

**MINUTES of MEETING of the  
AUDIT COMMITTEE of  
THE CAIRNGORMS NATIONAL PARK AUTHORITY**  
**held at Community Hall, Boat of Garten  
on 14 September 2012**

**Present:**

Ian Mackintosh (Chair)  
Angela Douglas  
Brian Wood

Gordon Riddler  
Gregor Hutcheon

**In Attendance:**

Brian Curran, KPMG  
Ursula Lodge, Audit Scotland  
Jane Hope, Chief Executive  
David Cameron, Corporate Services Director  
Alistair Hight, Finance Manager

**Apologies:**

Asif Haseeb, Audit Scotland

**Welcome and Apologies**

David Cameron reported above apologies.

**Minutes of Previous Meetings**

1. Minutes of the meeting of 22 June 2012 were approved with no amendments.

**Matters Arising**

2. The current status of outstanding actions raised by the Committee, as recorded at the end of the minute of the previous meeting, were noted.

**External Audit: Key Controls Report (Paper 1)**

3. David Cameron highlighted to Committee that this paper should have been presented along with other reports relating to the 2011/12 year end closure and had been omitted from papers as an oversight on his part. The paper was therefore now presented to Committee for completeness.
4. Ursula Lodge of Audit Scotland introduced the report to the Committee, highlighting that the report covered their testing of the Authority's key controls operating within

the main financial systems over the 2011/12 financial year. The Audit Scotland review of these key controls confirmed that systems of internal control within the Authority are working effectively.

5. Ursula drew members' attention to the report finding that all controls tested were found to be operating satisfactorily – a very good result for the Authority.
6. Members also noted that explicit guidance on delivery of efficiency savings plans had yet to be established by Scottish Government. The target of a 3% saving had been set out in the Scottish Government budget papers. The Authority was therefore sighted on the efficiency target for the year.
7. **Members thanked Ursula for the report and welcomed its findings. Members also congratulated David, Alistair and the team for ensuring that the organisations control systems were established and implemented so effectively.**
8. **Members noted the report.**

### **External Audit: Annual Report on the 2011/12 Audit (Paper 2)**

9. Ursula Lodge introduced this paper, which presented Audit Scotland's report on the 2011/12 audit. The report set out the scope of the audit, summarised the audit opinion and any significant matters arising from the audit.
10. Ursula highlighted that Audit Scotland had issued an unqualified audit opinion for the 2011/12 accounts. Also, the audit conclusion highlighted that, in all material respects, all expenditure and receipts shown in the financial statements were incurred or applied in line with applicable enactments and relevant guidance issued by Scottish Ministers. The financial statements themselves show a small deficit of £12,000 for the year.
11. Ursula reported that governance and systems reviews highlighted a good level of control across the Authority's various systems. The audit also found that an effective system of organisational performance reporting was in place throughout the year to allow mapping of performance against key objectives. Ursula noted that revised performance management arrangements were being produced in order to ensure systems remained fit for purpose in monitoring delivery against the new Corporate Plan which had been agreed in May 2012.
12. Ursula noted that all papers had been produced broadly in line with the agreed timetable for the audit, and consequently the audit had progressed smoothly and on time. Ursula noted thanks on behalf of Audit Scotland for the input of the Authority's staff.
13. The Committee's discussions on the report focused on the risk areas for action or ongoing monitoring highlighted in the report.
14. The first of these related to the departure of the Chief Executive from the organisation and consequent risk to any organisation's operations from changes in its senior management. In this regard, the Committee noted that Jane Hope had given a very lengthy advance notice of her intended resignation from the Authority and as

such Jane had given every opportunity to ensure that a recruitment could be completed and new Chief Executive in place with little or no gap in coverage. It was noted that the Board as a whole would have to be aware of and monitor ongoing risks of change in senior management having any temporary impact on delivery of key objectives.

15. The second risk area referred to the delay in 2012/13 budget setting, with budgets for the year not finally agreed through Finance Committee and Board until May 2012 and therefore after the commencement of the financial year. David Cameron highlighted in this regard that this delay had coincided with the development and agreement of the new five year National Park Partnership Plan (NPPP) and associated Corporate Plan, and his and the Management Team's desire to ensure that budgets were fully aligned with these new plans. He highlighted that there was a potential that budget setting would be delayed every 5 years when we were going through the NPPP setting process. However, more standard operational years would see budgets being developed and agreed prior to the commencement of the year in question and this remained the operational objective.
16. The third risk area around the delivery of efficiency saving schemes centred on the increasing difficulty each year in delivering against efficiency targets as central running costs declined each year. Members noted this difficulty, while accepting that managers must continue to seek to consider the potential for efficiency savings across the Authority's operations.
17. On the fourth risk area, members noted that a formal review of the Authority's response to revised Best Value guidance had not yet been presented for consideration. It was noted that the review would be presented by the end of 2012, and further noted that a comprehensive review of arrangements against previous Best Value guidance had been undertaken and an action plan agreed and delivered.
18. **Members noted the report and endorsed the management responses to the audit recommendations. Members thanked Ursula for her presentation and also thanked Ursula and the Audit Scotland team for a very professional approach to the 2011/12 audit and reporting on it.**
19. David Cameron also thanked Ursula and Asif for allocating resources to the audit of the CNPA at what was a very busy time for the team.

### **Internal Audit: Proposed Internal Audit Plan 2012/13 (Paper 3)**

20. Brian Curran of KPMG presented the proposed internal audit plan for 2012/13. Brian highlighted that the Committee had previously agreed a strategic three year internal audit plan covering 2011/12 to 2013/14 and that the proposals now brought forward for the second year of KPMG's internal audit work linked back to this strategic assessment.
21. In discussion, members noted that the plan made provision for the development of an updated risk management strategy and risk register, as had previously been agreed as required by the Committee. Members also noted that the plan had sought to make appropriate provision to meet the needs of each National Park Authority, while continuing to undertake joint reviews where possible.

22. **Members agreed the internal audit plan for 2012/13.**

#### **Internal Audit Review: LEADER Report (Paper 4)**

23. Brian Curran presented the Internal Auditor's report on their review of the Authority's LEADER European grant systems. While this had been identified as an element of the annual plan for 2012/13, the review had been taken forward prior to agreement of the annual plan as it is itself a requirement of the service level agreement (SLA) agreed by the Authority with Audit Scotland.
24. In presenting the report, Brian highlighted that KPMG had found three areas for improvement in the Authority's administrative arrangements in compliance with the terms of the SLA and technical guidance for LEADER grants. One of the three recommendations had been graded as moderate, relating to the need to ensure full records were maintained on any grant sums paid in advance to ensure adequate payment control and follow up checks were undertaken.
25. The remaining two recommendations were graded as low priority. All three recommendations had been agreed by management and responses given.
26. **Members noted the report and endorsed the management responses given to the recommendations for improvements.**

#### **Audit Committee Draft Annual Report to Board (Paper 5)**

27. David Cameron presented the draft of the Committee's annual report to the Board on its activities. David highlighted that it was considered to be good governance to ensure that the Audit Committee formally reported at least once each year to the full Board.
28. In discussion, members noted that the report itself was a little "dry" in tone and did not fully convey the very high standards of work that staff had produced over the course of the year to support the Committee and in delivery of high standards of financial control and governance. Members agreed where opportunity arose they would seek to emphasise these points to the full Board when the report was presented.
29. **Members thanked David for producing the report.**
30. **Members agreed the report for submission to the Board.**

#### **Risk Management Strategy (Paper 6)**

31. Brian Curran presented a paper setting out a framework around which development of a new, updated risk management policy and strategic risk register could be developed.
32. In discussion, members agreed a number of points:
- a) Development of a new risk register should start from a blank page rather than review and build on the current risk register;
  - b) The aim should be to document risks and the relative priority of the risks subject to their likelihood and impact and also assess the relative priority of

risks after the impact of any mitigation action had been assessed in order to develop a “net risk” score;

- c) The resultant risk register and risk management policy did have to remain fit for purpose, including being reasonable in terms of the amount of staff time that could be expected to maintain the assessment systems and administration around it.

- 33. Members noted that dates would be sought for a separate risk management workshop to be held in addition to the scheduled Committee meetings.

### **Any Other Competent Business**

- 34. There were no other items of business considered.
- 35. Committee members expressed their deep gratitude to Ian Mackintosh for his very effective and considered Chairmanship of the Audit Committee over a number of years, noting that this would be Ian’s last meeting. In turn, Ian thanked the members for their engagement with the Committee’s business and thanked the staff for their excellent support throughout his time on the Committee.

### **Date of Next Meeting**

- 36. Committee meeting 7 December 2012, Ballater (subsequently cancelled, with risk management workshop arranged for 31 January 2013 in Grantown).

**Audit Committee: Outstanding Actions**

Action	Status
Submit Planning Development Management timetables / key performance indicators / statistics to Committee for review (Dec 2011 meeting)	Closed – performance management system including planning presented to Board in October 2012.
Submit Sustainable Procurement Policy for Committee’s consideration once drafted, to support actions around local procurement where possible within agreed procurement strategy (March 2012 meeting)	Open – originally planned for completion December 2012. Delayed as a result of staffing changes.
Arrangement for strategic risk register workshop to be put in place over first half of 2012/13 (March 2012 meeting)	Closed: September meeting
Present Audit Scotland Key Controls Assessment report to Committee for information (June 2012 meeting)	Closed: September meeting
Present updated review of Best Value against current guidance to Committee for consideration. (September 2012 meeting)	Open – originally planned for December 2012. Delayed as a result of prioritisation of capital investment work, staffing changes and pending start of new CEO.