



Cairngorms National Park Authority
Review of Project Management
Internal Audit 2007/08
August 2007
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Section 1 - Executive summary

1.1 Introduction

This internal audit of project management is part of our coverage of core operational areas as required in the audit plan approved by the Audit Committee. **Appendix A** shows the detailed scope and objectives of our review.

1.2 Background

The Cairngorms National Park Authority (CNPA) was created as the second National Park in Scotland in 2003. The organisation has identified five strategic themes in order to achieve success as a National Park. The themes are:

- To enable current and future generations to understand and enjoy the special qualities of the Park in a way which fosters those qualities and supports the activities of others;
- To promote sustainable resource, land and water management; and to protect and enhance wildlife and landscapes;
- To support and stimulate economic and social development within the Park that sustains and is sustained by its special natural and cultural qualities;
- To ensure commitment to future generations we will look beyond the horizon and put in place plans to guide and co-ordinate the long term integrated management of the Park;
- To be an open, innovative and professional organisation that engages effectively with the public and behaves with integrity.

These themes are supported by the National Park Plan as well as Corporate and Operational Plans within the organisation. The Operational Plan is an internal plan consisting of the 20 key goals within the Corporate Plan, which demonstrates the tasks to be undertaken to achieve these goals. The operational plan is used for day-to-day management of the projects.

Funding is provided by the Scottish Executive and has increased from £4.3m in 2005/06 to £4.5m in 2006/07 and 2007/08 in order to support the organisation in running costs as well as supporting projects throughout the CNPA area. Investment in projects within the Operational Plan reflects 35% of the total budget of £4.5m.

We performed a review of the Grant Awards process in 2005/06 as part of our internal audit plan and reviewed a number of projects valued at approximately £2m. There were no significant issues raised in this review.

Section 1 - Executive summary (continued)

1.2 Background (continued)

The organisation supports a significant number of projects through its grant award schemes, those selected for testing (as agreed with the Head of Corporate Services) were:

- Heather Hopper (public transport initiative – approximately £12k input from CNPA); and
- Green Jobs Action Plan (a number of projects supporting the development of the economy of the Park – approximately £40k input from CNPA).

A summary of these projects is documented at **Appendix A**.

1.3 Approach

The following approach was used in order to complete this review:

- Discussions with Project Officers identified the background to each project;
- Project files were reviewed and assessed against the criteria identified in the scope and objectives;
- Testing was performed on a sample basis on all key controls identified, particularly in the areas of expenditure and the link between project objectives to the actions and milestones within the Operational and Corporate plans and the National Park Plan.

Section 1 - Executive summary (continued)

1.4 Conclusion

The following table details our overall assessment of the control environment against each audit objective:

Objectives	Overall Assessment	Report Ref.
Project plans accurately reflect organisational objectives	****	
Project plans deliver Operational and Corporate Plan objectives	****	
Responsible officers for project management have been identified	****	
Timescales for completion have been identified and formally adopted	****	
Performance indicators have been identified and are measured and reported on a regular basis	**	2.2
Costs associated with project management are appropriately identified at the commencement of the project	***	2.1
All expenditure associated with the project is appropriately authorised and allocated in a timely manner	***	2.3; 2.4
Project outcomes are clearly linked to the milestones within the Corporate Plan and agreed actions within the National Park Plan	****	

Key:

****	Arrangements accord with good practice and are operating satisfactorily (recommendations are in respect of minor matters).
***	Adequate arrangements are in place, but certain matters noted as requiring improvement.
**	Arrangements in place offer scope for improvement.
*	Inadequate level of control and unacceptable level of risk.

Section 1 - Executive summary (continued)

1.4 Conclusion (continued)

In overall terms, the control environment over project management is effective, however a number of control gaps were identified, particularly in the areas of allocation and coding of expenditure, authorisation of expenditure and retention of documents in project files. The key findings were as follows:

- The Community Can Bank project had been incorrectly allocated to the Green Tourism Business Scheme budget line in error instead of the Green Jobs Action Plan. (*Recommendation 2.1*);
- There were a number of documents missing from the Heather Hopper, Farmers Market and LarderBytes project files. (*Recommendation 2.2*);
- Expenditure for the Farmers Market project was not authorised within the Delegated Levels of Authority. (*Recommendation 2.3*);
- There was no Expenditure Justification Form or purchase order on file for the Community Can Bank project. (*Recommendation 2.4*).

Our detailed findings and recommendations are within **Section 2** of this report. In total, we identified **four** recommendations as follows:

Description	Priority	Number
Major issues that we consider need to be brought to the attention of Management and the Audit Committee	1	0
Important issues which should be addressed by management in their areas of responsibility	2	2
Minor issues where management may wish to consider our recommendations	3	2
Key		4

1.5 Acknowledgements

We would like to take the opportunity to thank all of the CNPA staff involved in assisting us in this audit. The findings and recommendations in this report were discussed with the Head of Corporate Services at the conclusion of our fieldwork.

Section 2 - Detailed findings and recommendations

2.1 Allocation of expenditure

Finding	Recommendation	Rationale	
<p>Within the CNPA Operational Plan, the Green Jobs Action Plan refers to a Community Can Bank project (£4k input from CNPA). However, the expenditure for this project has been allocated to the Green Tourism Business Scheme budget line in error. As a result, there is no clear link to the project in any financial information relating to the Green Jobs Action Plan.</p>	<p>All expenditure should be appropriately allocated to the correct budget code and requests for expenditure should be checked to ensure the coding is appropriate prior to the allocation of funds.</p>	<p>All financial movement requires to be appropriately coded to ensure the accuracy of financial reporting as well as ensuring that budgetary commitments are maintained.</p>	
Management Response		Responsibility/ Deadline	Priority
<p>Agreed.</p> <p>However, the timing of the expenditure close to the year-end meant that individual Groups and lead staff did not receive monthly financial reports where this error could have been spotted. Monthly reports are rarely issued at the year-end since the control focus changes from management accounts to financial accounts. Having said that, the expense coding had previously been authorised by non-Finance staff.</p> <p>Control: monthly management account reports to continue to be supplied at year-end to allow full opportunity for project managers to identify coding issues, particularly where expenditure relates to multi-year project activities. Also currently considering implementation of project manager input of coding to requisition form rather than central completion by finance staff.</p> <p>Consequence: additional resource demand on a small finance team.</p>		<p>Finance Manager June 2008</p>	<p>Two</p>

Section 2 - Detailed findings and recommendations (continued)

2.2 Missing documentation – Heather Hopper, Farmers Market and LarderBytes projects

Finding	Recommendation	Rationale	
<p>A number of documents were missing from the Heather Hopper, LarderBytes and Farmers Market project files. A full list of missing information is documented at the project summary at Appendix A, however a summary of the key information is detailed below:</p> <ul style="list-style-type: none"> • There was no letter of offer to Highland Council for 2006 for management of the service (Heather Hopper); • The research activity undertaken did not represent agreed figures (Heather Hopper); • Evidence of CNPA representation at the steering group has not been documented on file (LarderBytes); • The link to the website documented in the project file could not be accessed (LarderBytes); • There is no acknowledgement of CNPA support throughout the LarderBytes website (LarderBytes); • Regular updates on project progress throughout the year have not been provided (LarderBytes/Farmers Market); and • There was no action plan in place for the development of markets as documented in the terms and conditions of the offer letter (Farmers Market). 	<p>The project officer should ensure that all missing information is obtained for the file.</p> <p>A checklist should be retained on file, detailing the minimum number of documents required in order to maintain a satisfactory file and should be completed when each document is received.</p> <p>Research activity, if undertaken in 2007, should be more comprehensive to ensure opinions are accurately reflected by the majority of passengers.</p>	<p>All documentation is required to be retained on file to support the allocation of funding and to demonstrate that expected outcomes have been achieved.</p>	
Management Response		Responsibility/ Deadline	Priority
<p>Agreed.</p> <p>Control: Corporate Services / Finance to develop a standard checklist of key project documentation to be retained on project file. (Head of Economic and Social Development is following up noted omissions in this specific case)</p>		<p>Finance Manager</p> <p>April 2008</p>	<p>Two</p>

Section 2 - Detailed findings and recommendations (continued)

2.3 Authorisation of expenditure

Finding	Recommendation	Rationale	
<p>From the sample of projects selected for expenditure testing, three exceptions were noted, all relating to the Farmers Market project.</p> <p>Three claims for funding were made, however one claim was not formally counter signed by the Head of Group. The remaining two claims were authorised by Leader + staff but not by the Project Manager within CNPA.</p> <p>It should be noted that the project was funded by CNPA monies as well as by Leader + funding, a European funding initiative managed by a team within CNPA. However, the offer letter as well as the claim for monies clearly distinguish between the two funding streams and requires signatures from both parties in order to release funds.</p> <p>It is acknowledged that one signature would be acceptable to release funds, however the present system for funding does not provide the CNPA Project Officer with an update on project progress.</p>	<p>All expenditure should be subject to appropriate authorisation in line with the delegated levels of authority and partnership agreement prior to the release of funds.</p> <p>Both parties should receive an update of progress against projects.</p>	<p>All expenditure requires to be authorised within the delegated levels of authority to demonstrate that expenditure is appropriate to need. It is essential that claims for funding are reviewed by all relevant parties prior to the release of monies to ensure that expected objectives have been achieved.</p>	
Management Response		Responsibility/ Deadline	Priority
<p>Essence of finding is that prescribed authorisation procedures must be adhered to, which is entirely accepted. The Board and Management Team are currently considering the 2008/11 Corporate Plan and associated budget allocations. This includes considering revised arrangements for administration and governance of LEADER + and CNPA grants. We will establish appropriate authorisation processes which are commensurate with the final structure of the overall grants scheme.</p> <p>In this specific case, we believe that the 1st example in the finding was indeed counter-authorised by a Head of Group, while the other 2 instances are acknowledged to have taken place after the relevant project manager had left the organisation and therefore secondary approval process may not have been as clear as they are now.</p>		<p>Finance Manager (with Head of Corporate Services) to liaise with Head of Economic and Social Development to ensure appropriate authorisation processes are in place for new scheme.</p> <p>June 2008</p>	<p>Three</p>

Section 2 - Detailed findings and recommendations (continued)

2.4 Community Can Project

Finding	Recommendation	Rationale	
<p>The Community Can project was fully sponsored by CNPA, with £4k of input (£3k in 2006/07 and £1k in 2007/08).</p> <p>Although a project outline was provided by the Association of Cairngorms Community Councils, there was no evidence of an Expenditure Justification Form or purchase order on file to demonstrate appropriate authorisation of the project.</p> <p>The Financial Regulations highlight the requirement for the completion of an Expenditure Justification Form for all expenditure over £5k.</p>	<p>All projects over £5k should have appropriate authorisation in the form of an Expenditure Justification Form prior to the commencement of the project. All other expenditure should include a suitably authorised purchase order.</p> <p>As a method of good practice, all project expenditure should be supported by an Expenditure Justification Form.</p>	<p>Evidence of analysis of the risks to CNPA as well as the potential benefits requires to be demonstrated to support the project.</p> <p>Furthermore, it is essential that a clear link is defined between the objectives of the project and the aims and milestones identified in the National Park Plan, Operational Plan and Corporate Plan.</p> <p>An authorised Expenditure Justification Form should demonstrate the competencies detailed above.</p>	
Management Response		Responsibility/ Deadline	Priority
<p>Expenditure on the Community Can project itself is £4,000 and in 2006/07 did not therefore need an EJF. Although a requisition form cannot be found, the Finance Manager has e-mails from Heads of Group that they were happy to approve this spend as part of the year-end process.</p> <p>It is a point that has been clarified for the 2007/08 financial year as to whether EJF's are required for Operational Plan lines or individual spend within that line. We have decided that each Operational Plan line needs an EJF even though this may consist of a number of tasks. Therefore in 2007/08 an EJF would be prepared for the Green Jobs Action Plan but not for the Community Can project.</p>		<p>Not applicable – introduction of a checklist, highlighted against other findings, will help with ensuring other paperwork is held on file.</p>	<p>Three</p>

Section 3 - Statement of responsibility

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte & Touche LLP

Inverness

August 2007

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Appendix A – Summary of projects

Heather Hopper

The Heather Hopper is a public transport service operated by Aberdeenshire and Highland Councils following a successful tender bid. The service operates from July to September (as agreed for 2006 and 2007) and is provided by operators within these areas. In 2006/07, CNPA invested approximately £12k in the project. Two bus services are operated, from Grantown-on-Spey to Ballater and in the opposite direction, six days per week. A printing agency were tendered for to design, produce and distribute 40,000 flyers for the service in May 2006 at a cost of £1,160. A survey was also commissioned for the bus service for a period of 5 days to gauge public response to the service. 33 responses were provided and a final report was submitted to CNPA. The total cost of the survey was £ 553.90. 1,740 passengers used the service in 2006/07 with approximately 2/3 of users being concessionary cardholders.

The following exceptions were noted on the project file:

- The level of income for 2006 was not documented in advance of forecasting costs for 2007;
- There were no details of the recipients of the invitation to tender. It is acknowledged that the tenders were dealt with by the Councils, however no information of the exercise was provided to CNPA;
- There was no letter of offer to Highland Council for 2006 for management of the service;
- The contract for research activity stated that 80-100 surveys should be performed in 5 days, however only 33 were returned (based on all passengers on the buses). According to passenger details, an average of 23 people per day used the service and therefore more responses would be expected.

Farmers Market

The Farmers Market project, managed by the Farmers Market Association is designed to sell produce and products from within the CNP area, throughout the area. The markets would be designed to reduce the number of “food miles” for produce as well as boosting the local economy. In 2006/07, CNPA invested £8,000 in this project. The project was planned over two years, with CNPA investment in the start up costs of the market. Funding was also provided by Leader +, a European funding initiative managed by a team within CNPA. Funding was claimed in three stages over 2006/07. A market report has recently been requested, summarising all terms and conditions agreed by CNPA and the Farmers Association.

Appendix A – Summary of projects (continued)

Chamber of Commerce

The Cairngorms Chamber of Commerce was created in 1998 for the Badenoch and Strathspey area, expanding in 2003 to cover all of the CNPA area in reaction to the establishment of the National Park. Its purpose was to promote a sustainable business environment within the CNP and adjacent areas. The CCC's key focus in its 2005-08 business plan was to increase membership significantly from 160 (15% of the 1,000 businesses in the Park) in 2005 to 200 by the end of year one and to 220 by the end of year two. Core funding was sought from CNPA to implement the business plan, predominantly by employing a membership-generating officer and providing CCC with the core stability to meet its strategic and operational requirements. The terms and conditions of the offer letter stated that an office would require to be operated in Badenoch and Strathspey as well as developing membership activities, increasing membership and demonstrating annual progress. The funding was awarded over three years, £25,000 in year one, £20,000 in year two and £15,000 in year three with a view to the CCC being self-sustaining by this time. Current membership in July 2007 has reached approximately 350 and two annual business reports have been submitted to CNPA demonstrating progress.

Larder Bytes

LarderBytes is a food supply chain mechanism which enables local producers to sell produce to local customers. Suppliers and wholesalers would communicate with local buyers through an internal portal, which would be updated daily with details of produce available. The project, although operated by LarderBytes is the responsibility of the Cairngorm Mountain Trust, to whom the funding was awarded. The contribution to the project from CNPA was £2,000 as a one off payment. The terms and conditions stated that the organisation should acknowledge CNPA in all relevant work as well as implementing a project steering group, at which a CNPA representative should attend. A progress update in July 2007 discussed plans for expansion.

The following exceptions were noted on the project file:

- There is no evidence that the local businesses would be provided with support following initial training;
- Evidence of CNPA representation at the steering group and details of the outcomes of the meetings has not been documented on file;
- The link to the website documented in the project file could not be accessed;
- There is no acknowledgement of CNPA support throughout the LarderBytes website;
- Regular updates on project progress throughout the year have not been provided;
- Publicity plans for the project have not been identified;
- There is no information detailing the level of involvement CNPA will have going forward.

Appendix A – Summary of projects (continued)

Creative Cairngorms

Creative Cairngorms was established in early 2006 and was designed to help expand the economic benefits of growing the local produce market in arts and crafts, help foster cultural crafts development and help promote the Park as part of the Brand development. The association looked to CNPA to fund a brochure and support a touring exhibition throughout the CNP area. CNPA invested £5,885 in this project. The brochure has been completed and distributed throughout a number of locations and the touring exhibition is currently underway. A final report on the success of the exhibition including details of attendance and sales will be provided in the autumn.

Community Can Project

The Community Can Project is operated by the Association of Cairngorm Community Councils, specifically to contract an individual for 30 days across 13 weeks to pilot a community bank project. The aim of the project is to establish three community managed can collection facilities within the Park and to generate a small income stream for the community from the sale of aluminium cans. A further aim is to divert from landfill up to one tonne of cans per year per community bank. The total cost of the project was estimated at £4,000, which was fully subsidised by CNPA. £3,000 was provided in 2006/07 and the remaining £1,000 being provided in 2007/08.

The terms and conditions of the grant award stated that a final report was due in February 2007. An interim report was provided in April 2007 due to the extension of the project for a further year.

Appendix B - Scope and objectives

Scope

The Cairngorms National Park Authority (CNPA) Operational Plan sets out a range of actions, with associated performance measures, which contribute over time to the ultimate delivery of the 20 Corporate Plan goals, set for completion by the end of 2007/08.

The progress of the actions within the Operational Plan is monitored and reported to the Board on a regular basis.

Within the Operational Plan there are a number of individual projects to develop and implement actions that are consistent with the organisation's Corporate Plan. Of these projects, we have selected the following for internal audit assessment (based upon completeness and financial input):

- Green Jobs Action Plan (£40k input by CNPA)
- Heather Hopper (£12k input by CNPA)

Objectives

The specific control objectives of this internal audit are to assess whether there are adequate and effective controls in place to ensure that:

- Project plans accurately reflect organisational objectives;
- Project plans deliver Operational and Corporate Plan objectives;
- Responsible officers for project management have been identified;
- Timescales for completion have been identified and formally adopted;
- Performance indicators have been identified and are measured and reported on a regular basis;
- Costs associated with project management are appropriately identified at the commencement of the project;
- All expenditure associated with the project is appropriately authorised and allocated in a timely manner;
- Project outcomes are clearly linked to the milestones within the Corporate Plan and agreed actions within the National Park Plan.