

Cairngorms National Park Authority

Key Controls Report



Prepared for Cairngorms National Park Authority
April 2012

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Summary

1. The key controls operating within the main financial systems of Cairngorm National Park Authority have been subjected to testing by us to ensure that they are operating satisfactorily. We are pleased to report that overall the systems of internal control are operating effectively.
2. During 2011/12 the Park Authority's internal auditors, KPMG LLP, have completed a specific exercise which corroborated the management responses to a Financial Controls Risk Self-Assessment Questionnaire. This report was presented to the Audit Committee in December 2011. As noted in our Annual Audit Plan, we have carried out a review of the adequacy of the internal audit service provided by KPMG LLP. We plan to place reliance on the work of internal audit.
3. Whilst no weaknesses have come to our attention during the course of our normal audit work this does not necessarily mean that weaknesses do not exist. It is the responsibility of management to decide on the extent of the internal control systems.

Audit Findings

Introduction

4. We are required by auditing standards to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan the audit and develop an effective financial statements audit approach.
5. We seek to gain assurances that the audited body:
 - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements and the effective management of assets and interests
 - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
 - complies with established policies, procedures, laws and regulations.

Systems of Internal Control

6. Our audit approach included planned controls assurance on the following key financial systems:
 - general ledger
 - accounts payable
 - cash income and banking
 - payroll.
7. We will perform substantive testing of the capital accounting and trade receivable systems during our financial statements audit. We have adopted this approach given the small number of transactions which are processed in the respective systems during the year.
8. To obtain our controls assurance, testing strategies were developed and the testing was completed during our visits in January and February 2012. Our review involved the identification and assessment of the risks inherent in the key systems, based on the likelihood of them occurring and the impact they could have. We also assessed the adequacy of the procedures and controls in place to address the identified risk and the extent to which these reduce the risk to an acceptable level.
9. The appendix to this report identifies the key financial systems which support the preparation of the financial statements and the associated key controls. Following our audit testing we have concluded on the operation of the key control. No significant risk exposure or weaknesses in internal controls were identified during our review and as such we can therefore take assurance from these systems for our audit of the 2011/12 financial statements.

10. It is the responsibility of management to decide on the extent of the internal control systems appropriate to the organisation. Although our review did not identify any weaknesses this does not necessarily mean that no weaknesses exist.

Internal Audit

11. Internal audit is provided by KPMG LLP as a result of a joint procurement exercise with Loch Lomond & Trossachs National Park Authority. Internal audit supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses to management for action.
12. Our Annual Audit Plan, issued in March 2012, explains that auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. Where it can be demonstrated that the means of achieving internal audit objectives are similar to those of external audit, the findings and results of internal audit exercises can be considered when determining the nature and extent of planned external audit coverage. This ensures that audit resources are used in the most efficient way and work is not unnecessarily duplicated.
13. The 2011/12 internal audit plan is substantially complete and our review has found that we could place reliance on the areas noted below in terms of our wider scope of public audit:
 - workforce management
 - risk management
 - financial controls
 - financial management and planning efficiencies
 - commercial income generation.

Appendix - Controls Coverage

Control System	Key Control	Conclusion
General Ledger	Financial procedures are documented which detail the operation of the system. This is reviewed on a regular basis.	Satisfactory
	Access to the general ledger system is restricted to appropriate personnel.	Satisfactory
	Changes to the chart of accounts are requested on a standard new account code request form and approved.	Satisfactory
	Processes are in place to ensure that subsidiary systems feed into the general ledger.	Satisfactory
	The general ledger system is regularly reconciled with underlying systems.	Satisfactory
	Journals are appropriately authorised and evidenced by supporting documentation.	Satisfactory
	Output from the general ledger system is reviewed for appropriateness.	Satisfactory
	Trial balances are prepared and reviewed on a regular basis.	Satisfactory
	A sound system of exception reporting exists.	Satisfactory
	General ledger computer files are regularly and sufficiently backed up.	Satisfactory
Accounts Payable	Financial procedures are documented which detail the operation of the system. This is reviewed on a regular basis.	Satisfactory
	Adequate segregation of duties exists regarding the ordering, receiving of goods and authorising invoices for payment.	Satisfactory
	Access to the accounts receivable system is restricted to appropriate personnel.	Satisfactory

Control System	Key Control	Conclusion
	Purchase invoices are checked for accuracy before being approved for payment.	Satisfactory
	Changes to supplier data can only be made by specified persons upon receipt of sufficient evidence to prove the suppliers authenticity.	Satisfactory
	Payments are only made to suppliers upon receipt of an authorised invoice.	Satisfactory
	Unidentified payments are posted to a dedicated suspense account which is regularly examined and cleared.	Satisfactory
	The BACS payment run and authorisation is adequately segregated.	Satisfactory
	Trade payables ledger reconciliations are performed and reviewed by a manager on a timely basis, signed as evidence of review and retained.	Satisfactory
	Trade payables computer files are regularly and sufficiently backed up.	Satisfactory
Cash Income and Banking	Financial procedures are documented which detail the operation of the system. This is reviewed on a regular basis.	Satisfactory
	Cash and cash equivalent functions are adequately segregated from other finance functions for the same account areas.	Satisfactory
	Closure and opening of bank accounts is adequately controlled.	Satisfactory
	Reconciliations between the bank general ledger and the bank statements are carried out and reviewed with reconciling items traced to bank statements.	Satisfactory
	There is a periodic reconciliation of ledger control accounts with source posting listings and subsidiary ledgers.	Satisfactory
	Dedicated suspense accounts are regularly examined and cleared.	Satisfactory

Control System	Key Control	Conclusion
	Access to on line banking and finance systems are restricted to appropriate staff.	Satisfactory
	Cash income and banking computer files are regularly and sufficiently backed up.	Satisfactory
Payroll	Financial procedures are documented which detail the operation of the system. This is reviewed on a regular basis.	Satisfactory
	Access to the payroll system is restricted to appropriate staff.	Satisfactory
	Human Resources and payroll functions are adequately segregated.	Satisfactory
	New starters are processed by payroll staff only on receipt of a documented request from Human Resources (HR) on a standard form. This form should be authorised by HR.	Satisfactory
	Staff independent of those processing payroll input check all new starter and leaver output to authorised source documents.	Satisfactory
	Staff independent of those processing payroll changes checks permanent and temporary changes to authorised source documents.	Satisfactory
	Payroll computer files are regularly and sufficiently backed up. Back up files are held remotely in a secure location.	Satisfactory