



cutting through complexity™

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit Committee Paper 1 Annex 1 16/03/12

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority

Internal audit report
Commercial income generation

17 February 2012

This report is for:

Action

David Cameron - corporate services director (Cairngorms National Park)

David McGregor - head of finance and management information (Loch Lomond & The Trossachs National Park)

Alastair Hight, Finance Manager (Cairngorms National Park)

Information

Audit committee

	Page
Introduction and background	2
Key findings and recommendations	5
Internal audit findings	6
Action plan	11
Appendix one: objective, scope and approach	18
Appendix two: classification of internal audit findings	19

Notice: About this report

This Report has been prepared on the basis set out in our Engagement Letter addressed to Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority (“the Clients”) dated 15 June 2011 (the “Services Contracts”) and should be read in conjunction with the Services Contract. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Services Contract. This Report is for the benefit of the Clients only. This Report has not been designed to be of benefit to anyone except the Clients. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Clients, even though we may have been aware that others might read this Report. We have prepared this report for the benefit of the Clients alone. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Clients) for any purpose or in any context. Any party other than the Clients that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, through the Clients’ Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Clients. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Clients alone, this Report has not been prepared for the benefit of any other central government body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the central government sector or those who provide goods or services to those who operate in the sector.

The contacts at KPMG in connection with this report are:

Stephen Reid

Director, KPMG LLP
Tel: 0131 527 6795
Fax: 0131 527 6666
stephen.reid@kpmg.co.uk

Brian Curran

Senior Manager, KPMG LLP
Tel: 0141 300 5631
Fax: 0141 204 1584
brian.curran@kpmg.co.uk

John McNellis

Assistant Manager, KPMG LLP
Tel: 0141 309 2530
Fax: 0141 204 1584
john.mcnellis@kpmg.co.uk

Introduction and scope

In accordance with the 2011-12 internal audit plan for Loch Lomond & The Trossachs National Park Authority ("LLTTNPA or the Authority") and Cairngorms National Park Authority ("CNPA or the Authority"), we have undertaken an internal audit review of commercial income generation. The overall objective of this audit was to provide assurance over the effective operation of processes and controls for significant commercial income streams at each Authority.

Background

Pressures from reductions in Scottish Government income and increases in costs increase the importance of generating commercial income. It is important that opportunities for income generation are identified and that all appropriate income is captured and recognised in the accounting ledgers. The extent of commercial income is significantly different for both LLTTNPA and CNPA.

Loch Lomond & Trossachs National Park

The Authority has established revenue streams from a number of sources. Management introduced new charges in 2011-12 for the use of its slipways, piers and pontoons and there are plans for further income streams from charging schemes. The Authority's income sources are summarised in the table below.

Loch Lomond & Trossachs National Park			
	Revised forecast	Approved budget	Actual outturn
	2011-12	2011-12	2010-11
Planning fees	100,000	110,000	122,980
Ring-fenced project income	68,000	15,000	16,282
Business plan income	210,524	129,000	137,647
Property rental income	150,224	142,160	116,889
<i>Generated income:</i>			
General	40,000	40,000	53,047
Chart / slipway retail	4,000	2,000	-
Online shop	1,000	50,000	-
Charging	60,000	60,000	-
Piers and pontoons	5,733	10,000	-
Interest received	500	300	645
Total	639,981	558,460	447,490

Note: excludes grant-in-aid and income from capital sales
Source: LLTTNPA finance report 2010-11, period seven.

Loch Lomond & Trossachs National Park (continued)

Planning fees

The Authority has responsibility to consider all planning and related applications within the boundary of the national park. Charges for planning applications are fixed by statute, however, the Authority is able to recover the cost of publicity notices that require to be placed in newspapers. The applicable planning fees must be received before a planning application is considered.

Ring-fenced project income

This income relates entirely to the funding of the West Highland Way Association (“the Association”). The Authority carries out the administrative functions of the Association, which includes the administration of the Association’s projects, website, publications and online shop.

Business plan income

The Authority receives income from a number of partner organisations towards the completion of specific projects. For example, the Conservation Area Regeneration Scheme (“CARS”) in partnership with Historic Scotland.

Property rental income

The Authority owns a number of properties which it leases out. This includes properties previously operated by the Authority as visitor centres. These were previously operated in-house, but following a review in 2010 the decision was taken to outsource these properties to private organisations with the requirement to provide visitor information and maintain public toilet facilities.

Generated income

This comprises income from: retail (including the online shop); charging for slipways, piers and pontoons; registration charges; facilities hire and camping charges. Management engaged a consultant to review income generation opportunities for its properties in 2011. A number of recommendations were made following this, however, upon further consideration by management and market testing, none of the proposals appeared to be financially viable. A similar exercise is being carried out in relation to the Authority’s countryside assets. This includes consideration of a number of potential income generating areas including: car park charges; camping and campervan sites and retail kiosks.

Loch Lomond & Trossachs National Park (continued)

Income generating opportunities

There are a number of opportunities for the Authority to generate income from a variety of sources which are in the early stages of being explored. These include:

- car park charges – management is considering the introduction of car park charges and is intending to work with the Forestry Commission to introduce similar charges following completion of their procurement exercise for a charging system;
- camping / campervan sites – there are limited camping and campervan facilities in the national park. Management considers there to be a demand for facilities in sites owned by the Authority;
- small retail / kiosk facilities – these could be aligned to car park or campsites and require the involvement of the retailer to operate the facility; and
- advertising local businesses on the Authority's website and in its publications.

Cairngorms National Park

In contrast to the LLTTNPA, there is little commercial income generated by the CNPA. The Authority does not process planning applications, however, it is informed of all planning applications within its boundary and the power to call in significant applications. Management has considered the nature of its operations and do not plan to become involved in commercial activities such as visitors centres or retail operations.

The Cairngorms Outdoor Access Trust ("COAT") is an incorporated charity managed by the Authority. The Trust generated £95,000 of income from generated funds in 2010-11 from a variety of sources.

Key findings and recommendations

We identified no 'critical' or 'high' risk recommendations, however, we have identified four 'moderate' risk recommendations.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in this report. Management has accepted the findings and agreed reasonable actions to address the recommendations.

	Authority	Critical	High	Moderate	Low
Number of internal audit findings	LLTNP	-	-	3	5
	CNPA	-	-	1	-
Number of recommendations accepted by management	LLTNP	-	-	3	5
	CNPA	-	-	1	-

Classification of internal audit findings is provided in appendix two.

Summary of internal audit findings (continued)

Action plan ref	Description of internal audit findings	Classification of internal audit findings			
		Critical	High	Moderate	Low
Loch Lomond & Trossachs National Park Authority					
1	<p>Planning application income</p> <p>Applications are submitted electronically or by post. Payments can be made online, by cheque or in cash. Payments received by cash and cheque are recorded by reception staff at Carrochan. The payment is recorded on a spreadsheet for the planning department and a weekly banking sheet is provided to finance. The planning department records payment information in the ePlanning system from the spreadsheet, while finance record the income received in the ledger.</p> <p>No reconciliation is completed of the payment information recorded in the ePlanning system and the ledger. We obtained details of the income recorded from the finance and the planning departments' records to November 2011 and found income in the ledger was £12,717 higher than the ePlanning system.</p> <p>We note that the process for recording income at reception is inefficient as there are multiple sources of financial records.</p>				
2	<p>Card payments</p> <p>The Authority has purchased two card machines which allows card payments to be accepted by telephone and in person. This facility has been set-up for use by finance staff, but is not available at the Carrochan reception desk.</p>				

Summary of internal audit findings (continued)

Action plan ref	Description of internal audit findings	Classification of internal audit findings			
		Critical	High	Moderate	Low
3	<p>Planning notice charges</p> <p>The Town and Country Planning (Scotland) Act 1997 allows for planning authorities to charge for publication notes required in newspapers. The Act allows authorities to recover the cost incurred in making these advertisements.</p> <p>The Authority charges a fixed advertisement fee of £130 for each application and advertises in six local newspapers. The direct cost incurred to place each advert varies depending on the newspaper and the number of applications to be made in each week i.e. each planning advert includes standard information that is disclosed once, followed by details of each planning application. As such, the cost of placing each advert reduces the higher the number of applications made in each weekly publication.</p> <p>We benchmarked the Authority's charges compared to other Scottish planning authorities and found that a number of authorities charge the actual cost of placing each application while the charges of those with a fixed fee ranged from £100 to £200.</p> <p>We considered the actual advertising charges incurred in the first five months of 2011-12 and found the average cost of placing one advert varied from £73 to £323. Our analysis showed that the Authority does not recover the direct costs of placing one advert in the Helensburgh advertiser, Stirling Observer or Strathern Herald. However, gains are made for adverts placed in the Dumbarton Reporter, Dunoon Observer and Edinburgh Gazette.</p> <p>In the current year to period eight, the total advertising income generated (£11,586) was less than the total cost of placing planning adverts (£14,302). This net cost is before accounting for any element of staff time and other indirect costs.</p>				

Summary of internal audit findings (continued)

Action plan ref	Description of internal audit findings	Classification of internal audit findings			
		Critical	High	Moderate	Low
4	<p>Lease agreements</p> <p>Between 2008 and 2011, the Board carried out a review of its properties and took the overarching decision to commercialise assets and realise the full value of the asset base. It was agreed that some the Authority's properties would be leased to private organisations with the requirement that individual properties would continue to provide visitor services which were appropriate to the size and location of each asset.</p>				
5	<p>Leased asset register</p> <p>The Authority does not hold a detailed register of all leased assets for the purposes of monitoring the lease options.</p>				
6	<p>Rental income invoices</p> <p>The facilities manager raises sales order request forms for each property on a monthly or quarterly basis depending on the terms of each lease. This is a low risk area the number of sales invoices raised could be reduced.</p>				

Summary of internal audit findings (continued)

Action plan ref	Description of internal audit findings	Classification of internal audit findings			
		Critical	High	Moderate	Low
7	<p>Online shop</p> <p>The Authority setup an online shop in May 2011. This shop sells a variety of posters, books and souvenirs with stock obtained primarily from the former visitor centres. The 2011-12 budget included a profit from the online shop of £50,000 which has been reduced to £10,000 in the mid-year budget review and to £1,000 as part of ongoing budget monitoring adjustments. The online shop is administered by the communications department.</p> <p>During the online shop pilot, in the first six months of 2011-12 the online shop achieved total sales of £482 which generated a gross profit of £298 and a net profit of £250. No account is taken of the cost of staff time involved in the operation and processing of the online shop. Although the staff time is considered to be minimal we believe that if this was accurately included a loss would have been incurred. It is unlikely that the online store will generate profits based on the current model in the short term. Staff have plans to increased marketing which may increase sales and management consider that there are also non-financial motivates to operate the online shop.</p> <p>The postage cost charged is based on the total value of the order. No account is currently made for the weight of the goods. This results in the postage charge being insufficient to cover the cost for a number of goods.</p> <p>In addition, the Authority also operates the West Highland Way online shop. The shop is administer by visitor management support staff and operates in a similar manner to the Authority’s online shop. The shop is established and receives a higher volume of sales than the Authority’s shop. We estimate that a gross profit of £3,000 has been realised in the first seven months of the year, however, no account is taken of the staff time involved in the operation of the online shop. The Authority does not recover the cost of staff operating the shop and the profits from the shop are fully retained by the West Highland Way.</p>				

Summary of internal audit findings (continued)

Action plan ref	Description of internal audit findings	Classification of internal audit findings			
		Critical	High	Moderate	Low
8	<p>Stock</p> <p>At 31 March 2011 the Authority was holding a large amount of stock albeit with a low overall cost. This comprised approximately 14,000 items consisting primarily of: posters (4,400); postcards (2,500); mugs (2,200); pens / pencils (2,000); and badges (1,500).</p> <p>The majority of this stock was sold in the visitors centres when they were operated by the Authority and is only being sold through the online shop.</p>				
Cairngorms National Park Authority					
9	<p>Cairngorms Outdoor Access Trust</p> <p>The Trust generated £95,000 of income from generated funds in 2010-11 from a variety of sources. This includes charges for the use of the Glenmuick car park, consultancy work, path maintenance and sales of publications which may not be considered to be charitable. Charities can apply for a small trading exemption in respect of commercial income where this income is less than £50,000.</p> <p>It is essential that all charitable funds are used in line with the charitable objectives of the Trust. Where there are activities conducted outside of the normal charitable purposes of any charity these should be conducted by a separate trading subsidiary. The use of a trading subsidiary may also generate VAT savings, but does create additional administration.</p>				

The action plan summarises specific recommendations, together with related risks and management's responses.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1 Planning application income		
<p>No reconciliation is completed of the payment information recorded in the ePlanning system and the ledger. We found that the income recorded in the ledger was £12,717 higher than the ePlanning system.</p> <p>There is a risk that income is not complete or correctly recorded.</p>	<p>We recommend that staff should reconcile the ePlanning system to the ledger.</p>	<p style="text-align: center;">Moderate</p> <p>We plan to introduce a process to reconcile fees received monthly but as the number of returned fees is minimal (10 to date), this different policy is unlikely to materially affect the income of the organisation and we consider the current systems remain the most efficient way of processing this type of income.</p> <p>Responsible officer: Head of Planning / Head of Finance</p> <p>Implementation date: March 2012</p>
2 Card payments		
<p>The Authority has purchased two card machines which allows card payments to be accepted by telephone and in person. This facility is operated by finance staff, but has not been set up at the Carrochan reception desk.</p> <p>There is a risk that finance staff time is not used efficiently and income is not recovered in a timely manner.</p>	<p>Management should ensure that the ability to accept card payments is rolled out to the reception desk to allow the Authority to expand card payment for all fee's.</p>	<p style="text-align: center;">Low</p> <p>Agreed - The cash machines were procured in the current financial year with the intention that one would be installed in Reception. This has been delayed slightly by staff changes at Reception but is planned to be installed no later than 31 March 2012</p> <p>Responsible officer: Governance Manager</p> <p>Implementation date: March 2012</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>3 Planning notice charges</p> <p>The Authority charges a fixed charge of £130 to place a planning advert. The average cost of placing one advert varies from £73 to £323 and the Authority does not recover the direct cost of placing adverts. No account is made of the administrative time involved in this process.</p> <p>In the current year to period seven, the total advertising income recognised (£11,586) is less than the total cost of placing planning adverts (£14,302).</p> <p>There is a risk that the Authority does not recover the full cost of providing the planning service.</p>	<p>Management should review its charging policy for planning notices. Consideration should be given to:</p> <ul style="list-style-type: none"> charging the actual full costs incurred for each planning notice; having varying charges based on the cost per area; and retaining a fixed charge and ensuring the charge covers the full cost, including a charge for the Authority's administration time. 	<p style="text-align: center;">Moderate</p> <p>Agreed – following the Government's announcement that planning authorities must continue to advertise in local press, we have been looking to re-design the layout of planning adverts to reduce costs. When this exercise is complete, we will look to adjust the charges to make full cost recovery on an average cost basis.</p> <p>Responsible officer: Development Manager</p> <p>Implementation date: March 2012</p>

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>4 Lease agreements</p> <p>Between 2008 and 2011, the Board carried out a review of its properties and took the overarching decision to commercialise assets and realise the full value of the asset base. It was agreed that some the Authority's properties would be leased to private organisations with the requirement that individual properties would continue to provide visitor services which were appropriate to the size and location of each asset.</p>	<p>Management should ensure that in arriving at individual decisions to lease out properties that the rationale for the decision and the arrangements agreed are clearly documented.</p>	<p style="text-align: center;">Low</p> <p>Agreed – the process to document such decisions and the subsequent implementation through formal lease documents and side agreements will be improved to increase transparency and audit trails.</p> <p>Responsible officer: Director of Corporate Services/ Director of Conservation and Visitor Experience</p> <p>Implementation date: Ongoing</p>
<p>5 Leased asset register</p> <p>The Authority does not hold a detailed register of all leased assets for the purposes of monitoring lease options.</p> <p>There is a risk that rent review, break clause and other conditions are missed.</p>	<p>Facilities staff should maintain a register of all leased assets with details of the terms of each lease, including applicable review dates.</p>	<p style="text-align: center;">Low</p> <p>Agreed – we have plans to procure an estates management system to improve monitoring on all our assets, this software will provide the necessary controls over leased assets.</p> <p>Responsible officer: Facilities Manager</p> <p>Implementation date: March 2012 (subject to funding)</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>6 Rental income invoices</p> <p>The facilities manager raises sales order request forms for each property on a monthly or quarterly basis depending on the terms of each lease.</p> <p>This is a low risk area the number of sales invoices raised could be reduced to make the process more efficient.</p>	<p>Consideration should be given to raising an annual invoice for each property setting out the amounts payable each month or quarter. This transaction could be set up to generate at set intervals in the ledger or by way of a total balance with individual due dates.</p>	<p style="text-align: center;">Low</p> <p>Agreed – 2011/12 has been one of the first years with a number of properties on lease. This proposal will be introduced in the future.</p> <p>Responsible officer: Facilities manager</p> <p>Implementation date: Immediate</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>7 Online shop</p>		Moderate
<p>The online shop has generated a low number of sales in the year to date. The staff cost of operating the shop are not recorded and it is likely that a loss will be incurred in the year.</p> <p>The Authority also administers the West Highland Way online shop which has a similar setup to the Authority's online shop.</p> <p>There is a risk that the online shop generates recurring losses which the Authority must fund.</p>	<p>Management should consider the objectives of the online shop and consider its ongoing operational costs. This should involve review of the postage charge and the potential to consolidate the administration of the two online shops.</p> <p>The continued administration of the West Highland Way online shop should be considered with recognition that it may be more cost effective for the Authority to provide a grant to the association rather than administering its online shop.</p>	<p>Agreed – Regarding the LLTTNPA on line shop, a full review of performance during the summer season was presented to the Executive Team in November which reinforced that the initiative is more about building and maintaining brand presence than generating income. A number of changes were agreed to the future operation of the shop including procedures to ensure that direct costs incurred will be subject to full recharge.</p> <p>A review of the future operation of both on-line shops is under way with the aim of agreeing a way forward by 31 March 2012</p> <p>Responsible officer: Communications Manager</p> <p>Implementation date: March 2012 and ongoing</p>

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>8 Stock</p> <p>The Authority is holding a large amount of stock with a low rate of turnover.</p> <p>There is a risk that stock becomes obsolete and is written off, resulting in financial loss to the Authority.</p>	<p>Management should consider selling its stock to local businesses for resale and examine stock policies to ensure that these remain appropriate.</p>	<p style="text-align: center;">Low</p> <p>Agreed – Historical stock levels are artificially inflated by the inclusion of stock from previous retail outlets. In due course, it is anticipated that the stock levels will reduce as will the threat of obsolescence</p> <p>Responsible officer: Communications Manager</p> <p>Implementation date: March 2012</p>
<p>9 Cairngorms Outdoor Access Trust</p> <p>The Trust generates income from a variety of sources that may not be considered to be charitable. It is essential that all charitable funds are used in line with the charitable objectives of the Trust.</p> <p>There is a risk that Trust is not in compliance with the Charities and Trustee Investment (Scotland) Act (2005).</p>	<p>Management should consider the generated income of the Trust in line with its charitable objectives, OSCR guidance and the need to establish a trading subsidiary.</p> <p>Activities conducted outside of the normal charitable purposes of the Trust should be conducted by a separate trading subsidiary. The use of a trading subsidiary may also generate VAT savings but does create additional administration.</p>	<p style="text-align: center;">Moderate</p> <p>Agreed – The COAT Board is already aware of this issue has had the company structure under review for some months with the intention of considering whether a trading subsidiary should be established. Members of the COAT Board and the management have since held a follow up telephone meeting with KPMG tax advisers in order to firm up these plans. We aim to have a trading subsidiary in place by commencement of the next financial year, 1 April 2012.</p> <p>Responsible officer: Director of Corporate Services</p> <p>Implementation date: 1 April 2012</p>

Appendices

Objective, scope and approach

In accordance with the 2011-12 internal audit plan for Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority (“the Authorities”), we will undertake an internal audit review of commercial income generation.

Objective

Pressures from reductions in Scottish Government income and increases in costs increase the importance of generating commercial income. It is important that opportunities for income generation are identified and that all appropriate income is captured and recognised in the accounting ledgers.

The overall objective of this audit is to provide assurance over the effective operation of processes and controls for significant commercial income streams at each Authority.

Scope

This joint review will consider, and compare:

- the level and type of commercial income generated by each Authority;
- arrangements to ensure that all income is captured and particularly, at the correct rate;
- arrangements to ensure effective asset utilisation;
- processes for considering and approving new commercial income streams;
- processes for ensuring approved income streams operate appropriately and in line with relevant agreements;
- how management ensures goods and services are appropriately charged for; and
- the use of staff resources to deliver these commercial streams and the effect on mainstream work.

Approach

We will review processes and controls over commercial income streams, test the design and implementation of these and ensure key controls are operating effectively. Our work will cover the following income streams:

- planning fees;
- property rental income;
- business plan income;
- generated income; and
- Cairngorms Outdoor Access Trust commercial income.

Classification of internal audit findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of more than 1% * of total expenditure. • Detrimental impact on operations or functions. • Sustained, serious loss in brand value. • Going concern of the organisation becomes an issue. • Decrease in the public's confidence in the Authority. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders and customers. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Authority's audit committee. • Requires executive management attention. • Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. • Separately reported to chairman of the Authority's audit committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of 0.5% to 1% * of total expenditure. • Major impact on operations or functions. • Serious diminution in brand value. • Probable decrease in the public's confidence in the Authority. • Major decline in service/product delivery, value and/or quality recognised by stakeholders and customers. • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires prompt management action. • Requires executive management attention. • Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. • Reported in executive summary of report.

* Materiality is quantified on page 20.

Classification of internal audit findings (continued)

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of 0.1% to 0.5%* of total expenditure. • Moderate impact on operations or functions. • Brand value will be affected in the short-term. • Possible decrease in the public's confidence in the Authority. • Moderate decline in service/product delivery, value and/or quality recognised by stakeholders and customers. • Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Medical treatment required. 	<ul style="list-style-type: none"> • Requires short-term management action. • Requires general management attention. • Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. • Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of less than 0.1%* of total expenditure. • Minor impact on internal business only. • Minor potential impact on brand value. • Should not decrease the public's confidence in the Authority. • Minimal decline in service/product delivery, value and/or quality recognised by stakeholders and customers. • Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • First aid treatment. 	<ul style="list-style-type: none"> • Requires management action within a reasonable time period. • Requires process manager attention. • Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. • Reported in detailed findings in report.

* Materiality is quantified on page 20.

Classification of internal audit findings (continued)

The definitions of the materiality used to classify the impact of our findings are detailed below and are based on the 2009-10 financial statements.

Rating	Definition	Loch Lomond & The Trossachs National Park Authority	Cairngorms National Park Authority
Critical	Potential financial impact of more than 1% of total expenditure	Greater than £80,000	Greater than £50,000
High	Potential financial impact of 0.5% to 1% of total expenditure	Between £40,000 and £80,000	Between £25,000 and £50,000
Moderate	Potential financial impact of 0.1% to 0.5% of total expenditure	Between £8,000 and £40,000	Between £5,000 and £25,000
Low	Potential financial impact of less than 0.1% of total expenditure	Less than £8,000	Less than £5,000



cutting through complexity™

© 2012 KPMG LLP, a UK Limited Liability Partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.
All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).