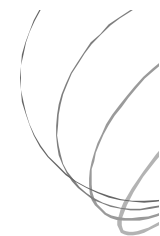


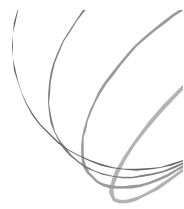
Cairngorms National Park Authority

Annual Audit Plan 2007/08



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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 2007/08 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 adequacy of internal audit.

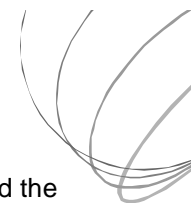
Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to Cairngorms National Park Authority (CNPA) in achieving its business objectives. We also assess the risk of material misstatement or irregularity in CNPA financial statements. This report summarises the key challenges and risks facing CNPA and sets out the audit work that we propose to undertake in 2007/08. Our plan reflects:

- the risks and priorities facing CNPA
- 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

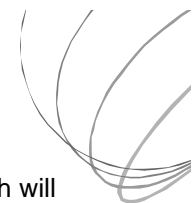
2. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.



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 CNPA
 - 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 (FReM) 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 CNPA, and identification of the key audit risks and challenges in the central government sector generally. This approach includes:
 - understanding the business of CNPA 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 CNPA 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 2007/08 includes:
 - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
 - 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 2007/08.
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 & Touche LLP within CNPA. 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 Chief Executive 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 CNPA and the Chief Executive as 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 CNPA as at 31 March 2008 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 main risk areas for your organisation:
 - performance
 - governance and internal control.
12. 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.

Best value

13. In 2005/06 Audit Scotland carried out a baseline review of Best Value across Central Government bodies and the NHS in Scotland. The purpose of this work was to establish baseline information across the wider public sector on the management arrangements in place to secure Best Value and to identify areas of good practice which could be shared more widely to support continuous improvement. It should be emphasised that this was not an audit of Best Value.
14. Audit Scotland is currently developing an approach to rolling out the audit of Best Value across the public sector including the NHS, central government and Executive Agencies. This work will take place in partnership with the Scottish Executive and other stakeholders to ensure that the audit approach that is ultimately adopted:
 - is understood and owned by those who will be subject to it; and
 - is likely to add value by supporting continuous improvement.
15. Our audit approach will also reflect the objectives of Professor Crerar's ongoing independent review of external scrutiny of public bodies in Scotland, which is seeking to deliver a coherent set of scrutiny arrangements across Scotland's public sector which are streamlined, proportionate and risk-based.

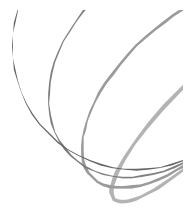


Materiality

16. 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.
17. International Standard on Auditing 320 states that, *“information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of item or error judged in the particular circumstances of its omissions or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.”*
18. 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.
19. 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

20. 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. CNPA is required to have their audited financial statements submitted to meet the consolidation timetable.
21. As the accounts have to be signed by the relevant officers and by the appointed auditor, Stephen O'Hagan – Senior Audit Manager, 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, proposed audit committee dates and audit resources.
22. 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 Head of Corporate Services Group and relevant manager to confirm factual accuracy. Responses to draft reports are expected within four weeks of submission.



23. A copy of all final agreed reports will be sent to the Chief Executive, Head of Corporate Services Group, relevant manager, Internal Audit and Audit Scotland's Public Reporting Group.
24. We will provide an independent auditor's report to CNPA 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 CNPA will also be produced to summarise all significant matters arising from the audit and overall conclusions about CNPA management of key risks.
25. All annual reports produced by Audit Scotland are published on our website: (www.audit-scotland.gov.uk).



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

Planned outputs	Target delivery date
Governance	
Internal audit reliance	29 February 2008
Internal controls management letter	30 April 2008
Financial statements	
Financial statements management letter	4 July 2008
Report to Audit Committee in terms of ISA 260 (Communication of audit matters to those charged with governance)	15 July 2008
Independent auditor's report on the financial statements	29 July 2008
Annual report to the Accountable Officer and the Auditor General for Scotland/Members and the Controller of Audit	28 August 2008

Quality control

27. We are committed to ensuring that our audit reflects best practice and demonstrates best value to CNPA 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 Lorna Meahan, who is responsible for ensuring that our work is carried out on time and to a high quality standard.
28. 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

29. Our agreed fee for the 2007/08 audit of CNPA is £10,400 comprising a local audit fee of £9,300 and a fixed charge of £1,100. 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.



30. In determining the agreed fee we have taken account of the risk exposure of CNPA, 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 6 June 2008. 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.
31. 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.
32. Stephen O'Hagan, Senior Audit Manager, is your appointed auditor. The local audit team will be led by Alison Macdonald 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

33. 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.
34. 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 CNPA, 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 CNPA 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
Performance		
<p>Single environment and rural service</p> <p>The Scottish Government has asked environment and rural affairs bodies to develop proposals by the end of June 2008 for a more integrated approach to shared customer service delivery. Although the Authority is a relatively small organisation in relation to other stakeholders, this could have a significant impact on the way the Authority operates, including the resources required to develop proposals and deliver expectations.</p>	<ul style="list-style-type: none"> ▪ Key members of management team represented on programme board and project workstreams ▪ Regular reporting to board on programme progress and potential implications for Authority 	<ul style="list-style-type: none"> ▪ Monitor progress through board minutes ▪ Update in annual report
<p>5 year strategic review</p> <p>A strategic review of the Authority is likely to take place in 2008. The findings of the review could have a significant impact on the future operation of the Authority, including its responsibilities, operation, and boundaries.</p> <p>Although the timing of the review has still to be decided, there is a risk of insufficient resources being available to support the review.</p>	<ul style="list-style-type: none"> ▪ Following agreement of scope and timing, a resource plan will be prepared to support the review 	<ul style="list-style-type: none"> ▪ Monitor through management discussions ▪ Update in annual report



Risk	Source of assurance	Planned audit action
<p>National Park Plan</p> <p>Delivery of the priorities set out in the national park plan requires a coordinated approach involving a range of partners. There is a risk that the five year outcomes are not achieved as a result of poor communication and partnership working.</p>	<ul style="list-style-type: none"> ▪ CNPA has responsibility for leading and coordinating delivery of the plan. Through this role, it will <ul style="list-style-type: none"> ▪ Establish groups to deliver and report progress on actions ▪ Set up advisory forums to communicate on implementation around plan themes ▪ Annual report will be prepared on implementation of national park plan ▪ Indicators developed around key themes for monitoring the state of the park ▪ Regular reporting to board on NPP targets 	<ul style="list-style-type: none"> ▪ Review delivery group and board minutes ▪ Review performance as reported in CNPA annual report ▪ Update in annual report
<p>Corporate plan</p> <p>A key goal of the corporate plan is the adoption of a local plan. The timescale for this has been deferred from spring 2007 to March 2008. Until this is adopted, there is a risk of inconsistency in development control decisions.</p> <p>Following the development of the national park plan, there is a risk that the current corporate objectives may not be consistent with those of the national park plan.</p>	<ul style="list-style-type: none"> ▪ Regular reporting to board on corporate plan progress ▪ Updated 3 year corporate plan currently in draft takes account of national park plan objectives ▪ Corporate targets in updated plan will be linked to both national park plan and Scottish Government targets 	<ul style="list-style-type: none"> ▪ Monitor adoption of local plan through minute review ▪ Review updated corporate plan following publication ▪ Update in annual report



Risk	Source of assurance	Planned audit action
<p>Governance and Internal Control</p>	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪
<p>International Financial Reporting Standards (IFRS) IFRS will apply to the financial year from 1 April 2008. The Authority needs to review its accounting policies to ensure they comply with IFRS and make appropriate disclosures in 2008/09 financial statements. Prior year comparative information will also require restatement. Although the application of IFRS may not have a significant impact on the presentation of the Authority's accounts there is a risk that the resource requirement for the exercise is underestimated.</p>	<ul style="list-style-type: none"> ▪ Finance staff are undertaking research and receiving appropriate training ▪ Liaison with Scottish Government 	<ul style="list-style-type: none"> ▪ Review progress during interim audit ▪ Review of IFRS ▪ Update in annual report
<p>Financial Position The October 2007 outturn report forecast a deficit of £80,000 for the financial year. There is a risk that the Authority will not deliver to planned budget.</p>	<ul style="list-style-type: none"> ▪ Regular monitoring of financial information at management level and finance committee level ▪ Action plan for recovery of financial position within the financial year monitored regularly 	<ul style="list-style-type: none"> ▪ Monitor through the year ▪ Review during financial statements audit work
<p>Pay Remit The current pay remit approval process, including definitions of non-contentious pay areas could be considered too limiting, leading to inconsistencies in application across central government bodies, and difficulties in future negotiations on pay remits with the Scottish Government Pay Policy unit.</p>	<ul style="list-style-type: none"> ▪ Collective pay remit report prepared and presented to NDPB chief executive forum ▪ High level negotiations ongoing between Scottish Government and NDPB chief executives. 	<ul style="list-style-type: none"> ▪ Monitor through board minutes and meetings with management ▪ Update in annual report



Appendix B

Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	February/March 2008
Meetings with officers to clarify expectations of detailed working papers and financial system reports	February 2008
Latest submission of unaudited financial statements with working papers package	6 June 2008
Progress meetings with lead officers on emerging issues	As required during audit process
Latest date for submission of management letter on financial statements audit	4 July 2008
Latest date for final clearance meeting with Head of Corporate Resources	11 July 2008
Report to the audit committee on the audit of financial statements (ISA 260)	15 July 2008
Accountable Officer to sign accounts	28 July 2008
Independent Auditors Report signed	29 July 2008
Annual Report to the Accountable Officer	28 August 2008



Appendix C

Audit team

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

Stephen O'Hagan, CPFA

Senior Audit Manager

Stephen has over 11 years experience of public sector audit with Audit Scotland, covering local government, health and the education sector. Prior to this, Stephen worked in local government finance for 5 years.

Alison Macdonald, ACCA

Auditor

Alison joined Audit Scotland in 2007 and has experience of audit in local government, health and central government sectors. Prior to joining us Alison worked in the public sector as an accountant.

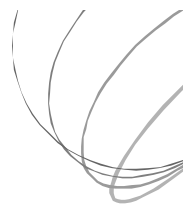


Appendix D

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 operates in accordance with government internal audit standards. We therefore plan to place reliance on the work of internal audit in the following areas:

- Budgetary control
- Corporate governance
- Procurement
- Efficient government



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 of audit matters to those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of the fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. 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.