

Cairngorms National Park Authority

Annual Audit Plan 2012/13



Prepared for Cairngorms National Park Authority
January 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary plan

Summary of planned audit activity

Based on our analysis of the risks facing Cairngorms National Park Authority (CNPA), our planned work in 2012/13 includes:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Park Authority
 - the income and expenditure for the year were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers
 - the accounts have been properly prepared in accordance with the National Parks (Scotland) Act 2000 and directions made by Scottish Ministers
- a review and assessment of the Park Authority's governance and performance arrangements in a number of key areas including a review of the adequacy of internal audit and the governance statement.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to CNPA in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the Park Authority's financial statements. This report summarises the key challenges and risks facing the Park Authority and sets out the audit work that we propose to undertake in 2012/13.
2. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.
3. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

Our approach

4. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the Park Authority, and identification of the key audit risks and challenges in the central government sector generally. We have considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management

action and reliance on systems of internal control. Management action being relied on for 2012/13 includes:

- clear responsibilities for provision of accounts and working papers being agreed
 - delivery of unaudited accounts to agreed timescales with a comprehensive working papers package
 - completion of the internal audit work programme for 2012/13.
5. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and, as part of our planning process we carry out an early assessment of the internal audit function. Subject to satisfactory completion of our review of the adequacy of internal audit arrangements, we plan to place formal reliance on the work of internal audit, in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit), on selected aspects of their testing of the key financial controls in the following financial systems:
- General ledger
 - Payroll
 - Cash and cash equivalents
 - Trade payables.
6. In terms of paragraph 28 of Audit Scotland's Code of Audit Practice, which addresses the wider scope of public audit, we also plan to review and consider other areas of internal audit work including:
- Partnership working
 - EU Funding applications
 - Performance management
 - Charging scheme
 - Corporate governance and risk management.
7. At the completion of the audit we will provide the Accountable Officer and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

8. It is the responsibility of the Park Authority and the Accountable Officer to prepare the financial statements in accordance with the National Parks (Scotland) Act 2000 and directions made by Scottish Ministers. This means:
- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
 - maintaining proper accounting records

- preparing financial statements timeously which give a true and fair view of the financial position of the Park Authority as at 31 March 2013 and its expenditure and income for the year then ended
- preparing an annual report, including management commentary and remuneration report.

Format of the accounts

9. The financial statements should be prepared in accordance with the FReM and Accounts Directions signed by Scottish Ministers. The FReM sets out the principles applicable to the accounting and disclosure requirements for the annual report and accounts which bodies covered by resource accounting are required to prepare annually.

Audit risks and summary assurance plan

10. Based on our discussions with the Director of Corporate Services, other senior staff and a review of supporting information, we have identified a range of risks for your organisation. These are summarised in Table 1 below and in paragraphs 11 to 14. Actions to manage these risks are either planned or already underway within the organisation. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Table 1: Summary assurance plan

Risk	Source of Assurance	Planned Audit Action
<p>Efficiencies and future funding</p> <p>Grant-in-Aid funding for 2012/13, allocated to the CNPA by the Scottish Government, was £4.646m (excluding subsequent additional grant of £685k for shovel ready capital projects). This represents a 2.3% reduction on 2011/12, with future expenditure plans indicating a cumulative reduction of £0.320m (6.7%) in grant funding by the end of 2014/15. In real terms this represents a decline of £0.560m (12%) from 2011/12 funding levels.</p> <p><i>There is a risk that the Park Authority may not be able to absorb these reductions while still meeting key performance targets.</i></p>	<p>Regular financial and performance monitoring reports are presented to the Board for review and approval.</p> <p>Specific review by management of the Park Authority's capacity to deliver the corporate plan and where necessary planned achievements have been refined.</p> <p>A new Corporate Plan 2012-15 and National Park Plan 2012-17 are in place and account for the new funding environment and delivery model.</p>	<p>We will consider the Park Authority's outturn for 2012/13, and budgetary plans for 2013/14 as part of the final accounts audit.</p> <p>We will also comment on the Park Authority's financial position in our annual audit report.</p>

Risk	Source of Assurance	Planned Audit Action
<p>Capital programme</p> <p>CNPA uses managed over-programming as an effective management tool in achieving a break even position by the end of the year. This way the Park Authority ensures that it has a bank of projects ready should additional funding become available, for example as a result of the Scottish Government's budget revisions.</p> <p>In 2012/13 the Park Authority received additional capital funding of £685k towards shovel ready programmes. This funding has to be used before 31 March 2013.</p> <p><i>There is a risk that additional funding may adversely impact on existing work priorities and create revenue commitments in future years which are not sustainable. There is also a risk that the Park Authority may not be able to spend this funding by the year end which may impact on financial statement disclosures.</i></p>	<p>Regular financial and performance monitoring reports are presented to the Board for review and approval.</p> <p>At the time of preparing this plan, there has been no slippage in the 2012/13 capital programme.</p>	<p>We will consider the Park Authority's outturn for 2012/13, and budgetary plans for 2013/14 as part of our financial statements audit work.</p> <p>We will also comment on the Park Authority's capital programme in our annual audit report.</p>
<p>Intangible asset policy</p> <p>The CNPA did not disclose any intangible assets in the 2011/12 financial statements. Whilst this is in accordance with the current Park Authority's policy, management have agreed to review the policy for 2012/13.</p> <p><i>There is a risk that intangible assets are not correctly identified and valued which may impact on financial statement disclosures.</i></p>	<p>Management agreed to review the intangible asset policy during 2012/13.</p>	<p>Substantive testing of intangible assets during our financial statements audit work.</p>

11. In addition to the risks set out in Table 1, paragraphs 12, 13 and 14 outline three further issues which do not require a specific scrutiny response. However, we will monitor these risks throughout the year and comment on the outcomes in our annual audit report.
12. **New Chief Executive.** A new Chief Executive has recently been appointed and is expected to take up his new role in March 2013. Senior management changes in any organisation present a key risk to its operations. However, the risk is mitigated at the Park Authority by the provision of handover discussions facilitated by early notification of intention to stand down and extended notice period being worked by current Chief Executive. Work is currently on-going regarding appropriate handover arrangements.
13. **Financial memorandum.** The new Management Statement and Financial Memorandum is still in draft form due to on-going negotiations with the Scottish Government regarding the delegated authority limits for capital expenditure. There is a risk of non-compliance with the delegated authority limits.
14. **Ledger closedown.** In our 2011/12 International Standard on Auditing (ISA) 260 report we highlighted that a technical problem prevented the 2011/12 ledger close-down and roll over into the next financial year. There is a risk of errors in the financial statements, should the same issue arise again in 2012/13. However, officers confirmed that this was a one-off problem and have put in place appropriate controls to prevent the same issue arising in 2012/13.

Scottish Government Corporate Expectation of Public Bodies

15. The corporate expectations are a high level statement of the Scottish Government's expectations for the way that public bodies do, and will, play their full part across key corporate issues.
16. For 2012/13, Scottish Ministers expect their public bodies to deliver continuous improvement by acting corporately across the following topics and issues:
 - Corporate Public Service Reform and Community Planning
 - Alignment to the National Performance Framework
 - Youth Employment
 - Finance
 - Fraud prevention
 - Procurement
 - Shared Services
 - HR
 - Transparency.
17. We will consider the Park Authority's action in response to the above during the course of the year and provide comment in our annual audit report.

Materiality

18. We consider materiality, as described in International Standard on Auditing 320, and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
19. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control).

Reporting arrangements

20. As the accounts have to be signed by the relevant officers and by the appointed auditor prior to submission, it is critical that a timetable is agreed with us for the production of the unaudited accounts. An agreed audit timetable is included at Table 2 of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.
21. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the Chief Executive and the Director of Corporate Services to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Director of Corporate Services and Audit Scotland's Performance Audit Group.
22. We will provide an independent auditor's report (audit certificate) to the Park Authority and the Auditor General for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual audit report will also be produced to summarise all significant matters arising from the audit and overall conclusions about the Park Authority's management of key risks.
23. All annual reports produced by Audit Scotland are published on our website: www.audit-scotland.gov.uk.

24. The full range of outputs to be delivered by the audit team is summarised in the audit timetable at Table 2 below.

Table 2: Audit Timetable

Key Stage	Date
Governance	
Annual Audit Plan	January 2013
Review of adequacy of internal audit	March 2013
Key controls report	May 2013
Financial statements	
Latest submission of unaudited financial statements with working papers package	1 May 2013
Progress meetings with lead officers on emerging issues	As required during audit process
Agreement of unsigned financial statements for audit committee agenda, and issue of report to the audit committee on the audit of financial statements (ISA 260) (to be tabled at Audit Committee)	18 June 2013
Audit Committee date	25 June 2013
Accountable officer to sign accounts	25 June 2013
Independent Auditors Report (audit certificate) signed	25 June 2013
Annual Report to the Park Authority and Auditor General for Scotland	30 August 2013

Quality control

25. We are committed to ensuring that our audit reflects best practice and demonstrates best value to CNPA and the Auditor General for Scotland. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is Asif A Haseeb, who is responsible for ensuring that our work is carried out on time and to a high quality standard.
26. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

27. The fee for the audit is £10,100 and covers:
- all of the work and outputs described in this plan
 - attendance at Audit Committee meetings
 - access to advice and information on relevant audit issues
 - travel and subsistence costs.
28. The local audit team will be led by Adrian Kolodziej, who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience/skills of our team are provided at Appendix A. The core audit team will call on other specialist and support staff, as necessary.

Independence and objectivity

29. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships within the audit team. We comply with ethical standards issued by the Auditing Practices Board and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix B.

Appendix A - Audit team

A summarised curriculum vitae for each core team member is set out below:

Asif A Haseeb MBA, ACMA
Senior Audit Manager

Asif took up post as senior manager in October 2001. Before joining Audit Scotland, he was the chief auditor in a Scottish council. Asif has 19 years of public sector audit experience and substantial financial management and board level experience in the public sector gained through non-executive membership of various boards. He is also a Justice of the Peace (lay magistrate).

Ursula Lodge M.Sc., CPFA
Senior Auditor

Ursula has seven years' experience of public sector audit with Audit Scotland, covering local government, health and central government sectors. During 2011 she was seconded to the Financial Scrutiny Unit in the Scottish Parliament Information Centre (SPICe) to work as a Senior Research Specialist, ensuring that the Parliamentary committees and MSPs were appropriately and impartially briefed on public finance issues. Ursula is also a member of Audit Scotland's Quality Monitoring team.

Adrian Kolodziej MA, CPFA
Qualified Auditor

Adrian joined Audit Scotland in 2008 as a graduate trainee and is now a fully qualified CIPFA member. He has worked on the audits of a wide range of local government, central government and health bodies.

Appendix B - Independence and objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with the auditing and ethical standards issued by the Auditing Practices Board (APB). The main requirements of the Code of Audit Practice, standing guidance for auditors and the standards are summarised below.

International Standard on Auditing 260 requires that the appointed auditor communicates:

- Statement that engagement team and others in the firm as appropriate, and, when applicable, network firms have complied with the APB's Ethical Standards for auditors
- All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor, and
- The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

The standard defines "those charged with governance" as "the person(s) or organisation(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process." In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Chief Executive and the Audit Committee. We reserve the right to communicate directly with members on matters which are considered to be of sufficient importance.

Our Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest.

The standing guidance for auditors includes a number of specific requirements. The key requirements relevant to this audit appointment are as follows:

- auditors should not perform non-audit work, consultancy or otherwise, without the prior approval of Audit Scotland
- auditors should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy
- auditors are required to carry out their duties in a politically neutral way
- auditors must abide by Audit Scotland's policy on gifts and hospitality.