

**MINUTES of MEETING of the
AUDIT COMMITTEE of
THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held at Albert Hall, Ballater
on 19 March 2008**

Present:

Eric Baird
Nonie Coulthard

Sue Walker

In Attendance:

Jane Hope, Chief Executive
David Cameron, Head of Corporate Services
Lisa MacDonald, Deloitte
Stephen O'Hagan, Audit Scotland
Gavin Miles, Strategic Planning and Policy Officer

Apologies:

Fiona Murdoch, Ross Watson, Stuart Sands (Deloitte)

Paragraph 19: add, Paragraph 26 typing error: "the aimed" should read this aimed.

Minutes of Previous Meetings

1. Minutes of the meeting of 24 August 2007 were approved.
2. Noted a typing error in paragraph 2 of minutes of 1 November 2007, "hoe" should read "how". Also noted that while, at paragraph 20, the minutes correctly record the next meeting was scheduled at that time for 14 December, this meeting was subsequently deferred to 19 March 2008 as a result of other pressures on Board time, notably due to Planning Committee commitments.

Matters Arising

3. Members noted that the action from 24 August (paragraph 14) for internal auditors to undertake a prompt follow-up of Health and Safety issues arising from their review had been acted on.
4. Members also noted the action under paragraph 19 to establish a separate climate change discussion group had been acted on and that papers and an invitation to attend had been circulated to all Board members.

External Audit: Report on the 2006/07 Audit (Paper 1)

5. Stephen O'Hagan presented Audit Scotland's report on their audit of the Authority's 2006/07 accounts to members. Audit Scotland had given an unqualified audit opinion, noting that the accounts for 2006/07 reflected a required change in accounting treatment of grant-in-aid from Scottish Government, with this grant now accounted for through reserves rather than the Income and Expenditure Account. The report also noted the culmination of the National Park Plan process, with approval of the Plan by Ministers on 15 March 2007, and highlighted that corporate governance and control arrangements had operated satisfactorily during the year.
6. There were no significant issues identified during the course of the audit.
7. The report also highlighted a number of challenges faced in 2007/08, namely the Single Environment and Rural Service (SEARS) project; implementation of the National Park Plan; progressing Best Value; considering the progression of shared services arrangements and responding to efficient government requirements.
8. David Cameron highlighted that the audit process for 2006/07 had accelerated the closure process from that in 2005/06 by 2 months, with accounts signed on 29 August 2007 as opposed to 30 October 2006 for 2005/06 accounts.
9. In discussion, members questioned what Audit Scotland's approach to looking at the SEARS project was likely to involve. Stephen responded that individual auditors will certainly look at this from the perspective of each audited body, and will also consider the project as a whole as part of the review of Scottish Government. Auditors would share knowledge gained from individual audits.
10. Members also noted the need to factor in Audit Scotland's view of the operation of Park Authorities as part of the forthcoming National Parks 5 yearly review.
11. **The Committee thanked Stephen and his team for their work on the audit and endorsed the external auditors report.**

Internal Audit Review: Project Management (Paper 2)

12. Lisa MacDonald of Deloitte presented the internal auditors findings on their review of project management systems. The review found that, in overall terms, the control environment over project management was effective, while highlighting four areas of improvement action, two at priority 2 (important issues for management attention) and two at priority 3 (minor issues).
13. In discussion, members asked why the Heather Hopper and Green Jobs Action Plan had been chosen as the sample for the review work. Lisa explained that the internal auditors had reviewed the operational plan and consulted with the Head of Corporate Services on which of a selection of projects would enable the fullest review of project management arrangements and these two projects were selected.
14. Members asked whether lessons had been learned from the project management review and David Cameron highlighted that the recommendation on fuller research to support continuation of funding on the Heather Hopper services had been reported to the Finance Committee and acted on by that Committee in agreeing funding for 2008/09 operations.
15. Members agreed that it would be worthwhile to continue to include project post-implementation reviews in annual internal audit plans, and in particular to focus on whether the projects undertaken were indeed contributing to target outcomes. Members discussed project areas which may be selected for future review, which included the Core Path Planning process, and Point of Entry Marker project.
16. **Members noted the recommendations for action and endorsed the management responses to the report.**

Internal Audit Review: Financial Controls (Paper 3)

17. Lisa MacDonald introduced the internal auditor's review of the financial controls in place within the Authority. This review followed-up the self-assessment exercise undertaken by Corporate Services staff and reported to Committee in 2006/07. The review found that, in overall terms, the control environment over financial controls was effective, while highlighting seven areas of improvement action, three at priority 2 (important issues for management attention) and four at priority 3 (minor issues).
18. David Cameron highlighted that, while the papers indicated that the recommendations over payroll journal controls had been questioned, he

had spoken again with the officers providing payroll services and agreed a number of changes to the authorisation process which would meet the requirements raised by the audit.

19. David also highlighted that, in one instance, a recommendation had been raised around the need to force changes to passwords for some systems, which had come up in previous audit reports. As then, the software could not deal with the required changes, but it remained the case that other controls were in place. Members agreed that it was not helpful that the same recommendation was raised on more than one occasion when there is a genuine reason that recommendations cannot be implemented.
20. **Members noted the recommendations for action and endorsed the management responses to the report.**

Internal Audit Review: Budgetary Control (Paper 4)

21. Lisa MacDonald introduced the final internal audit review for consideration, on the Authority's budgetary control systems. This review also followed-up the self-assessment exercise undertaken by Corporate Services staff and reported to Committee in 2006/07. The review found that, in overall terms, the control environment over budgetary controls was generally operating satisfactorily, while highlighting two areas of improvement action, one at priority 2 (important issues for management attention) and one at priority 3 (minor issues).
22. **Members noted the recommendations for action and endorsed the management responses to the report.**

Audit Committee Draft Annual Report (Paper 5)

23. David Cameron presented a draft annual report for members' approval, prior to its submission to the Board. David highlighted that the report had also been emailed previously for comments.
24. **Members agreed the report and approved its submission to the Board.**

External Audit Plan 2007/08 (Paper 6)

25. Stephen O'Hagan of Audit Scotland presented their external audit plan for the 2007/08 audit to the Committee. Stephen highlighted the decision of the UK Treasury to defer full International Financial Reporting Standards (IFRS) implementation, while highlighting that external auditors may still be required to undertake a review of the potential impact of IFRS on the Authority. Stephen also highlighted that the Authority may still be required to undertake some limited implementation of IFRS in 2008/09.

26. Stephen drew members' attention to the timetable for the 2007/08 audit at paragraph 26 of the plan. This aimed to complete the process, with provision of the external auditor's certificate, by 29 July, which would accelerate the process by 1 month from the previous year. This timetable had been drawn up in conjunction with the Authority's staff and would require papers to be submitted for audit by the Authority in line with this timetable.
27. Stephen also drew attention to the proposed fee for the audit, as set out in paragraph 29 of the report, which had been agreed in principle by the Head of Corporate Services.
28. **The Committee endorsed the proposed closure timetable, agreed the proposed external audit fee for 2007/08, and noted that, in order to meet the closure timetable, an additional Committee meeting may be required prior to the scheduled meeting on 21 August, this additional meeting to focus on final account matters.**

2007/08 Accounts: Draft Statement of Internal Control (Paper 7)

29. David Cameron presented this paper, which sought members' views on the proposed statement of internal control for inclusion in the 2007/08 accounts, in light of members experiences on internal and external audit reports brought to the Committee over the course of the year.
30. **Members agreed that paragraph 12c should make explicit that these statements referred to National Park Plan delivery teams. Subject to this amendment, members agreed the draft statement of internal control for inclusion in the 2007/08 accounts.**

Internal Audit Contract and 2008/09 Efficiency Savings (Paper 8)

31. David Cameron presented this paper, seeking the Committee's approval to a final one year extension of the internal auditor's contract. The paper also sought the Committee's approval to a reduction in the number of internal audit days in 2008/09, of 4 to 5 days, in order to meet efficiency savings included in the Authority's efficiency savings action plan for 2008/09.
32. In discussion, members noted that a great amount of work had been done on establishing systems and reviewing them to ensure they were fit for purpose. Members commented that they were comfortable with the proposed reduction, provided that this could be achieved while balancing essential work on key internal controls with the project review work discussed previously.

33. The Committee agreed the extension of the Authority's internal audit contract with Deloitte and Touche LLP for a year, covering 2008/09 audit work.
34. The Committee agreed a reduction in the number of internal audit days, of between 4 and 5 days, procured through that contract in order to contribute to the Authority's target 2% annual efficiency savings for the year to March 2009.

Update on National Park Plan Monitoring Framework (Paper 9)

35. Gavin Miles presented this paper, which set out an update for information on progress with development of the National Park Plan monitoring framework, and the proposed process for finalising and formalising it.
36. Members discussed the potential resource implications of implementing the monitoring framework.

Standing Item: Strategic Risk Register (Paper 10)

37. Members noted that the risk around the National Park Boundary being changed had changed in action status from "track" to "treat", with Murray Ferguson now maintaining an overview of the boundary consultation process on behalf of Management Team.
38. Members also noted that the external initiatives impacting on the Authority's resources and service provision had now expanded from the pylon inquiry to also include SEARS and the 5-year review of National Parks.

Standing Item: Update on Internal Audit Recommendations and Balanced Scorecard (Paper 11)

39. Members noted progress to date on previous internal audit recommendations.
40. Members noted the current status of balanced scorecard measures for governance and risk management, as at December 2007.

AOCB

41. No other business was raised.

Date of Next Meeting

42. Next meeting scheduled for 21 August 2008, 9:00am, Ballater. Also noted that an additional meeting may be required prior to that date to consider final accounts for 2007/08 and the external auditors report.