

# Cairngorms National Park Authority

## Report to those charged with governance on the 2012/13 audit



Prepared for Cairngorms National Park Authority  
2 August 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.

---

# Contents

<b>Introduction</b> .....	<b>4</b>
Status of the Audit.....	4
Matters to be reported to those charged with governance .....	5
Accounting and internal control systems .....	6
Significant findings from the audit.....	6
Acknowledgements .....	6
<b>Appendix A: Proposed Independent Auditor’s Report</b> .....	<b>7</b>
<b>Appendix B: ISA 580 - Letter of Representation</b> .....	<b>9</b>

# Introduction

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Accountable Officer's and Audit Committee's consideration the matters arising from the audit of the financial statements for 2012/13 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Cairngorms National Park Authority ('CNPA' or 'the Authority') and no responsibility to any third party is accepted.

## Status of the Audit

3. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with management during our site visit between the 6th and 9th of May 2013 and included in a summary matter arising schedule issued on the 13th May 2013. There was further email and telephone correspondence with management and a meeting was held at the end of our second site visit on 25 July 2013 to clear outstanding issues relating to unreconciled LEADER receivable balances that had only been reconciled by the Authority's staff after the scheduled site visit and prior to the second visit.
4. We received the unaudited financial statements on 2 May 2013, in accordance with the agreed timetable. The working papers were of a high standard and staff provided excellent support to the audit team. However the financial statements did not contain the required median pay calculation, which was provided during the period of the fieldwork, and pension disclosures for executive directors within the remuneration report which are provided by a third party. These disclosures have now been included in the latest version of the draft accounts.
5. There were some delays in the matters arising clearance process. As per paragraph 3, we issued a summary matters arising schedule to management on 13 May 2013. We received a response on 24 May 2013. However further explanations for a number of issues were required and we were unable to seek these until 3 June 2013 due to other commitments of the audit team. We received additional satisfactory explanations on 10 June 2013 for all points raised except the LEADER receivable balances. We were unable to complete the audit process on the basis of supporting evidence we received for the LEADER receivable balances in the ledger. As we were not in a position to provide an unqualified independent auditor's report in time for the June Audit Committee meeting, we agreed with management to delay the

financial statements sign-off and to carry out supplementary work on 25 July 2013. We provided a verbal update to that effect to the Audit Committee on 21 June 2013.

## Matters to be reported to those charged with governance

### Conduct and scope of the audit

6. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Audit Committee on 15 March 2013 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
7. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in our Annual Audit Plan. However due to the need to carry out supplementary audit work relating to LEADER trade receivables balances (see paragraph 5 above), an additional fee of £500 has been agreed with management.

### Fraud

8. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention.

### Audit opinion & representations

9. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 16 August 2013 (the proposed report is attached at [Appendix A](#)). There are no anticipated modifications to the audit report.
10. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000.
11. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements. The net effect of these adjustments is to increase net expenditure by £35,000. Net assets as recorded in the statement of financial position have decreased by £35,000.
12. We have no unadjusted misstatements to bring to your attention.
13. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation template under ISA580 is attached at [Appendix B](#). This should be

signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

## Accounting and internal control systems

14. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Significant findings from the audit

15. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
16. **LEADER trade receivables closing balances:** We have been unable agree the following trade receivables balances to supporting documentation:
  - LEADER Claims Outstanding of £144,310
  - LEADER Convergence Claims Outstanding of £138,042.

Resolution: As per paragraph 5, we agreed with management that additional work would be carried out by the audit team on 25 July 2013. During our visit we confirmed that management had completed a detailed reconciliation process for LEADER balances which resulted in a reduction of £33,942 in LEADER receivable balances.

17. **Trade receivables opening balances:** Trade receivables opening balances with the total value of £95,147.72 have been written down or written off and trade receivables opening balances with the total value of £41,894.63 have been increased as evidence to support these balances has not been available.

Resolution: The trade receivables opening balances have been adjusted to their original values brought forward from 2011/12 financial year. A comprehensive reconciliation and analysis of trade receivables balances has been performed by management and this resulted in the revised balances as mentioned in paragraph 16 above.

## Outstanding matters

18. There are no outstanding matters.

## Acknowledgements

19. We would like to express our thanks to the staff of CNPA for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix A: Proposed Independent Auditor's Report

## **Independent auditor's report to the members of Cairngorms National Park Authority, the Auditor General for Scotland and the Scottish Parliament**

I have audited the financial statements of Cairngorms National Park Authority for the year ended 31 March 2013 under the National Parks (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and are also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the

financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2013 and of its net operating cost for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM
- have been prepared in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records
- I have not received all the information and explanations I require for my audit
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Asif A Haseeb  
Audit Scotland  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

16 August 2013



# Appendix B: ISA 580 - Letter of Representation

**This letter should be reproduced on CNPA letterhead, signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified**

Asif A Haseeb  
Audit Scotland  
8 Nelson Mandela Place  
Glasgow, G2 1BT

Dear Asif

## **Cairngorms National Park Authority - 2012/13 Financial Statements**

1. This representation letter is provided in connection with your audit of the financial statements of Cairngorms National Park Authority (CNPA) for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of CNPA, as at 31 March 2013 and its comprehensive net expenditure and application of funding for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Directors and Board, the following representations given to you in connection with your audit of CNPA for the year ended 31 March 2013.

## **General**

3. I acknowledge my responsibility and that of CNPA for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by CNPA have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Annual Report to the financial statements, including the Management Commentary and Remuneration Report, presents a balanced picture of CNPA and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA 260).

## **Regularity of Financial Transactions**

6. The financial transactions of CNPA are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### **Financial Reporting Framework**

7. The financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual and in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers including all relevant presentation and disclosure requirements.
8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of CNPA for the year ended 31 March 2013.

### **Accounting Policies & Estimates**

9. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the 2012/13 Government Financial Reporting.
10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

11. The Board and Directors have assessed the CNPA's ability to carry on as a going concern, as identified in the Statement of Accountable Officer's Responsibilities, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

12. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS 24, as interpreted by the 2012/13 Government Financial Reporting.

### **Events Subsequent to the Date of the Statement of Financial Position**

13. There have been no material events since the date of the Statement of Financial Position which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
14. Since the date of the Statement of Financial Position no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

## **Corporate Governance**

15. I acknowledge as Accountable Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
16. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the 2012/13 Government Financial Reporting Manual. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2013 which require disclosure.

## **Fraud**

17. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

## **Assets**

18. The assets shown in the Statement of Financial Position at 31 March 2013 were owned by the CNPA, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

19. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2013.

## **Carrying Value of Assets and Liabilities**

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with 2012/13 Government Financial Reporting Manual. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

## **Provisions**

21. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2013 and of which CNPA could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2013.

Yours sincerely

Grant Moir  
Chief Executive