

Cairngorms National Park Authority

Annual Audit Plan 2011/12



Prepared for Cairngorms National Park Authority
March 2012

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, our planned work in 2011/12 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 Cairngorm National Park Authority 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 2011/12.
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 2011/12 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 2011/12.
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 performed an early assessment of the internal audit function. Our review of internal audit concluded that the service provided by KPMG LLP operates in accordance with government internal audit standards. We plan to place assurance in the following areas:
- Community engagement / stakeholder satisfaction
 - Workforce management
 - Risk management
 - Financial controls
 - Financial management and planning and efficiencies
 - Commercial income generation
6. 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

7. 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 2012 and its expenditure and income for the year then ended
 - preparing an annual report, including management commentary and remuneration report.

Format of the accounts

8. 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

9. 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 at in table 1 below. 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>The Park Authority is facing a period of continuing reductions in funding and cost pressures. Future reductions in government funding will place considerable pressures on the future delivery of priorities and objectives. There is also the risk of potential reductions in funding from the EU.</p> <p>There is a risk that any further reductions in funding may limit the Park Authority's ability to achieve its strategic objectives.</p>	<p>Regular financial and performance monitoring reports put 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>Management working with Board and staff to develop a new Corporate Plan from 2012 to account for the new funding environment in addition to reviewing the Park Authority's role in the delivery of a new National Park Plan from March 2012.</p>	<p>We will assess the Park Authority's outturn against budget as part of the final statements audit.</p>

Risk	Source of Assurance	Planned Audit Action
<p>Partnership Working</p> <p>Effective partnership working is essential to ensure the delivery of the Park Authority's objectives and secure best value for collective resources, skills and expertise.</p> <p>Partnership organisations are likely to be subject to ongoing financial constraints and will face competing priorities and pressures on limited resources.</p> <p>There is a risk that partner organisations do not contribute resources or support required to deliver the National Park outcomes.</p>	<p>Arrangements for engagement with partners in delivery of actions have been in place and were reviewed throughout the last 5 years of the National Park Plan delivery. Partner engagement and consultation was incorporated into the development of National Park Plan 2012 – 2017.</p> <p>An ongoing shared services work programme is in place with Loch Lomond and the Trossachs National Park Authority</p> <p>Inclusion of work on Community Engagement / Stakeholder Satisfaction in the Internal Audit Plan for 2011/12.</p>	<p>We will monitor progress and developments in this area, and report as appropriate.</p>
<p>Strategic Planning</p> <p>The Park Authority is to submit the new Cairngorms National Park Plan for 2012-2017 to Scottish Ministers for final approval by May 2012.</p> <p>The development of the new Park Plan is a major priority for the Park Authority and it will be challenging to secure partnership and community engagement in the process as well as commitment to its delivery.</p> <p>There is a risk that any delay in the approval of the plan will affect the Park Authority's ability to meet its objectives.</p>	<p>Public consultation period on Cairngorms National Park Plan was completed in December 2011.</p> <p>Cairngorms National Park Plan to be submitted for Ministers final approval by May 2012.</p>	<p>We will monitor progress and developments in this area, and report as appropriate.</p>

Risk	Source of Assurance	Planned Audit Action
<p>Corporate Plan</p> <p>The Park Authority has extended its Corporate Plan to March 2012. The Corporate Plan states 46 differing achievements. Reductions in funding and limited resources may result in the Park Authority failing to deliver a number of these achievements.</p> <p>There is a risk that failing to meet these achievements will affect the Park Authority's ability to deliver the National Park Plan.</p>	<p>Corporate Plan monitoring reports will be presented to Board throughout the year.</p>	<p>We will monitor progress and developments in this area, and report as appropriate.</p>

Materiality

10. 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.
11. 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

12. As the accounts have to be signed by the relevant officers and by the appointed auditor, Asif A Haseeb, prior to submission, it is critical that a timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at table 2 which takes account of submission requirements, planned audit committee dates and audit resources.
13. 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 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, Internal Audit and Audit Scotland's Performance Audit Group.

14. 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 report to the Authority 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.
15. All annual reports produced by Audit Scotland are published on our website: (www.audit-scotland.gov.uk).
16. The full range of outputs to be delivered by the audit team and the financial statements audit timetable at is in table 2 below.

Table 2: Financial Statements Table

Key Stage	Date
Latest submission of unaudited financial statements with working papers package	1 May 2012
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)	15 June 2012
Audit Committee date	22 June 2012
Independent Auditors Report (audit certificate) signed	29 June 2012
Annual Report to the Accountable Officer and Auditor General for Scotland	31 August 2012

Quality control

17. We are committed to ensuring that our audit reflects best practice and demonstrates best value to Cairngorms National Park Authority 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.
18. 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

19. The fee for the audit is £10,500 and covers:

- all of the work and outputs described in this plan
 - attendance at Governance and Audit Committee meetings
 - access to advice and information on relevant audit issues
 - travel and subsistence costs.
20. The local audit team will be led by Gordon McAllister 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

21. 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 18 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.

Jamie Robertson Msc, CPFA

Senior Auditor

Jamie has over 10 years public sector accounting and auditing experience working within private practice, for a local authority and most recently Audit Scotland. Jamie's experience covers a range of sectors including local government, central government, health and further education.

Gordon McAllister BA Hons

Auditor

Gordon joined Audit Scotland in 2009 as a graduate trainee. Gordon has a BA (Hons) degree in Finance and Marketing. He has worked on the audits of a wide range of local and central government bodies.

Appendix B - Independence and objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice (the Code) and standing guidance for auditors. 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 and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication with those charged with governance) requires that the appointed auditor communicates:

- A statement that the engagement team and others in the firm as appropriate, the firm 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.
- 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, this is the Chief Executive and the Audit Committee. The auditor reserves the right to communicate directly with members on.

The Code 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 includes the following:

- 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 every five years
- 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.