

Cairngorms National Park Authority 2003/04 Audit

Corporate Governance

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Executive Summary

Introduction

- 1.1 Corporate governance is a key duty of all public bodies. This should be demonstrated through the highest standards of probity and propriety appropriate to the handling of public money.
- 1.2 The process of corporate governance involves the clear identification of responsibilities and accountabilities and there are checks and balances to ensure proper behaviour through a system of supervision, control and communication.
- 1.3 Cairngorms National Park Authority (CNPA) has forecast gross expenditure on a cash basis for 2003/04 of £2m. The Authority is responsible for the Cairngorms National Park which was set up under the National Parks (Scotland) Act 2000 with the aim of promoting sustainable economic and social development of the area's communities, conserving and enhancing the natural and cultural heritage of the area, promoting sustainable use of the natural resources of the area and promoting understanding and enjoyment of the special qualities of the area by the public.

Audit Approach

- 1.4 The methodology used in this study was based on checklists developed by Audit Scotland. It included interviews with the Chief Executive and the Head of Corporate Services. It also included a review of the Cairngorms National Park Authority's key documentation, including policies, reports, minutes of meetings, and terms of reference.

Summary of Main Findings

- 1.5 Although the Cairngorms National Park Authority has only been established for approximately one year we found a number of examples of good governance within the Authority. In particular we found appropriate structures and processes in place to facilitate effective decision making, including standing orders for the Board and remits for standing committees. In addition, an Audit Committee has been established with a remit that includes monitoring the adequacy of internal control systems and overseeing the arrangements for ensuring the economic, efficient and effective use of resources. However, we did find areas with scope for improvement including the need to develop a risk management strategy and a policy on the prevention of fraud and irregularities.

Areas of Good Practice

- There are appropriate structures and processes within CNPA to facilitate effective decision making;
- An Audit Committee has been established with a remit that includes monitoring the adequacy of internal control systems and overseeing the arrangements for ensuring the economic, efficient and effective use of resources.

Areas with Scope for Improvement

- CNPA requires to develop a risk management strategy and thereafter undertake a risk assessment.
- CNPA requires to develop a policy on the prevention of fraud and irregularities.

Action Plan

- 1.6 An action plan containing recommendations to address the weaknesses identified above forms Section 2 of the report. The action plan commits management to agreed changes within a prescribed timescale.

Acknowledgements

- 1.7 The co-operation and assistance afforded to audit staff during the course of the review by the Chief Executive of CNPA and the Head of Corporate Services is gratefully acknowledged.

Action Plan

Page/ Para Ref	Rec. No.	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
7/4.15	1	<p>Risk Management and Systems of Internal Control</p> <p>CNPA should develop a comprehensive risk management strategy and thereafter conduct a risk assessment.</p> <p><i>High priority</i></p>	Head of Corporate Services	Yes	We have been advised that Internal Audit will prepare the strategy and undertake a risk assessment. Thereafter a risk register will be prepared.	October 2004
8/4.24	2	<p>Prevention and Detection of Fraud and Irregularities</p> <p>CNPA should develop a comprehensive policy on the prevention of fraud and irregularities.</p> <p><i>High priority</i></p>	Head of Corporate Services	Yes		October 2004
8/4.24	3	<p>CNPA should devise procedures for receiving and investigating allegations of breaches of proper standards of financial conduct or fraud or irregularity.</p> <p><i>High priority</i></p>	Head of Corporate Services	Yes		November 2004

Introduction

- 3.1 Audit Scotland's Code of Audit Practice states that 'corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The public sector in Scotland is complex; the constituent bodies vary greatly in size, do not operate within a common statutory framework or have a standard organisational structure. It is important, therefore, to recognise through the audit process the diversity of bodies and the different models of governance that apply, each of which require special consideration and impose varying sets of accountabilities. Despite this diversity, the three fundamental principles of corporate governance - openness, integrity and accountability - apply equally to all bodies, irrespective of whether the body is elected or appointed, or whether it comprises a group of people or an individual.' The fundamental principles of corporate governance are:
- **openness**, which is required to ensure that stakeholders can have confidence in the decision-making and management processes of organisations;
 - **integrity**, which is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and management of an organisation's affairs. It is dependent on the effectiveness of the control framework and on their personal standards and professionalism;
 - **accountability**, which is the process whereby organisations, members and staff are responsible for decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny.
- 3.2 These issues can be considered under the following headings:
- Structures and Processes for Decision Making.
 - Risk Management and Systems of Internal Control.
 - Prevention and Detection of Fraud and Irregularities.
 - Standards of Conduct, Integrity and Openness.
 - Reporting Arrangements and Financial Position.
- 3.3 The methodology used in this study was based on checklists developed by Audit Scotland. It included interviews with the Chief Executive of CNPA and the Head of Corporate Services. It also included a review of the Cairngorms National Park Authority's key documentation, including policies, reports, minutes of meetings, and terms of reference.