

# Cairngorms National Park Authority

## Report on the 2003/04 Audit

6 December 2004

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Convenor and Members

**Report on the Audit for the Year Ended 31 March 2004**

I have now completed my audit of the Cairngorms National Park Authority's statement of accounts for the year ended 31 March 2004.

As part of my responsibilities as external auditor to the Authority I am required to submit, at the conclusion of each year's audit, a final report addressed both to members of the Authority and to the Auditor General. I have pleasure in attaching my Report on the Authority's audit for the year to 31 March 2004.

This report aims to summarise all significant matters which have arisen during the course of the audit and which I feel are worthy of members' attention.

This report will be submitted to the next meeting of the Authority's Audit Committee when I shall be available to expand upon any issues raised and respond to any observations made.

I should like to take this opportunity to thank the Chief Executive, Interim Head of Corporate Services and all staff within the Authority who have assisted my staff in the course of the audit.

Yours faithfully

Robert W Clark  
Senior Audit Manager

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## **Executive Summary**

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### **Introduction**

This is the first year of my audit appointment and the following report summarises the auditor's main responsibilities and duties and draws to the attention of members of the Cairngorms National Park Authority the range of matters emerging from the audit for the year to 31 March 2004. A summary of those matters is detailed below.

### **Statement of Accounts and Related Matters**

There are no qualifications to my auditor's report and I am able to conclude that the Authority's Statement of Accounts presents a true and fair view of its financial position as at 31 March 2004.

The disclosures made in the Authority's statement of internal control statement accord with relevant guidance and are consistent with the information derived from other elements of my audit.

### **Governance**

As part of the 2003/04 audit, I reviewed the main accounting system to assess whether appropriate levels of control are in place. Although several recommendations resulted from this review, none were considered to have a major impact on the financial stewardship of the Authority. A summary of findings is contained in Section 4 of this Report.

### **Concluding Remarks**

I am pleased to conclude formally the audit of the Authority for 2003/04 and I should like to take this opportunity to record my thanks to those officials and staff within the Authority with whom we have had contact during our audit for their courteous and helpful co-operation.

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## **Introduction**

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1. This report summarises the issues emerging from the audit of the Cairngorms National Park Authority. It may be helpful to members if I summarise my main responsibilities and duties and the way in which I approach the conduct of the audit.
2. As auditor, appointed by the Auditor General for Scotland, I have conducted the audit in accordance with Audit Scotland's Code of Audit Practice. My responsibilities include reviewing and reporting on:
  - ◆ the systems of internal control;
  - ◆ the regularity of transactions, and the prevention and detection of fraud and irregularity;
  - ◆ standards of conduct and prevention and detection of corruption;
  - ◆ its financial position;
  - ◆ the Authority's statement of accounts.
3. This report on the 2003/04 audit is a summary of my audit activity for the year and should be considered in the context of the stewardship responsibilities of the management of the Cairngorms National Park Authority. As Audit Scotland's Code of Audit Practice makes clear:

*"The prime responsibility for ensuring both that public business is conducted in accordance with the law and proper standards and that public money is handled with absolute integrity and spent appropriately rests with the members and officials. To discharge this accountability, public bodies and those responsible for the conduct of their affairs require to establish and maintain proper arrangements for the governance of their affairs and the stewardship of resources at their disposal."*
4. The key issues arising from the audit, which require action by the Authority, are set out in the Action Plan included as an appendix to this report.

## Statement of Accounts and Related Matters

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### Introduction

1. The Cairngorms National Park Authority's statement of accounts is an essential means by which it demonstrates its stewardship of the resources made available to it and its financial performance in the use of those resources. The management of the Authority is responsible for the preparation of the accounts, which are required to present a true and fair view of its financial position and the income and expenditure for the year.
2. I am required to place an auditor's report on the statement of accounts, which contains my opinion as to whether the Authority has fulfilled this responsibility.
3. I am also required to consider whether the Authority has established adequate arrangements to ensure that its financial position is soundly based.

### Auditor's Report

4. There are no qualifications to my auditor's report on pages 8 and 9 of the Authority's statement of accounts as, in my opinion, the accounts present a true and fair view of the financial position and income and expenditure for the year.

### Submission of audited statement of accounts

5. The draft statement of accounts for the year to 31 March 2004 was received on 13 August 2004. The draft statement of accounts did not include a foreword to the accounts and a revised draft statement of accounts incorporating a foreword was received on 3 November 2004.
6. On completion of the audit fieldwork my auditor's report was issued on 25 November for insertion in the Authority's published accounts. After receipt and checking the certified statement of accounts was submitted to the Authority and Auditor General on 6 December.
7. I acknowledge that as this was the first year of the existence of the Authority there were competing demands on the available resources. However, in my view there should be scope to bring forward the preparation of draft accounts and to conclude the audit. I would suggest the management team prepares a timetable for the preparation of accounts for future periods to allow the audit to be completed by the end of October.

***Refer to Action Point 1***

### Statement on the System of Internal Control

8. The foreword to the Authority's statement of accounts states the Authority came into existence on 25 March 2003 and became fully operational on 1 September 2003. As a result the systems of internal control within the Authority are evolving and the disclosures within the statement recognise this situation. The statement acknowledges that in the period to 31 March 2004:
  - ◆ There was no internal audit function;
  - ◆ A risk assessment had not been undertaken.

9. The statement also sets out the actions being taken to address the above:
  - ◆ The appointment of internal auditors in June 2004;
  - ◆ A risk management workshop, facilitated by Internal Auditors and attended by members of the Authority's management team and the Audit Committee Convenor, was held in November 2004;
  - ◆ Proposed completion of a risk management strategy and risk register by December 2004.
10. My review of the statement concluded that it complies with extant guidance and is consistent with other information I am aware of from my audit.

## **Governance**

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1. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The Cairngorms National Park Authority has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice.
2. As auditor, I have a responsibility to review and report on the Authority's corporate governance arrangements.

### **Corporate governance arrangements**

3. The Authority is responsible for the Cairngorms National Park which was set up under the National Parks (Scotland) Act 2000 with the aim of promoting sustainable economic and social development of the area's communities, conserving and enhancing the natural and cultural heritage of the area, promoting sustainable use of the natural resources of the area and promoting understanding and enjoyment of the special qualities of the area by the public.
4. Although the Cairngorms National Park Authority has only been established for approximately one year I found a number of examples of good governance within the Authority. In particular I found appropriate structures and processes in place to facilitate effective decision making, including standing orders for the Board and remits for standing committees. In addition, an Audit Committee has been established with a remit that includes monitoring the adequacy of internal control systems and overseeing the arrangements for ensuring the economic, efficient and effective use of resources.
5. However, I did find areas with scope for improvement including the need to develop a risk management strategy and a policy on the prevention of fraud and irregularities. My formal report issued on 3 August 2004 included three recommendations of high priority and I will follow up their implementation as part of my 2004/05 audit.

### **Systems of Internal Control**

6. The Authority has a responsibility to develop and implement systems of internal control, including systems of financial, operational and compliance controls.
7. In accordance with my Audit Planning Memorandum, I reviewed the main accounting system as part of the audit for the period to 31 March 2004. I highlight for the attention of members the main findings arising from my report.

### **Main accounting system**

8. The Cairngorm National Park Authority uses a propriety computerised accounting system for its financial ledger and for processing payroll, accounts payable and accounts receivable. Its forecast gross expenditure on a cash basis for 2003/04 was £2m with the main source of income being grant-in-aid from the Scottish Executive.



9. My review found that the system of internal control within the main accounting system was operating satisfactorily and there were some examples of good practice. An example of good practice I highlighted is the audit trail within the computerised accounting system, which allows an item to be traced from input through to its final resting place. However, audit testing did highlight a number of areas of concern which management within the Authority have agreed to address. In particular, I found that there was no comprehensive set of written procedures covering the Authority's financial operations.
10. The action plan to my formal report issued on 30 April 2004 contained seven recommendations and I will review the implementation of these recommendations as part of my 2004/05 audit.

### ***Freedom of information***

11. The Freedom of Information (Scotland) Act 2002 (the Act) was passed by the Scottish Parliament on 24 April, received Royal Assent on 28 May 2002 and comes into force on 1 January 2005. It will introduce a general statutory right of access to all types of 'recorded' information of any age held by Scottish public authorities e.g. national health service, local authorities, and colleges. Subject to certain conditions and exemptions, any person who makes a request to a public authority for information will be entitled to receive it.
12. The Act places a duty on each Scottish public authority to adopt and maintain a 'publication scheme', which is a guide to the information held by an organisation that is made available to the public as a matter of routine. Schemes are intended to encourage organisations to publish more information pro-actively, develop a culture of openness and reduce the burden of responding to individual requests for information. The Scottish Information Commissioner must approve the scheme.
13. My review found the Authority is giving priority to implementing the requirements of the Freedom of Information (Scotland) Act 2002. A draft 'Publication Scheme' was submitted to the Scottish Information Commissioner prior to the deadline of 31 August 2004 and approved by him on 5 October 2004. Reasonable progress has been made in some areas related to the Act including an officer to manage the preparation for freedom of information project. However, some work was outstanding at the time of my review in March 2004 including:
  - Completion of a freedom of information policy;
  - Completion of an information audit and a data inventory;
  - Provision of training to members on the requirements of the legislation;
  - Protocols/procedures for handling information held by partners;
  - Development of a monitoring system for the freedom of information project.
14. I have been advised that all work detailed above is underway. However, progress of the project should be the subject of regular reports to both the management team and the Board and action taken where necessary to ensure the Authority will be in a position to comply with the legislation from 1 January 2005.

***Refer to Action Plan Point 2***

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**Legality issues**

15. While the responsibility for ensuring the legality of all activities and transactions rests with the management of the Authority, the public sector auditor is required to keep under review the legality of significant transactions and events and have an awareness of the key requirements of relevant statutory provisions.
16. In order to discharge my responsibilities in this area, the legality of items in the accounts are considered by the inclusion of all significant legal requirements in audit programmes and checklists used in the conduct of the audit and by the deployment of staff who have substantial experience of the public sector's legal framework.
17. I also review the Authority's minutes for any items where concerns have been raised regarding legality to ensure that these are adequately followed-up and resolved. In addition, I obtain from the Chief Executive written confirmation for each annual audit that the Authority's management is not aware of any possible non-compliance with the law or regulations which could have a material effect on the authority's operation.
18. In the current financial year there have been no legal issues brought to my attention, which I require to report to members.

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## **Concluding Remarks**

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1. I am pleased to conclude formally the audit of the Cairngorms National Park Authority for the period to 31 March 2004.
2. The key issues, which require action, are set out in the form of an Action Plan at Appendix A.
3. This is the first year of my audit appointment and I should like to take this opportunity to record my thanks to the Chief Executive, the Interim Head of Corporate Services and all staff within the Authority with whom we have had contact during my audit for their courteous and helpful co-operation.

## Action Plan

Final Report Page/Paragraph Reference	Issue to be addressed by the Authority	Action	
		Who by	When by
3/7	The management team should prepare a timetable for the preparation of accounts to allow the audit to be completed by the end of October 2005.	Finance Manager with Head of Corporate Services	February 2005
6/14	The Management Team and the Board should be regularly apprised of the progress of the freedom of information project and the action taken to ensure the Authority will be in a position to comply with the legislation from 1 January 2005.	Systems Support Manager with Head of Corporate Services	December 2004