

Informing the audit risk assessment for Cairngorms National Park Authority ('CNPA') 2020/21

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CAIRNGORMS NATIONAL PARK AUTHORITY
Audit and Risk Committee Paper 2 Annex 2 20/04/2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between CNPA's external auditors and CNPA's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from CNPA's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

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Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Covid - working remotely and placing more emphasis on all staff to ensure that work is being carried out in terms of contractual arrangements
2. Have you considered the appropriateness of the accounting policies adopted by CNPA's Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes, and on going. Text of accounting policies will be revised for disclosure the financial statements. The impact of IFRS 16 has yet to be completed due to implementation being postponed until 22/23
3. Is there any use of financial instruments, including derivatives?	No
4. Are you aware of any significant transaction outside the normal course of business?	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No change from previous years. The Authority remains the accountable body for the LEADER and NLHF funded projects. A disclosure note will address these contingencies.
8. Other than in house solicitors, can you provide details of those solicitors utilised by CNPA during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Harper MacLeod - no change from 19/20. No open litigation from prior years

General Enquiries of Management

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Question	Management response
9. Have any of the CNPA's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Azets (Scott Moncrief) who replaced BDO as internal auditors. Among internal audit work carried out they have been asked on the accounting for the Peatland Recovery project, and infrastructure assets.

Fraud

Matters in relation to fraud

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ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As CNPA's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from CNPA's management.

Fraud risk assessment

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Question	Management response
<p>1. Have CNPA's assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the CNPA's risk management processes link to financial reporting?</p>	<p>As a NDPB charged with spending GiA from Scottish Government the opportunities for fraud are much less than a trading company. Any financial misstatement is likely to be due to cut off at year end - releasing/recognising too much income or including costs for the next AP. While misstatement is possible, material misstatement is unlikely given the expense profile of running costs - e.g. largest prepayment likely to be rent for 2 months; accrued costs are usually higher than wanted and work/services accrued can fail to happen for a number of reasons - failure to update finance or requisition forms on changed circumstances, or simply errors. This has been a challenge with the covid pandemic and the intention for 31 03 21 is to again try to minimise accruals. As project costs and funding are matched material misstatement is unlikely. All claims to National Lottery Heritage Fund have been paid out in full, as have the majority of claims to LEADER on project advances made. Due to continued work on the LARCS system differences are now being identified where amounts paid out to claimants may not be reimbursed in full by SG/LEADER. When identified overpayments are accrued for and repayments made when invoiced with any appropriate adjustment made via the irregularities provision. The net impact in the accounts is nil. TBs and detailed transaction reports are routinely reviewed by Finance. Transaction reports are also circulated to Heads of Services, more so in the run up to the year end for their review and comment. (This usually identifies miscoding's)</p> <p>(1) all bank accounts are monitored daily to identify any unusual activity. There's very rarely anything other than expected lodgements or payments. We maintain very low levels of petty cash and since the start of the covid pandemic payment by cheque has all but been abandoned. Bank payments require separation of duties: those setting up payments cannot authorise and then there is double authorisation. (2) we are now well aware of the various email and other frauds and any suspicious email is deleted; (3) with the requisition system we do have advance visibility on invoices/grants claims due. Any payment without a requisition is not paid until one is in place and the funds are confirmed as being available and signed off by Head of Service or staff member with appropriate authority; (4) we also really on healthy scepticism within the finance team who, and having been in their roles for some time, know the spend profile, suppliers etc. and do challenge payments etc. (5) there is a risk of fraud where payments are being made to partners for work done or as grants where work has not subsequently been carried out with no intention of it being carried out. Grant conditions usually contain provisions to allow sight of invoices as evidence of work done or by physical inspection. The greatest risk by value is on the LEADER project but given it is subject not just to local review and supervision but audit from Edinburgh and ultimately the EU there is minimal risk of fraud.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Those transactions and balances considered above</p>

Fraud risk assessment

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Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within CNPA as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>There have been no instances of fraud or suspected fraud in the year to date. We continue to receive CEO, and phishing emails and staff are under instructions to delete and not act on. Bank of Scotland also uses pop up messages in the banking system (which have to be acknowledged) to highlight the latest trends in (external) fraud etc. To a lesser degree the SG cyber security dept also issues warnings, and the SG NDPB Finance Directors' Forum.</p> <p>There is an annual internal audit plan each year with regular updates given to the Audit and risk Committee. All internal audit reports are published on the Authority's website.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within CNPA where fraud is more likely to occur?</p>	<p>(1) the most immediate fraud risk is cyber fraud - phishing etc. Staff are reminded not to open any emails etc. where they do not know the sender etc.. This is covered by updates from Bank of Scotland and SG cyber security teams and reliance on filters etc. and more frequent blocking of known risk IPOs, advised by SG cyber security. However, the implications of a successful cyber attack are unlikely to be the immediate loss of cash but in the loss of data and access to systems and the subsequent costs of recovering data, and replacing hardware. The Authority's servers cannot be accessed via the Authority's website which is hosted on a separate remote server. (2) no (3) no. Whilst working remotely for the last year the Ballater office has remained closed to the public, and offices for the T&G Landscape Partnership are now closed. Grantown remains the main place of operation and access has been restricted to only a few key staff for brief periods of time. There are no cash operations other than petty cash which is immaterial.</p>
<p>5. What processes do CNPA have in place to identify and respond to risks of fraud?</p>	<p>(1) all 5 bank accounts are reviewed daily to identify any unusual activity; (2) we are now well established in dealing with CEO or invoice fraud, and the Bank of Scotland CBO gives numerous reminders on this type of fraud, and tend to highlight the "most popular at any one time. Any CEO email is now deleted when at one point we would liaise with BoS - too time consuming; (3) with the requisition system we do have advance warning on invoices/grant claims due and any payment without a requisition is not processed until one is in place and a Head of Service or similar staff has authorised for payment. Suspicious invoices are challenged, or suspicious emails from unknown suppliers with attachments are deleted. Currently the biggest single risk of fraud would be from some form of cyber fraud: finance staff remain vigilant and we rely on network security to reject suspicious emails etc.</p>

Fraud risk assessment

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Question	Management response
<p>6. How do you assess the overall control environment for CNPA, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The control environment is robust and has preformed well under lockdown with the main change in operation being reliance on emails trails for approval of payment from those with the responsibility to approve an invoice/grant for payment, and generally starting the process to being more "digital". There have been no changes to the segregation of duties or internal controls and while working practices have been changed there has been no need yet for a detailed review of the effectiveness of the system of internal control. However, for the future, as the Authority is embarking on a transformational period in IT and moving to SWAN, and ultimately to Office 365 and more cloud based working, a review of the current financial procedures and software package will at some point take place. There is as yet no timescale for this. All finance staff have been in post for a number of years and have preformed well throughout the last year either working remotely or from the office on reduced office hours. Unlike a commercial operation there are no individual targets for staff to meet: rather the emphasis is on delivering an outturn as close as is possible to breakeven. There are no financial rewards/performance based for meeting any targets. If anything, working remotely, with increased scrutiny of transaction digitally and in paper has meant there have been no errors noted in payments. Historically at least 1 double payment in the run up to the year end has been noted but there are no such occurrences this year end. While the current way of working is not as efficient as it could be it has proved reliable in practice.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There is the potential for miscoding of transactions and heads of services are encourage to inform finance where they find a miss posting. Prior to year end postings will be reviewed for the year. However this is will not give rise to a change in outturn only in allocation of costs.</p>

Fraud risk assessment

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Question	Management response
<p>8. How do CNPA communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>Grant offers are accompanied with standard terms and conditions though it is recognised that they are in need of a refresh and this will likely happen in 21/22. Staff are encouraged to be vigilant, and, finance staff are encouraged to entertain a degree of scepticism and to challenge payments if they think necessary. I am not aware of any concerns raised by staff on fraud, or reporting of any issues. As an organisation we remain vigilant on the usual, and increasingly more frequent, cyber threats, invoice fraud, CEO and phishing.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Given the scheme of delegate authority, segregation of duties, need for documentary evidence, dual authorisation of bank payments etc no single post is as risky as any other.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>(1) No. (2) all transactions are authorised by a member of staff with the appropriate level of delegated authority. Any transaction has to be covered by a requisition (yellow) and signed off and for high value transactions decision will also have been reviewed/made at Management Team level, especially on the the high value green recovery fund and Visitor Infrastructure Fund. Transactions with other NPBD, government bodies are based on specific pieces of work or funding. Where there is a related party connection due to a Board member being a member of that body this will be noted for the accounts but Board members pay no part in the day to day operations or authorisation of payments to be made.</p>

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Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee? How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>There is an internal audit plan each financial year with regular updates given to the Audit and Risk committee. All internal audit reports are published on the Authority's website. Specific operational risks are noted in the Risk register which is updated and presented to the Audit committee, and Board twice a year. Nothing specially financial has been drawn to their attention in the current year.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

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Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that CNPA's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

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Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does CNPA have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Authority has Harper MacLeod as legal advisors who advice on legal matters generally and specifically on planning law and GDPR. Reliance is also placed on professionally qualified staff to be aware of changes in laws and regulations, and the matters. The NDPB FD Forum is used for a general source of changes likely to impact financial matters, and Audit Scotland's Quarterly Technical Bulletins are also reviewed. More recently, for cyber security matters reliance is placed on SG Public Sector Cyber Resilience Department for information on critical patch updates and threats. Post cyber attack on SEPA at the New Year greater significance is being placed on cyber security.</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>An annual report is made to the Audit and Risk Committee and the Governance report for inclusion in the annual financial statements. Emphasis is put on reporting on complaints and risk generally. Any significant break of laws and regulations would be reported to the committee, but there has historically none to report.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>Not that we are aware of.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There are currently none.</p>

Impact of laws and regulations

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Question	Management response
5. What arrangements does CNPA have in place to identify, evaluate and account for litigation or claims?	Specific advice would be taken from the Authority's legal advisor - Harper MacLeod.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Related Parties

Matters in relation to Related Parties

CNPA are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by CNPA;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

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Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in CNPA's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and CNPA Whether CNPA has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No. There are no new Board members or any public bodies we are dealing with for the first time in the year</p>
<p>2. What controls does CNPA have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Board members and staff are required to complete a register of interests, which is updated annually. For accounts disclosure this is reviewed to identify other bodies the Board member or staff member may have links to, other than mere membership, and transactions with those bodies are reviewed to derive the accounts disclosures.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>No Board member is involved in the approval process for payments. A schedule of delegated authority is maintained and where identified that a staff member has an interest the documentation will be signed off by another member of staff. For transaction over £25,000 authorisation is by a director with the CEO authorising payments over £100,000.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>There are no transactions outside the normal business activities of the Authority.</p>

Accounting estimates

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

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Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Only holiday pay accrual, LEADER irregularities provision, and depreciation. (1) the assumptions and method for calculation of the accrued holiday pay has remained consistent for at least the last 5 years; (2) a review of the LEADER irregularity provision has been postponed as the programme has now been extended to 31 December when we will be in a better position to reassess a final provision - if required, as actual irregularities may have been identified and agreed with the LEADER Edinburgh team and these will be recognised as an accruals (3) there has been no change to the methods or rationale on the depreciation of capitalised assets during the year.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	<p>Depreciation: Estimated useful lives of assets capitalised have been consistently applied over the last 10 years. Periodic reviews of other NDPB accounts are undertaken too to ensure rates are in line with other NDPBs. For 20/21 fixed asset additions have been IT related: hardware or "perpetual" licences of software.</p> <p>Accruals: Weekly review by Heads of service and other staff, review by finance manager, and where identified changes in the requisition value which is fed into projected outturn workings.</p> <p>Provisions: (1) for fixed term redundancy on actual calculations on length of contract and salaries to arrive at exposure at end of contract (2) LEADER irregularity provision was based on a % of awarded funding based on experience of prior programme management. Redecoration provision is based on liabilities falling under the lease and an estimate from historic cost information of associated cost. Staff holiday pay accrual is assessed based on sampled evidence of staff holiday and flexitime benefits held at the end of the year.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Depreciation: Manufacturers' specs and historic rates applied, or for capitalised leasehold improvements or other assets the length of the life or an estimated useful life of the asset.</p> <p>Accruals: The source data is from the requisition registers running from early February listing known outstanding requisitions at any date. Discussions are also held with Heads of Service to assess completeness and reliability of the requisition register.</p> <p>Provisions: Source data is based on appropriate management information held for each provision</p>
4. How do management review the outcomes of previous accounting estimates?	Based on movement at year end, specifically for the holiday pay accrual. There has been no movement in the LEADER irregularities provision and depreciation is reported on but largely uncommented on as it is a non-cash transaction.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

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Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Where necessary external specialised knowledge will be sought. TO date no such specialised knowledge has ben required.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Depreciation: Review of depreciation and capitalised assets in year through periodic management accounts and discussions between the Finance Manager and Director of Corporate Services. No outside service providers or management experts are used.</p> <p>Accruals: It is left to operational staff to liaise with the companies/individuals they have placed work with to ensure it is carried out to the standard and price/value contracted. In the run up to the year end, where work is not expected to start until after the year end requisition data is moved to a 21/22 section. In the run up to the year end the registers are monitored daily and staff encouraged to make sure work has been carried out and invoiced in year to reduce the level of accruals. The finance manager will discuss the appropriateness of an accrual with a head of service to determine if an accrual is appropriate, especially with contracted for goods and services. For grants awarded in year accruals are set up at the time of acceptance as the clear contractual obligation to pay exists.</p> <p>Provisions: The provisions are only revised at year end, if necessary, and are reviewed as part of outturn. No service providers or management experts are involved.</p>
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As above
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	From review of financial statements presented to the Audit and Risk Committee

Accounting Estimates - General Enquiries of Management

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Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes , but limited to the 3 classes already considered - depreciation, accruals and provisions.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
depreciation	Estimated useful lives of assets capitalised have been consistently applied over the last 10 years. Periodic reviews of other NDPB accounts are undertaken too to ensure rates are in line with other NDPBs. For 20/21 fixed asset additions have been IT related: hardware or "perpetual" licences of software.	Based on a review of other NDPB accounts, experience and generally accepted practices, and for IT purchases the estimated useful life of kit - where large/expensive pieces of kit carry a warranty/support period the asset is depreciated on a SL over that period. In practice manufacturers warranty/support periods have proved to be a reliable estimate of useful life. Laptop/desktop computers depreciation is over a 3 years period given technological advances and increasingly sophisticated software demanding more powerful machines.	N/A	Manufacturers' specs and historic rates applied, or for capitalised leasehold improvements or other assets the length of the life or an estimated useful life of the asset.	None

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	<p>(1) for fixed term redundancy on actual calculations on length of contract and salaries to arrive at exposure at end of contract (2) LEADER irregularity provision was based on a % of awarded funding based on experience of prior programme management. Redecoration provision is based on liabilities falling under the lease and an estimate from historic cost information of associated cost. Staff holiday pay accrual is assessed based on sampled evidence of staff holiday and flexitime benefits held at the end of the year.</p>	The provisions are only revised at year end, if necessary, and are reviewed as part of outturn.	N/A	Given scale of provisions and materiality, estimation risk is considered to be low. Annual year-end review, or earlier if significant change in operational circumstance required, allows for potential estimation uncertainties to be tested.	None

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Weekly review by Heads of service and other staff, review by finance manager, and where identified changes in the requisition value which is fed into projected outturn workings.	As part of the year end accounts processes operational staff liaise with companies / individuals they have work with to ensure it is carried out in accordance with contract / price. The Finance Manager will discuss the appropriateness of any accrual with the Head of Services to ensure the amount recognised is appropriate.	N/A	Key estimation uncertainty is around the recognition of expenditure in appropriate financial year. The controls outlined here are deployed to minimise estimation uncertainty.	None

