

**CAIRNGORMS NATIONAL PARK AUTHORITY  
AUDIT COMMITTEE**

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**Title: CURRENT STATE OF INTERNAL CONTROL SYSTEMS**

**Prepared by: ANDY RINNING, HEAD OF CORPORATE SERVICES**

**Purpose**

To provide the Committee with an overview of the current state of internal control systems.

**Recommendations**

- That committee members note the content of this paper.

**Executive Summary**

As a Non Departmental Public Body the CNPA is required to operate within the advice and guidance contained in the Management Statement and Financial Memorandum (MSFM) to be agreed between the Park Authority and the Scottish Executive and, within the terms of the Scottish Public Finance Manual (SPFM).

The MSFM provides a broad framework for the way in which the Park Authority is expected to exercise its financial obligations and the internal systems of control are designed to meet these requirements.

The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies (NDPBs and other public 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 secure effective accountability and proper systems of internal control. The extent to which the guidance in the SPFM is applicable to CNPA is covered in the Management Statement and Financial Memorandum.

The Internal and External Audit function will provide the Park Authority and sponsor department with assurances on its current systems of internal control and advise where these need to be amended or improved to provide additional security, propriety and value for money.

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## CURRENT STATE OF INTERNAL CONTROL SYSTEMS

### Internal Control Systems

1. These are set in place to ensure that adequate measures of control operate over the accountability, propriety and security of the Park Authority's assets and resources. A summary of the systems of control and current status is set out in Appendix A.
2. The Park Authority inherited the existing systems of internal control from its precursor body. These were reviewed in light of the guidance contained in the Financial Memorandum and where appropriate revised systems have been put in place to meet that guidance. Systems of control across all functions are essential but priority has been given to systems of financial control within the first year of operation. Others have been developed and implemented to ensure key controls operate to safeguard against misuse, fraud and theft. These continue to be reviewed and developed as the organisation grows. A summary of the financial controls contained in the MSFM is set out at Appendix B.
3. The following provides a description of the most important income and expenditure control systems in place:

#### *Income*

4. Currently the main source of core funding income is from the Scottish Executive, applied for and received through an agreed procedure on a monthly needs basis. Partnership funding for projects are accounted for separately. Other minor items of income include interest and disposal of assets.
5. Banking arrangements are reviewed every two years to ensure competitive rates.

#### *Expenditure*

6. The Chief Executive as Accounting Officer has delegated authority from the Scottish Executive for the expenditure of the CNPA. The Chief Executive also has power to delegate to other members of staff.
7. Proposed project spend and other major items of expenditure are subject to appraisal and evaluation prior to approval and commitment.
8. Procurement of goods and services are controlled through a central point and are subject to competitive tendering within certain limits to ensure fair competition and value for money. Separation of duties ensures control over ordering, receipt and payment.
9. Items of major expenditure and novel or contentious items require the approval of the sponsor department.
10. Procedures are in place to ensure invoices are recorded, processed and paid within 30 days of receipt. A panel of cheque signatories is in place and all cheques require two

signatures. The current computer accounting system is Sage and entries subject to review by External Audit.

11. A register of fixed assets is maintained, annual inventory carried out and disposals recorded.
12. Procedures on risk management are currently being reviewed to minimise risk and safeguard against fraud and theft.

***Expenditure on Board Members and Staff***

13. Payroll costs, inclusive of Tax, NI and pension contributions are processed through the current Sage computer payroll system. Procedures are in place to ensure that only currently appointed members of staff and Board members are on the payroll, amendments to payroll are authorised and salary details independently checked prior to processing.
14. Remuneration, allowances and expenses paid to Board members are set out in guidance provided by Scottish Ministers.
15. Board member and staff allowances are claimed through an approved system. Claims are checked and must be countersigned before processing for payment.
16. Current pay and conditions of service are under review and a new system is to be introduced with effect from 1 April 2004.

**ANDY RINNING**  
**30 January 2003**  
**AndyRinning@cairngorms.co.uk**

**SUMMARY OF INTERNAL SYSTEMS AND CURRENT STATUS**

System	Current Status
<b>Corporate Systems</b>	
Corporate Governance	In place – under review
Business Planning	Being developed
Risk Management	Being developed
Communications	In place – under review
Hospitality, Gifts, Code of Conduct	In place
Register of Interests	In place
Green Office Policy	To be implemented

<b>Finance</b>	
Budget Setting, Monitoring and Control	In place – under review
Procurement	In place – under review
Ordering, Receipt and Payment	In place – under review
Payroll	In place
BACS	In place
Losses and Special Payments	In place
Accounting/General Ledger	In place
Tax and VAT	In place
Delegated Authority	In place – under review
Travel and Subsistence	In place – under review
Asset and Inventory Control	In place – under review
Income	In place
Bank and Cash	In place
Contributions	To be implemented
Use of Consultants	In place – under review
Grants and Loans	To be implemented
Cost Benefit/Appraisal for Projects	Being developed

<b>Human Resources</b>	
Recruitment, Selection, Career Management	In place – under review
Terms and Conditions of Employment	In place – under review
Staff Appraisal	Being developed
Staff Training and Development	Being developed
Flexible Working	In place
Leave and Overtime	In place
Temporary and Casual Staff	To be implemented
Volunteers	To be implemented
Office Accommodation	In place – under review
Vehicles	In place – under review
Equal Opportunities Policy	In Place
Health and Safety	In place – under review
Industrial Relations	To be implemented

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<b>System</b>	<b>Current Status</b>
<b>Information</b>	
IT Policy	In place
Systems Access Control	In place – under review
Systems Development	To be implemented
Networks	In place – under review
Back-up	In place
Viruses	Anti-Virus package installed
Business Continuity	In place – under review
Use of Laptops	In place – under review
Data Protection	Registered under Data Protection Act

## Summary of Financial Controls

These are largely covered in the Financial Memorandum, and can be summarised as follows:

- EC Funding: requiring the National Park Authority to notify the Department of any proposal to seek funding from EC programmes;
- Cash balances to be kept as low as possible;
- Excess income, i.e. not budgeted, to be identified, reported to the Department and surrendered if the Department decides so;
- Borrowing to be approved by the Department in advance;
- Lending: whether by grant or loan the Authority has the power to determine terms and conditions;
- Procurement: all contracts (goods or services, including consultancy) should be in accordance with the Scottish Public Finance Manual and therefore generally by competition;
- Single tender over £10,000 must be approved by the Department;
- The Department shall also approve, prior to any award without competition, of work estimated to cost over £20,000 to in-house staff;
- Any asset costing more than £20,000 shall be approved by the Department as shall any lease where the costs across the lifetime of the lease exceed £20,000, when discounted to present values.
- An Asset Register must be maintained and disposal of assets should be at market value. Any disposal of more than £5,000 or any proposal to exclude competition must be approved by the Department;
- All projects should be appraised in accordance with the SPFM guidance for capital investment, procurement and evaluation;
- The Authority should not normally enter into finance leases without Departmental approval;
- Where the costs for a project previously approved by the Department appear about to exceed 10% of the approved cost the project must be resubmitted for scrutiny;
- Consultancy projects costing more than £50,000 must be submitted to the Department, even where these form part of project already within the Authority's delegated authority;
- Any investment must be approved by the Department;
- Any proposal for Commercial Activity undertaken by the Authority should be addressed in the National Park Plan;
- Banking arrangements must be specifically approved by the Department and reviewed every 2 years;
- Gifts, Losses and special payments: this relates to the provision of gifts, the write-off of losses and special payments. The Department approves:
  - All gifts costing more than £75,
  - All special payments of more than £1,000,
  - Write-off of losses from theft or vandalism to vehicles, or the destruction or damage of vehicles by road traffic accident or fire exceeding £5,000.
- Novel, unusual or contentious: the Department and Authority will agree guidelines on these issues and periodically review these.
- Under the Financial Memorandum the Scottish Executive also delegates authority in relation to staffing matters.