on the way in which the Park Authority operates in the future, including its responsibilities, operation and boundaries.
- **National Park Plan** – The National Park Plan can only be achieved through the collective efforts of all partners. This is the first time that the Park Authority has entered into a joint initiative on this scale. In order for the National Park Plan to be delivered all bodies contributing to the achievements must engage appropriately and play their role to ensure successful delivery. We will continue to monitor the arrangements in place for joint working and the achievements against the National Park Plan as part of our 2008/09 audit.