

CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: **AUDIT COMMITTEE DRAFT ANNUAL REPORT**

Prepared by: **David Cameron, Head of Corporate Services**

Purpose

To present a draft Audit Committee Annual Report to members for approval, prior to its submission to the Board.

Recommendation

The Committee is requested to consider the draft annual report to the Board, set out in the paper and to:

- a) Agree any amendments required.
- b) Approve the submission of the report to the Board, subject to incorporation of any amendments agreed.

Executive Summary

The Audit Committee is required to report annually to the Board on its activities. The paper presented here sets out a draft of the third such annual report, covering the Committee's activities from January to December 2007.

It is intended that the agreed report will be presented as a paper to the Board at its meeting in March 2008, following the Committee's consideration of the draft report and incorporation of any agreed changes.

AUDIT COMMITTEE ANNUAL REPORT – FOR DECISION

Background

1. The Audit Committee is required to report annually to the full Board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.
2. The previous Audit Committee Annual Report was submitted to the Board on 23 February 2007, covering the period from September 2005 to December 2006. This third Annual Report is presented on behalf of the Audit Committee to cover the period of its operations from January to December 2007.

Overview

3. The period of this Annual Report covers consideration of final accounts for 2006/07, together with associated reports from Audit Scotland, the Authority's external auditors. The Committee has also continued to review the work of Deloitte, the Authority's internal auditors, and consider reports issued by them.
4. The Committee met three times in 2007. A fourth meeting, scheduled for 14 December, was postponed to February 2008 to allow for additional time for Planning Committee's consideration of planning determinations.
5. In addition to management reports from the College's Internal and External Auditors, considered in further detail below, the Committee considered the following issues during the course of the year:
 - a) Risk management: the Audit Committee undertakes a regular review and update of the Authority's strategic risk register and associated actions, embedding a strategic level overview of risk management within the organisation.
 - b) Organisational Greening Policy: the Committee has continued to review implementation of the Authority's greening policy, approved by the Board in March 2006, and has facilitated development of a Board / officer Climate Change Group to review and discuss current and potential activity in this aspect of the Authority's operations in more detail.
 - c) "Balanced Scorecard" organisational monitoring: the Committee continues to monitor the Authority's performance on governance and risk management as highlighted by measures incorporated in the balanced scorecard.
 - d) Best Value: the Committee considered in detail the Authority's Best Value self-assessment, conducted using the Scottish Government self-assessment toolkit, and agreed a forward action plan through which the organisation aims to secure continuous improvement in service provision in keeping with the Scottish Government's Best Value ethos.
 - e) Best Value Reviews: actions focusing on service improvement arising from best value reviews of specific areas have been presented to Committee.

- f) Statement of Internal Control: review and approval of this statement, prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- g) Updates on progress in implementing previous audit recommendations: officers have presented regular progress updates on the implementation of audit recommendations. These officer reports have been highlighted by internal auditors as establishing best practice.
- h) Internal Audit Contract: the Committee approved an extension of the existing internal audit contract for a maximum of 2 years, in part to allow officers time to consider efficient government / joint working opportunities in securing future internal audit services.

Internal Audit

- 6. The Committee agree an annual internal audit work programme presented by Deloitte.
- 7. Over the course of 2007, Deloitte have presented three management reports to the Committee. Their findings and consequent recommendations for action are graded according to the internal auditors' assessment of the significance of the underlying weakness to the effective management of the organisation. Table One presents a summary of the internal audit findings over the course of the year.

Table One: Summary of Internal Audit Findings

Internal Audit Study	Number of Recommendations		
	Priority 1	Priority 2	Priority 3
Human Resources System	-	1	2
Financial Controls (see para. 9)	-	-	-
Health and Safety	1	5	1

- 8. The number of internal audit reports presented in the year is fewer than previous years as a result of the postponement of the December meeting. A further three reports are due to be presented to the Committee's meeting in February 2008.
- 9. The internal auditor's financial controls report summarised the outcome of a wide ranging self-assessment of the Authority's financial and governance controls. The self-assessment was undertaken by Corporate Services Officers using a standard assessment tool supplied by Deloitte and with the results reviewed by Deloitte prior to reporting to Committee. There were no specific findings or recommendations arising from this review, but it has formed the basis of undertaking a risk-based review for future financial control internal audits. The outcome of two audits flowing from this, together with specific actions and recommendations, are to be reported to the Committee in February 2008.

10. Only a single priority 1 recommendation has arisen from internal audit activity over the course of 2007. Priority one recommendations reflect findings which the internal auditors consider to be major issues which need to be brought to the attention of senior management and the Audit Committee. This finding reflected that, while action had been taken to address findings of an independent consultant's fire risk assessment on the Authority's office premises, no formal record of action taken or subsequent revised risk assessment was in place. Therefore, there was no adequate audit trail of action addressing health and safety issues and the Authority's internal health and safety records were incomplete. These issues have been addressed by Corporate Services officers and a follow-up undertaken by Deloitte.
11. In practice, the Committee is aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
12. The Committee has agreed management responses to all recommendations made and will monitor progress made. The internal auditors will also conduct follow-up reports and report back to the Committee on their findings.
13. All scheduled internal audit work for 2007 was undertaken, with the exception of a study on the Authority's approach to efficient government. This was deferred pending completion of work on the Authority's Best Value self-assessment and action plan.
14. The remainder of the internal audit programme, including revision of the strategic risk register, will be delivered in the early part of 2008.
15. The Internal Auditors' Annual Report for 2006/07 was presented to the Committee at its meeting in August 2007. Their report concludes: "on the basis of work undertaken in the year ended 31 March 2007, we consider that Cairngorms National Park Authority generally has an adequate framework of control over the systems we examined.

External Audit

16. The Authority's accounts for 2006/07 received a clear, unqualified external auditor's report and opinion from Audit Scotland, our external auditors.
17. The accounts and external auditor's report for 2006/07 were signed on 29 August 2007, some 2 months earlier than the 2005/06 accounts. Corporate Services and Communications staff worked jointly to ensure that the publication and distribution of the Annual Report and Accounts was also completed around 2 months earlier than in previous years.

18. The Audit Committee will considered Audit Scotland's Management Report on the 2006/07 accounts at its meeting in February 2008. There are no points for action raised in the report, compared with 3 issues raised in each of the previous 2 years' reports.

Conclusions

19. The Audit Committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period to December 2007. There has been an engagement through the year with issues identified by the Authority's internal and external auditors, and also by the Authority's officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions.
20. Both the internal auditors' finding of adequate levels of internal controls within the Authority, and the external auditors' unqualified audit certificate provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met by management.
21. In particular, reports over the course of the year have indicated that our practice of reviewing the status of action on outstanding audit recommendations continues to set best practice in this aspect of the Committee's work on internal controls. It is also reassuring to see that officers and external auditors are working together to accelerate the year-end closure process and, through doing so, allow more timely publication of the Authority's Annual Report and Accounts.
22. The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
23. The Committee also plans over the course of the coming years to continue to consider means by which it can broaden its activities to review how well the Authority delivers its overall corporate and operational plan objectives.
24. The Committee will also continue to facilitate the work on climate change started in 2007, providing a forum for officers and Board members to identify opportunities to address climate change issues in the National Park and to guide the Authority's work in tackling these issues.

DAVID CAMERON
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davidcameron@cairngorms.co.uk