

Cairngorms National Park Authority

Annual Audit Plan 2010/11



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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 2010/11 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 Cairngorms National 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 Cairngorms National Park Authority's governance and performance arrangements in a number of key areas including the review of adequacy of internal audit and consideration of the statement of internal control.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to Cairngorms National Park Authority (the 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 2010/11. Our plan reflects:

- the risks and priorities facing the Park Authority
- current national risks relevant to local circumstances
- the impact of changing international auditing and accounting standards
- our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
- issues brought forward from previous audit reports.



Our responsibilities

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.
4. In carrying out our audit, we seek to gain assurance that the Park Authority
 - has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability
 - has systems of recording and processing transactions which provides a sound basis for the preparation of financial statements and the effective management of its assets and interests
 - prepares financial statements which are true and fair and in accordance with the National Parks (Scotland) Act 2000, the Financial Reporting Manual (FRoM) and directions from Scottish Ministers
 - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
 - complies with established policies, procedures, laws and regulations
 - has made proper arrangements for securing best value in its use of resources.

Our approach

5. Our audit approach is based on an understanding of the characteristics, responsibilities and 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. This approach includes:
 - understanding the business of the Park Authority and the risk exposure which could impact on the financial statements
 - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation, understanding how the Park Authority will include these in the financial statements and developing procedures to audit these



- assessing the risk of material misstatement in the financial statements, in conjunction with our evaluation of inherent risk, the control environment and control risk as part of our risk assessment
 - determining the nature, timing and extent of our testing programme to provide us with sufficient appropriate audit evidence as to whether the financial statements are free of material misstatement.
6. Through this approach we have also 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 2010/11 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 programme for 2010/11.
7. 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. Internal audit is provided by Deloitte. Based on our review of internal audit we plan to place formal reliance on the areas of work set out in Appendix D.
8. At the completion of the audit we will provide the Accountable Officer 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

9. It is the responsibility of the Park Authority and the Accountable Officer (appointed by Scottish Ministers), to prepare the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions signed 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 2011 and its expenditure and income for the year then ended

- preparing an annual report, including management commentary and remuneration report.

Format of the accounts

10. The financial statements should be prepared in accordance with the FReM and 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 issues and risks

11. Based on our discussions with staff, consideration of your own risk management arrangements and a review of supporting information we identified the following main risk areas for the Park Authority :
 - financial pressures
 - partnership working
 - strategic planning
 - performance management and reporting
12. A summary of the nature of these risk areas along with a summary of management assurances on how they are being addressed is shown at Appendix A.

Financial Management

13. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. In June 2010 the new UK Government set out an Emergency Budget, planning for a period of significant fiscal consolidation and then in October 2010 it published its comprehensive spending review. This will mean an 8.6% real terms reduction in Scottish resource departmental expenditure limit and a 36.5% real terms reduction in capital departmental expenditure limit in the next four years.
14. The Scottish Government published its proposed budget for the next financial year in November 2010. Scottish Ministers have agreed a baseline cash budget for the Park Authority of £4.946 million for 2010/11. The Park Authority continues to work towards achieving 2% efficiency savings. There has been a 4.4% reduction in the level of Grant in Aid awarded to the Park Authority for 2011/12.
15. Sound financial planning will be required to ensure that the organisation can manage its overall financial position, balancing spending and available resources in a manner that maximises the contribution to key targets and objectives. Moving forward it is important that the organisation has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate. The immediate challenge is to balance the 2011/12 budget, but this needs to be achieved in a manner that best supports overall objectives and priorities.



Managing capital investment with significantly reduced resources will also mean significant challenges. Budget proposals were considered at the meeting of the Finance Committee in February 2011 and are due to be considered by the full Board on 18 March 2011.

16. The major challenge for public bodies is to implement the changes required to deliver the necessary reductions in spending on a sustainable basis. It will also mean making sure the Park Authority is fit for the future, being best placed to deliver its key objectives in the years ahead.
17. As part of our audit we will keep under review the Park Authority's progress in developing and agreeing its financial plans. We will also assess the extent to which the Park Authority delivers on its financial plans in 2010/11, a critical starting point in preparing for future budget reductions.

Efficiency and Best Value

18. Audit Scotland is continuing to develop its approach to the audit of best value and continuous improvement in the wider public sector, including central government bodies. Best value (BV) duties apply across the public sector. In central government, all Accountable Officers - chief executives of non-departmental bodies (NDPBs), executive agencies, public corporations and non-ministerial departments (NMDS) - are accountable for the delivery of BV. Audit Scotland has adopted a generic framework for BV for all public bodies. This will enable a consistent approach to auditing against BV principles across the public sector.
19. The Scottish Government has announced its intention to set an efficiency savings target across public services of three per cent for 2011/12. It also aims to deliver increased savings from collaborative procurement - with further savings of £61 million in 2011/12, and some £200 million over the next three years. We will consider the robustness of efficiency plans, within the context of our review of overall financial planning. We will also carry out an overview of the organisation's overall progress in improving its purchasing arrangements. Our report on *Improving Public Sector Purchasing* published in July 2009 made recommendations for all public bodies. We will follow up the progress made by the Park Authority in this area in 2010/11.

Performance audit

20. In addition to the above work, Audit Scotland's Performance Audit Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. A national study is being carried out in 2010/11 on Modernising the Planning System. The Park Authority has been selected as one of the organisations to be considered as part of the review, with particular focus on the extent of progress so far in implementing the changes to the planning system.



Summary Assurance Plan

21. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix A. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix A. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Materiality

22. We consider materiality 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.
23. International Standard on Auditing 320 states that, *“Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.”*
24. When considering, in the context of a possible qualification, whether the misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement, experience and internal guidelines from peers as broad guidance in regard to considering whether the results of tests of detail are material.
25. 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). Again we use professional judgement, experience and internal guidelines from peers to determine when such matters would fall to be covered in an explanatory paragraph, rather than as a qualification to the audit opinion.

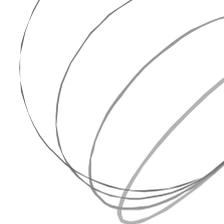
Reporting arrangements

26. Under the Public Finance and Accountability (Scotland) 2000 Act, there is a requirement for the Resource account of the Scottish Government to be presented to Parliament within nine months of the



financial year-end i.e. 31 December. The Park Authority is required to have their audited financial statements submitted to meet the consolidation timetable.

27. As the accounts have to be signed by the relevant officers and by the appointed auditor, Elaine Barrowman, 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 Appendix B of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.
28. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant senior manager to confirm factual accuracy. Responses to draft reports are expected within four weeks of submission.
29. A copy of all final agreed reports will be sent to the Chief Executive, the head of business services, relevant senior manager, Internal Audit and Audit Scotland's Performance Audit Group.
30. We will provide an independent auditor's report to the Park Authority and the Auditor General 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 Park 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.
31. All annual reports produced by Audit Scotland are published on our website: (www.audit-scotland.gov.uk).



32. The full range of outputs to be delivered by the audit team are summarised below:

Planned outputs	Target delivery date
Governance	
Internal Audit reliance	28 Feb 2011
Internal controls management letter	31 May 2011
Financial statements	
Financial statements management letter	31 May 2011
Report to Audit Committee in terms of ISA 260 (Communication of audit matters to those charged with governance)	17 June 2011
Independent auditor's report on the financial statements	31 October 2011
Annual report to the Accountable Officer and the Auditor General for Scotland/Members and the Controller of Audit	30 November 2011

Quality control

33. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the 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, Peter Tait, Assistant Director who is responsible for ensuring that our work is carried out on time and to a high quality standard.

34. 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

35. In the context of the challenges faced by Central Government bodies, the impact of national spending decisions, and changes made in Audit Scotland's own overall budget we have re-examined our audit fees including the fixed charge element in 2010/11. The proposed fees for 2010/11 are summarised below.

Description	Audit Fee		% change
	2009/10	2010/11	
Total audit fee	£11,400	£10,900	-4.4

36. Our agreed fee for the 2010/11 audit of the Park Authority is £10,900 comprising a local audit fee of £10,100 and a fixed charge of £800. Our fee covers:

- all of the work and outputs described in this plan



- a contribution towards the costs of national performance studies and statutory reports by the Auditor General
 - attendance at the Audit Committee
 - access to advice and information on relevant audit issues
 - access to workshops/seminars on topical issues
 - travel and subsistence costs.
37. In determining the agreed fee we have taken account of the risk exposure of the Park Authority, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of the draft accounts and working papers by 9 May 2011. If the draft accounts and papers are late, agreed management assurances are unavailable, or planned internal audit reliance is not achieved, we reserve the right to charge an additional fee for further audit work.
38. An additional fee will be required in relation to any work or other significant exercises not within our planned audit activity. An additional fee will also be charged for work on any grant claims or returns not included in the planned outputs noted previously.
39. Elaine Barrowman, Senior Audit Manager, Audit Services (Local Government) is your appointed auditor. The local audit team will be led by Maria Paterson 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 C. The core audit team will call on other specialist and support staff, as necessary.

Independence and objectivity

40. 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.
41. 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 E.

Appendix A - Summary assurance plan

In this section we identify a range of operational risks facing the Park Authority, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the Park Authority and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Risk	Source of assurance	Planned audit action
Financial Pressures		
<p>Future budget cuts announced by the Scottish Government will place considerable pressure on the Park Authority in delivering its objectives. Grant in aid for 2011/12 has reduced by 4.4% and staffing levels have recently fallen by 10%.</p> <p>It will be essential for the Park Authority to continue to closely monitor budgets and performance against targets and carry out longer term planning to ensure future plans are realistic and achievable.</p>	<ul style="list-style-type: none"> ▪ Regular financial and performance monitoring reports put to the Board for review and approval ▪ Budget for 2011/12 to be approved by the Board in March 2011 ▪ Specific review by management of the Park Authority's capacity to deliver the corporate plan and where necessary planned achievements have been refined. 	<ul style="list-style-type: none"> ▪ Review of financial and performance reports to the Board.
Partnership Working		
<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>Partner organisations are likely to be subject to ongoing financial constraints and will face competing priorities and pressures on limited resources.</p> <p>As such it is essential that the Park Authority ensures the engagement of partners in strategic planning and their commitment to the delivery of the objectives in the Park Plan.</p>	<ul style="list-style-type: none"> ▪ Regular Partnership meetings ▪ Updates on joint procurement initiatives 	<ul style="list-style-type: none"> ▪ Review progress reports and updates to the Board on the harmonisation programme. ▪ Comment in Annual Report



Risk	Source of assurance	Planned audit action
Strategic Planning		
<p>The Park Authority is to submit the new National Park Plan for 2012-2017 to Scottish Ministers for final approval in the first quarter of 2012/13.</p> <p>The development of the new National Park Plan is a major priority for the Park Authority and is one which will be challenging to secure partnership and community engagement in the process as well as commitment to its delivery.</p>	<ul style="list-style-type: none"> ▪ The approach to developing the National Park Plan was approved by the Board in March 2010 ▪ The timetable for the adoption of the new National Park Plan is to be considered at the Board meeting on 18 March 2011. ▪ Agreement of ways to co-ordinate the implementation and delivery of the Plan through such measures as the National Plan Strategy Group and various advisory forums ▪ Approval of Community Engagement Standards 	<ul style="list-style-type: none"> ▪ On going monitoring through review of Board papers and minutes.
Performance Management and Reporting		
<p>It will be essential that the new National Park Plan is supported by an agreed set of performance targets and outcome measures. These should be linked to the key priorities, be outcome focused wherever possible and be able to demonstrate progress against key targets by the Park Authority and its partners.</p> <p>The Park Authority is committed to the production of a state of the park review 2011. It will be challenging to ensure that this is a balanced report on the collective delivery of the National Park Plan which is of real use to the public and other stakeholders.</p>	<ul style="list-style-type: none"> ▪ Focus will be given to the agreement of sharper performance targets and 5 year outcomes ▪ Planned achievements will be prioritised to reflect ongoing financial constraints and reducing resources. 	<ul style="list-style-type: none"> ▪ Review of performance management reports ▪ Update in annual audit report.

Appendix B - Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	Jan – March 2011
Meeting with officers to clarify expectations of detailed working papers and financial system reports.	Feb/March 2011
Latest submission of unaudited financial statements with working papers package	2 May 2011
Planned onsite financial statements work.	9 May – 13 May 2011
Progress meetings with lead officers on emerging issues.	As required during audit process.
Latest date for submission of management letter on financial statements audit.	31 May 2011
Latest date for final clearance meeting with senior finance staff	31 May 2011
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)	17 June 2011
Audit Committee date	24 June 2011
Independent Auditors Report signed	31 October 2011
Annual Report to the Accountable Officer	30 November 2011



Appendix C - Audit team

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

Peter Tait

Assistant Director of Audit Services (appointed auditor)

Peter's career has given him an excellent breadth of experience covering public finance within Scotland, including Local Government, Agencies, Non-Departmental Public Bodies, the NHS and Central Government. With over 30 years experience of public sector audit including 18 years at a senior management level, Peter has a strong understanding of the role of the finance function in large public sector organisations and a commitment to achieving best value.

Elaine Barrowman BA CPFA

Senior Audit Manager

Elaine has over 20 years experience of public sector audit. During this time she has managed varied portfolios and has broad experience in all aspects of public audit. She is also involved in a number of corporate improvement projects within Audit Scotland.

Maria Paterson, BAcc (Hons) CPFA,

Senior Auditor

Maria has fourteen years experience of public sector audit including NHS, Local Authority and Passenger Transport Authority.

Joni McBride BSc (Hons)

Graduate Trainee

Joni is a Maths graduate from Glasgow University who joined Audit Scotland in 2008 as part of our Local Government team, and has completed work in a local authority in the Local Government portfolio.



Appendix D - Reliance on internal audit

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. Our review of the internal audit service concluded that the internal audit service provided by Deloitte operates in accordance with government internal audit standards. We therefore plan to place reliance on the work of internal audit in the following areas. These will provide us with additional assurances for the audit of the financial statements and our governance and accountability reviews.

- review of the Effectiveness of Corporate Governance
- project Management
- pensions and payroll
- financial controls ; cash and banking, IT security, accounts payable and receivable and general ledger

Appendix E - 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 Standards 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; 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 organization(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 audit committee. The auditor reserves the right to communicate directly with members on matters which are considered to be of sufficient importance.

Audit Scotland's 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. Appointed auditors and their staff should avoid entering in to any official, professional or personal relationships which may impair their independence, or might lead to a reasonable perception that their independence could be impaired.

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

- during the currency of an appointment, auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland



- the appointed auditor and key staff should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy
 - the appointed auditor and audit team are required to carry out their duties in a politically neutral way, and should not engage in high profile public party political activity
 - the appointed auditor and audit team must abide by Audit Scotland's policy on gifts and hospitality, as set out in the Audit Scotland Staff Code of Conduct.